

Pluton Resources Limited ACN 114 561 732

Prospectus

For a non-renounceable entitlement issue to Eligible Shareholders of approximately 8,001,291,042 Shares at an issue price of \$0.01 per Share on the basis of 9 Shares for every 1 Share held on the Record Date to raise up to approximately \$80,012,910 before expenses (**Offer**). Patersons Securities Limited (AFSL No. 239 052) (**Patersons**) is the Lead Manager of the Offer.

This Prospectus also contains an offer of up to 133,000,000 Shares to Patersons or its nominees (**First Patersons Offer**) and, subject to Shareholder approval, an offer of a further 127,000,000 Shares to Patersons or its nominees (**Second Patersons Offer**), in connection with services performed by Patersons as Lead Manager. Refer to Section 1.8 of this Prospectus for further details on the Patersons' offers.

The Offer is conditional upon Shareholder approval and achievement of the Minimum Subscription of \$47,500,000. If these conditions are not satisfied on or prior to the Closing Date, then all application monies received by the Company in relation to the offer will be refunded (without interest) in accordance with the provisions of the Corporations Act.

This Offer closes at 5.00pm WST on 14 August 2014. Valid acceptances must be received before that date.

IMPORTANT NOTICE

This document is important and requires your immediate attention. It should be read in its entirety. If you do not understand its contents, or are in doubt as to the course you should follow, you should consult your stockbroker, accountant or professional adviser.

The Shares offered by this Prospectus should be considered speculative.

This document may not be released or distributed in the United States.

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Corporate directory

Directors Paul D'Sylva (Non-Executive Chairman)

Brett Clark (Managing Director)

Rahul Goel (Non-Executive Director)

Jaffe Lau (Non-Executive Director)

Company Secretary Graeme Smith

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WEST PERTH WA 6005

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Lead Manager Patersons Securities Limited

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2 The Esplanade PERTH WA 6000 AUSTRALIA

Auditors* Deloitte Touche Tohmatsu

Level 14, Woodside Plaza 240 St Georges Terrace PERTH WA 6000

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Share Registry* Boardroom Pty Limited

Level 7, 207 Kent Street, Sydney NSW 2000

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ASX CODE PLV

*Note: This entity is included for information purposes only. It has not been involved in the preparation of this Prospectus and has not consented to being named in this Prospectus.

Important dates

| Event | Date* |
|---|----------------|
| Lodgement of Appendix 3B with ASX | 9 July 2014 |
| Prospectus lodged at ASIC and ASX | 9 July 2014 |
| "Ex" Date (date Shares are quoted ex-rights) | 14 July 2014 |
| Record Date | 16 July 2014 |
| Prospectus (together with Entitlement and Acceptance Form) despatched to Shareholders | 21 July 2014 |
| Opening Date | 21 July 2014 |
| Shareholders Meeting | 12 August 2014 |
| Closing Date** | 14 August 2014 |
| Securities quoted on a deferred settlement basis | 15 August 2014 |
| Notification to ASX of under subscriptions | 19 August 2014 |
| Allotment date with respect to Shares | 21 August 2014 |
| Despatch of holding statements | 21 August 2014 |
| Quotation of Shares issued under the Offer** | 21 August 2014 |

^{*} Note: These dates are indicative only. The Directors reserve the right to vary the key dates without prior notice, subject to the Listing Rules.

^{**} Note: The Directors may extend the Closing Date by giving at least three Business Days' notice to ASX prior to the Closing Date. As such, the date the Shares are expected to commence trading on ASX may vary.

Important notes

This Prospectus is dated 9 July 2014 and was lodged with the ASIC on that date. Neither the ASIC nor ASX take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Shares will be issued on the basis of this Prospectus later than 13 months after the date of issue of this Prospectus. Shares issued pursuant to this Prospectus will be issued on the terms and conditions set out in this Prospectus.

The Company will apply to ASX for Official Quotation of the Shares offered pursuant to this Prospectus.

Investors should read this Prospectus in its entirety and seek professional advice where necessary. The Shares the subject of this Prospectus should be considered speculative.

An application for Shares by Eligible Shareholders will only be accepted by following the instructions on the Acceptance Form accompanying this Prospectus as described in section 1.9 of this Prospectus.

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus. Any information or representation which is not contained in this Prospectus or disclosed by the Company pursuant to its continuous disclosure obligations may not be relied upon as having been authorised by the Company in connection with the issue of this Prospectus.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the *Corporations Act*) and has been prepared in accordance with section 713 of the *Corporations Act*. It does not contain the same level of disclosure as an initial public offering Prospectus. In preparing this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the *Corporations Act* and that certain matters may reasonably be expected to be known to investors and professional advisers to whom investors may consult.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should observe any such restrictions. In particular, this document may not be distributed in any country except Australia, Cayman Islands, Hong Kong, New Zealand and the United Kingdom. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This Prospectus does not constitute an offer or invitation in any jurisdiction where, or to any person to whom, it would not be lawful to make such an offer or invitation.

The Shares have been, or will be, registered under the US Securities Act of 1933 or under the securities law of any state of the United States of America. The Shares may not be offered to the public in any country except Australia and New Zealand.

The Shares may not, directly or indirectly, be offered or sold within a country or jurisdiction outside of Australia or New Zealand except to shareholders with registered addresses in the Cayman Islands, Hong Kong or the United Kingdom.

New Zealand Notice

The Offer to New Zealand investors pursuant to this Prospectus comprises regulated offers made under Australian and New Zealand law. In Australia, this is Chapter 8 of the *Corporations Act* and the *Corporations Regulations 2001* (Cth). In New Zealand, this is Part 5 of the *Securities Act 1978*, *Securities Regulations 2009* and the *Securities (Mutual Recognition of Securities Offerings – Australia) Regulations 2008*.

The Offer and the contents of this Prospectus are principally governed by Australian rather than New Zealand law. The Australian *Corporations Act* and *Corporations Regulations 2001 (Cth)* set out how the Offer must be made. There are differences in how securities are regulated under Australian law.

For example, the disclosure of fees for collective investment schemes is different under the Australian regime. The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to the Offer. If you need to make a complaint about the Offer, please contact the Financial Markets Authority, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the Shares is not New Zealand dollars. The value of the Shares will go up or down according to changes in the exchange rate between the Australian currency and New Zealand dollar. These changes may be significant. If you expect the Shares to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

The Company will apply to the ASX for quotation of the Shares offered under this Prospectus. If quotation is granted, the Shares offered under this Prospectus will be able to be traded on the ASX. If you wish to trade the Shares through that market, you will have to make arrangements for a participant in that market to sell the Shares on your behalf. As the ASX does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from securities markets that operate in New Zealand.

The Company is required under Part 1 of the Securities (Mutual Recognition of Securities Offerings – Australia) Regulations 2008 to provide an Eligible Shareholder with copies of the Company's Constitution on request and free of charge.

Cayman Islands Notice

No offer or invitation to subscribe for Shares may be made to the public in the Cayman Islands.

United Kingdom Notice

Neither the information in this document nor any other document relating to the Offer has been delivered for approval to the Financial Services Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("**FSMA**")) has been published or is intended to be published in respect of the Shares. This document is issued on a confidential basis to fewer than 150 persons (other than "qualified investors" (within the meaning of section 86(7) of FSMA)) in the United Kingdom, and the Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 FSMA) received in connection with the issue or sale of the Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) FSMA does not apply to the Company.

Hong Kong Notice

WARNING: The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Company highlights

High Grade Ore

The Joint Venture ore is high grade hematite direct shipping ore (**DSO**) (up to 69% Fe) and the Company has in recent times through its management of the Joint Venture, been able to demonstrate an ability to produce ore on a regular basis. The Company's primary source of income is the sale of iron ore. It appears at the time of this Offer, that the iron ore price has moved off its lows of the last 18 months. Any increase in price (subject to exchange rates) results in an increase in gross revenue from the sale of iron ore.

The Project

The Project has been in operation with interruptions since the early 1950's, although the Joint Venture has only been in control of it since October 2012.

In December 2013, Pluton completed an additional review and optimisation of the Stage 4 seawall design following the localised instability that occurred on a small section of the eastern Stage 4 area. The western embankment of the seawall was re-aligned to enable deeper mining access to the additional DSO to counteract the minor ore loss resulting from the instability event.

On 16 December 2013, Pluton released an updated Mineral Resource and Ore Reserve statement reported in accordance with the JORC Code 2012 in relation to Stage 4 of the Project, and summarised as:

- Total Indicated Mineral Resource for the Seawall Hematite of 5.0Mt @ 67.9% Fe at a minimum 65.5% Fe cut-off grade;
- Total Inferred Mineral Resource for the Seawall Hematite of 6.1Mt @ 68.3% Fe at a minimum 62.0% Fe cut-off grade;
- Total Inferred Mineral Resource for the Highwall of 3.1Mt @ 49.6% Fe with no cut-off grade applied;
- Probable Ore Reserve for Stage 4 of 1.4Mt @ 68.1% Fe at a cut-off grade of 65.5% Fe.

In accordance with Listing Rule 5.23, the Company confirms it is not aware of any new information or data that materially affects the information included in its 16 December 2013 announcement, and that all material assumptions and technical parameters underpinning the estimates in that announcement continue to apply and have not materially changed.

The Joint Venture has completed a scoping study on the Stage 5 seawall expansion. Based on the positive outcome of the Study, a resource definition diamond drilling program is currently in progress. Drilling has intersected high grade, down dip extensions to the Seawall Hematite and an updated Mineral Resource estimate will be released during Quarter 3 2014.

100% Project ownership

The Company intends to restructure the Joint Venture so that it can operate on terms which will be more beneficial for the Company. In this regard, the Company has entered into the Letter Agreement with its Joint Venture partner Wise pursuant to which the parties have agreed to negotiate in good faith the terms of a Sale Agreement under which, subject to achievement of certain conditions precedent, the Company will acquire Wise's 50% interest in the Project thereby giving the Company control of 100% of the Project and removing the Sales and Marketing Agreement pursuant to which Pluton must pay 3% of the sale proceeds of its ore to Wise as a marketing fee. The payment for this purchase is

intended to come out of the proceeds of the Offer should it be fully subscribed or otherwise from any proceeds above the Minimum Subscription and other funding sources such as borrowings or the sell down of a Project interest.

Strategic direction

Following the resignation of three members of the Board (including the then Chairman) and the appointment of a new interim Chairman, the new Board has resolved to develop a strategic plan for the Company moving forward which aims to improve the prospects of the Company. It is intended that the Board will work with an independent consultant to review the skills currently available to the Board to determine whether the skills on the Board and within management are appropriate, review the Company's operations to identify areas in which costs can be reduced and develop a plan for reconstruction of the Company's debt position. The intention of the Board in implementing this plan is to enable the Company to become a boutique iron ore producer delivering a high quality product. Further, the Board is confident that the Offer pursuant to this Prospectus will, subject to receiving support from Shareholders, investors and creditors, see the Company emerge with a stronger balance sheet so that it may operate on more normal trading terms.

Production Costs

The Directors believe that total production costs per tonne of between \$50-55 per tonne inclusive of sustaining capital, calculated on a free on board basis, can be achieved at the Project. The Directors further believe there is scope to reduce these costs further and intend to pursue this once they have been able to stabilise the Company's financial position.

Shareholders and Creditors

The Company has a group of supportive creditors (as outlined in Section 2.12) and a substantial Shareholder GNR (as outlined in Section 2.5) who have indicated support for this Offer in the amount of approximately \$27 million (through GNR agreeing to subscribe for at least \$8.5 million of its Entitlement, and through creditors who have executed creditor commitment letters pursuant to which they will convert their debt into equity in the Company through subscription for any Shortfall Shares that may be available under the Shortfall Offer).

Risk factors

The key risk factors of which investors should be aware are set out in Section 5 of this Prospectus.

These risks, together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Shares in the future. Accordingly, an investment in the Company should be considered highly speculative. Investors should consider consulting their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

Some of the more significant risks which impact an investment in the Company are:

Going concern

As set out in the IAR, as at 31 March 2014, the Company had current liabilities of approximately \$53,754,000 and net current liabilities of approximately \$38,674,000.

The cashflow of the Company is under severe stress due in large part to:

- (a) the fall in the iron ore price and the strengthening Australian dollar;
- (b) the level of historic creditors; and
- (c) other matters which have come to the attention of the Board since 21 May 2014 revolving around the integrity and effectiveness of the Company's internal controls and reporting systems.

The above matters, when combined with:

- (d) the structure of the Company's debt;
- (e) the level of discounts, fees and royalties applicable to the operation of both the Company and the proceeds of sale of iron ore produced by the Joint Venture; and
- (f) the manner in which the participants in the Joint Venture have been operating, i.e. with the Company being primarily responsible for all Joint Venture expenses,

have impacted on the Company's recent performance.

Unless the Company can raise the Minimum Subscription there is a real risk the Company will not be able to pay its historic creditors and continue to fund its ongoing operations and working capital requirements.

The Offer is conditional on Shareholder approval. Shareholders will vote on this at a general meeting of the Company to be held on or about 12 August 2014. In accordance with the ASX waiver detailed in Section 1.6 of this Prospectus, Patersons and substantial shareholders of the Company (as that term is defined in the Corporations Act) and their respective associates will be precluded from voting on this resolution.

• Potential for significant dilution if Shareholders do not participate in the Offer

Upon Shareholders approving the issue contemplated by this Offer and on completion of the Offer, assuming all Entitlements are accepted and no Options are exercised prior to the Record Date, the number of Shares in the Company will increase from 889,032,338 to approximately 8,890,323,380. This means the number of Shares on issue will increase by a factor of 10 on completion of the Offer (assuming fully subscribed or the placement of all the Shortfall Shares and against the number of Shares on issue as at the date of this Prospectus immediately on closing). Further, the issue of Shares to Patersons or its nominees in connection with Patersons role as Lead Manager to the Offer (as detailed in Section 1.8 of this Prospectus) will result in further dilution to Shareholders.

Shareholders should note that if they do not participate in the Offer, their holdings will be diluted (as compared to their holdings and number of Shares on issue as at the date of this Prospectus) and without regard to the dilution which will result if any Options are exercised. Examples of how the dilution may impact Shareholders are set out in Section 3.3 of this Prospectus.

Compliance and regulatory risk

As noted in Section 2.3, after the close of the offer under the Last Prospectus, the Board became aware that the extent of the Company's creditors was significantly greater than anticipated both at the time of lodgement of the Last Prospectus and at the time securities were issued under the Last Prospectus. The Company is subject to compliance with the Corporations Act and the Listing Rules and its compliance within the regulatory framework is monitored by and subject to enforcement action by both ASIC and ASX.

Third Party Default

As noted in Sections 2.5, 2.6 and 6.7, the Company is either in default or has triggered a potential default of arrangements it has with third parties. This may lead to an action in contract or damages including the foreclosure under securities which certain third parties hold over the Company and its interests in the Project. A number of such third parties hold security interests over the Company and its assets. There is a risk that a third party may exercise its rights as a result of the Company's default or potential default.

Reliance on contractors

The Company's primary source of revenue is the sale of iron ore produced by the Joint Venture through offtake agreements primarily with GNR and Rizhao. This revenue is dependent on the production of the Joint Venture meeting the shipping schedule for shipments of ore in accordance with these agreements, such shipping schedule being set out in Section 2.7. The Company has entered

into a mining services agreement with Watpac pursuant to which Watpac provides mining services to the Joint Venture at the Project. The Joint Venture's ability to meet the shipping schedule is heavily dependent on Watpac's ability to mine at the contracted rates to meet the shipping schedule.

Any delay in contractors (including Watpac) completing work or cost overruns or operational difficulties may have a material adverse effect on the results of operations or financial condition of the Company if the contingency allocated by the Joint Venture is insufficient.

Acquisition of the Wise Joint Venture Interest

The Company and Wise have entered into the Letter Agreement pursuant to which they agreed to negotiate in good faith a formal agreement for the Company to acquire Wise's Joint Venture Interest, to terminate the Sales and Marketing Agreement and buy-back Wise's 48,845,070 Shares for US\$21,000,000 (intended to be without set-off or should Wise sell such Shares then the sale proceeds of those Shares are to be offset against the US\$21,000,000) (Wise Transaction). The Letter Agreement provides that the parties shall negotiate in good faith to enter into legally binding documentation (Sale Agreement) and complete the transaction on or before 12 October 2014 (being the date 180 days from the date of the Letter Agreement). The Sale Agreement is intended to settle various claims either party may have against the other.

The Wise Transaction may not proceed if the parties cannot agree the terms of the Sale Agreement, or if less than the maximum subscription is raised under the Offer or the Company is not able to raise the money needed to complete the transaction.

If the Wise Transaction does not proceed, Wise may require the Company to resign as manager of the Joint Venture and mining activities at the Project may halt while the parties negotiate a way forward, and any money Pluton contributed into the Joint Venture on behalf of Wise during the 180 day period referred to below would not be recoverable from Wise. In the event that the Company is removed as manager of the Joint Venture, the Company may not be able to appoint its first preference of replacement manager to the Joint Venture.

During the 180 day period referred to in the Letter Agreement, the Company will pay all called sums payable by Wise under the Joint Venture Agreement, and Wise's proceeds from the sale of Joint Venture product will be applied to repay the Company for those payments.

Future capital needs

The Company's cashflow is dependent on a number of factors, including factors outside of its control. Changes to these factors (for example, the iron ore price falls), may require the Company to seek further funding to support the Joint Venture's ongoing activities and operations which may take the form of debt, equity, proceeds from sale of product or an interest in the Joint Venture, sale of the marketing rights (assuming the Company completed the purchase of the Wise Assets), other sources or a combination of the same. There can be no assurance that such funding will be available on satisfactory terms or at all. Any inability to obtain funding will adversely affect the business and financial condition of the Company and, consequently, its performance.

Delivery into Offtake Agreements

The Company has entered into various offtake agreements pursuant to which they have sold iron ore in advance of production. In conjunction with these sales, the Company received funding, the repayment of which was to be out of the sale proceeds under the offtake. The majority of these payments have been used to fund both the purchase of the Project, meet capital needs such as Stage 4 of the seawall and to undertake Joint Venture activity. The Company and Wise have agreed to deliver iron ore in the future pursuant to a shipping schedule which has been prepared around forecast production levels.

In the event of any interruption to production or other scheduling delays, the Company and Wise may not be able to achieve the timely delivery of iron ore in satisfaction of their commitment to do so, which places those parties in breach of their obligations. Experience to date has been that the Company and Wise have not on occasions been able to achieve the timely delivery of iron ore as a result of such interruption to production or other scheduling delays but the parties have, to date, been able to

renegotiate the delivery terms. Further, with recent delays which have been experienced, the cashflow of the Project has been adversely affected resulting in the Company having to resort to short term borrowings to fund Joint Venture activity (see the arrangements referred to in Sections 2.10 and 2.11 of this Prospectus) and to otherwise satisfy its financial obligations. If there are further delays in the cash flow there is no assurance that such a renegotiation will always be able to be achieved or that the Company will be able to source short term funding to bridge any future cash shortfall.

Offtake Agreements – discounting and repayment terms

The offtake agreements with prepaid parties referred to above account for approximately 60% of the projected production from Stage 4 of the Joint Venture operations. The counter parties to these contracts have provided funding to the Company and Wise to use in the Joint Venture and the majority of these funds have been applied to both capital and operating costs.

Each of the Company and/or Wise are required under the offtake agreements to:

- (a) sell their production at a discount to market to the counter-parties to these offtake agreements;
 and
- (b) apply part of the proceeds of such sales to the repayment of funding which the counter-parties to the offtake agreements have provided.

These factors have had, and will unless renegotiated or replaced, continue to have an impact on the Company's cashflow should the iron ore price and Australian to US dollar exchange rate remain at or near current levels.

Arrangement with creditors

The Company is reliant on its cash flow to meet its creditors. Various deferral arrangements have been reached with a number of the Company's existing creditors to make payment out of the proceeds of the Offer, including, as detailed in Section 2.4 Watpac, which is the Company's largest creditor.

Key definitions

Throughout this Prospectus, for ease of reading, various words and phrases have been defined rather than used in full on each occasion. Please refer to Section 7 of this Prospectus for a list of defined terms.

Brief instructions for Eligible Shareholders

The number of Shares to which you are entitled is shown in the Entitlement and Acceptance Form. You may participate in the Offer as follows:

- (a) if you wish to accept your Entitlement in full and apply for additional Shares which may be available if not all Shareholders accept their Entitlement in full:
 - (i) pay the amount determined by multiplying the number of Shares you wish to apply for (including your Entitlement) by the issue price of \$0.01 via BPAY using the BPAY code and personalised reference number indicated so that the funds are received before 5.00pm (WST) on the Closing Date; or
 - (ii) complete the Entitlement and Acceptance form, including the section regarding applying for additional Shares in excess of your Entitlement and attach your cheque for the appropriate application monies (at \$0.01 per Share) so that it is received before 5.00pm (WST) on the Closing Date;
- (b) if you wish to accept your Entitlement in full:
 - (i) pay the amount indicated on your Entitlement and Acceptance Form via BPAY using the BPAY code and personalised reference number indicated so that the funds are received before 5.00pm (WST) on the Closing Date; or
 - (ii) complete the Entitlement and Acceptance Form, filling in the details in the spaces provided and attach your cheque for the amount indicated on your Entitlement and Acceptance Form so that it is received before 5.00pm (WST) on the Closing Date;
- (c) if you only wish to accept part of your Entitlement:
 - (i) pay a lesser amount than indicated on your Entitlement and Acceptance Form via BPAY using the BPAY code and personalised reference number indicated so that the funds are received before 5.00pm (WST) on the Closing Date; or
 - (ii) fill in the number of Shares you wish to accept in the space provided on the Entitlement and Acceptance Form and attach your cheque for the appropriate application monies (at \$0.01 per Share) so that it is received before 5.00pm (WST) on the Closing Date; or
- (d) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything. If Eligible Shareholders do not take up their entitlement, their existing interest in the Company will be diluted. Please refer to Sections 0 and 5.2 of this Prospectus.
- (e) Please refer to Section 1.9 of this Prospectus for further details relating to Entitlements and acceptance of the Offer.

Chairman's Letter

Dear Shareholder

I am writing to you for the first time in my capacity as Chairman of the Board of your Company. I was appointed as interim Chairman on 2 June 2014, 19 days after Pluton completed its previous fundraising under the Last Prospectus. My appointment and the restructure of the Board occurred after the previous Board became aware of matters which lead them to consider the appropriateness of undertaking a further capital raising as a result of the factors set out in the Company update released on ASX on 17 June 2014, namely:

- (a) the continuing decline in the Company's revenue from trading. In particular, the significant decline in the iron ore price, the adverse movement in the exchange rate when combined with 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 Joint Venture 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 Joint Venture; and
- (c) the Company's creditor position, which was (and remains) larger than anticipated at the time of lodgement of the Last Prospectus,

and other matters which came to the attention of the Board since 21 May 2014 revolving around the integrity and effectiveness of the Company's internal controls and reporting systems.

In light of these developments, three of the previous Board members including the then Chairman, resigned.

A new interim Chief Financial Officer has been appointed as part of a broad review of the Company's operations including a comprehensive review of the Company's financial position. In addition, the Company has engaged BDO, an independent accounting firm to provide the Investigating Accountant's Report as part of the preparation of this Prospectus. This Investigating Accountant's Report is set out in Section 4 of this Prospectus.

Since the previous fundraising, a number of circumstances have arisen including a significant drop in the iron ore price and adverse exchange rate movement, which when coupled with the unanticipated level of historical creditors and issues associated with the accuracy of the Company's financial records (as announced on ASX on 17 June 2014) meant that the Company's cashflow could not support continuing operations and lead the Board to conclude that a fundamental recapitalisation and restructure of the Company is essential. The Board's plans are focused on three key areas;

- (a) the repair of the Company's balance sheet;
- (b) the restructure of the Joint Venture; and
- (c) the restructure of operations.

The far reaching scope of the changes will be necessary to position the Company to better meet the financial and operational challenges facing it today. After a recent visit to site, I am confident in the Company's ability to improve operational efficiencies and production at the mine and to deliver value to shareholders now and into the future.

I am pleased to report that the Company presently enjoys the continued support of its major shareholder and stakeholders. GNR (which holds approximately 17% of the issued Shares) is providing ongoing financial support and has committed to subscribe for at least \$8.5 million of its

Entitlement (subject to the Minimum Subscription being reached). GNR will advance \$4.5 million to the Company in the form of a loan during the Offer period in order to ensure the Company can meet its commitments to Watpac, with this amount to be set off against GNR's subscription for its Entitlement if Minimum Subscription is reached.

Further, the Company has prior to issuing this Prospectus entered into creditor commitment letters with a number of its creditors whereby they will convert their debt into equity in the event of a Shortfall under the Offer and anticipates that prior to the Closing Date of the Offer, it will be able to enter into further agreements with creditors pursuant to which those creditors will also agree to subscribe for any Shortfall Shares with the subscription price of the Shortfall Shares to be offset against amounts owing to creditors. Added to this, the Company has also commenced discussions with various parties, including potential strategic investors, about participation in any Shortfall. This book ended support, together with your support, will see the achievement of the first of two key elements essential to the repair of the Company's balance sheet.

The second key element is the restructure of the Company's debt position which may entail changes to the existing offtake arrangements. The Board has received an indicative term sheet from a third party financier and has interest from other parties and hopes to be in a position to conclude an alternative to the offtake arrangements in due course.

Similarly, in relation to the Joint Venture and the Company's operations, the Board has commenced a review utilising the expertise of external consultants aimed at identifying the opportunity to extend the life of stage 4 of the Joint Venture beyond the current mining plant.

Due to the size of the proposed issue and its potential dilutory effect on Shareholders who do not participate in the Offer, the Offer is made subject to Shareholders approval. A Shareholders' meeting is to be held on or about 12 August 2014 for Shareholders to consider the Offer.

Accordingly, the Company's Shares will remain in voluntary trading suspension until Shareholders' approval of the issue of Shares under the Offer and the Company achieving the Minimum Subscription of \$47,500,000.

Pluton Shares will remain in the voluntary trading suspension pending:

- (a) Shareholders approving the issue, the subject of this Prospectus at a Shareholder meeting to be held on or about 12 August 2014; and
- (b) Pluton achieving the Minimum Subscription referred to in Section 1.3 of this Prospectus on or before the Closing Date,

whereupon Pluton expects to apply for lifting of the voluntary suspension very soon thereafter.

This Prospectus contains important information about the Offer, including:

- (c) details of the Offer, including key dates;
- (d) actions required by Shareholders; and
- (e) risk factors associated with the Offer.

You should read this Prospectus carefully and in its entirety before deciding whether or not to participate in the Offer. In particular, you should consider the key risk factors included in Section 5 of this Prospectus. The Prospectus includes your personalised Entitlement and Acceptance Form. This form details your Entitlement and must be completed in accordance with the instructions provided. If you have any queries about the Offer you should contact the Company on (08) 6145 1800 at any time from 8:30am to 5:00pm (WST) during the Offer period.

| On behalf of the Board, I thank you for your continued support of our company. | | |
|--|--|--|
| Yours faithfully, | | |
| Dr Paul D'Sylva Chairman | | |
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1 Details of the Offer

1.1 Offer

This Prospectus is for a pro-rata non-renounceable entitlement issue of approximately 8,001,291,042 Shares at an issue price of \$0.01 per Share on the basis of 9 Shares for every 1 Share held on the Record Date to raise up to approximately \$80,012,910 before expenses (**Offer**).

As at the date of this Prospectus, the Company has 889,032,338 Shares, 678,982,837 listed and 37,739,148 unlisted Options on issue. Please refer to section 3.2 of this Prospectus for further information on the exercise price and expiry date of the Options on issue.

Optionholders will not be entitled to participate in the Offer. However, they may exercise their Options prior to the Record Date if they wish to participate in the Offer. As these Options are well out of the money it is unlikely they will be exercised. However, in the event that all these Options are exercised prior to the Record Date, a further 6,450,497,865 Shares will be offered pursuant to this Prospectus to raise a further (approximately) \$64,504,979.

The Company currently has 6,500,000 unvested Performance Rights on issue. Holders of Performance Rights will not be entitled to participate in the Offer.

All of the Shares offered under this Prospectus will rank equally with the Shares on issue as at the date of this Prospectus. Please refer to section 6.9 of this Prospectus for further information regarding the rights and liabilities attaching to the Shares.

1.2 Purpose of the Offer

The purpose of the Offer is to raise up to approximately \$80,012,910 before expenses. The Minimum Subscription of the Offer (as described in Section 1.3) is \$47,500,000.

The Company intends to use these funds as follows:

| Use of funds | Amount | | | |
|---|----------------------|-------|----------------------|-------|
| | Minimum subscription | | Maximum subscription | |
| | \$ | \$ % | | % |
| Pay creditors* | \$29,225,000 | 61.53 | \$29,225,000 | 36.53 |
| Loan repayments | \$17,182,000 | 36.17 | \$17,182,000 | 21.47 |
| Funds allocated for either payment for the Wise Assets, repayment of offtake loans, restructure of the Joint Venture and/or refinancing costs | - | - | \$22,580,600** | 28.22 |
| Working capital*** | \$1,093,00 | 2.30 | \$11,025,310 | 13.78 |

| Total \$47,500,000 100% \$80,012,910 100% | |
|---|--|
|---|--|

^{*} The Company has commitments totalling approximately \$18.5 million from creditors of the Company who are prepared to have their indebtedness converted into equity in the Company in the event Shareholders do not take up their entitlement.

The above table is a statement of current intentions as of the date of this Prospectus and is subject to ongoing review and evaluation by the Company. As with any budget, the actual use of funds raised under the Offer may change depending on the outcome of the restructuring initiatives as they proceed and the ongoing requirements for the mining and sale of ore from the Project. The Board reserves the rights to alter the way in which funds are applied from this Offer.

If more than the Minimum Subscription is raised, but less than the maximum subscription, the Company intends to use funds raised above the Minimum Subscription for working capital.

Although unlikely, any additional funds raised from the participation of Eligible Shareholders in the Offer following the exercise of Options prior to the Record Date will be applied towards the Company's general working capital and administration expenses.

1.3 Minimum Subscription

Unless the minimum subscription (by valid applications) or commitment to subscribe for Shares from creditors who enter into creditor commitment letters agreeing to subscribe for Shortfall Shares by setting off all or part of the amount they are owed against the subscription price for the Shortfall Shares (**Minimum Subscription**) totals at least \$47,500,000 on or before the Closing Date, the Offer will lapse and the Company will return all application moneys received (without interest) and any creditors who have agreed to subscribe for Shortfall Shares will be released from their commitment to do so.

As detailed in Section 1.6, the Offer is also subject to Shareholder approval.

1.4 No trading of Entitlements

Entitlements to Shares pursuant to the Offer are non-renounceable and accordingly Eligible Shareholders may not dispose of or trade any part of their Entitlement.

1.5 Opening and Closing Dates

The Offer will open for receipt of acceptances at 9.00am WST on 21 July 2014 and will close at 5.00pm WST on 14 August 2014 or such later date as the Directors, in their absolute discretion and subject to compliance with the Listing Rules, may determine and provided that the Company gives ASX notice of the change at least 3 Business Days prior to the Closing Date.

1.6 Condition to the Offer

The Company has sought and received a conditional waiver from ASX from Listing Rule 7.11.3 to allow the Company to undertake the Offer.

Listing Rule 7.11.3 provides that the ratio of securities offered by a listed entity for a pro rata issue must not be greater than one for one unless the offer is renounceable and the

^{**}Note: If the payment is used for the Wise Assets, this assumes an exchange rate of United States \$0.93 to one Australian \$. If completion under the Wise Transaction does not occur, the funds will be applied towards repayment of prepayment and offtake facilities, restructure of the Joint Venture and for working capital.

^{***}Note: This includes working capital and administrative costs such as salaries, ASX and other fees and corporate overheads, and may also be used to cover part or all of the costs of the Offer depending on the amount raised.

issue price is not more than the average market price for the securities in that class, calculated over the last 5 days on which sales in securities were recorded before the day on which the pro rata issue was announced.

As the Company's Shares are suspended from trading on ASX, it is not possible for the Company to conduct a renounceable rights issue. As the Offer is non-renounceable and on a 9 for 1 basis, ASX has granted the Company a conditional waiver from Listing Rule 7.11.3.

The waiver is conditional on the Company obtaining Shareholder approval in relation to the Offer at the shareholder meeting expected to be held on or about 12 August 2014. A notice of meeting will be announced on ASX and sent to Shareholders shortly after this Prospectus is lodged with ASX.

In connection with this waiver, ASX has also granted the Company a waiver from Listing Rule 7.15 to enable the Offer to have a record date which is prior to the date of the shareholders' meeting.

1.7 Lead Manager

The Company has entered into a mandate with Patersons pursuant to which Patersons has agreed to be the Lead Manager to the Offer (**Mandate**). In respect of its services as Lead Manager to the Offer, the Company has agreed to:

- (a) pay Patersons a corporate advisory fee of \$200,000;
- (b) pay Patersons a lead management fee of 6% of the total amount subscribed or placed under the Offer; and
- (c) issue to Patersons (or its nominees) 133,000,000 Shares under the First Patersons Offer, and subject to Shareholder approval, an additional 127,000,000 Shares under the Second Patersons Offer.

Details of the Mandate are contained in Section 6.4 of this Prospectus.

1.8 Patersons' Offers

This Prospectus includes a separate offer to Patersons (or its nominees) of 133,000,000 Shares (**First Patersons Offer**), and subject to Shareholder approval, a separate offer to Patersons (or its nominees) of 127,000,000 Shares (**Second Patersons Offer**), in consideration for Patersons role as Lead Manager to the Offer. No cash consideration will be payable by Patersons (or its nominees) to apply for these Shares and accordingly no funds will be raised under the First Patersons Offer and the Second Patersons Offer.

The Second Patersons Offer is subject to shareholder approval, such approval to be sought at the Shareholders Meeting scheduled to be held on or about 12 August 2014.

Only Patersons or its nominees may accept the First Patersons Offer and the Second Patersons Offer. Accordingly, do not complete the Patersons' Offer Application Form unless you are directed to do so by Patersons.

Only Patersons or its nominees may subscribe for Shares under the First Patersons Offer and the Second Patersons Offer by completing and returning the Application Form attached to or accompanying this Prospectus on or before 7 August 2014 for the First Patersons Offer, and on or before 14 August 2014 for the Second Patersons Offer.

1.9 Entitlements and acceptance

The number of Shares to which you are entitled (**Entitlement**) is shown in the Entitlement and Acceptance Form.

In determining Entitlements, any fractional entitlement will be rounded down to the nearest whole number.

Your acceptance of the Offer must be made on the Entitlement and Acceptance Form accompanying this Prospectus.

You may participate in the Offer as follows:

- (a) if you wish to accept your Entitlement in full and apply for additional Shares which may be available if not all Shareholders accept their Entitlement in full:
 - (i) pay the amount determined by multiplying the number of Shares you wish to apply for (including your Entitlement) by the issue price of \$0.01 via BPAY using the BPAY code and personalised reference number indicated so that the funds are received before 5.00pm (WST) on the Closing Date; or
 - (ii) complete the Entitlement and Acceptance Form, including the section regarding applying for additional Shares in excess of your Entitlement and attach your cheque for the appropriate application monies (at \$0.01 per Share) so that it is received before 5.00pm (WST) on the Closing Date;
- (b) if you wish to accept your Entitlement in full:
 - (i) pay the amount indicated on your Entitlement and Acceptance Form via BPAY using the BPAY code and personalised reference number indicated so that the funds are received before 5.00pm (WST) on the Closing Date; or
 - (ii) complete the Entitlement and Acceptance Form, filling in the details in the spaces provided and attach your cheque for the amount indicated on your Entitlement and Acceptance Form so that it is received before 5.00pm (WST) on the Closing Date;
- (c) if you only wish to accept part of your Entitlement:
 - (i) pay a lesser amount than indicated on your Entitlement and Acceptance Form via BPAY using the BPAY code and personalised reference number indicated so that the funds are received before 5.00pm (WST) on the Closing Date; or
 - (ii) fill in the number of Shares you wish to accept in the space provided on the Entitlement and Acceptance Form and attach your cheque for the appropriate application monies (at \$0.01 per Share) so that it is received before 5.00pm (WST) on the Closing Date; or
- (d) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to "Pluton Resources Limited – Entitlement Issue" and crossed "**Not Negotiable**".

Your completed Entitlement and Acceptance Form and cheque must be mailed to the Company's share registry at:

Boardroom Pty Ltd GPO Box 3993 Sydney NSW 2001

and received by no later than 5.00pm (WST) on the Closing Date.

If you choose to pay via BPAY® you are not required to submit your Entitlement and Acceptance Form. Your payment will not be accepted after 5.00pm (WST) on the Closing Date and no Shares will be issued to you in respect of that application.

If you have multiple holdings you will have multiple BPAY reference numbers. To ensure you receive your Shares in respect of that holding, you must use the specific biller code and the customer reference number shown on each personalised Entitlement and Acceptance Form when paying for any Shares that you wish to apply for in respect of that holding.

PLEASE NOTE THAT IF YOU INADVERTENTLY USE THE SAME CUSTOMER REFERENCE NUMBER FOR MORE THAN ONE OF YOUR APPLICATIONS, YOU WILL BE DEEMED TO HAVE APPLIED FOR THE ENTITLEMENT TO WHICH THAT CUSTOMER REFERENCE NUMBER APPLIES AND ANY EXCESS AMOUNT WILL BE DEEMED TO BE AN APPLICATION FOR ADDITIONAL SHARES.

Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. You may also have your own limit on the amount that can be paid via BPAY. It is your responsibility to check that the amount you wish to pay via BPAY does not exceed your limit.

Application for Shares in addition to your Entitlement

Shareholders are invited to apply for Shares in addition to your Entitlement. The Company has sole discretion to issue all, none or some of any additional new Shares you may apply for. Additional Shares will be issued at the same time as Shares applied for under your Entitlement. Application monies for any additional Shares you apply for but which are not issued to you will be refunded without interest.

The Company intends to honour all applications for additional Shares where possible. This will reduce any Shortfall which may otherwise be issued to creditors who agree to set off their debt for equity and to other investors.

Non-acceptance of Entitlement

If you do not wish to take up any part of your Entitlement under the Offer, you are not required to take any action. If you decide not to accept all or part of your Entitlement, the Shares not accepted will be dealt with in accordance with section 1.10 of this Prospectus.

Taxation Implications

Shareholders should obtain independent advice on the taxation implications arising out of their participation in the Offer.

Further queries

If you have any queries regarding your Entitlement, please contact the Company Secretary by telephone on +61 8 9322 8822 or your stockbroker or professional adviser.

PLEASE NOTE IF YOU DO NOT ACCEPT YOUR ENTITLEMENT IN FULL IN ACCORDANCE WITH THE INSTRUCTIONS SET OUT ABOVE, ANY PART OF AN ENTITLEMENT NOT ACCEPTED IN FULL WILL FORM PART OF THE SHORTFALL.

1.10 Shortfall

Any Entitlements not taken up by Eligible Shareholders (either through acceptance of their Entitlement or through Eligible Shareholders applying for Shares in addition to their Entitlement) may become available as Shortfall which may be placed by the Company (**Shortfall Shares**). The offer of any Shortfall is a separate offer made pursuant to this Prospectus (**Shortfall Offer**).

The Directors reserve the right, subject to the requirements of the Listing Rules and the Corporations Act, to place any Shortfall at their discretion within 3 months after the Closing Date. Shares offered pursuant to the Shortfall Offer will be issued at the same issue price as the Shares offered to Eligible Shareholders under the Offer.

Attached to and forming part of this Prospectus is an application form for the Shortfall Offer entitled "Shortfall Offer Application Form" which is to be used by proposed new investors generally. If you are an Eligible Shareholder you should not use this form, but rather the Entitlement and Acceptance Form in accordance with Section 1.9.

Applications from the public for Shortfall Shares under the Shortfall Offer will be subject to the prior rights of Eligible Shareholders.

The minimum subscription for general applications pursuant to the Shortfall Offer is 50,000 new Shares (being \$500 worth of Shares).

If you are a general investor and you wish to make an application to participate in the Shortfall Offer, please:

- (a) complete the Shortfall Offer Application Form, which accompanies this Prospectus, by inserting the number of new Shares for which you wish to apply for; and
- (b) forward the completed Shortfall Offer Application Form together your cheque or bank draft for the total amount payable to the Company's share registry at:

Boardroom Pty Ltd GPO Box 3993 Sydney NSW 2001

Applications received by the Closing Date and accepted by the Company will be processed with the Entitlement acceptances. Otherwise, unless closed earlier applications must be received before 14 November 2014.

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to "Pluton Resources Limited – Entitlement Issue" and crossed "**Not Negotiable**".

You should ensure that sufficient funds are held in the relevant account(s) to cover the application monies. If the amount of your cheque for the application monies is insufficient to pay in full for the number of new Shares you have applied for in your Shortfall Offer Application Form, you will be taken to have applied for such lower number of new Shares as your cleared application monies will pay for (and to have set out that number of new

Shares on your Shortfall Offer Application Form). Alternatively, your application will be rejected. If your cheque does not clear due to insufficient funds in your account, your application will be rejected.

If you are a potential investor and are considering applying for new Shares pursuant to the Shortfall Offer, this document is important and requires your immediate attention. If should be read in its entirety. Please read carefully the instructions on the accompanying Shortfall Offer Application Form regarding the application process to apply for Shortfall Shares. If you are in doubt as to the course you should follow, you should consult your stockbroker, solicitor, accountant or other professional advisor immediately.

It is the responsibility of investors to confirm the number of new Shares allotted to them prior to trading in the new Shares. Investors who sell new Shares before they receive notification of the number of new Shares allotted to them do so at their own risk.

1.11 Allotment of Shares

The Shares the subject of the Offer are expected to be allotted by no later than 21 August 2014.

Shares allotted pursuant to the placement of the Shortfall under Section 1.10 may be allotted within 3 months after the Closing Date although in order for the condition referred to in Section 1.3 of this Prospectus to be satisfied, sufficient Shares will have to be issued to Shareholders who take up the Offer which when combined with the contractual commitment from creditors to take up Shares under the Shortfall Offer will result in the Company achieving the Minimum Subscription referred to in Section 1.3 of this Prospectus.

Until issue and allotment of the Shares under this Prospectus, the application monies will be held in trust in a separate bank account opened and maintained for that purpose only. Any interest earned on application monies will be for the benefit of the Company and will be retained by it irrespective of whether allotment of the Shares takes place.

1.12 Application for Official Quotation

Application for Official Quotation of the Shares allotted pursuant to this Prospectus will be made to ASX within seven days following the date of this Prospectus.

If ASX does not grant Official Quotation of the Shares offered pursuant to this Prospectus within three months after the date of this Prospectus (or such period as varied by ASIC), the Company will not allot any Shares and will repay all application monies for the Shares within the time period prescribed under the *Corporations Act*, without interest.

A decision by ASX to grant Official Quotation of the Shares is not to be taken in any way as an indication of ASX's view as to the merits of the Company, or the Shares now offered for subscription.

1.13 Overseas Investors

The Company is of the view that it is unreasonable to make an offer under the Offer to Shareholders with registered addresses outside of Australia, Cayman Islands, Hong Kong, New Zealand and the United Kingdom (**Excluded Shareholders**) having regard to:

(a) the number of Shareholders outside of Australia, Cayman Islands, Hong Kong, New Zealand and the United Kingdom;

- (b) the number and value of the securities owned by Shareholders outside of Australia, Cayman Islands, Hong Kong, New Zealand and the United Kingdom; and
- (c) the cost of complying with the legal requirements and requirements of regulatory authorities in the overseas jurisdictions.

Accordingly, the Company is not required, and does not intend, to make offers under the Offer to Shareholders with registered addresses outside of Australia, Cayman Islands, Hong Kong, New Zealand and the United Kingdom.

The Offer contained in this Prospectus to Eligible Shareholders with registered addresses in New Zealand is made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand).

Members of the public outside of Australia, Cayman Islands, Hong Kong, New Zealand and the United Kingdom who are not existing Shareholders on the Record Date are not entitled to apply for any Shares.

1.14 Custodians and Nominees

Without the consent of the Company, nominees and custodians may not distribute this Prospectus nor any other materials relating to the Offer to, nor accept any Entitlements on behalf of, any person in the United States or in any other country outside Australia, Cayman Islands, Hong Kong and New Zealand.

1.15 Market prices of Shares on ASX

The highest and lowest closing market sale prices of Shares on ASX during the three (3) months immediately preceding the date of this Prospectus and the respective dates of those sales were \$0.0495 on 23 April 2014 and \$0.031 on 21 May 2014.

The Company has been suspended from trading on ASX since 3 June 2014. The market sale price of Shares on ASX at the close of trading on 3 June 2014 was \$0.034.

1.16 Privacy

The Company collects information about each Applicant provided on an Entitlement and Acceptance Form for the purposes of processing the application and, if the application is successful, to administer the Applicant's security holding in the Company.

By submitting an Entitlement and Acceptance Form, each Applicant agrees that the Company may use the information in the Entitlement and Acceptance Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the share registry, the Company's related bodies corporate, agents, contractors and third party service providers (including mailing houses), the ASX, the ASIC and other regulatory authorities.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the *Corporations Act* and certain rules such as the ASX Settlement Operating Rules.

If an Applicant becomes a security holder of the Company, the *Corporations Act* requires the Company to include information about the security holder (including name, address and details of the securities held) in its public register. This information must remain in the register even if that person ceases to be a security holder of the Company. Information contained in the Company's registers is also used to facilitate distribution payments and corporate communications (including the Company's financial results,

annual reports and other information that the Company may wish to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

If you do not provide the information required on the Entitlement and Acceptance Form, the Company may not be able to accept or process your application.

An Applicant has a right to gain access to the information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

1.17 Forward-looking Statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and such other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company and the Directors.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

These forward-looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. Some of these risk factors are set out in Section 5 of this Prospectus.

2 Company update

2.1 Company Profile

Pluton is an Australian company listed on the ASX (Code: PLV).

Pluton's major projects are:

- (a) its 50% interest in the Joint Venture, an operating iron ore mine which is located 140 kilometres north of Derby in Yampi Sound, located off the northern Kimberley coast of Western Australia; and
- (b) its 100% interest in the advanced exploration project known as Irvine Island, again off the coast of Western Australia.

2.2 Cockatoo Island Operations

Pluton acquired a 100% interest in the Project in September 2012 and thereafter settled the sale of a 50% interest in that project to Wise in August 2013. As part of that disposal, the Joint Venture was created with Wise. Pursuant to the arrangements which created the Joint Venture, Pluton retained management of the Joint Venture and Wise was appointed the agent to market and sell the iron ore produced by the joint venturers. Both parties agreed to pay a commercial fee for the services provided by the other.

At creation of the Joint Venture, long term offtake agreements were entered into with each of GNR and Rizhao in consideration for funding provided by Rizhao and GNR, the majority of which were used to finalise the acquisition of the Project and creation of the Joint Venture and to carry out capital works associated with expanding the mine life at Cockatoo Island. GNR and Rizhao are entitled to offset a portion of the sale proceeds under the offtake arrangements against the Company's obligations to those companies.

Since the Joint Venture commenced operating at Cockatoo Island, various production difficulties have been encountered which has delayed production. Both GNR and Rizhao have been sympathetic to the Company and Wise and have allowed the delivery schedule for iron ore to be rescheduled on several occasions. Since the Last Prospectus, the Joint Venture has been able to meet its projected number of shipments described in that delivery schedule.

2.3 Cashflow

At the time of the issue of the Last Prospectus, it was believed the raising pursuant to the Last Prospectus would see the Company having sufficient working capital to fund its ongoing working capital requirements. Funding the purchase of the Wise Assets was anticipated to largely come from the exercise of the Short Dated Options which were issued pursuant to the offer in the Last Prospectus, which Short Dated Options are now likely to be out of the money and are unlikely to be exercised.

During the period of the offer under the Last Prospectus, there was a decrease in the iron ore price and the Australian dollar began to appreciate against the United States dollar. The Board estimates the shortfall in revenue over what was budgeted for in the Last Prospectus totalled approximately \$1.44 million as at 23 May 2014.

Very soon after the closure of the offer the subject of the Last Prospectus, it emerged that the Company and the Joint Venture had creditors which had not been accounted for so that the amount owed by the Company to creditors was significantly higher than what was anticipated at the time of lodgement of the Last Prospectus, despite a rigorous due

diligence process associated with the preparation of the Last Prospectus. The new Board and management have conducted a detailed review of the Company's creditor position and believe there was an understatement of creditors as understood at the time of lodgement of the Last Prospectus totalling approximately \$16.2 million as at 23 May 2014.

For some time prior to the Company entering into the Letter Agreement, Pluton was sole funding Joint Venture expenditure even though it was a 50% participant in the Joint Venture. Pluton was in an intractable position as it was the contracting party with all of the contractors servicing the Joint Venture, thereby making it primarily liable for the debts of the Joint Venture. The Joint Venture accounting was not agreed between the parties and at the time of entering into the Letter Agreement, and an independent auditor had been engaged to determine the status of the indebtedness of each party to the other. As part of the terms agreed to in the Letter Agreement, Pluton has had to continue to sole fund all Joint Venture expenditure, although it is authorised to apply Wise's share of the net sales proceeds from production to such expenditure. Pluton estimates it has or will have contributed in the order of \$30.8 million to the Joint Venture expenditure on behalf of Wise as at the Closing Date.

2.4 Watpac

As at 2 July 2014, the Company owed Watpac \$9.2 million for work performed pursuant to a mining services contract that Watpac entered into with the Company on 20 February 2013 (as varied) (Indebtedness). The Company is primarily liable to Watpac for Watpac's work for the Joint Venture and must claim one half of the costs from Wise as a Joint Venture expense. As referred to in Section 2.3, Pluton has agreed to fund Wise's share of these costs pending completion or termination under the Letter Agreement. Watpac has agreed to a deferral of the payment of the Indebtedness pursuant to a letter agreement dated 2 July 2014 (Watpac Agreement), details of which are in Section 6.5 of this Prospectus.

2.5 GNR

The Company, GNR and GNR Macau have entered into a loan agreement which sets out the terms upon which GNR will lend \$4.5 million to the Company (**Loan**) (**GNR Loan Agreement**). The Loan will be paid in instalments of \$1.125 million on a weekly basis after the date of this Prospectus with a redraw fee of \$540,000 payable for the Loan. The Loan will be used by the Company to meet weekly payments of \$1 million owed to Watpac for services rendered at the Project. The remaining funds will be used for other purposes associated with the Project.

GNR and the Company have in place an existing security which secures repayment of an outstanding loan provided by GNR to the Company, and the Loan, to the extent possible, will be secured under that existing security without amending the existing security. To the extent the debt amount loaned and to be borrowed by the Company is greater than the maximum indebtedness capable of being secured under the security, it will be unsecured. The Company is also a party to a priority and subordination deed which sets out the rights and obligations of the Company's secured creditors, including GNR. There is a risk of secured creditors of the Company, other than GNR, considering that in order for the Loan to be secured their consent needed to be sought, which it was not. The Company considers the risk of not having sought that consent to be that of a contractual claim being brought against the Company. GNR has granted an indemnity in respect of any loss that the Company may suffer as a result of such a claim.

Under the GNR Loan Agreement, GNR agrees to accept its Entitlement to at least \$8.5 million (being 850,000,000 new Shares), with the subscription amount to be partially offset against the Loan, and the balance to be paid by GNR pursuant to this Prospectus.

In the event the Minimum Subscription is not reached, whereupon the amount loaned by GNR to the Company under the GNR Loan Agreement will become due and payable on the Closing Date. The Company and GNR also agree under the GNR Loan Agreement to use best endeavours to obtain all necessary consents and approvals (including, the consent of Wise under the Joint Venture) so that GNR may convert outstanding debts owed by the Company into Shares, including to amount necessary to meet the Minimum Subscription (up to a maximum of \$5,000,000) to otherwise to extinguish the Company's obligations to repay the funding previously provided by GNR. Subject to satisfaction of the Minimum Subscription, GNR (acting in good faith along with Patersons) must approve any allottees under the Shortfall which will comprise 5% or more of the total shareholding in the Company (following the Rights Issue shortfall).

Under the GNR Loan Agreement, the Company and GNR acknowledge that the Company will appoint an advisor to review the composition of the board of the Company and requisite skills of all executive and non-executive roles, including the chairman, in order to make recommendations for all such roles as are considered necessary and appropriate. If following such a review (taking into account internal and external existing candidates) the board of the Company and GNR acting reasonably and in good faith determine that a new chairman of the Company has not been identified, then the Company may appoint a chairman whose appointment must be approved by GNR acting reasonably and in good faith.

In consideration of the Loan and with the prior consent of Wise, the Company has entered into a further offtake agreement with GNR pursuant to which 5 shipments of ore produced at the Project will be sold to GNR (**Offtake Agreement**). Delivery of the ore will occur in 2015 after existing shipping commitments to GNR are satisfied. The Company and GNR have agreed that ore will be sold at a discount to the market price in the range of discounts offered with other Project offtakers.

2.6 Rizhao update

Under the long-term iron ore sales arrangement with Rizhao, the Company and Wise have agreed to deliver shipments of iron ore in accordance with an agreed shipping schedule. Subsequent to agreeing that shipping schedule, agreements have been reached with third parties whereby the Company and Wise have agreed to sell certain shipments that form the subject of the Rizhao shipping schedule to third parties. In the past, the Company, Wise and Rizhao have on a number of occasions agreed that shipments the subject of the Rizhao shipping schedule may be on-sold to third parties for a fee and subject to Rizhao's prior written consent. Rizhao may claim that its prior written consent was not obtained nor a fee paid in respect of the on-sale of recent shipments to third parties where it ought to have been, which may give rise to a contractual claim against the Company and a right of Rizhao to demand repayment of a debt owed to it by the Company under the terms of an all assets security granted by the Company in favour of Rizhao that secures performance by the Company of its obligations for delivery of iron ore and repayment of the debt owed to Rizhao.

2.7 Shipping schedule

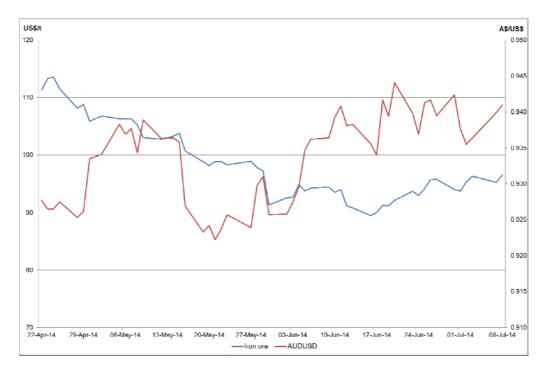
The Company and Wise have committed to sell iron ore to third parties and in order to meet their delivery obligations they need to comply with a shipping schedule. The current shipping schedule is set out below:

| | Current shipping schedule | | | | |
|----------------|--|--------------------------|---------------------------------------|------------|--|
| | | Parties | | | |
| Month | Rizhao Port Group Logistics Co. Ltd | Hyundai Steel Company | General Nice Resources (HK) Ltd | Spot sales | |
| April 2014 | | | 1 | 1 | |
| May 2014 | | | | 2 | |
| June 2014 | | | 1 | 1 | |
| July 2014 | | | | 3 | |
| August 2014 | 1 | | 1 | 1 | |
| September 2014 | 2 | 1 | 1 | | |
| October 2014 | 1 | 1 | 1 | | |
| November 2014 | 1 | 1 | | | |
| December 2014 | 1 | | 1 | 1 | |
| January 2015 | 1 | 1 | 1 | | |
| February 2015 | 1 | | 1 | | |
| March 2015 | 2 | | 1 | | |
| April 2015 | 1 | | 1 | | |
| May 2015 | 1 | | 1 | | |
| June 2015 | 2 | | 1 | | |
| July 2015 | | | 1 | 2 | |
| Aug 2015 | | | 1 | 1 | |

The Company has entered into various spot sale agreements referred to in the shipping schedule above setting out the terms upon which shipments of ore will be made from the Project. The Company has agreed to deliver these shipments at a discount to the market price but otherwise in accordance with the standard terms for sale of the Project ore. In accordance with the terms of the spot sales contracts, the Company on behalf of the Joint Venture has or will receive partial prepayments for the shipments in the order of between US\$2.5 million and US\$3 million, with the balance of the purchase price for each shipment (less 3% marketing fee) to be received upon delivery of the shipment. In some cases, the Company has entered into these spot sale agreements without the prior written consent of Wise in circumstances where Wise may claim it ought to have for the purposes of the sales and marketing arrangements between Wise and the Company. The risk to the company of not obtaining such consent is that of a claim in contract or damages.

2.8 Iron Ore Price and Exchange Rate

The Company's primary source of revenue is the sale of iron ore from the Joint Venture through offtake agreements with GNR and Rizhao. Under these agreements, the price per tonne is linked to the Platts 62%Fe index, which is denominated in US dollar terms. Accordingly, fluctuations in the iron ore price and the Australian dollar US dollar exchange rate have a significant impact on the revenue and cash flow of the Company. The following chart shows the iron ore price and the Australian dollar to US dollar exchange rate for the period from 22 April 2014 (being the date of the Last Prospectus) to 8 July 2014:



As shown in the chart:

- (a) the iron ore price was around US\$112 per tonne at the time of the Last Prospectus and dipped to a low of around US\$89 per tonne in mid-June. The iron ore price at the date of lodgement this Prospectus was around US\$96 per tonne; and
- (b) the exchange rate was around \$0.9350 Australian dollars to one US dollar around 22 April, and at the time of lodgement of this Prospectus is around \$0.9375.

The Joint Venture's current level of production supports 3 shipments of iron ore each month (see the table in Section 2.7), each ship containing approximately 43,500 tonnes of ore. At the time of the Last Prospectus, it was anticipated that the Company would be able to generate around US\$4.9 million of revenue per ship (based on the then iron ore price and exchange rate). The fall in the iron ore price and the appreciation of the Australian dollar since this time has meant that the revenue generated by the Company in this period has been less than anticipated (on average around US\$1 million per ship; Platts 62%Fe basis), which has placed severe strain on the Company's financial position.

2.9 Wise Relationship

As mentioned on page 9, the Company and Wise have entered into the Letter Agreement whereby Wise and the Company have agreed to negotiate in good faith the documentation of the Wise Transaction, and complete the transaction within 180 days of the date of the Letter Agreement.

Since announcing the Letter Agreement, Wise and Pluton have been in negotiations and as at the date of this Prospectus, no agreement has been agreed.

Notwithstanding the ongoing operations of the Joint Venture, the parties to the Joint Venture have not as yet agreed the program and budget for the current quarter (1 April 2014 to 30 June 2014) but irrespective of this, Joint Venture expenditure has been incurred by way of necessity (as provided for in the Joint Venture Agreement) and as such:

- (a) the Company has continued to fund all of the cash calls made on both the Company and Wise for that quarter; and
- (b) the Company has received the net proceeds of sale from Wise's share of production for that quarter to repay any funds it may provide on behalf of Wise.

2.10 Convertible Securities

As noted in the Last Prospectus, the Company has entered into a number of convertible note agreements with YA Global Master SPV Ltd (**YA**) and Celtic Capital Pty Ltd (**Celtic**). The Company currently owes YA approximately \$3.9 million and Celtic approximately \$5.8 million under these agreements. The Company has agreed with YA and Celtic that all amounts owed will, subject to the Company reaching Minimum Subscription, be set-off against the application by YA and Celtic for the Shortfall Shares (provided there is sufficient Shortfall for the set off). If there are insufficient Shortfall Shares to be set off against the amount owing by the Company to YA and Celtic then the agreements provide that the balance not set off shall be paid in cash.

2.11 Sunshine

As noted in the Last Prospectus, the Company and Sunshine have entered into a binding term sheet setting out the terms of a US\$2 million loan provided by Sunshine to the Company. The majority of funds under this loan have been used to facilitate production at the Project. The Company and Sunshine have now agreed that interest on the loan shall be paid on 7 July 2014 (which it was), and the principal value of US\$2 million plus a further interest payment of \$60,000 shall be paid on the day 3 business days after the date Shares are issued under the Offer. If these amounts are not paid by this day, interest will accrue at US\$2,222 per day.

If the above payments are not made by 20 August 2014, the Joint Venture shall allocate the first shipment of the Company's share of available Joint Venture ore to Sunshine and the price payable for that shipment is to be offset against the Company's indebtedness.

2.12 Creditors

As at the date of this Prospectus, the Company has a range of creditors totalling approximately \$41.6 million. Creditors totalling approximately \$18.5 million (including YA and Celtic referred to in Section 2.10 of this Prospectus) have entered into creditor commitment letters agreeing to subscribe for any Shortfall Shares that may be available, with the issue price of the Shortfall Shares to be set off (either partially or wholly) against the amounts they are owed. These agreements provide that:

- (a) the creditor will apply for any Shortfall Shares available under the Shortfall Offer, with the application price for the Shortfall Shares to be offset against the debt owed to them; and
- (b) the creditor will waive any events of default that may have occurred in respect of its original agreement with the Company.

The balance of creditors who have not yet executed agreements to apply for Shortfall Shares to be set off against their debt total approximately \$23.1 million.

The Company intends to approach these other creditors to see if they will agree to do likewise. If the Company does not satisfy the offer condition and Minimum Subscription on or by the Closing Date then those creditors who have agreed to convert their debt to equity will no longer be bound to do so.

2.13 Refinancing of Existing Facilities

GNR and Rizhao have provided funding which has been used for the benefit of the Joint Venture and liabilities for which have been assumed under the Joint Venture by Wise and Pluton. Currently, the level of outstanding obligations to GNR and Rizhao for repayment of this funding totals:

| Creditor | Amount |
|----------|-----------------|
| GNR | US\$9.8 million |
| Rizhao | US\$31 million |

In conjunction with this funding, each of GNR and Rizhao are entitled to acquire iron ore at a discount to the market price and to offset a portion of the sale proceeds against the liabities owed to the companies. These arrangements, although commercial at the time of high iron prices place substantial strain on the Company's cash flow in the current climate of falling iron ore prices and the strengthening Australian dollar.

The Company has received an indicative non-binding proposal to refinance these loans which if concluded, would see:

- (a) moneys owed to GNR and Rizhao being paid out; and
- (b) Rizhao terminating its offtake agreement with the Company and Wise,

and thereby allowing the Company and Wise to reprice any future offtake arrangements over a significant portion of Joint Venture production to a level which will increase the net increase in revenue received for the sale of each tonne of iron ore produced by the Joint Venture.

2.14 Administration of the Company

Putting matters into an historical context, the Board issued the Last Prospectus after a rigorous due diligence process.

The Board replaced its chief financial officer on 26 May 2014 with an interim appointee who was instructed to immediately carry out a review of the Company's financials and controls. A verbal report was delivered to the Board late on 29 May 2014 and the Company moved into a trading halt on 30 May 2014 followed by the suspension. Following this report, three of the then Directors (including the Chairman) resigned, and Dr Paul D'Sylva was appointed the interim Chairman of the Company

The financial performance of the Company has been disappointing and this has been highlighted by what has emerged as, amongst other things, a lack of financial controls. The Board is looking to remedy this:

- (a) with respect to what has happened which is being analysed by a separate forensic review being undertaken by external accountants;
- (b) with what is being put to Shareholders in this Prospectus, including the financial information in the Investigating Accountants' Report in Section 4; and
- (c) with respect to the future by having far more rigorous financial controls and accounting procedures.

In support of the above initiatives, the Board's skillset is being reviewed and where a deficiency is highlighted, the Board will look to restructure itself, including the appointment of additional Board members who have the required skillset to address the identified deficiency.

2.15 Option Offer

Subject to completion of the Offer and market conditions at the time, the Company intends to conduct a pro rata issue of Options to eligible shareholders in October 2014 on the basis of 1 option for every 3 Shares held on a record date to be determined by the Board in due course. It is proposed the Options will be issued for no consideration and will have an exercise price of \$0.013 cents and expire on the date 3 years from the date of issue. A prospectus for the offer of the Options will be made available when and if the Option offer is made. An eligible shareholder who wants to apply for Options will need to complete the application form that will form part of or accompany that prospectus.

3 Effect of the Offer on the Company

3.1 Effect of the Offer

The principal effects of the Offer on the Company, assuming maximum subscription and no Options are exercised prior to the Record Date, are as follows:

- (a) the Company will issue approximately 8,001,291,042 Shares under the Offer and the total number of Shares on issue will increase from 889,032,338 to approximately 8,890,323,380 Shares; and
- (b) the cash reserves of the Company will increase by approximately \$80,012,910 (less the expenses of the Offer) immediately after completion of the Offer.

3.2 Financial Position

The Board has commissioned BDO to prepare the IAR to assist Shareholders, investors and creditors assess the merits of the Company and its business, and to restore credibility. The IAR is set out in Section 4 and includes BDO's review of:

- (a) the consolidated statement of profit or loss and other comprehensive income for the 9 month period ended 31 March 2014;
- (b) the consolidated statement of financial position as at 31 March 2014;
- (c) the consolidated statement of changes in equity for the 9 month period ended 31 March 2014; and
- (d) the pro forma historical statement of financial position as at 31 March 2014.

Effect on capital structure

The effect of the Offer on the capital structure of the Company (assuming maximum subscription and no Options are exercised prior to the Record Date) is set out below.

Shares

| | Number |
|---|---------------|
| Shares currently on issue | 889,032,338 |
| Shares to be issued pursuant to the Offer* | 8,001,291,042 |
| Shares on issue after completion of the Offer | 8,890,323,380 |

^{*} Note: If all Options that are currently capable of being exercised are exercised prior to the Record Date, a further 6,450,497,865 Shares will be offered pursuant to this Prospectus.

Options

| Exercise Price | Expiry Date | Number |
|------------------|----------------|------------|
| Unquoted Options | | |
| \$0.30 | 3 October 2016 | 23,396,572 |
| \$0.831 | 22 July 2017 | 14,342,576 |

| Exercise Price | Expiry Date | Number |
|---------------------------|----------------|-------------|
| Quoted Options | | |
| \$0.045 | 3 October 2014 | 434,237,222 |
| \$0.055 | 31 March 2017 | 244,745,610 |
| Options on issue after co | 716,721,980 | |

The Company also has 6,500,000 Performance Rights on issue. Of these:

- (a) 2,166,666 Performance Rights vest at any time after the second anniversary but prior to the third anniversary of the commencement date of 1 March 2013
 (Commencement Date) if at any time during that period, the Share price is not less than 15 cents per Share and there is 5 million tonnes of resource at Cockatoo Island, and expire on 1 March 2016;
- (b) 2,166,667 Performance Rights vest at any time after the third anniversary of the Commencement Date but prior to the fourth anniversary of the Commencement Date if at any time during that period, the Share price is not less than 20 cents per Share, and expire on 1 March 2017; and
- (c) 2,166,667 Performance Rights vest at any time after the third anniversary of the Commencement Date but prior to the fourth anniversary of the Commencement Date if at any time during that period, the Share price is not less than 25 cents per Share, and expire on 1 March 2017.

No Shares, Options or Performance Rights on issue are subject to escrow restrictions, either voluntary or ASX imposed.

3.3 Potential impact of Offer on control of the Company

Assuming no existing Options are exercised prior to the Record Date, the maximum number of Shares which will be issued pursuant to the Offer is 8,001,291,042. This equates to approximately 90% of all the issued Shares in the Company following completion of the Offer.

The following creditor may acquire a relevant interest in more than 5% of the issued Shares on completion of the Offer as a result of their agreement to participate in the Shortfall Offer (see Section 1.10 of this Prospectus).

| Creditor | Maximum number of Shares the creditor will hold on completion of the Shortfall Offer | Voting power of creditor (%) |
|--------------------------|---|------------------------------|
| YA Global Master SPV Ltd | 388,800,000 | 6.9% |

^{*}The above assumes Minimum Subscription.

If Eligible Shareholders subscribe for Shares in the Offer then the relevant interest in Shares of those creditors who have signed creditor commitment letters to subscribe for Shares under the Shortfall Offer prior to the lodgement of this Prospectus (as described in Section 1.10 of this Prospectus) vary as shown below:

| Event | Number of Shares in which creditors hold a relevant interest | Voting power of creditor (%) |
|---------------------------------------|--|------------------------------|
| Offer fully subscribed (no Shortfall) | Nil | 0% |
| 75% subscribed (25% Shortfall) | 1,187,500,000 | 21.06% |
| 50% subscribed (50% Shortfall) | 0 | 0% |

^{*}The above assumes no creditor holds an existing relevant interest in the Company.

As noted in Section 2.5, GNR has agreed to subscribe for at least \$8.5 million under its Entitlement if the Minimum Subscription is reached. Accordingly, no creditor will acquire an interest in more than 19.99% of the Shares on issue on completion of the raising through entering into creditor commitment letters agreeing to subscribe for Shortfall Shares under the Shortfall Offer. In addition, Shareholders should note that if they do not participate in the Offer their shareholdings are likely to be diluted by approximately up to 90% (as compared to their holdings and the number of Shares on issue at the date of this Prospectus). Examples of how the dilution may impact Shareholders (assuming none of the existing Options on issue are exercised) are set out in the table below:

| Holder | Shareholding at the record date | % at the record date | Entitlement to Shares under the Offer | Holding if Offer not taken up | % post completion of the Offer |
|---------------|---------------------------------|----------------------|--|-------------------------------------|--------------------------------------|
| Shareholder 1 | 10,000,000 | 1.12% | 90,000,000 | 10,000,000 | 0.112% |
| Shareholder 2 | 5,000,000 | 0.56% | 45,000,000 | 5,000,000 | 0.056% |
| Shareholder 3 | 2,000,000 | 0.22% | 18,000,000 | 2,000,000 | 0.022% |
| Shareholder 4 | 1,000,000 | 0.11% | 9,000,000 | 1,000,000 | 0.011% |

^{*}The calculations in this table do not take into account the 260 million Shares to be issued by the Company to Patersons or its nominees pursuant to the First Patersons Offer and the Second Patersons Offer.

^{**}The above does not take into account the 260 million Shares to be issued by the Company pursuant to the Patersons offers.

| lı | Investigating Accountants' Report | | | | | | | | |
|----|-----------------------------------|--|--|--|--|--|--|--|--|
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38 Station Street Subiaco, WA 6008 PO Box 700 West Perth WA 6872

9 July 2014

The Directors Pluton Resources Limited Level 1, 5 Ord Street West Perth WA 6005

Dear Directors

INVESTIGATING ACCOUNTANT'S REPORT

Introduction 1.

We have been engaged by Pluton Resources Limited ('Pluton' or 'the Company') to prepare this Investigating Accountant's Report ('Report') on the historical financial information and pro forma historical financial information of Pluton for inclusion in the non-renounceable entitlement issue prospectus ('Prospectus').

Broadly, the non-renounceable entitlement issue will be performed on the basis of 9 New Shares for every share held at the record date. Therefore, the Prospectus will offer up to 8,001 million New Shares at an issue price of \$0.01 each to raise up to approximately \$80 million before costs ('the Offer').

The Prospectus includes a separate offer to Patersons Securities Limited ('Patersons'), or nominees, of 133 million New Shares ('First Patersons' Offer'), and subject to Shareholder approval, a separate offer to Patersons, or its nominees, of 127 million New Shares ('Second Patersons' Offer'), in consideration for Paterson's role as Lead Manager to the Offer.

The purpose of the Offer is to raise up to approximately \$80 million before costs. The Offer is subject to a minimum subscription level of 4,750 million New Shares to raise approximately \$47.50 million before costs.

The Company and Wise Energy Group ('WEG') are parties to the Cockatoo Island Mining Joint Venture ('CIJV'). The CIJV is an unincorporated joint arrangement established to carry out iron ore mining activities on Cockatoo Island located off the coast of Western Australia. It constitutes a joint operation and as at 31 March 2013 the Company accounts for its 50% share in each of the assets (including its share of any jointly held assets), its liabilities (including its share of any jointly held liabilities), its share of the revenue from the sale of output by the joint operation and its expenses, including its share of any expenses incurred jointly.

During April 2014, the Company announced that it had executed a letter agreement with WEG ('Letter Agreement') whereby Pluton will negotiate to acquire WEG's 50% joint venture interest in the Cockatoo Island Project. For 180 days from the date of the Letter Agreement, Pluton will

pay all approved sums payable by WEG under the CIJV, and WEG's proceeds from the sale of CIJV product will be applied to repay Pluton those payments. For the purposes of our Report, as at 1 April 2014 we have adjusted the Company's cash and trade creditor balances to incorporate WEG's 50% interest in the CIJV cash and trade creditors and all subsequent revenue and expense transactions in relation to the CIJV will be 100% incurred by Pluton.

Expressions defined in the Prospectus have the same meaning in this Report. BDO Corporate Finance (WA) Pty Ltd ('BDO') holds an Australian Financial Services Licence (AFS Licence Number 316158).

2. Scope

Historical financial information

You have requested BDO to review the following historical financial information of Pluton included in the Prospectus:

- The consolidated statement of profit or loss and other comprehensive income for the 9 month period ended 31 March 2014;
- The consolidated statement of financial position as at 31 March 2014; and
- The consolidated statement of changes in equity for the 9 month period ended 31 March 2014,

(collectively the 'historical financial information').

The historical financial information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and Pluton's adopted accounting policies. The historical financial information for the 9 month period ended 31 March 2014 has been reviewed by BDO Audit (WA) Pty Ltd in accordance with the Australian Auditing Standards. BDO Audit (WA) Pty Ltd issued an unmodified opinion, however included an emphasis of matter regarding continuation as a going concern, on the historical financial information for the period ended 31 March 2014.

The historical financial information is presented in the Appendices to this Report in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act* 2001.

Pro forma historical financial information

You have requested BDO to review the pro forma historical statement of financial position as at 31 March 2014 for Pluton referred to as the 'pro forma historical financial information'

The pro forma historical financial information has been derived from the historical financial information of Pluton, after adjusting for the effects of any subsequent events described in section 6 and the pro forma adjustments described in section 7. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the events or transactions to which the pro forma adjustments relate, as described in section 6 and section 7, as if those events or transactions had occurred as at the date of the historical financial information. Due to its nature, the pro forma historical financial information does not represent the company's actual or prospective financial position.

3. Directors' responsibility

The directors of Pluton are responsible for the preparation of the historical financial information and pro forma historical financial information, including the selection and determination of pro forma adjustments made to the historical financial information and included in the pro forma historical financial information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of historical financial information and pro forma historical financial information that are free from material misstatement, whether due to fraud or error.

4. Our responsibility

Our responsibility is to express a limited assurance conclusion on the financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

Conclusion

Historical financial information

Based on our review, which was not an audit, nothing has come to our attention which would cause us to believe the historical financial information as set out in the Appendices to this report does not present fairly, in all material aspects, the financial performance for the period ended 31 March 2014 or the financial position as at 31 March 2014 in accordance with the stated basis of preparation as described in section 2.

Pro-forma historical financial information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the pro forma historical financial information is not presented fairly in all material respects, in accordance with the stated basis of preparation as described in section 2.

6. Subsequent Events

The pro-forma statement of financial position reflects the following events that have occurred subsequent to the period ended 31 March 2014 up until 13 June 2014:

Adjustment to working capital of the Cockatoo Island Joint Venture:

 As at 31 March 2014, in line with accounting standards the Company's trade creditor balance only includes 50% of the CIJV creditors. As a subsequent event in line with the Letter Agreement, the Company has increased its trade creditor balance to also include the CIJV partner, WEG 50% interest in the CIJV trade creditors. This had an effect of increasing trade creditors by \$14.34 million and increasing the trade receivables from WEG of \$14.34 million:

- As at 31 March 2014, in line with accounting standards the Company's cash balance only includes 50% of the CIJV cash. As a subsequent event in line with the Letter Agreement, the Company has increased its cash balance to also include WEG's 50% interest in the CIJV cash. This had an effect of increasing cash by \$0.12 million and decreasing the trade receivables from WEG of \$0.12 million; and
- Between the period 1 April 2014 and 13 June 2014 the Company repaid an amount of \$0.40 million to WEG. This had an effect of decreasing cash by \$0.40 million.

Adjustments related to revenue receipts for iron ore sales:

- Between the period 1 April 2014 and 13 June 2014 the Company received 100% of the net revenue from iron ore shipments totalling \$15.48 million from the Cockatoo Island Project. This revenue amount is net of any discounts, penalties, marketing fees and freight costs incurred by the Company. The Company currently has a 50% interest in the CIJV, therefore \$7.74 million in revenue is due to the Company and the balance of \$7.74 million reduces the trade receivables balance from WEG;
- The Company also paid an amount of \$0.27 million to offset the deferred revenue balance as at 31 March 2014. The Company has a 50% interest in the CIJV, therefore \$0.14 relates to the Company and the balance of \$0.14 million increases the trade receivables balance from WEG. This had the effect of decreasing cash by \$0.27 million, decreasing deferred revenue by \$0.14 million and increasing the trade receivables balance from WEG by \$0.14 million over this period; and
- On 4 April 2014 there was an iron ore shipment (shipment number 25) for a total value of \$3.99 million. This shipment related to pre sold ore therefore the Company had already received its 50% cash payment for this shipment. As the Company currently has a 50% interest in the CIJV, \$1.99 million in revenue is due to the Company therefore reducing the deferred revenue balance payable by \$1.99 million.

Adjustments related to fixed mining operational costs:

 Between the period 1 April 2014 and 13 June 2014 the Company incurred 100% of the fixed mining operational costs totalling \$18.09 million at the Cockatoo Island Project. As the Company has a 50% interest in the CIJV, therefore \$9.05 million is recorded against the trade receivable balance from WEG. The Company paid the full amount of \$18.09 million with existing cash flows.

Adjustments related to general expenses and revenues:

- Between the period 1 April 2014 and 13 June 2014 the Company incurred 100% of the general expenses totalling \$10.37 million. The Company has a 50% interest in the CIJV; therefore \$5.19 million are expenses incurred by the Company and the balance of \$5.19 million increases the trade receivable balance from WEG. The Company paid the full amount of \$10.37 million from existing cash flows; and
- Between the period 1 April 2014 and 13 June 2014 the Company received \$1.72 million relating to other income amounts, predominantly a GST/BAS refund. Of this balance, \$0.86 million is revenue due to the Company and the balance of \$0.86 million is owed to WEG and accordingly is recorded against the trade receivables balance from WEG.

Adjustments relating to trade creditor repayments:

• Between the period 1 April 2014 and 13 June 2014 the Company paid a total of \$1.63 million to repay trade creditors from periods prior to 1 April 2014. This amount had been

accrued for in the prior period therefore the payments will have the effect of reducing cash and the trade creditor balance.

Adjustments related to capitalised expenditure incurred:

 Between the period 1 April 2014 and 13 June 2014 the Company incurred \$1.50 million in capitalised costs associated with the seawall construction for the Cockatoo Island Project. The Company has a 50% interest in the CIJV, therefore \$0.75 million has been capitalised by the Company and the balance of \$0.75 million is recorded against the trade receivable balance from WEG.

Adjustments relating to funding and loan repayments:

- Between the period 1 April 2014 and 13 June 2014, the Company received a \$2.13 million financing facility from Sunshine Alliance Resources Pty Ltd ('Sunshine') and \$0.50 million from Ascan Capital Pty Ltd ('Ascan') net of fees. During this time the Company also made repayments totalling \$2 million relating to the YA Global Master SPV Ltd ('YA Global') facility in place;
- Between the period 1 April 2014 and 13 June 2014, the Company incurred interest charges of \$0.14 million on the Sunshine facility, incurred interest charges of \$0.30 million on the Ascan facility, incurred \$0.34 million in interest changes on the Celtic Capital Pty Ltd ('Celtic') facility and incurred a \$1.75 million restructuring fee on the YA Global facility;
- During April 2014, the Company completed a placement to Prestige Glory Limited ('Prestige') in which a total of 36,842,106 Shares were issued at an issue price of \$0.076 per share to raise a total of \$2.74 million after costs. In addition to this, a further 33,158,894 Shares were issued pursuant to a Deed of Release between the Company and Prestige. The issue of these shares represent a share based payment and as such we have valued these shares at the current Offer price of \$0.01 per share. Total value of the 33,158,894 shares issued pursuant to the Deed of Release is approximately \$0.33 million;
- During May 2014, the Company completed an Entitlement Offer in which a total of 434,237,222 Shares were issued at an issue price of \$0.04 per share ('May Entitlement Offer'). A total of \$12.25 million was raised after capital raising costs of \$1.34 million. Shares were also issued to YA Global in satisfaction of a debt of \$2.86 million and Pelican Resources Ltd ('Pelican') in satisfaction of a trade creditor amount of \$0.15 million; and
- Under the May Entitlement Offer, as consideration for underwriting services, Patersons Securities Limited received 100 million options. Shareholders approved the issue of these options on 17 June 2014. These options have been valued at \$0.27 million.

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief, no other material transactions or events outside of the ordinary business of the Company have come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

7. Assumptions Adopted in Compiling the Pro-forma Statement of Financial Position

The pro-forma statement of financial position post issue is shown in Appendix 2. This has been prepared based on the reviewed financial statements as at 31 March 2014, the subsequent events set out in section 6, and the following transactions and events which are expected to occur

following 13 June 2014 through to the expected completion of this Offer and Allotment Date, including the issue of Shares under this Prospectus:

Adjustments related to revenue receipts for iron ore sales:

- Between the period 14 June 2014 and completion of the Offer the Company is expecting to receive net revenue from iron ore sales of \$15.86 million. This amount is net of any discounts, penalties, marketing fees and freight costs incurred. The Company has a 50% interest in the CIJV; therefore \$7.93 million is revenue received by the Company and the balance of \$7.93 million reduces the trade receivable balance from WEG; and
- The revenue received from iron ore sales is based on 7 shipments during the period at an average selling price of US\$90 per tonne (62% Fe). Revenue is recognised on shipment date with 98% of the invoice value received 2 days after shipment. All discounts, penalties, marketing fees and freight costs are based on historical costs. Based on discussions and historical information the revenue receipts for iron ore sales appear reasonable.

Adjustments related to fixed mining operational costs:

• Between the period 14 June 2014 and completion of the Offer the Company is expecting to incur \$13.06 million in fixed mining operational costs at its Cockatoo Island Project. The Company has a 50% interest in the CIJV; therefore \$6.53 million are expenses incurred by the Company and the balance of \$6.53 million increases the trade receivable balance from WEG. The Company has advised that the full amount of \$13.06 million will be paid in cash prior to the completion of the Offer, from existing cash flows. The fixed mining operational costs are based on historical costs and payment plans agreed upon with the relevant trade creditors. Based on discussions with Pluton management and review of historical information the fixed mining operational costs appear reasonable.

Adjustments related to general expenses and revenues:

- Between the period 14 June 2014 and completion of the Offer the Company is expecting to incur employee expenses and general expenses totalling \$2.51 million. The Company has a 50% interest in the CIJV; therefore \$1.26 million are expenses incurred by the Company and the balance of \$1.26 million increases the trade receivable balance from WEG. The Company has advised that the full amount of \$2.51 million will be paid in cash prior to the completion of the Offer, from existing cash flows. The expected general expenses are based on historical expenses incurred by the Company and appear reasonable; and
- Between the period 14 June 2014 and completion of the Offer the Company is expecting to receive \$2.50 million relating to a GST/BAS refund. Of this balance, \$1.25 million in revenue is due to the Company and the balance of \$1.25 million reduces the trade receivable balance from WEG. The expected GST/BAS refund due to the Company is based on historical refunds, expenditure and expenses and appears reasonable.

Adjustments relating to trade creditor repayments:

- Between the period 14 June 2014 and completion of the Offer the Company is also expecting to pay \$1.60 million to the Department of Mines and Petroleum. This amount had been accrued for in the period prior to 13 June 2014 and therefore the payment will have the effect of reducing cash and the trade creditor balance; and
- Between the period 14 June 2014 and completion of the Offer the Company is also expecting to incur a \$1.90 million payment to the Department of Mines and Petroleum.

Of this balance, \$0.95 million is payable by the Company and the balance of \$0.95 million increases the trade receivable balance from WEG.

Adjustments related to capitalised expenditure incurred:

Between the period 14 June 2014 and completion of the Offer the Company also expects
to incur exploration expenditure totalling \$0.52 million which will be paid in cash. Based
on our discussions with the Company and review of the minimum tenement expenditure
requirements this appears reasonable.

Adjustments relating to deferred revenue:

• Between the period 14 June 2014 and completion of the Offer the Company also expects to make a repayment of \$2.58 million to reduce the deferred revenue balance. The Company has a 50% interest in the CIJV, therefore \$1.29 million relates to the Company and the balance of \$1.29 million increases the trade receivables balance from WEG. This had the effect of decreasing cash by \$2.58 million, decreasing deferred revenue by \$1.29 million and increasing the trade receivables balance from WEG by \$1.29 million over this period. Based on our discussions with the Company this appears reasonable.

Adjustments relating to funding and use of funds raised under the Offer:

- During the period funds of \$0.735 million was received in cash relating to the May Entitlement Offer;
- Interest charges of \$0.22 million will be repaid to Sunshine in cash;
- During the period the Company and General Nice Resources (Hong Kong) Limited ('GNR') entered into a term sheet pursuant to which GNR will lend \$4.50 million to the Company ('GNR Loan'). The GNR Loan will be paid in instalments of \$1.125 million on a weekly basis. Under the GNR Loan, GNR agrees that if the Company achieves the minimum subscription under the Offer, it will accept its Entitlement to at least \$8.50 million, with the subscription amount to be partially offset against the \$4.50 million GNR Loan amount. A redraw fee is also payable by the Company in relation to the GNR Loan totalling \$0.54 million which has been included as costs of the Offer;
- The issue of 4,750 million Shares at an offer price of \$0.01 each to raise \$47.50 million before costs pursuant to the Prospectus based on the minimum subscription. This minimum subscription amount includes the amount of \$4.50 million subscribed for by GNR as part of the GNR Loan. Costs of the Offer, based on the minimum subscription, are estimated to be \$3.56 million, which are to be offset against the contributed equity;
- The issue of 260 million Shares to Patersons pursuant to the First and Second Patersons'
 Offers in connection with services performed by Patersons as Lead manager. These
 shares have been valued at \$0.01 each with a total value of \$2.60 million. The issue of
 these shares are considered costs of the Offer and therefore the value is offset against
 contributed equity;
- Of the total 4,750 million Shares issued under the Offer, 388.8 million Shares will be issued to YA Global in satisfaction of the outstanding debt facility of \$3.89 million, 580.2 million Shares will be issued to Celtic in satisfaction of the outstanding debt facility of \$5.80 million, 80 million Shares will be issued to Ascan in satisfaction of the outstanding debt facility of \$0.80 million. The Company will also repay Sunshine \$2.19 million in satisfaction of the outstanding debt facility with funds raised under the Offer;
- The issue of convertible notes to Watpac in satisfaction of a \$3 million trade creditor balance ('Watpac Convertible Notes'). The Watpac Convertible Notes are convertible

into New Shares at \$0.01 per share at Watpac's election at any time after issue, repayable in full, unless earlier converted, on the maturity date. The convertible notes are interest free with 50% of the notes maturing on 30 December 2014 and the balance of the notes maturing on 30 June 2015. The issue of the Watpac Convertible Notes had the effect of increasing the borrowing balance by \$3 million and reducing the trade creditor balance by \$3 million; and

• Following the issue of the \$3 million Watpac Convertible Notes, the Company intends to utilise funds raised under the Offer to repay a total of \$26.52 million in trade creditors.

8. Consent

BDO Corporate Finance (WA) Pty Ltd has consented to the inclusion of this Report in the Prospectus in the form and context in which it is included. At the date of this Report, this consent has not been withdrawn.

Disclosures

BDO Corporate Finance (WA) Pty Ltd is the corporate advisory arm of BDO in Perth. Without modifying our conclusions, we draw attention to the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

Neither BDO Corporate Finance (WA) Pty Ltd nor BDO, nor any director or executive or employee thereof, has any financial interest in the outcome of the proposed transaction except for the normal professional fee due for the preparation of this Report.

Yours faithfully

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BDO Corporate Finance (WA) Pty Ltd

and a

Peter Toll

Director

APPENDIX 1

PLUTON REOURCES LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| Consolidated Statement of Profit or Loss and Other | Reviewed for the 9 month period ended 31-Mar-14 |
|--|---|
| Comprehensive Income | \$'000 |
| Revenue | 49,785 |
| Cost of sales | (40,758) |
| Gross profit | 9,026 |
| | |
| Other income | 6,431 |
| Gain on bargain purchase | 26,116 |
| Occupancy expense | (229) |
| Employee benefits expense | (2,721) |
| Finance expense | (11,889) |
| Depreciation and amortisation expense | (6,873) |
| Travel expense | (11) |
| Legal and consulting fees | (1,659) |
| General and administrative expense | (1,703) |
| Foreign exchange losses | (3,954) |
| Profit before income tax expense | 12,534 |
| Income tax expense | - |
| Profit after income tax expense for the period attributable to | |
| the owners of Pluton | 12,534 |

This consolidated statement of profit or loss and other comprehensive income shows the historical financial performance of Company and is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 4 and the prior year financial information set out in Appendix 5. Past performance is not a guide to future performance.

APPENDIX 2

PLUTON RESOURCES LIMITED

CONSOLIDATED PRO FORMA STATEMENT OF FINANCIAL POSITION

| Consolidated Statement of Financial | | Reviewed as at | Subsequent | Pro forma | Pro forma |
|-------------------------------------|----------|----------------|------------|-------------|-------------|
| Position | | 31-Mar-14 | events | adjustments | after Offer |
| POSITION | Notes | \$'000 | \$'000 | \$'000 | \$'000 |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | 2 | 185 | 677 | 3,336 | 4,198 |
| Trade and other receivables | 3 | 10,086 | 21,129 | 846 | 32,061 |
| Inventories | | 2,052 | - | - | 2,052 |
| Other current assets | | 2,758 | - | - | 2,758 |
| TOTAL CURRENT ASSETS | _ | 15,080 | 21,807 | 4,182 | 41,068 |
| NON-CURRENT ASSETS | | | | | |
| Property, plant and equipment | 4 | 7,239 | 750 | - | 7,989 |
| Intangible assets | | 260 | - | - | 260 |
| Exploration and evaluation assets | 5 | 75,434 | - | 522 | 75,956 |
| Other non-current assets | | 330 | - | - | 330 |
| TOTAL NON-CURRENT ASSETS | - | 83,263 | 750 | 522 | 84,536 |
| TOTAL ASSETS | _ | 98,343 | 22,557 | 4,704 | 125,604 |
| CURRENT LIABILITIES | | | | | |
| Trade and other payables | 6 | 16,655 | 12,552 | (29,208) | - |
| Borrowings | 7 | 12,468 | 297 | (9,765) | 3,000 |
| Hire purchase liabilities | | 703 | - | - | 703 |
| Provisions | | 288 | - | - | 288 |
| Deferred revenue | 8 | 23,640 | (2,132) | (1,290) | 20,218 |
| TOTAL CURRENT LIABILITIES | <u>-</u> | 53,754 | 10,717 | (40,262) | 24,209 |
| NON-CURRENT LIABILITIES | | | | | |
| Provisions | | 18,163 | _ | - | 18,163 |
| TOTAL NON-CURRENT LIABILITIES | _ | 18,163 | - | - | 18,163 |
| TOTAL LIABILITIES | _ | 71,916 | 10,717 | (40,262) | 42,371 |
| NET ASSETS | | 26,427 | 11,839 | 44,967 | 83,233 |
| EQUITY | | | | | |
| Issued capital | 9 | 93,224 | 18,067 | 44,677 | 155,969 |
| Reserves | 10 | 4,114 | 267 | - | 4,381 |
| Accumulated losses | 11 | (70,912) | (6,494) | 289 | (77,117) |
| TOTAL EQUITY | | 26,427 | 11,839 | 44,967 | 83,233 |

The pro-forma consolidated statement of financial position after the Offer is as per the consolidated statement of financial position before the Offer adjusted for any subsequent events and the transactions relating to the issue of shares pursuant to this Prospectus. The pro forma consolidated statement of financial position is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 4 and the prior year financial information set out in Appendix 5.

APPENDIX 3

PLUTON RESOURCES LIMITED

CONSOLIDATED PRO FORMA STATEMENT OF CHANGES IN EQUITY

| | | Reviewed for the | | | |
|--|-------|------------------|------------|-------------|-------------|
| Consolidated Statement of Changes in Equity | | period ended | Subsequent | Pro forma | Pro forma |
| | | 31-Mar-14 | events | adjustments | after Offer |
| | Notes | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance as at 1 July 2013 | | (83,446) | - | - | (83,446) |
| Comprehensive income for the period | | | | | |
| Profit for the period | 11 | 12,534 | (6,494) | 289 | 6,329 |
| Total comprehensive income for the period | | (70,912) | (6,494) | 289 | (77,117) |
| Transactions with equity holders in their capacity as equity holders | | | | | |
| Issued capital, net of transaction costs | 9 | 93,224 | 18,067 | 44,677 | 155,969 |
| Reserves | 10 | 4,114 | 267 | - | 4,381 |
| Total transactions with equity holders | | 97,339 | 18,334 | 44,677 | 160,350 |
| Balance | | 26,427 | 11,839 | 44,967 | 83,233 |

The above consolidated statement of changes in equity is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 4 and the prior year financial information set out in Appendix 5.

APPENDIX 4

PLUTON RESOURCES LIMITED

NOTES TO AND FORMING PART OF THE HISTORICAL FINANCIAL INFORMATION

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the historical financial information included in this Report have been set out below.

Basis of preparation of historical financial information

The historical financial information has been prepared in accordance with the recognition and measurement, but not all the disclosure requirements of the Australian equivalents to International Financial Reporting Standards ('AIFRS'), other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001.

The financial information has also been prepared on a historical cost basis, except for derivatives and available-for-sale financial assets that have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged are adjusted to record changes in the fair value attributable to the risks that are being hedged. Non-current assets and disposal group's held-for-sale are measured at the lower of carrying amounts and fair value less costs to sell.

Going concern

The historical financial information has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The ability of the Company to continue as a going concern is dependent on the success of the fundraising under the Prospectus, and the successful and subsequent exploitation of the Company's exploration and development projects, as well as production undertaken at economic levels. The Company may also require future funding, in addition to the Offer, in order to achieve capital expansion as required. The Directors believe that the Company will continue as a going concern and therefore, the financial information has been prepared on a going concern basis. However, should the fundraising under the Prospectus be unsuccessful, or production not be undertaken at economic levels, the entity may not be able to continue as a going concern. Should the company fail to achieve production targets to sustain the operations, further funding will be required. Should the company be unsuccessful in raising further funds from debt or equity, there is material uncertainty which may cast doubt as to whether the company will continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and the amounts stated in the financial report.

No adjustments have been made relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

Reporting basis and conventions

The report is also prepared on an accrual basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

a) Interests in joint operations

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Company recognises in relation to its interest in joint operations its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expense incurred jointly).

The financial statements of the joint operation are prepared in accordance with Australian Accounting Standards and the same accounting policies and reporting period as that of the Company.

b) Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of Goods

Revenue is only recognised on individual shipments when persuasive evidence exists that the following criteria are satisfied:

- the significant risks and rewards of ownership of the product has been transferred to the buyer;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the sale will flow to the company; and
- the costs incurred or to be incurred in respect of the sale can be measured reliably.

Satisfaction of these conditions depends on the terms of trade with individual customers. Generally the risks and rewards are considered to have transferred to the customer when insurable risk or loss occurs. Certain products are sold on a 'provisional pricing' basis where the sale price received by the company is subject to a final adjustment at the end of a period that may be after delivery to the customer. The sale price is based on the negotiated price as referenced in each contract of sale. Sales are initially recognised when the revenue recognition criteria have been satisfied. Revenue is only recognised where the selling price can be reliably measured. Many of the company's sales are subject to an adjustment based on inspection of each shipment by the customer.

In such cases, revenue is recognised based on the company's best estimate of the grade at the time of shipment, and any subsequent adjustments are recorded against revenue when advised. Historically, the differences between estimated and actual grade have not been significant

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

c) Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or

When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

d) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

e) Trade and other receivables

Other receivables are recognised at amortised cost, less any provision for impairment.

f) Investments and other financial assets

Investments and other financial assets are measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. The fair values of quoted investments are based on current bid prices. For unlisted investments, the consolidated entity establishes fair value by using valuation techniques. These include the use of recent arms length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been had the impairment not been recognised and is reversed to profit or loss.

g) Mine properties

Once a mining project has been established as commercially viable and technically feasible, expenditure other than that on land, buildings, plant and equipment is transferred and capitalised as mine properties. Mine property costs include past capitalised exploration and evaluation costs, pre-production development costs, development excavation, development studies and other subsurface expenditure pertaining to that area of interest. Costs related to surface plant and equipment and any associated land and buildings are accounted for as property, plant and equipment.

Mine property costs are accumulated in respect of each separate area of interest. Costs associated with commissioning new assets in the period before they are capable of operating in the manner intended by management, are capitalised. Mine property costs incurred after the commencement of production are capitalised to the extent they are expected to give rise to a future economic benefit.

When an area of interest is abandoned or the Directors decide that it is not commercial or technically feasible, any accumulated cost in respect of that area is written off in the financial period the decision is made. Each area of interest is reviewed at the end of each accounting period and accumulated cost written off to the profit or loss to the extent that they will not be recoverable in the future.

Amortisation of mine property costs is charged on a unit of production basis over the life of economically recoverable reserves once production commences.

Mine property assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, mine property is allocated to cash-generating units to which the development activity relates. The cash generating unit shall not be larger than the area of interest.

h) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

i) Exploration and evaluation assets

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

j) Impairment of non financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying mount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a

pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

k) Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

I) Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

m) Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Restoration and rehabilitation

The initial estimate of the restoration and rehabilitation provision relating to exploration development is capitalised into the cost of the related asset and amortised on the same basis as the related asset, unless the present obligation arises from the production of inventory in the period, in which case the amount is included in the cost of production for the period. The estimated future obligations include the costs of removing facilities, abandoning sites and restoring the affected areas.

n) Employee benefits

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, which are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The costs of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The costs of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying the Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

o) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

p) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

q) Accounting estimates and judgements

In the process of applying the accounting policies, management has made certain judgements or estimations which have an effect on the amounts recognised in the financial information.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Recoverability of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the company decides to exploit the related lease itself, or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

Valuation of share based payment transactions

The valuation of share-based payment transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black Scholes model taking into account the terms and conditions upon which the instruments were granted.

Estimation of useful lives of assets

The Company determines the estimated useful lives and related depreciation and amotisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amotisation charge will increase where the useful lives are less than previously

estimated lives, or technically obsolete or no-strategic assets that have been abandoned or sold will be written off or written down.

Taxation

The Company is subject to income taxes in Australia. Significant judgement is required when determining the Company's provision for income taxes. The Company estimates its tax liabilities based on the Company's understanding of the tax law.

Recognition of deferred tax balances relating to tax losses

The Company has recognised deferred tax assets relating to carried forward tax losses to the extent the Company believe the utilisation of these losses against future taxable profits is considered probable. Additionally, future changes to environmental law and regulations, life of mine estimates and discount rates could affect the carrying amount of this provision.

Provision for restoration and rehabilitation

The consolidated statement of financial position includes a current provision for restoration and rehabilitation arising from mining activities incurred on an annual basis. The future liability is recorded in a provision account by charging operating costs each year with an amount applicable to the activities for the year. Annual review of the provision account results in prospective adjustments where necessary.

Units of production method

Where the useful life of an asset is directly linked to the extraction of ore from the mine, the asset is depreciated using the units of production method. In applying the units of production method, depreciation is normally calculated using the quantity of material extracted from the mine in the period as a percentage of the total quantity of material to be extracted in current and future periods based on proved and probable reserves.

| | | Pro forma |
|---|---------------------|-----------|
| NOTE 2. CASH AND CASH EQUIVALENTS | 31-Mar-14 \$'000 | s'000 |
| Cash and cash equivalents | 185 | 4,198 |
| Cash and cash equivalents | 103 | 4,170 |
| Adjustments to arise at the pro-forma balance: | | |
| Reviewed balance of Pluton as at 31 March 2014 | | 185 |
| Subsequent events (between 1-Apr-14 and 13-Jun-14): | | |
| Take up of WEG's portion of CIJV cash as at 31 March 2014 | | 123 |
| Net revenue received from iron ore shipments (net of the deferred revenue payment) | | 15,208 |
| Fixed mining operational costs paid relating to the period | | (18,089) |
| Expenditure incurred in relation to construction of seawall during the period | | (1,500) |
| General expenses paid relating to the period | | (10,372) |
| Trade creditor repayments during the period | | (1,633) |
| Repayment of WEG loan amount | | (400) |
| Other revenue amounts received during the period | | 1,718 |
| Net borrowings received during the period | | 632 |
| Shares issued to Prestige at an issue price of \$0.076 each (net of capital raising costs) | | 2,740 |
| Shares issued under the May Entitlement Offer 2014 (net of capital raising costs)* | | 12,251 |
| | - | 677 |
| Pro-forma adjustments (between 14-Jun-14 and completion of Offer): | | |
| Net expected revenue from iron ore shipments during the period | | 15,863 |
| Fixed mining operational costs to be paid relating to the period | | (13,060) |
| Exploration expenditure to be incurred during the period | | (522) |
| General expenses to be paid relating to the period | | (2,512) |
| Trade creditor repayments during the period | | (1,603) |
| Other revenue amounts to be received during the period | | 2,498 |
| Funds received relating to May Entitlement Offer | | 735 |
| Repayment of deferred revenue amount during August 2014 | | (2,581) |
| Proceeds from shares issued under this Prospectus based on minimum raising (including GNR Loan) | | 37,010 |
| Capital raising costs based on minimum subscription | | (3,558) |
| Net borrowings repaid in cash during the period | | (219) |
| Repayment of borrowings with funds raised under the Prospectus | | (2,192) |
| Repayment of trade creditors with funds raised under the Prospectus | _ | (26,522) |
| | | 3,336 |
| Pro-forma Balance | - | 4,198 |

Under the May Entitlement Offer the Company received initial cash proceeds of \$12.25 million (net of capital raising costs). In addition to the cash proceeds received, the Company converted \$2.86 million of debt to equity and \$0.15 million of trade creditors to equity. A further \$0.74 million in cash relating the May Entitlement Offer was also received during June 2014.

| | Reviewed | Pro forma |
|--|-----------|-------------|
| | 31-Mar-14 | after Offer |
| NOTE 3. TRADE AND OTHER RECEIVABLES | \$'000 | \$'000 |
| Trade and other receivables | 10,086 | 32,061 |
| | | |
| Adjustments to arise at the pro-forma balance: | | |
| Reviewed balance of Pluton as at 31 March 2014 | | 10,086 |
| | | |
| Subsequent events (between 1-Apr-14 and 13-Jun-14): | | |
| Receivable from WEG relating to the take up of WEG's portion of trade creditors and cash relating to the | | |
| CIJV as at 31 March 2014 | | 14,212 |
| Reduction in WEG trade receivables relating to portion of CIJV iron ore sales (net of deferred revenue) | | (7,604) |
| Increase in WEG trade receivables relating to repayment of portion of WEG loan | | 400 |
| Increase in WEG trade receivables relating to portion of CIJV fixed mining operational costs | | 9,045 |
| Increase in WEG trade receivables relating to portion of CIJV general costs | | 5,186 |
| Reduction in WEG trade receivables relating to portion of CIJV other income | | (859) |
| Increase in WEG trade receivables relating to portion of CIJV construction of seawall costs | _ | 750 |
| | | 21,129 |
| Pro-forma adjustments (between 14-Jun-14 and completion of Offer): | | |
| Reduction in WEG trade receivables relating to portion of CIJV iron ore sales | | (7,932) |
| Increase in WEG trade receivables relating to portion of CIJV fixed mining costs | | 6,530 |
| Increase in WEG trade receivables relating to portion of CIJV general operational costs | | 1,256 |
| Increase in WEG trade receivables relating to portion of payment to Dept of Mines and Petroleum | | 950 |
| Reduction in WEG trade receivables relating to portion of CIJV other income | | (1,249) |
| Increase in WEG trade receivables relating to deferred revenue repayment | _ | 1,290 |
| | | 846 |
| | _ | |
| Pro-forma Balance | | 32,061 |

As at 31 March 2014, the Company had a trade and other receivables balance due from the CIJV (WEG's portion) of \$4.79 million. Incorporating the adjustments above the amount receivable from WEG at completion of the Offer is approximately \$26.77 million. At the date of this Report the Company believes this amount is recoverable however, as announced to the ASX on 16 April 2014, if a Sale Agreement between the Company and WEG is not entered into or completed within 180 days of the Letter Agreement any amounts paid by Pluton on behalf of WEG will not be payable by WEG but will be deducted from WEG's share of the sale of Joint Venture product. As a result, if a Sale Agreement is not entered into, this amount of \$26.77 million may not be recoverable from WEG.

| | Reviewed | Pro forma |
|---|-----------|-------------|
| | 31-Mar-14 | after Offer |
| NOTE 4. PROPERTY, PLANT & EQUIPMENT | \$'000 | \$'000 |
| Property, plant & equipment | 7,239 | 7,989 |
| | | |
| Adjustments to arise at the pro-forma balance: | | |
| Reviewed balance of Pluton as at 31 March 2014 | | 7,239 |
| | | |
| Subsequent events (between 1-Apr-14 and 13-Jun-14): | | |
| Expenditure incurred in relation to the construction of the stage 4 seawall | | 750 |
| | - | 750 |
| | | |
| Pro-forma Balance | - | 7,989 |

| | Reviewed 31-Mar-14 | |
|--|-----------------------|--------|
| NOTE 5. EXPLORATION EXPENDITURE | \$'000 | \$'000 |
| Exploration expenditure | 75,434 | 75,956 |
| Adjustments to arise at the pro-forma balance: Reviewed balance of Pluton as at 31 March 2014 | | 75,434 |
| Pro-forma adjustments (between 14-Jun-14 and completion of Offer): | | |
| Exploration expenditure to be incurred | | 522 |
| | | 522 |
| Den farme Delares | | 75.05/ |
| Pro-forma Balance | | 75,956 |

| NOTE 6. TRADE AND OTHER PAYABLES | Reviewed 31-Mar-14 \$'000 | Pro forma after Offer \$'000 |
|--|---------------------------------|------------------------------------|
| Trade and other payables | 16,655 | - |
| Adjustments to arise at the pro-forma balance: Reviewed balance of Pluton as at 31 March 2014 | | 16,655 |
| Subsequent events (between 1-Apr-14 and 13-Jun-14): | | |
| Take up of WEG's portion of trade creditors relating to the CIJV as at 31 March 2014 | | 14,335 |
| Payment of trade creditors during the period | | (1,633) |
| Shares issued to Pelican under the May Entitlement Offer as consideration for services | | (149) |
| | - | 12,552 |
| Pro-forma adjustments (between 14-Jun-14 and completion of Offer): | | |
| Net movement in trade creditors during the period | | 315 |
| Issue of the Watpac Convertible Note in satisfaction of trade creditor balance | | (3,000) |
| Repayment of trade creditors with funds raised under the Prospectus | | (26,522) |
| | _ | (29,208) |
| Pro-forma Balance | - | - |

| | Reviewed | Pro forma |
|--|-----------|-------------|
| | 31-Mar-14 | after Offer |
| NOTE 7. BORROWINGS | \$'000 | \$'000 |
| Borrowings | 12,468 | 3,000 |
| | | |
| Adjustments to arise at the pro-forma balance: | | |
| Reviewed balance of Pluton as at 31 March 2014 | | 12,468 |
| | | |
| Subsequent events (between 1-Apr-14 and 13-Jun-14): | | |
| Net loans (including interest charges and restructuring fees) during the period | | 3,159 |
| Issue of shares under May Entitlement Offer to YA Global in satisfaction of debt | _ | (2,863) |
| | | 297 |
| Pro-forma adjustments (between 14-Jun-14 and completion of Offer): | | |
| Issue of the Watpac Convertible Note in satisfaction of trade creditor balance | | 3,000 |
| Issue of GNR Loan | | 4,500 |
| Repayment of borrowings with funds raised under the Prospectus | _ | (17,265) |
| | | (9,765) |
| | _ | |
| Pro-forma Balance | | 3,000 |

| | Reviewed | Pro forma |
|---|-----------|-------------|
| | 31-Mar-14 | after Offer |
| NOTE 8. CURRENT DEFERRED REVENUE | \$'000 | \$'000 |
| Current deferred revenue | 23,640 | 20,218 |
| | | |
| Adjustments to arise at the pro-forma balance: | | |
| Reviewed balance of Pluton as at 31 March 2014 | | 23,640 |
| | | |
| Subsequent events (between 1-Apr-14 and 13-Jun-14): | | |
| Deferred revenue repayment made during the period | | (134) |
| Iron ore shipment made during April 2014 to reduce deferred revenue | | (1,997) |
| | _ | (2,132) |
| Pro-forma adjustments (between 14-Jun-14 and completion of Offer): | | |
| Iron ore shipment made on during August 2014 to reduce deferred revenue | | (1,290) |
| | _ | (1,290) |
| | | |
| Pro-forma Balance | | 20,218 |

The above pro forma balance only represents Pluton's 50% share of deferred revenue. As announced to the ASX on 16 April 2014, if a Sale Agreement between the Company and WEG is not entered into or completed within 180 days of the Letter Agreement any amounts paid by Pluton on behalf of WEG will not be payable by WEG but will be deducted from WEG's share of the sale of Joint Venture product. As a result, if a Sale Agreement is not entered into, the Company may be liable for 100% of the deferred revenue amount.

| | Reviewed | Pro forma |
|---|----------------------|-------------|
| | 31-Mar-14 | after Offer |
| | Number | |
| NOTE 9. ISSUED CAPITAL | ('000) | \$'000 |
| Issued capital | 93,224 | 155,969 |
| | | |
| | No. of shares ('000) | \$ |
| Adjustments to arise at the pro-forma balance: | | |
| Fully paid ordinary share capital of Pluton as at 31 March 2014 | 384,795 | 93,224 |
| Subsequent events (between 1-Apr-14 and 13-Jun-14): | | |
| Shares issued to Prestige at an issue price of \$0.076 each (net of costs) | 36,842 | 2,740 |
| Shares issued to Prestige for nil consideration* | 33,159 | 332 |
| Shares issued under the May Entitlement Offer (net of costs) | 434,237 | 15,262 |
| Options issued in satisfaction of underwriting services for May Entitlement Offer | - | (267) |
| | 504,238 | 18,067 |
| Pro-forma adjustments (between 14-Jun-14 and completion of Offer): | | |
| Additional funds received relating to May Entitlement Offer | - | 735 |
| Proceeds from shares issued under this Prospectus based on minimum raising (including GNR Loan) | 3,700,989 | 37,010 |
| Capital raising costs based on minimum subscription | - | (3,558) |
| Shares issued under this Prospectus in satisfaction of borrowings (excluding GNR Loan) | 1,049,011 | 10,490 |
| Shares issued to Patersons under First and Second Patersons' Offers | 260,000 | - |
| | 5,010,000 | 44,677 |
| Pro-forma Balance | 5,899,033 | 155,969 |

*In April and June 2014, the Company issued a total of 33.16 million shares to Prestige. These shares were issued for no cash consideration in accordance with a Deed of Release between the Company and Prestige. The shares have been issued, under the Deed of Release, as a result of the Company's decision not proceed with a placement as originally anticipated by the Company. Further information regarding the issue of these shares can be found in the Company's Notice of Meeting issued on 17 June 2014.

| | Reviewed | Pro forma |
|--|------------|-------------|
| | 31-Mar-14 | after Offer |
| NOTE 10. RESERVES | \$'000 | \$'000 |
| Reserves | 4,114 | 4,381 |
| Adjustments to arise at the pro-forma balance: Reviewed balance of Pluton as at 31 March 2014 Subsequent events (between 1-Apr-14 and 13-Jun-14): | | 4,114 |
| Options issued in satisfaction of underwriting services for May Entitlement Offer | _ | 267 |
| | - | 267 |
| | . <u>.</u> | |
| Pro-forma Balance | | 4,381 |

| | Reviewed | Pro forma |
|--|-----------|-------------|
| | 31-Mar-14 | after Offer |
| NOTE 11. ACCUMULATED LOSSES | \$'000 | \$'000 |
| Accumulated losses | (70,912) | (77,117) |
| | | |
| Adjustments to arise at the pro-forma balance: | | |
| Reviewed balance of Pluton as at 31 March 2014 | | (70,912) |
| Subsequent events (between 1-Apr-14 and 13-Jun-14): | | |
| Net revenue from iron ore shipments during the period relating to Pluton | | 7.739 |
| Iron ore shipment made on 4 April 2014 | | 1,737 |
| Fixed mining operational costs incurred during the period relating to Pluton | | (9,045) |
| General expenses incurred during the period relating to Pluton | | (5,186) |
| Other revenue amounts received during the period relating to Pluton | | 859 |
| Interest charges and restructuring fees incurred on borrowings during the period | | (2,527) |
| Shares issued to Prestige for nil consideration | | (332) |
| States issued to restige for the constant atom | - | (6,494) |
| Pro-forma adjustments (between 14-Jun-14 and completion of Offer): | | (4,74.3) |
| Net revenue from iron ore shipments during the period relating to Pluton | | 7,932 |
| Fixed mining operational costs incurred during the period relating to Pluton | | (6,530) |
| General expenses incurred during the period relating to Pluton | | (1,393) |
| Payment incurred to the Dept of Mines and Petroleum relating to Pluton | | (968) |
| Other revenue amounts received during the period relating to Pluton | | 1,249 |
| | _ | 289 |
| | | |
| Pro-forma Balance | | (77,117) |

NOTE 12: RELATED PARTY DISCLOSURES

Transactions with related parties and directors interests are disclosed in the Prospectus.

NOTE 13: COMMITMENTS AND CONTINGENCIES

At the date of the report no material commitments or contingent liabilities exist that we are aware of, other than those disclosed in the Prospectus.

APPENDIX 5 PLUTON RESOURCES LIMITED

CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

| Consolidated Statement of Financial Position | Audited as at 30-Jun-13 \$'000 | Audited as at 30-Jun-12 \$'000 |
|--|--------------------------------------|--------------------------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | 566 | 592 |
| Trade and other receivables | 5,767 | 1,034 |
| Inventories | 2,902 | - |
| Other current assets | 4,470 | 72 |
| TOTAL CURRENT ASSETS | 13,705 | 1,699 |
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | 6,128 | 556 |
| Intangible assets | 284 | 323 |
| Exploration and evaluation assets | 75,345 | 72,522 |
| Other non-current assets | 21,463 | - |
| TOTAL NON-CURRENT ASSETS | 103,220 | 73,402 |
| TOTAL ASSETS | 116,925 | 75,101 |
| CURRENT LIABILITIES | | |
| Trade and other payables | 16,640 | 2,683 |
| Provisions | 159 | 369 |
| Borrowings | 2,520 | - |
| Deferred revenue | 46,785 | - |
| TOTAL CURRENT LIABILITIES | 66,104 | 3,052 |
| NON-CURRENT LIABILITIES | | |
| Provisions | 38,048 | - |
| Deferred revenue | 10,172 | - |
| TOTAL NON-CURRENT LIABILITIES | 48,220 | - |
| TOTAL LIABILITES | 114,324 | 3,052 |
| NET ASSETS | 2,619 | 72,049 |
| EQUITY | | |
| Issued capital | 81,951 | 81,951 |
| Reserves | 4,114 | 4,114 |
| Accumulated losses | (83,446) | (14,017) |
| TOTAL EQUITY | 2,619 | 72,049 |

For the years ended 30 June 2012 and 30 June 2013, the auditor, Deloitte Touche Tohmatsu Limited, issued audit reports which included an Emphasis of Matter regarding the Company's ability to continue as a going concern.

APPENDIX 5 PLUTON RESOURCES LIMITED

CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

| Consolidated Statement of Profit or Loss and Other Comprehensive Income | Audited for the | Audited for the |
|---|----------------------|----------------------|
| | year ended 30-Jun-13 | year ended 30-Jun-12 |
| | \$'000 | \$'000 |
| Revenue | 42,865 | - |
| Cost of sales | (42,068) | - |
| Gross profit | 796 | - |
| | | |
| Other income | 312 | 788 |
| Gain on bargain purchase | 5,984 | - |
| Occupancy expense | (435) | (87) |
| Employee benefits expense | (5,820) | (1,166) |
| Finance expense | (984) | - |
| Depreciation and amortisation expense | (3,764) | (155) |
| Travel expense | (615) | (60) |
| Legal and consulting fees | (4,207) | (496) |
| General and administrative expense | (12,512) | (919) |
| Impairment expense | (48,133) | (789) |
| Foreign exchange losses | (53) | - |
| Loss before income tax expense | (69,429) | (2,883) |
| Income tax expense | - | - |
| Loss after income tax expense for the year | | |
| attributable to the owners of Pluton | (69,429) | (2,883) |

For the years ended 30 June 2012 and 30 June 2013, the auditor, Deloitte Touche Tohmatsu Limited, issued audit reports which included an Emphasis of Matter regarding the Company's ability to continue as a going concern.

5 Risk factors

5.1 Introduction

A number of key risks of investing in the Company are set out on page 8 of the Prospectus. This section identifies a number of other major risks associated with an investment in the Company. Investors should be aware that an investment in the Company involves many risks, which may be higher than the risks associated with an investment in other companies. Intending investors should read the whole of this Prospectus in order to fully appreciate such matters and the manner in which the Company intends to operate before any decision is made to apply for Shares.

There are numerous widespread risks associated with investing in any form of business and with investing in the share market generally. There is also a range of specific risks associated with the Company's business. These risk factors are largely beyond the control of the Company and its Directors because of the nature of the business of the Company. The following summary, which is not exhaustive, represents some of the major risk factors which potential investors need to be aware of.

5.2 Risks specific to the Offer

Potential for significant dilution if Shareholders do not participate in the Offer

Upon completion of the Offer, assuming Entitlements are fully accepted and no Options are exercised prior to the Record Date, the number of Shares in the Company will increase from 889,032,338 Shares to up to approximately 8,890,323,380.

It is not possible to predict what the value of the Company or a Share will be following the completion of the Offer and the Directors do not make any representation to such matters.

The last trading price of Shares on the Company seeking a voluntary suspension of its Shares from official quotation was \$0.034 and this is not a reliable indicator as to the potential trading price of Shares following completion of the Offer.

Shareholders should note that if they do not participate in the Offer, their holdings are likely to be diluted. Please refer to Section 3.3 of this Prospectus for examples of how the potential dilutionary effect of the Offer may impact Shareholders.

5.3 Risks relating to the Company and the Project

Compliance and regulatory risk

The Company lodged the Last Prospectus to raise \$17,369,488 (before costs) with ASIC on 22 April 2014. That offer closed on 14 May 2014.

The Company has previously advised Shareholders (see the Last Prospectus) that it has not met its disclosure obligations under the Listing Rules and as such, the Company faces the risk of regulatory action.

As noted in Section 2.3, after the close of the offer under the Last Prospectus, the Board became aware that the extent of the Company's creditors was significantly greater than anticipated both at the time of lodgement of the Last Prospectus and at the time securities were issued under the Last Prospectus. The Company is subject to compliance with the Corporations Act and the Listing Rules and its compliance within the regulatory framework is monitored by and subject to enforcement action by both ASIC and ASX.

Further, there is a risk that the Company's directors, former directors and other officers may not be covered under the Company's insurance policy in respect of circumstances where the Company has not met its disclosure obligations, including due to admissions that have been made.

As detailed in this Prospectus, the Company has entered into a number of different agreements, and believes that it has complied with the Listing Rules in entering into these agreements. However, the interpretation of the Listing Rules can be subjective, and there is a risk that ASX could interpret the Listing Rules differently to the Company. If ASX makes such a determination, there are a number of different actions it may take, such as requiring the Company to unwind a particular transaction, or suspending the Shares from quotation or require the Company to seek Shareholder support.

Any action of the sought described above may have a negative impact on the Company, the Offer and the value of the Shares.

Commodity price volatility and exchange rates

The revenue the Company earns is through the sale of its share of iron ore fines produced by the parties to the Joint Venture, and as such, this exposes the potential income of the Company to iron ore DSO fines price and exchange rate risks. As noted in Section 2.13, GNR and Rizhao are entitled to acquire iron ore at a discount to the market price. Accordingly, the Company is particularly exposed to a fall in the iron ore price. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for precious and base metals, technological advancements, forward selling activities and other macro-economic factors.

Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

Prices may also be affected by governmental actions, tariffs and import duties. In addition, speculative trades in iron ore swaps and futures world markets may cause short-term price fluctuations for iron ore. Demand for the Project's iron ore might also be affected if the Company's competitors increase their capacity. These external factors and the volatile nature of the iron ore markets make it difficult to estimate future prices. Any substantial or extended decline in iron ore prices would adversely affect the results of operations and financial condition of the Company.

As the Company, in common with its competitors, is unable to influence iron ore prices directly, its competitiveness and long-term profitability are, to a significant degree, dependent upon its ability to reduce costs and maintain low-cost, efficient operations. The Company's ability to maintain earnings and undertake capital expenditure to further expand operations would be adversely affected in the event of a sustained material fall in world iron ore prices, an appreciable rise in its production costs or a decline in its production volumes. There can be no assurance that the Company will be able to maintain or reduce production costs or maintain or increase its production volumes in the future.

The Company also maintains a key focus on reducing C1 and C3 costs for the Joint Venture.

Development and mining risks

The development and mining of the Project involves significant capital expenditure and a large number of suppliers and contractors. Unforeseen delays and cost overruns may occur, increasing the cost of the Project. The timing, implementation and cost of the Project are subject to a number of risks, including the failure to obtain necessary construction licenses, permits, consents and approvals, the risks of managing subcontractors and natural risks such as weather and geotechnical events. Any delay in contractors completing work or cost overruns or operational difficulties may have a material adverse effect on the results of operations or financial condition of the Company if the contingency allocated by the Joint Venture is insufficient.

Future Capital Needs

Further funding may be required by the Company to complete the Wise Transaction and the restructure of the Company's prepayment and offtake facilities. Funding for the Wise Acquisition may be sourced from the proceeds of the Offer, but if there is a shortfall then funding may take the form of debt, equity, proceeds from sale of product or a Joint Venture interest, sale of marketing rights, other sources or a combination of the same.

However, there is no certainty that the Company will be able to secure such further funding on satisfactory terms, or at all. Should the Company be unable to obtain satisfactory funding, it may be unable to complete the Wise Transaction.

Further funding may also be required by the Company to support its ongoing activities and operations. Again, there can be no assurance that such funding will be available on satisfactory terms or at all. Any inability to obtain funding will adversely affect the business and financial condition of the Company and, consequently, its performance.

The Joint Venture is funded by way of the manager cash calling each participant for their share of Joint Venture expenditure.

Pursuant to the Letter Agreement, the Company has agreed that for up to the 180 days between the date of the Letter Agreement and completion of the Wise Transaction the Company will pay, on behalf of Wise, all called sums payable by Wise under the Joint Venture Agreement not covered by the sale proceeds for production. Wise has authorised the Company to allocate Wise's proportion of the net proceeds of sale of the Joint Venture production to repay the Company for funding those called sums otherwise payable by Wise.

Should completion of the Wise Transaction not occur within 180 days of the date of the Letter Agreement, the parties to the Joint Venture have agreed that:

- any amounts paid by the Company on Wise's behalf net of the net proceeds of the sale of Wise's share of Joint Venture production applied towards that debt will not be repayable by Wise;
- (b) the Company shall resign as manager of the Joint Venture within 30 days of receiving written notice from Wise, or such other period as nominated by Wise in the notice, notwithstanding any other provision in the Joint Venture Agreement;
- (c) the Company and Wise shall negotiate in good faith to decide on and appoint a new manager of the Joint Venture; and
- (d) Wise may by written notice require that all Joint Venture operations at the Project cease and that the Joint Venture parties work together in good faith to agree a plan to operate the Joint Venture in a profitable manner.

The Company has agreed that, pending completion of the Wise Transaction, it will not bring any claim, demand, action or proceedings of any kind in respect of any act or omission by Wise in any way relating to the Sales and Marketing Agreement, the Joint Venture Agreement or any other documents ancillary to the Joint Venture Agreement until the date 180 days from the date of the Letter Agreement.

There is a risk that the Company will not recoup all amounts paid by the Company on Wise's behalf out of Wise's proportion of net proceeds of sale of Wise's share of Joint Venture production. In this scenario, the Company may be unable to fund all the cash calls made on both the Company and Wise for that period and may be unable to pursue Wise for any claims or demands it is otherwise entitled to under the Joint Venture Agreement until 180 days after the date of the Letter Agreement.

A failure by the Company to meet a cash call would result in a default of its Joint Venture obligations (although not a breach by Wise) and a default of the Company under the Sale Agreement (if entered into) and if the default is not remedied, it may result in the cessation of Joint Venture operations, forfeiture of permits or concessions, forced sale by the defaulting party of its interest in the Joint Venture, and if not remedied, the appointment of an administrator or receiver over the defaulting party.

In the event that the Company is removed as manager of the Joint Venture, there is a risk that the Company will not be able to appoint its first preference of replacement manager to the Joint Venture.

Operational Risks

The Company's business is subject to numerous operating risks which include: unexpected geological seismic activity; inclement weather, interruptions to power supplies; industrial action or disputes; environmental controls and technical failures, fires, explosions and other accidents at a mine, bulk freight port terminal or office facilities. These risks and hazards could result in damage to, or destruction of, properties or production facilities, may cause production to be reduced or cease at those properties or production facilities, may result in personal injury, environmental damage, business interruption and possible legal liability and may result in actual production differing from estimates of production, including those contained in this document (whether expressly or by implication).

The Company will utilise best practice in managing project safety, environmental, health and operational risks through the management of systems and processes and effective leadership to minimise and/or mitigate the above risks and will, where commercially practical, carry appropriate insurances.

These risks and hazards could also result in damage to, or destruction of, production facilities, personal injury, environmental damage, business interruption, monetary losses and possible legal liability. While the Company continues to maintain insurance within ranges of coverage consistent with industry practice, no assurance can be given that the Company will be able to obtain such insurance coverage at reasonable rates (or at all), or that any coverage it obtains will be adequate and available to cover any such claims.

Maintenance of current seawall

The integrity of the seawall is critical to the maintenance of the Project's viability as it is essential to stopping the flow of seawater into the Project's open pit. In order to maintain the integrity of the seawall, ongoing monitoring and maintenance is required. Failure to maintain the seawall may result in material adverse effects on the operations of the Company. The Company will continue to utilise best practice in monitoring and

maintaining the seawall and addressing any instability in order to minimise or mitigate the risk.

Construction of stage 4 seawall

As part of the development of stage 4 open pit, the construction of the Stage 4 seawall reached technical completion (i.e. it has reached the height at which the highest forecasted tide won't spill over, but it is still being sealed to reduce the permeability noting that 'further costs will need to be incurred before final completion'), level of at least 10m above mean sea-level. This is essential to blocking the flow of seawater into the stage 4 pit. The construction of this seawall is nearing completion, with final bentonite curtain membrane 80% complete.

Offtake of iron ore - Delivery and Price

The Company has entered into various iron ore offtake agreements pursuant to which they have agreed:

- (a) to sell iron ore in advance of production; and
- (b) to deliver iron ore pursuant to a shipping schedule.

In the event of any interruption to production or other scheduling delays, the parties to the Joint Venture may not be able to achieve the timely delivery of iron ore in satisfaction of their commitment to do so, which places those parties in breach of their obligations. Experience to date has been that such breaches have occurred but the parties have to date, been able to renegotiate the delivery terms. Further, with the delays which have been experienced to date, the cashflow of the Project has been adversely affected resulting in the Company having to resort to short term borrowings to meet Joint Venture expenditure. There is no assurance that such a renegotiation will always be able to be achieved.

The delivery of iron ore in satisfaction of the offtake agreements results in:

- (a) the price received from the purchasers being discounted, the amount of such discount being material in times of falling iron ore prices and an appreciating Australian dollar; and
- (b) part of the proceeds of sale that would otherwise be received by the Company and Wise is offset against the prepayment and offtake facilities which those parties have to the counter-party to the offtake agreements.

These factors contribute to pressure on the cashflow and the Company is looking to:

- (a) renegotiate the level of discount it is providing to the offtake parties; and
- (b) refinance the prepayment and offtake facilities facilities with the offtake parties and to terminate one of the offtake agreements so as to improve the net receipts to each Joint Venture party of the sale proceeds from the iron ore produced by the Joint Venture.

If the Company is unsuccessful in achieving this restructure, then in times of low iron ore prices and appreciating Australian dollar there will be a continued pressure on the Company's cashflow.

Joint Venture programs and budgets

Pursuant to the Joint Venture Agreement, the parties are to consider and if appropriate, approve successive Joint Venture programs and budgets pursuant to which:

- (a) Joint Venture activities are to be undertaken; and
- (b) the costs of such activities are to be called from each of the Company and Wise.

The parties are currently undertaking Joint Venture activity pursuant to the provisions of the Joint Venture Agreement but in the absence of an approved program and budget and as such, the manager incurring expenditure by way of necessity pending approving a program and budget covering the Joint Venture operations.

Further, if the Joint Venture parties are unable to agree an approved Joint Venture program and budget in the future, the work which is undertaken by the Joint Venture may not be optional as the manager is only permitted to undertake work of necessity in order to be able to enforce contributions from each party to the Joint Venture.

Similarly, decisions affecting the Joint Venture require a majority vote and the Company may not be able to undertake certain activities that may be beneficial for the Project without the approval of Wise. If this occurs, only expenditure of necessity may be incurred on behalf of the parties to the Joint Venture.

Exploration and development risks

The exploration for, and development of, mineral deposits involves a high degree of risk. Few properties which are explored are ultimately developed into producing mines. Resource exploration and development is a speculative business, characterised by a number of significant risks, including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits, but from finding mineral deposits that, although present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Company may be affected by numerous factors that are beyond the control of the Company and that cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and other factors such as government regulations, or combination of which factors may result in the Company not receiving an adequate return on investment capital.

There is no certainty that expenditures made by the Company towards the search for and evaluation of mineral deposits will result in discoveries of an economically viable mineral deposit.

The Company has relied on and may continue to rely on consultants and others for mineral exploration and exploitation expertise. The Company believes that those consultants and others are competent and that they have and will continue to carry out their work in accordance with internationally recognised industry standards. However, if the work conducted by those consultants or others is ultimately found to be incorrect or inadequate in any material respect, the Company may experience delays or increased costs in developing its properties.

Mining in the absence of a JORC Code resource

Although the Company has announced a JORC Code resource for the Project, current mining which is occurring to meet the Joint Venture's shipping schedule is being undertaken in order to achieve a blended iron ore product, being a blend of the ore mined within the declared JORC Code resource with lower grade ore mined outside of the ore

classification, the subject of the declared JORC Code resource. As a result of this blending operation, the ore being sold is not solely from the ore classification which is the subject of a JORC Code resource declaration. There is a risk that there is insufficient iron ore or grade of iron ore to achieve the blend which satisfies the sale commitments which the parties to the Joint Venture have entered into. The Joint Venture has sought to mitigate its risk by establishing a shipping schedule sequence which prioritises commitments allocated to agreed off-takers, leaving unallocated shipments towards the end of the stage 4 life of mine.

The Company and previous owners have operated the Project for several decades. Both the continuity of past and present operations together with the drilling data announced in January 2014 support the continuity of the ore body which is being mined.

Resource estimates

Ore Reserve and Mineral Resource estimates are expressions of judgment based on drilling results, past experience with mining properties, knowledge, experience, industry practice and many other factors. Estimates which are valid when made may change substantially when new information becomes available. Ore estimation is an interpretive process based on available data and interpretations and thus estimations may prove to be inaccurate.

The actual quality and characteristics of ore deposits cannot be known until mining takes place, and will almost always differ from the assumptions used to develop resources. Further, Ore Reserves are valued based on future costs and future prices and consequently, the actual Ore Reserves and Mineral Resources may differ from those estimated, which may result in either a positive or negative effect on operations.

The Company utilises internationally recognised organisations with competent persons to assist with drilling programs, block modelling and ore modelling and the development of the final resource / reserve estimates.

Tenement Payment Obligations

Under the exploration permits and licenses and certain other contractual agreements to which the Company is or may in the future become party, the Company is or may become subject to payment and other obligations. In particular, the tenement holders are required to expend the funds necessary to meet the minimum work commitments attaching to the tenements and licenses or to pay certain amounts to access certain Project infrastructure. Failure to meet these work commitments will render the tenements liable to be cancelled or a failure to meet the payment obligations may result in a termination of the right to use certain infrastructure.

The Company manages this process with a tenement manager and with an approvals manager and believes that it can mitigate the risks that are described above.

Native Title

The Company's activities in Australia are subject to the *Native Title Act 1993* (Cth) (the **Native Title Act**) and its interpretation. The Native Title Act legally recognises the title rights of indigenous Australians over areas where those rights have not been lawfully extinguished. State and Commonwealth native title legislation regulate the recognition, application and protection of native title. Native title may affect the status, renewal and conversion of existing tenements and the granting of new tenements. Indigenous land use agreements, including terms of compensation, heritage survey and protection agreements or other agreement types may need to be negotiated with affected parties.

The Company's activities within its tenements could be adversely affected by the existence of native title or where native title claims are made over those areas. As a consequence, the Company's proposed activities may be delayed and additional costs (including the liability for the payment of compensation to traditional landowners) may be incurred. Additionally, the existence and discovery of Aboriginal sites or relics (including those which are known to the Company) may limit or preclude the Company's activities in certain areas. It is therefore possible that, in relation to its tenements, there may be areas over which legitimate legal Aboriginal native title rights exists. If such native title rights do exist, the ability of the Company to gain access to its tenements (through obtaining consent of any relevant landowner), or to progress from the exploration phase to the development and mining phases of operations, may be adversely affected.

Freehold Access

Within Australia, the interests of holders of freehold land encroached by the tenements are given special recognition by state specific mining legislation. As a general proposition, a tenement holder must obtain the consent of the owner of freehold land before conducting operations on the freehold land. If any portions of the tenements of the Company encroach on freehold land, there can be no assurance that the Company will secure rights to access those portions of the tenements. However, the grant of freehold extinguishes native title so wherever the tenements encroach freehold land (it at all), the Company is in the position of not being affected by the Native Title Act, albeit aboriginal heritage maters will still be of concern.

Title to Tenements

The Company cannot guarantee that those tenements in which it has an interest and which are still in the application stage or require transfer will ultimately be granted or transferred in whole or in part pursuant to the applicable legislation. There is also no guarantee that the tenements will be granted or transferred without undue delay or that the Company can economically comply with any conditions imposed on any granted exploration permits.

The Company has an interest in applications for tenements that have been applied for but not granted. In order for these tenements to be granted the Company must satisfy the mining legislation. There is no guarantee that the tenements will be granted to the relevant parties, that they will be granted without undue delay, that the tenements will be transferred to the Company (when applicable) and the holder can comply with any conditions imposed on or granted exploration permits.

The Company's mining exploration activities are dependent upon the maintenance (including renewal) of its tenements. Although the Company has no reason to think that these tenements will not be renewed, there is no assurance that such renewals will be given as a matter of course and there is no assurance that new conditions will be imposed.

Water access

The Company's operations utilise dry operating processes for ore production. Depending on water availability for dust suppression, there is the potential that the Company will be unable to access as much water as it desires.

Infrastructure

The marketability of the Company's production depends in part upon the availability, proximity and capacity of infrastructure such as ports pipelines, power and processing facilities. Federal and State regulation of resources production and transportation, tax

and energy policies, changes in supply and demand and general economic conditions all could adversely affect the ability to produce and market mineral commodities.

The Company is in a favourable position compared to other iron ore miners, whereby it owns its own port, it doesn't need a railway line and doesn't need roads and highways. Cockatoo Island and Irvine Island are not stranded resources and are easily accessible for Asian supply.

Changes in tariffs, royalties, customs duties

Mining royalties are imposed by the State government on mineral production. The Company has no ability to influence any changes in royalty rates.

The Company pays 7.5% royalty on the cost, insurance and freight cost of its ore to the Western Australian State Government in accordance with government regulation. No Federal Government royalties or duties are payable by the Company.

The Company may be required to pay duty in respect of transactions it has or will enter into. The quantum of duty payable will depend on the interpretation of legislation and application of government policies. Different interpretation and applications may significantly affect the quantum of duty payable. Further, these policies and legislation may change, which may affect the amount of duty the Company may be liable to pay.

Changes in government policies and legislation

Any material adverse changes in government policies or legislation of Australia or any other country where the Company may acquire economic interests may affect the viability and profitability of the Company and/or its operations.

There is a risk a regulator may take an unusual stance in relation to an issue, revisit previous matters or otherwise change its position or views in a way which has an adverse impact on the Company or its business.

Environmental and safety regulation

The cost and complexity of complying with the applicable environmental laws and regulations may prevent the Company from being able to develop potentially economically viable mineral deposits. Although the Company believes that it is in compliance in all material respects with all applicable environmental laws and regulations, there are certain risks inherent to its activities, such as accidents or other unforeseen circumstances, which could subject the Company to extensive liability.

The Project will require approval from the relevant authorities before it can undertake activities which are likely to impact the environment. Failure to obtain such approvals will prevent the Company from undertaking its desired activities.

The Company is unable to predict the effect of additional environmental laws and regulations which may be adopted in the future, including whether any such laws or regulations would materially increase the cost of doing business or otherwise affect the Project.

Environmental and safety legislation and/or policy may change in a manner that may require stricter or additional standards than those now in effect, a heightened degree of responsibility for companies and their directors and employees and more stringent enforcement of existing laws and regulations.

Although the Company believes that it is in compliance in all material respects with all applicable environmental laws and regulations, and has systems and processes in place to maintain the compliances, there are certain risks inherent to its activities, such as accidents or other unforeseen circumstances, which could subject the Company to extensive liability.

Sovereign risk

The Company's projects are currently limited to Australia. The political conditions in Australia are generally stable, however, changes may occur in the political, fiscal and legal system, which might affect the ownership or operations of the Company, including, amongst other things, changes in exchange rates, control or regulations, expropriation of mining rights, changes in government and in legislative, fiscal and regulatory regimes, violence and lack of law enforcement, political insurrection or labour unrest, inflation or economic recession.

Economic trends

The success of the Project may be impacted by changes in the growth rate of the world economy. Economic recession may adversely affect the demand for iron ore as well as the prices for iron ore.

As the Company is budgeting to have cash costs in the lowest cost quartile and has an iron ore operation with some of the highest grade iron ore produced globally, it sees little risk in demand for its product reducing.

Economic growth

Any downturn in the rate of economic growth in China, whether due to political instability or economic slowdown elsewhere in the world, or otherwise, may have a material adverse effect on demand for iron ore the Company produces.

Personnel

Recruiting and retaining key personnel could become difficult in the market in which the Project operates. The Company is dependent on its senior management team. It may not be able to retain the services of these and other key managers or be able to recruit replacements.

The Company believes its operations have, in general, good relations with its employees, but the Company's operations in Australia may experience limited work stoppages and other forms of industrial action.

Forensic review

As noted in Section 2.14 the Company has appointed an external accountant to conduct a forensic review on the Company's financial systems and controls. There is a risk that the results of this review may lead to action against the Company, its directors, officers and employees.

Information technology

The success of the Project is dependent on a number of information technology systems for the smooth running of the Project as well as in its administration. A significant breakdown in these systems including but not limited to power losses, security breaches, computer viruses and vandalism or other illegal acts may affect the Project and its profitability.

Service providers and contractors

The Company is unable to predict the risk of insolvency or other managerial failure by any of the contractors or other service providers who are currently or may in the future be used by the Company in relation to the Project.

Any of the foregoing may have a material adverse effect on the results of operations or the financial condition of the Company. In addition, the termination of these arrangements, if not replaced on similar terms, could have a material adverse effect on the results of operations or the financial condition of the Company and/or the Project.

Availability of equipment and supplies

A shortage of equipment and supplies could increase the costs and delivery times of equipment and supplies required for the Project. Any such shortages or material price increases could delay and adversely affect the Company and/or the Project and its operations and profitability.

Reputation risk

The Company relies on its reputation. An event, or series of events, which materially damages the reputation of the Company could have an adverse effect on subsequent revenues from the Project, and may affect the Company's ability to negotiate with existing and new service providers, contractors and investors.

Economic assumptions

In addition assumptions have been made in relation to the calculation of cash flows in implementing the Project. If any of these assumptions are not correct then it will affect the business plan of the Project and may affect the ability of the Company to meet its obligations as and when they fall due.

Force majeure

The Company's operations now or in the future may be adversely affected by risks outside its control including labour unrest, civil disorder, war, subversive activities or sabotage, fires, weather, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

Litigation risk

Legal proceedings may arise from time to time in the course of the Company's business, the Project activities and matters disclosed in both the Last Prospectus and this Prospectus. The Company cannot preclude the possibility that litigation may be brought against it or parties involved in the Company or the Project which may have a negative impact on the Company, the Project or both.

As at the date of this Prospectus, subject to the internal and external investigations disclosed herein (and an ASIC investigation into disclosure issues), the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

5.4 Risks relating to the Shares

Securities price fluctuation

The market price of a publicly traded stock is affected by many variables not directly related to the success of the Company. In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, has experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that such fluctuations will not affect the price of the Company's securities.

Share market risk

Share market conditions may affect the value of Shares regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- general economic outlook;
- interest rates and inflation rates;
- changes in investor sentiment toward particular market sectors;
- changes in investor sentiment toward particular countries;
- global media reports;
- the demand for, and supply of, capital; and
- other external factors whether real or perceived by the market.

The market price of the Shares may fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company, or any return on an investment in the Company.

5.5 Speculative nature of investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus.

6 Additional information

6.1 Continuous Disclosure Obligations

The Company is a "disclosing entity" (as defined in section 111AC of the Corporations Act) and is subject to the regime of continuous disclosure and periodic reporting requirements. Specifically as a listed company, the Company is subject to the Listing Rules which require continuous disclosure to the market of any information possessed by the Company which a reasonable person would expect to have a material effect on the price or value of its Shares.

As noted in the Last Prospectus, as part of the due diligence process for the Last Prospectus, the Board became aware that the Company's continuous disclosure policy and practice required review, and as a result the Board adopted new policies on continuous disclosure and a policy on the execution of documents. This policy sets out the obligations of the Directors, officers and employees to ensure the Company satisfies the continuous disclosure obligations imposed by the Listing Rules and the Corporations Act. The policy provides information as to what a person should do when they become aware of information which could have material effect on the Company's securities and the consequences of non-compliance.

6.2 Legal Framework of this Prospectus

As a "disclosing entity", the Company has issued this Prospectus in accordance with section 713 of the *Corporations Act* applicable to prospectuses for an offer of securities which are quoted enhanced disclosure (**ED**) securities and the securities are in a class of securities that were quoted ED securities at all times in the 3 months before the date of this Prospectus.

This Prospectus is a "transaction specific prospectus". In general terms, a transaction specific prospectus is only required to contain information in relation to the effect of the issue of securities on a company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquiries as are reasonable, the Company believes that other than as noted in this Prospectus or previously disclosed it has complied with the requirements of ASX as applicable to disclosing entities from time to time, and which require the Company to notify ASIC of information available to the stock market conducted by ASX, throughout the 3 months before the issue of this Prospectus.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The ASX maintains files containing publicly disclosed information about all listed companies. The Company's file is available for inspection at ASX in Perth during normal working hours. In addition, copies of documents lodged by, or in relation to, the Company with ASIC may be obtained from, or inspected at, any regional office of ASIC.

6.3 Information Available to Shareholders

The Company will provide a copy of each of the following documents, free of charge, to any investor who so requests during the application period under this Prospectus:

- (a) the Annual Financial Report for the Company for the year ending 30 June 2013;
- (b) the Interim Financial Report of the Company for the half-year ending 31 December 2013; and
- (c) the following documents used to notify ASX of information relating to the Company during the period after lodgement of the Annual Financial Report of the Company for the period ending 30 June 2013 and before the issue of this Prospectus:

| Date | Announcement | |
|--------------|---|--|
| 9 July 2014 | Entitlements Issue and App 3B | |
| 4 July 2014 | Corporate Update | |
| 30 June 2014 | Corporate Update | |
| 30 June 2014 | App 3B issue of Shares and Options | |
| 23 June 2014 | Corporate Update | |
| 17 June 2014 | Results of Meeting | |
| 17 June 2014 | Corporate Update | |
| 5 June 2014 | Becoming a substantial holder | |
| 5 June 2014 | Initial Director's Interest Notice P D'Sylva | |
| 4 June 2014 | Final Directors Interest notice Mehan Schoer Williams | |
| 3 June 2014 | Request for Voluntary Suspension | |
| 2 June 2014 | Board Changes & Appointment of Interim CFO | |
| 30 May 2014 | Trading Halt | |
| 26 May 2014 | Change of Directors Interests Mehan Clark Schoer | |
| 22 May 2014 | Top 20 Updates & Holding Analysis | |
| 22 May 2014 | Company Update including Stage 5 Drill Hole results | |
| 21 May 2014 | Allotment of Securities from Rights Issue & App 3B | |
| 21 May 2014 | Notice of General Meeting / Proxy Form | |
| 19 May 2014 | Entitlements Issue undersubscriptions | |
| 14 May 2014 | March Qtrly report with tenement list | |
| 9 May 2014 | Entitlements Issue update & Investor Presentation | |
| 1 May 2014 | Response to ASX Aware Letter | |
| 1 May 2014 | Quarterly Activities & Cashflow Report | |
| 1 May 2014 | Supplementary Prospectus for Entitlements Issue | |
| 1 May 2014 | Entitlements Issue Update | |

| Date | Announcement | |
|------------------|---|--|
| 28 April 2014 | Letter to Ineligible Shareholders | |
| 28 April 2014 | Letter to Eligible Entitlement Issue Shareholders | |
| 23 April 2014 | Reinstatement to Official Quotation | |
| 22 April 2014 | Prospectus for Entitlements Issue | |
| 22 April 2014 | Entitlements Issue & App 3B | |
| 22 April 2014 | Investor Presentation | |
| 22 April 2014 | Appendix 3B | |
| 16 April 2014 | Cockatoo Island Joint Venture Acquisition | |
| 7 April 2014 | Capital Raisings Finalised | |
| 2 April 2014 | Proposed Capital Raisings | |
| 1 April 2014 | Extension of Voluntary Suspension | |
| 26 March 2014 | Suspension from Official Quotation | |
| 24 March 2014 | Trading Halt | |
| 17 March 2014 | Change of Director's Interest Notice – B Clark | |
| 17 March 2014 | Appendix 3B – Issue of Performance Rights | |
| 11 March 2014 | Half Yearly Report and Accounts | |
| 14 February 2014 | Results of Meeting | |
| 4 February 2014 | Stage 5 Maiden Drill Hole Results | |
| 31 January 2014 | Dec 2013 Quarterly Cashflow Report | |
| 31 January 2014 | Quarterly Activities Report | |
| 15 January 2014 | Notice of General Meeting | |
| 6 January 2014 | Change in substantial holding | |
| 31 December 2013 | Becoming a substantial holder – GNR (HK) | |
| 27 December 2013 | Closure of Compliance Prospectus | |
| 24 December 2013 | App 3B Compliance Issue | |
| 24 December 2013 | Appendix 3B | |
| 23 December 2013 | Compliance prospectus | |
| 20 December 2013 | Private Share Placement | |
| 19 December 2013 | Details of Company Address | |
| 16 December 2013 | Additional JORC Information for Reserves & Resource | |
| 16 December 2013 | Initial Director's Interest Notice – D Chen | |
| 13 December 2013 | New Director Appointment | |
| 9 December 2013 | AGM Presentation by Managing Director | |

| Date | Announcement |
|------------------|---|
| 9 December 2013 | Results of Annual General Meeting |
| 9 December 2013 | Reserves & Resources Update |
| 4 December 2013 | Additional Appendix 3B Information |
| 13 November 2013 | Research Report by PAC Partners |
| 12 November 2013 | Managing Director & CEO Remuneration Details |
| 8 November 2013 | Notice of Annual General Meeting/Proxy Form |
| 7 November 2013 | Extension of time to hold AGM |
| 1 November 2013 | Quarterly Activities & Cashflow Report Sept 2013 |
| 23 October 2013 | Technical Incident on part of Stage 4 Sea Wall |
| 21 October 2013 | App 3B Issue of 1,000 Shares re Compliance |
| 21 October 2013 | Change in substantial holding – Wise Energy Group |
| 21 October 2013 | Trading Halt |
| 16 October 2013 | App 3B – Issue of 36.975m Shares |
| 16 October 2013 | Compliance Prospectus |
| 16 October 2013 | \$3m Raised in Private Placement |
| 14 October 2013 | Investor Presentation |

6.4 Lead Manager Mandate

On 4 July 2014 the Company entered into the Mandate with Patersons pursuant to which Patersons was appointed Lead Manager for the Offer.

In consideration for the appointment Patersons is to:

- (a) be paid a corporate advisory fee of \$200,000;
- (b) be paid a lead management fee of 6% of the total amount raised under the Offer; and
- (c) be issued or nominate parties to be issued 133,000,000 Shares under the First Patersons Offer, and subject to Shareholder approval, an additional 127,000,000 Shares under the Second Patersons Offer.

Patersons will also receive payment of reasonable costs and expenses incurred by it in connection with its role as Lead Manager to the Offer.

Patersons may terminate the Mandate at any time by giving the Company two business days' notice of its intention to do so, or, if one or more of the following events occur in its sole and reasonable opinion:

(a) the Australian equity capital market conditions and/or ASX trading conditions are such that they are not, in the bona fide judgement of Patersons, conducive to the successful completion of the Mandate or other events beyond the control of Patersons are so material and adverse as to make it impracticable or inadvisable to proceed with the Offer on the terms and in the manner contemplated;

- (b) the spot price for 62% grade iron ore is at any time after the date of the Mandate 10% or more below its level as at the close of business on the business day prior to the date of execution of the Mandate:
- (c) the All Ordinaries Index (IRESS XAO.ASX) as published by ASX is at any time after the date of the Mandate 10% or more below its level as at the close of business on the business day prior to the execution of the Mandate;
- (d) there is a material adverse effect including any adverse change in the assets, liabilities, financial position or prospects of the Company as disclosed publicly and/or to Patersons, other than for the costs incurred by the Company in relation to the Offer:
- there is a false or misleading statement in the material or information supplied to Patersons or included in presentation materials or a material omission in the material supplied to Patersons or included in the presentation materials;
- (f) any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or the international financial markets or any material adverse change occurs in the national or international political, financial or economic conditions, in each case the effect of which is that, it is impracticable to market the Offer or to enforce any contract to issue and allot the Shares or that the success of the Offer is likely to be adversely affected;
- (g) there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State of Australia, a new law, or the Reserve Bank of Australia, any federal or state authority of Australia adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Mandate), any of which does or is likely to prohibit or regulate financial institutions or credit providers, capital issues or stock markets;
- (h) ASX gives formal or informal notice that the Shares will not be admitted to trading on the official list of ASX;
- (i) ASX announces that the fully paid ordinary shares in the Company will be delisted, removed from quotation, withdrawn from admission to trading status or suspend from trading;
- (i) default by the Company of any term of the Mandate;
- (k) any of the warranties or representations by the Company in the Mandate are or become materially untrue;
- (I) a director or proposed director of the Company is charged with an indictable offence or any director or proposed director of the Company is disqualified from managing a corporation under the Corporations Act;
- (m) ASIC issues, or threatens to issue, a proceeding, hearing or investigation in relation to the Offer:
- (n) any government agency (including ASIC) commences any public action, hearing or investigation against the Company or any of its directors in their capacity as a director of the Company or announces that it intends to take such action; and

(o) all of the conditions to the Mandate have not been, or will not in Patersons sole and absolute opinion be, satisfied, or waived by Patersons, prior to 15 August 2014 or such later date agreed by Patersons in writing.

In the event the Company terminates the Mandate, or Patersons terminates the Mandate for cause following the happening of any of the above events, Patersons will be entitled to the corporate advisory fee of \$200,000, a termination fee of \$50,000 and 133,000,000 Shares under the First Patersons Offer.

Under the Mandate, Patersons has the right to nominate two qualified candidates to the Board. Further, the Company agrees not to issue any securities for a period of 6 months from the close of the Offer, the Shortfall Offer and the issue to Watpac as described in Section 6.5 without the prior written consent from Patersons, which consent shall not be unreasonably withheld. The Mandate also contains a number of indemnities, representations and warranties from the Company to Patersons that are considered customary and usual for an agreement of its type. The Mandate otherwise contains additional terms and conditions considered customary and usual for an agreement of its type.

6.5 Watpac Agreement

Pursuant to the Watpac Agreement;

- (a) the Company acknowledges the Indebtedness;
- (b) the Company agrees to make an advance payment of \$1 million per week (plus GST) from 7 July 2014 to Watpac for services provided by Watpac under the mining services contract, such payments to be offset against the monthly claim for that month. The first weekly payment was paid by the Company on 7 July 2014;
- (c) by close of business on the earlier of the date of allotment of Shares under the Offer and, unless otherwise agreed, 15 August 2014, the Company must pay Watpac:
 - (i) \$6,228,621.54 million (or such other amount as may be agreed) representing part payment of the Indebtedness; and
 - (ii) all other unpaid amounts set out in a valid payment certificate issued by Watpac, and all other unpaid amounts validly invoiced by Watpac on or prior to 8 August;

The Company and Watpac have subsequently agreed that the payment above shall be made no later than close of business on the business day following the issue of Shares under the Offer.

- (d) subject to Shareholder approval (if necessary) and the Company and Watpac executing formal documentation, including a deed of priority with the Company's existing secured creditors on or before 30 August 2014, the balance of \$3 million of Indebtedness shall be converted into secured convertible notes with the following key terms:
 - face value of \$1 per note (with a total subscription of \$3 million or such other amount as may be agreed) convertible into Shares at 1 cent per Share at Watpac's election at any time after issue, repayable in full, unless earlier converted, on the maturity date;

- (ii) 50% of the notes shall mature on 30 December 2014 and the balance of notes shall mature on 30 June 2015:
- (iii) nil interest rate; and
- (iv) secured by a general security agreement with ranking to be determined in accordance with deed of priority but not less than third ranking.

If the Company pays out any other secured creditor with a priority ranking ahead of Watpac, Watpac agrees that the Company may grant security to a third party which may lend money to the Company for that purpose, provided:

- (a) the amount of the loan the subject of the security does not exceed the loan being discharged; and
- (b) the third party enters into a deed of priority which is substantially similar to the form of the deed of priority which Watpac is entering into to create its priority.

If:

- (a) the Company fails to make any of the above payments, or other payment under the contract, as and when due:
- (b) the Company is insolvent;
- (c) the Company cancels the Offer or defers it by more than one month; or
- (d) the offer of Shares does not obtain Shareholder approval,

then the Company's outstanding indebtedness to Watpac will become immediately due and payable and Watpac may:

- (a) immediately, and without notice, terminate the contract;
- (b) commence proceedings or take any action under the contract that Watpac deems appropriate to recover the outstanding indebtedness and interest and other amounts due under the contract.

Watpac continues to provide services to the Company and as such, it will be rendering invoices to the Company for the provision of those services and the Company intends paying those invoices in accordance with the terms of the mining services contract.

At the Company's cost, Watpac may appoint a reviewer to inspect the Company's records. The Company will use all reasonable endeavours to cooperate with such review.

The Watpac Agreement does not constitute a waiver of any breach or alleged breach by either of Watpac or the Company of the mining services contract.

6.6 Chimaera

The Company has also entered into a non-binding indicative term sheet with Chimaera Capital Limited in respect of a proposed secured commodity prepayment and offtake facility for up to US\$50 million. Negotiations between the parties are at an early stage, and there is no guarantee that a formal agreement will be reached.

Further, pursuant to a retainer agreement that Company had entered into with Chimaera to act as an advisor to the Company, Chimaera was granted a security interest over the assets of the Company to secure repayment of fees and expenses in circumstances where the consent of the Company's secured creditors ought to have been sought, but was not. Chimaera and the Company have agreed to terminate the retainer, however, in doing so, the security granted over the assets of the Company was not discharged. The Company has taken steps to have the security discharged however, until that occurs, there is a risk of the Company's secured creditors taking enforcement action under security interests granted by the Company to those third parties.

6.7 Security interests

As part of the Company's banking arrangements, Australia and New Zealand Banking Corporation has taken a security interest over a term deposit account and the assets of the Company in respect of its corporate credit card facility in circumstances where the consent of the Company's secured creditors ought to have been sought, which it was not, giving those third parties a right of action in contract or damages against the Company. The Company is taking steps for the security to be discharged.

6.8 Corporate governance

The Company has adopted a system of control and accountability as the basis for the administration of corporate governance. The Company's broad review of its operations includes a review of the Company's corporate governance.

To the extent that they are applicable to the Company, the Board has adopted the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*.

A summary of the Company's corporate governance policies and procedures is available on the Company's website at www.pluton.com.au.

6.9 Rights attaching to Shares

The Shares to be issued pursuant to this Prospectus will rank equally in all respects with existing Shares in the Company.

Full details of the rights attaching to the Company's Shares are set out in its Constitution, a copy of which can be inspected at the Company's registered office.

The following is a summary of the principal rights which attach to the Company's Shares:

(a) Voting Rights

Subject to any rights or restrictions attached to any class of shares, whether by their issue, the Constitution, the Listing Rules or the Corporations Act, at a general meeting each Shareholder present in person or by proxy, company representative or attorney, is entitled to one vote on a show of hands. Upon a poll, every shareholder present in person or by proxy, company representative or attorney, is entitled to one vote for each Share that the Shareholder holds.

(b) General Meetings

Each Shareholder is entitled to receive notice of and to be present, to vote and to speak at a general meeting of the Company. Further, each Shareholder is entitled to receive all notices, accounts and other documents required to be furnished to Shareholders under the constitution of the Company, the Listing Rules or the Corporations Act.

(c) Dividend Rights

The Directors may declare that a dividend be paid to the members according to the members rights and interests in the profits and the directors may fix the amount, the time for payment, and the method for payment.

(d) Transfer of Shares

Subject to the constitution of the Company, the Corporations Act, the ASTC Settlement Rules and the Listing Rules, Shares are freely transferable. Shares may only be transferred by a proper instrument in writing delivered to the Company, and the transferor is deemed to remain the holder of the Shares until the name of the transferee is entered into the Company's register of members. The Company may decline to register a transfer where permitted by law, the Listing Rules or the ASTC Settlement Rules.

(e) Changes in Capital

Subject to the Corporations Act, the constitution of the Company and the Listing Rules, the Directors may consolidate, or divide the Shares, allot, issue or otherwise dispose of Shares on such terms and conditions as they determine.

(f) Variation of Rights

The Company may only modify or vary the rights attaching to any class of shares by a special resolution of the Company and a special resolution passed at a meeting of the holders of the issued shares of that class.

(g) Rights on Winding Up

Subject to the rights of holders of shares with special rights in a winding up (at present there are none), on a winding up of the Company all assets that may be legally distributed among members will be distributed in proportion to the number of Shares held by them, irrespective of the amount paid up.

(h) ASX Listing Rules

As a member of the Official List, then despite anything in the constitution of the Company, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the constitution to contain a provision or not to contain a provision the constitution is deemed to contain that provision or not to contain that provision (as the case may be). If a provision of the constitution is or becomes inconsistent with the Listing Rules, the constitution is deemed not to contain that provision to the extent of the inconsistency.

6.10 Litigation

As at the date of this Prospectus, subject to the internal and external investigations disclosed herein (and an ASIC investigation into disclosure issues), the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

6.11 Interests of Directors

(a) Directors' holdings

At the date of this Prospectus the relevant interest of each of the Directors in the securities of the Company are as follows:

| | Ordinary Shares | Options | Performance Rights |
|--------------|-----------------|-----------|--------------------|
| Director | Direct | Direct | Direct |
| Paul D'Sylva | - | - | - |
| Brett Clark | 2,982,000 | 3,976,000 | 6,500,000 |
| Rahul Goel | - | - | |
| Jaffe Lau | - | - | - |

Dr Paul D'Sylva was appointed interim Chairman of the Company on 2 June 2014. A profile of Mr D'Sylva is provided in the Company's 2 June 2014 ASX announcement.

(b) Remuneration of Directors

The Constitution of the Company provides that the non-executive Directors may collectively be paid as remuneration for their services a fixed sum not exceeding the aggregate maximum sum per annum from time to time determined by the Company in general meeting (which is currently \$500,000 per annum).

A Director may be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

Details of remuneration provided to Directors and their associated entities during the financial years ended 30 June 2013 and 30 June 2014 and proposed to be provided for the current financial year ending 30 June 2015 are as follows:

| Director | Financial Year End | Fees/ Salaries (\$) | Super- annuation (\$) | Bonus (\$) | Total (\$) |
|----------------------|-----------------------|---------------------------|-----------------------------|---------------|---------------|
| Paul | 2015 ² | 120,000 | 10,800 | - | 130,800 |
| D'Sylva ¹ | 2014 | 10,000 | 900 | - | 10,900 |
| Brett Clark | 2015 ² | 600,000 | 55,500 | - | 655,500 |
| | 2014 | 600,000 | 55,500 | 365,000 | 1,020,500 |
| | 2013 | 566,924 | 44,420 | 93,296 | 704,640 |
| Rahul Goel | 2015 ² | 65,000 | - | - | 65,000 |
| | 2014 | 52,283 | - | - | 52,283 |
| | 2013 | - | - | - | - |
| Jaffe Lau | 2015 ² | 65,000 | - | - | 52,283 |
| | 2014 | 65,000 | - | - | 65,000 |
| | 2013 | 12,143 | - | - | 12,143 |

¹ Note: Dr D'Sylva was appointed interim Chairman of the Company on 2 June 2014. The parties have not yet entered into a formal agreement with respect to the services Dr D'Sylva will provide, but have agreed that Dr D'Sylva will be paid an annual directors fee of \$120,000 and will otherwise be appointed on substantially the same terms as the appointment of the previous Chairman of the Company.

² Note: The amounts shown for the financial year ending 30 June 2015 relate to remuneration provided to Directors and their associated entities as at the date of this Prospectus.

(c) Directors' interests

Pursuant to rights granted under a loan agreement between the Company and GNR dated 26 April 2013 and a share placement agreement between the parties dated 6 September 2013, GNR has exercised its right to appoint two directors to the Board, being Mr Rahul Goel and Jaffe Lau. Mr Law is a director and Mr Goel a senior executive of GNR. As detailed in Section 2.5, the Company has entered into various agreements with GNR.

On 19 May 2014 the Company paid \$588,617 to Empire Equities Limited (**Empire**), a company associated with Dr Paul D'Sylva. A further payment of \$501,900 was made on 19 May 2014 to Empire. The payments were made in connection with corporate advisory services provided by Empire to the Company. Dr D'Sylva was not a Director of the Company at the time the Company's arrangements with Empire were entered into, nor was it envisaged that he would be appointed a Director at that time.

Further, on 17 April 2014, the Company entered into terms sheet with Empire pursuant to which Empire lent \$600,000 in the Company. The term sheet provided that the Company must repay \$800,000 by the later of 60 days from the date of the term sheet and completion of the offer under the Last Prospectus. This facility was assigned to a party unrelated to Dr D'Sylva on 19 April 2014. At the time the term sheet was entered into and at the time of assignment, Dr D'Sylva was not a director of the Company, nor was it envisaged that he would be appointed a Director at those times.

Except as disclosed above or elsewhere in this Prospectus, no Director (whether individually or in consequence of a Director's association with any company or firm or in any material contract entered into by the Company) has now, or has had, in the 2 year period ending on the date of this Prospectus, any interest in:

- (i) the formation or promotion of the Company;
- (ii) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (iii) the Offer.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash, Shares, Options, Performance Rights or otherwise) have been paid or agreed to be paid to any Director or to any company or firm with which a Director is associated to induce him to become, or to qualify as, a Director, or otherwise for services rendered by him or his company or firm with which the Director is associated in connection with the formation or promotion of the Company or the Offer.

The Company has paid insurance premiums to insure each of the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings while acting in the capacity of a Director.

Each Director is a party to a Deed of Access and Indemnity with the Company.

6.12 Interests of named persons

Except as disclosed in this Prospectus, no promoter or other person named in this Prospectus as performing a function in a professional, advisory or other capacity in

connection with the preparation or distribution of the Prospectus, holds, or during the last two years has held, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (c) the Offer,

and no amounts of any kind (whether in cash, Shares, Options or otherwise) have been paid or agreed to be paid to a promoter or any person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus for services rendered by that person in connection with the formation or promotion of the Company or the Offer.

Patersons is Lead Manager to the Offer. The Company will pay a lead management fee of 6% of the amount raised under the Offer and a corporate advisory fee of \$200,000 to Patersons. In addition, the Company will issue to Patersons 133,000,000 Shares under the First Patersons Offer, and subject to Shareholder approval, 127,000,000 Shares under the Second Patersons Offer. Patersons have provided corporate advisory services to the Company during the last two years for which the Company has paid \$1,379,009 (inc GST). As at the date of this Prospectus, Patersons holds 29,067,999 Shares, 29,067,997 Options (exercisable at 4.5 cents expiring 3 October 2014 and 28,150,656 Options (exercisable at 4.5 cents expiring 31 March 2017).

BDO has acted as investigating accountant in relation to the Offer and has prepared the IAR which is included in Section 4. The Company estimates that it will pay BDO a total of \$140,000 (excluding GST) for these services. BDO has provided corporate advisory services to the Company during the last two years for which the Company has paid (or will pay) \$101,012 (excluding GST).

6.13 Consents

Each of the other parties referred to in this Section 6.13:

- does not make, or purport to make, any statement in this Prospectus or on which a statement made in the Prospectus is based other than as specified in this section; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

Each of the following has consented to being named in the Prospectus in the capacity as noted below and have not withdrawn such consent prior to the lodgement of this Prospectus with the ASIC:

- (c) Patersons Securities Limited as the Lead Manager to the Offer; and
- (d) BDO as investigating accountant to the Offer.

BDO has also given its consent to the inclusion of the IAR in Section 4 of this Prospectus and to the references to the IAR in this Prospectus in the form and context in which they appear.

Boardroom Pty Limited has had no involvement in the preparation of any part of the Prospectus other than being named as the Company's share registry. Boardroom Pty Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for any part of the Prospectus.

There are a number of persons referred to elsewhere in this Prospectus who are not experts and who have not made statements included in this Prospectus nor are there any statements made in this Prospectus on the basis of any statements made by those persons. These persons did not consent to being named in the Prospectus and did not authorise or cause the issue of the Prospectus.

6.14 Electronic Prospectus

ASIC has exempted compliance with certain provisions of the *Corporations Act* to allow distribution of an electronic Prospectus on the basis of a paper Prospectus lodged with ASIC and the issue of Shares in response to an electronic application form, subject to compliance with certain provisions. The Company is relying on this exemption in relation to the offer of Shortfall.

The offer of Shares offered pursuant to the Shortfall Offer is only available to persons receiving an electronic version of this Prospectus within Australia. The *Corporations Act* prohibits any person from passing to another person an Entitlement and Acceptance Form unless it is attached to, or accompanied by, the complete and unaltered version of this Prospectus.

If you have received an electronic version of this Prospectus, please ensure that you have received the entire Prospectus accompanied by the Entitlement and Acceptance Form. If you have not, please telephone the Company Secretary at +61 8 6145 1800 and the Company will send to you, for free, either a hard copy or a further electronic copy of the Prospectus, or both.

The Company reserves the right not to accept an Entitlement and Acceptance Form from a person if it has reason to believe that when that person was given access to the electronic Entitlement and Acceptance Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered. In these circumstances, the application monies will be dealt with in accordance with section 722 of the *Corporations Act*.

6.15 Estimate cash expenses of the Offer

The estimated cash expenses of the Offer are as follows:

| Expense | Minimum Subscription | Maximum Subscription |
|-----------------------------------|-------------------------|-------------------------|
| ASIC fees | \$2,290 | \$2,290 |
| ASX fees | \$55,000 | \$55,000 |
| Investigating Accountant's Report | \$140,000 | \$140,000 |
| Legal expenses | \$230,000 | \$230,000 |
| Share registry fees | \$11,000 | \$11,000 |

| Corporate advisory fee | \$200,000 | \$200,000 |
|-----------------------------|-------------|-------------|
| Lead manager fees* | \$2,870,000 | \$4,820,775 |
| Printing and other expenses | \$50,000 | \$50,000 |
| Total | \$3,558,290 | \$5,509,065 |

^{*}As noted in Section 1.7, Patersons (or its nominees) will also receive 133,000,000 Shares under the First Patersons Offer and subject to Shareholder approval, an additional 127,000,000 Shares under the Second Patersons Offer

The Company intends to pay the costs of the Offer using funds raised from the Offer in the event maximum subscription is achieved, and in the event only the Minimum Subscription is raised, using a combination of existing funds and funds raised from the Offer.

6.16 Directors' authorisation

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the *Corporations Act*, each Director has consented to the lodgement of this Prospectus with the ASIC.

Dated: 9 July 2014

Brett Clark

Managing Director

For and on behalf of

Pluton Resources Limited

7 Defined terms

A\$ and \$ means Australian dollars, unless otherwise stated.

Applicant means a person who submits an Entitlement and Acceptance Form.

ASX Settlement means ASX Settlement Pty Ltd (ABN 49 008 504 532).

ASX Settlement Operating Rules means the operating rules of the settlement facility provided by ASX Settlement as amended from time to time.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) or the financial market operated by it, as the context requires.

BDO means BDO Corporate Finance (WA) Pty Ltd.

Board means the board of Directors.

Business Day means every day other than a Saturday, Sunday, New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.

Closing Date means 14 August 2014 (unless extended).

Company or Pluton means Pluton Resources Limited (ACN 114 561 732).

Constitution means the constitution of the Company as at the date of this Prospectus.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the directors of the Company as at the date of this Prospectus.

DSO means direct shipping ore.

Eligible Shareholder means a Shareholder whose details appear on the Register as at the Record Date and who is not an Excluded Shareholder.

Entitlement means the entitlement of an Eligible Shareholder to apply for Shares pursuant to the Offer.

Entitlement and Acceptance Form means the entitlement and acceptance form either attached to or accompanying this Prospectus.

Excluded Shareholder means a Shareholder who does not reside in Australia, Cayman Islands, Hong Kong, New Zealand or the United Kingdom.

First Patersons Offer means the offer of 133,00,000 Shares to Patersons or its nominees in consideration for lead management services provided by Patersons in relation to the offer.

GNR means General Nice Resources (Hong Kong) Ltd.

GNR Macau means General Recursos Comercial Offshore De Macau Limitada.

Indebtedness has the meaning given in Section 2.4 of this Prospectus.

Investigating Accountants' Report or **IAR** means the report contained in Section 4 of this Prospectus.

Joint Venture means the joint venture established pursuant to the Joint Venture Agreement.

Joint Venture Agreement means the Cockatoo Island Mining Joint Venture Agreement dated 26 April 2013 between the Company and Wise.

Joint Venture Interest means Wise's or the Company's 50% interest in the Joint Venture (as applicable).

JORC Code means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 edition) as adopted by the Australasian Joint Ore Reserves Committee, which is sponsored by the Australian mining industry and its professional organisations, for the purposes of compliance with the Listing Rules.

Last Prospectus means the prospectus dated 22 April 2014 and issued by the Company.

Lead Manager or Patersons means Patersons Securities Limited (ACN 008 896 311).

Letter Agreement means the letter agreement exchanged 16 April 2014 between Wise and the Company, which letter agreement evidences the agreement of the parties to negotiate the terms of a formal agreement to evidence the Wise Transaction.

Listing Rules means the Listing Rules of ASX.

Mandate has the meaning given in Section 1.7.

Mineral Resource has the meaning given to it in the JORC Code.

Minimum Subscription has the meaning given in Section 1.3.

Mining Act means the Mining Act 1978 (WA).

Offer means the non-renounceable entitlement issue to Eligible Shareholders of approximately 8,001,291,042 Shares at an issue price of \$0.01 per Share on the basis of 9 Shares for every 1 Share held on the Record Date to raise approximately \$80,012,910 before expenses.

Official List means the Official List of the ASX.

Official Quotation means quotation on the Official List.

Opening Date means 21 July 2014.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Ore Reserve has the meaning given to it in the JORC Code.

Performance Right means a performance right to acquire a Share.

Prospectus means this Prospectus.

Project means the Cockatoo Island Mining Project.

Record Date means 16 July 2014.

Register means the register of Shareholders.

Rizhao means Rizhao Port Group Logistics Co., Ltd.

Sale Agreement means the formal document to be entered into by the Company and Wise to detail the Wise Transaction.

Sales and Marketing Agreement means the Sales and Marketing Agreement dated on or about September 2012 between the Company and Wise.

Second Patersons Offer means the offer, subject to Shareholder approval, of 127,000,000 Shares to Patersons or its nominees in consideration for lead management services provided by Patersons in relation to the offer.

Share means an ordinary fully paid share in the capital of the Company.

Shareholder means the registered holder of a Share.

Short Dated Options mean 434,237,222 Options on the basis of one free attaching Option for every Share issued with each Option having an exercise price of \$0.045 and expiring on 3 October 2014.

Shortfall means the Shares not allocated to Eligible Shareholders (either through acceptance of their Entitlements or through Eligible Shareholders applying for Shares in addition to their Entitlements).

Shortfall Offer means the offer of the Shortfall on the terms and conditions set out in Section 1.10 of this Prospectus.

Shortfall Shares means Shares offered under the Shortfall Offer.

Sunshine means Sunshine Alliance Resources Pty Ltd (ACN 143 128 232).

US\$ means The United States dollars unless otherwise stated.

Watpac means Watpac Civil & Mining Pty Ltd (ACN 129 804 968).

Wise means Wise Energy Group Company Limited (ACN 161 615 390).

Wise Assets means:

- (a) its Joint Venture Interest;
- (b) Wise's share of ore under the Joint Venture and its relevant interest in the Project's offtake arrangements;
- (c) its rights under the Sales and Marketing Agreement; and
- (d) 48,845,070 Shares.

Wise Transaction means the proposed purchase by the Company of the Joint Venture Interest of Wise, the termination of the Sales and Marketing Agreement and either the selective buyback by the Company of 48,845,070 Shares Wise holds in the Company or the sale of those Shares by Wise and the crediting of the sale proceeds against the obligation of the Company to pay to Wise the sum of US\$21 million by way of consideration.

WST means Australian Western Standard Time.