

ASX Announcement
26 September 2014

Pluton Resources Limited Entitlements Issue and Operations Update

Following the Company's announcement on Friday 19 September 2014, Pluton Resources Limited (ASX:PLV) (**Pluton** or the **Company**) provides the following update on the entitlements issue (**Entitlements Issue**) being conducted pursuant to the supplementary prospectus (**Prospectus**) dated 21 August 2014, including an update on the status of the Company's capital raising activities and material developments within the operations at Cockatoo Island.

The Company's decision to extend the closing date for the Entitlements Issue ensures it will have sufficient time to conclude its negotiations in respect of the balance of approximately \$4 million in cash subscriptions and thereby achieve the minimum subscription of \$47,500,000 (**Minimum Subscription**) details of which are set out below (see **Minimum Subscription** section).

Subject to no further deterioration in the iron ore price below current levels of US\$78-80/t, the Company acknowledges that over the next 4 to 5 months, the substantial monthly savings summarised below (see **Operations** section) may largely overcome the need for the cash subscription level referred to above. However, the Company has concluded that the cash requirements specified in the Prospectus will be maintained in light of the continuing uncertainty with respect to iron ore prices and the need to ensure that the Company's restructure plans are completed expeditiously.

Pluton continues to enjoy the support of the major stakeholders including its major shareholder General Nice Resources (**GNR**), Rizhao Port Logistics Company and the principal contractor responsible for mining operations on Cockatoo Island, Watpac Civil & Mining (**Watpac**).

In addition, certain general creditors have indicated interest in converting to equity a part of the amount owing to them and the Company intends to enter into negotiations with these creditors with a view to formalising arrangements as part of the Entitlements Issue.

The Company expects to make further announcements in relation to the support of stakeholders generally within the next fortnight.

Minimum Subscription

The Company has previously announced a number of arrangements in connection with its capital raising activities under the Prospectus to raise the Minimum Subscription, being \$47,500,000. Importantly, as at the date of the Prospectus, at least \$15,000,000 was required in cash subscriptions to continue to satisfy creditors which have either formally or informally agreed to forbearance in order for the offer under the Prospectus to be completed. The Company currently has commitments for subscriptions totalling ~\$42,000,000 of which approximately \$11,000,000 represents cash subscriptions.

Further, GNR had entered into a conditional underwriting commitment over and above its unconditional commitment of \$18,000,000 being the conversion of \$14,000,000 in Company debt and a cash subscription of \$4,000,000. The conditional underwriting commitment from Asian sub-underwriters of an additional \$8,000,000 in cash subscriptions has now lapsed as a result of the failure of certain conditions to be satisfied, principally that the Iron Ore Fines (Tianjin CFR) price would not fall below US\$92 during the Entitlements Issue.

The Company has also agreed to GNR's request to continue negotiations with a view to concluding an underwriting commitment that is not dependent on the same iron ore price parameters set out in the original underwriting agreement between the parties.

Further the extension of the closing date for the Entitlements Issue should also provide sufficient time to conclude its negotiations with investors, other than GNR, to raise the final amount of approximately \$4 million of cash.

Pluton Resources Limited

Level 1, 5 Ord Street, West Perth WA 6005
PO Box 1622, West Perth WA 6872
Ph: (08) 6145 1800
ABN: 12 114 561 732



Operations

A number of developments at both the corporate level and the mining operations on Cockatoo Island will result in a material improvement to the Company's monthly operating costs representing savings of approximately \$22million annually including:

- (a) Pluton is in the process of finalising agreement with Watpac on a number of cost saving initiatives that should result in monthly savings of up to \$1,000,000;
- (b) The grouting costs associated with the Stage 4 seawall works of approximately \$750,000 will cease during the month of October 2014; and
- (c) Head office costs principally represented by management and administration of approximately \$150,000 per month.

Watpac and the Company have committed to restructure and extend the mining services contract under which substantially all operations are conducted at Cockatoo Island. Importantly, the parties recognise that this restructure must be underpinned by a revised operating environment that is better aligned with iron ore prices and the size and scope of the Cockatoo Island production. Moreover, the extension of the Company's mining operations beyond Stage 4 provides a unique opportunity to significantly extend the contract for potentially at least 5 years and lock in the benefits for both parties.

Extension of Current Mining Operations

The Company has previously announced (ASX release dated 20 August 2014 - Investor Presentation) the substantial additional resources that will be available for mining on completion of the work being undertaken by the company and the engagement of Lycopodium Minerals Pty Ltd in respect of the beneficiation of stockpiles and the Highwall resource. Further announcements will follow detailing the scope of works and the excellent product opportunities available to the Company in respect of this extension to the Stage 4 operations.

In addition, the Company now announces that over and above the Highwall resources referred to above, the resources that sit directly behind the ship loader have been approved by the Department of Minerals and Petroleum for mining. This area has previously not been considered for mining and will have the effect of further extending Stage 4 operations by up to 12 months.

Shipping

Stage 4 product shipments continue to meet the Company's scheduling (ie, a shipment every 10 days) except for shipments numbered 39 and 40 which were subject to a delay arising from the requirement to schedule rehabilitation works during the course of mining operations within the Stage 4 pit. The Company has now reverted to its usual scheduling and additional production in the coming weeks will more than offset the lost production days.

The company is confident that it can raise the additional cash required to ensure the appropriate amount of working capital is available for the operations at Cockatoo Island. It is also confident that the cost reduction measures it has put in place and is working towards will provide it the ability to remain profitable at current iron ore prices

Investor Contacts

Dr Paul D'Sylva
Chairman
Pluton Resources Ltd
+61 8 6145 1800

Mr Jeremy Bower
Interim CEO
Pluton Resources Ltd
+61 8 6145 1800

Media Contact

Matt Birney
Managing Director
Birney Corporate
Mob : 0419 217 090
E : matt@birneycorporate.com.au