



SECOND SUPPLEMENTARY PROSPECTUS

IMPORTANT NOTICE

This Second Supplementary Prospectus contains particulars of changes to and supplements the replacement prospectus dated 22 July 2014 (**Prospectus**) as supplemented by the supplementary prospectus dated 21 August 2014 (**Supplementary Prospectus**) and issued by Pluton Resources Limited (ACN 114 561 732) (**Company**). This Second Supplementary Prospectus is dated 13 October 2014 and was lodged with ASIC on that date. Neither ASIC nor ASX take any responsibility for the contents of this Second Supplementary Prospectus.

This Second Supplementary Prospectus must be read together with the Prospectus and the Supplementary Prospectus. To the extent of any inconsistency between the Prospectus, the Supplementary Prospectus and this Second Supplementary Prospectus, the provisions of this Second Supplementary Prospectus will prevail. Unless otherwise indicated, terms defined and used in the Prospectus and the Supplementary Prospectus have the same meaning in this Second Supplementary Prospectus.

This Second Supplementary Prospectus, the Prospectus and the Supplementary Prospectus are important documents that should be read in their entirety. If you have any questions about the Shares being offered under the Prospectus or any other matter, you should consult your professional advisers.

PURPOSE OF THIS SECOND SUPPLEMENTARY PROSPECTUS

The purpose of this Second Supplementary Prospectus is to provide various updates, in particular:

- (a) an update on the status of the Underwriting Agreement with GNR;
- (b) an update on the Company's arrangements with Watpac; and
- (c) an update on the status of the Offer.

SECTION 1 UNDERWRITING AGREEMENT

As detailed in the Supplementary Prospectus, the Company entered into the Underwriting Agreement with GNR under which GNR agreed, subject to the satisfaction of specified conditions, to partially underwrite the Offer to \$26 million. Since entering into the Underwriting Agreement, a number of termination events have occurred, and (as detailed below) the Company has determined that one of the conditions to the underwriting is unlikely to be met by the Closing Date.

It is noted the following events (which are termination events under the Underwriting Agreement) have occurred since the Underwriting Agreement was executed:

- (a) the Iron Ore Fines CFR Tianjin price falling below US\$92 per tonne (**Ore Price Event**). The price fell below the threshold level on 21 August 2014 and has remained below that threshold since that time; and
- (b) the Offer timetable being delayed by more than 3 Business Days (other than a delay agreed to by the parties). As announced by the Company on 19 September 2014, the Closing Date has been extended to 13 October 2014. The Company did not seek GNR's written consent prior to announcing the extension.



The Company and GNR have now entered into a letter agreement to amend the Underwriting Agreement (**UWA Amendment**). Under the UWA Amendment, the parties have agreed as follows:

- (a) the underwritten amount shall be reduced from \$26 million to \$20.9 million;
- (b) the condition that the Company receive binding commitment letters from the Placement Agent (or clients of the Placement Agent) agreeing to subscribe for at least \$15 million worth of Shortfall Shares prior to the Closing Date has been waived by GNR;
- (c) inserting a new termination event which allows GNR to terminate the Underwriting Agreement if there is material adverse change to the Company or its business; and
- (d) GNR has waived its rights in respect of the occurrence of any termination events under the Underwriting Agreement prior to the date of the UWA Amendment.

Under the UWA Amendment, GNR has agreed to the deletion of the Ore Price Event as a termination event under the Underwriting Agreement, and has also agreed to not take any foreclosure or other action in recovery of unpaid monies owed by the Company under or in connection with the loan and iron ore sales agreements between the parties.

GNR has now obtained FIRB approval to increase its relevant interest in Shares up to 46.67% of the issued capital of the Company. Accordingly, together with the waiver of the Placement Agent commitment condition noted above, GNR's commitment to underwrite is now unconditional.

The underwritten amount of \$20.9 million is comprised of:

- (a) \$13.9 million to be satisfied through the offset of debt owed by the Company against subscription monies for Shares under the Offer (some of this debt has been described in the Prospectus as a deferred liability); and
- (b) the balance of \$7 million in cash.

GNR currently holds 153,148,058 Shares, representing approximately 14.99% of the issued capital of the Company. GNR is not a related party of the Company for the purposes of the Corporations Act. GNR is entitled to subscribe for 1,378,332,522 Shares under the Offer. The extent to which Shares are issued to GNR under the Underwriting Agreement will determine the extent of GNR's voting power in the Company on completion of the Offer.

As detailed in Section 5, the Company has received commitments for \$47,800,000 under the Offer. As the Offer closes today, it is not anticipated that any significant further applications under the Offer will be received. Assuming \$47,800,000 is raised under the Offer (and 127,000,000 Shares are issued under the Second Patersons Offer at the same time as Shares are issued under the Offer), GNR will hold approximately 37.83% of the issued Shares on completion of the Offer. GNR has informed the Company that it has no present intention to make any material changes to the management or strategic direction of the Company.



SECTION 2 WATPAC

The Company currently owes approximately \$19 million to Watpac. The Company and Watpac have executed a binding term sheet, which term sheet is subject to various conditions precedent, and which provides as follows:

- (a) Watpac will convert \$3 million of the indebtedness into Shortfall Shares;
- (b) the Company has agreed that \$4 million of the amount raised under the Offer will be used to pay Watpac; and
- (c) \$13 million of the indebtedness will be restructured into a secured promissory note (**Promissory Note**).

The Company has entered into a binding terms sheet with respect to the Promissory Note. The key terms of the Promissory Note are as follows:

- (a) interest is payable quarterly at a rate of 12% per annum (or such other rate that is not less than the effective interest paid to any other higher ranking secured financier of the Company);
- (b) on each interest payment date, the Company must make a principal repayment in an amount calculated as the initial facility amount divided by the number of quarters remaining on the services agreement between the parties (**Watpac Services Agreement**) less 4, plus an additional \$250,000 for each additional US\$5 per metric tonne actual sales price achieved by the Company for any high grade shipments in excess of the price noted in (ii) below, provided the following conditions are met in respect of that quarter:
 - (i) in accordance with the mine plan prepared by AMC Consultants Pty Ltd (**AMC**) and agreed by Watpac (as varied), Watpac achieves, in respect of that quarter, crushing, screening and delivery of iron ore to the DSO stockpile and made available for shipment 30% more shipments per quarter, with a production target of 50% low grade iron ore and 50% high grade iron ore; and
 - (ii) the average price for iron ore over the quarter is no less than \$85 per tonne, based on the daily price of IODEX 62% FE CFR China published by Platts during the quarter (converted into Australian dollars using the exchange rate published by the Reserve Bank of Australia),(the **KPIs**);
- (c) in respect of any quarter, subject to any necessary approvals, the Company may elect to have a principal repayment satisfied through the issue of Shares at a price equal to a 10% discount to the volume weighted average price of Shares on ASX on the 10 days prior to the interest payment date; and
- (d) subject to the current secured obligations of the Company, the Promissory Note will be secured and will rank behind all secured creditors of the Company existing as at the date of the Promissory Note.



The restructure of \$13 million of the indebtedness into the Promissory Note is subject to satisfaction of the following conditions precedent:

- (a) the conversion of \$3 million owed by the Company to Watpac into Shortfall Shares;
- (b) \$4 million of the amount raised under the Offer is used to pay Watpac in respect of monies owed;
- (c) confirmation is provided to the satisfaction of Watpac of:
 - (i) sufficient in situ inventory at the Project (as advised by AMC) to support the amortisation and repayment of the Promissory Note; and
 - (ii) the operational and technical parameters and operating budget of the Project;
- (d) the acquisition of Wise's interest in the Joint Venture on terms satisfactory to Watpac in its sole discretion;
- (e) evidence to the satisfaction of Watpac that the current prepaid off-take funding will be refinanced;
- (f) any required regulatory approvals of the Company;
- (g) documentation of the Promissory Note including security documentation;
- (h) legal review; and
- (i) approval by Watpac's credit committee.

The Promissory Note contains a number of events of default which, if they occur, will mean the terms sheet will terminate and Watpac may take action to recover all monies owed by the Company under the Promissory Note and under the Watpac Services Agreement. The events of default include:

- (a) the Company acquiring Wise's interest in the Joint Venture without the prior written consent of Watpac;
- (b) the Company's existing rights to receive 100% of the economic benefit from the Project are terminated;
- (c) the Company's role as manager of the Joint Venture is terminated;
- (d) the current prepaid offtake funding is not refinanced by 31 December 2014;
- (e) any off-take funding or refinanced off-take funding post 31 December 2014 is repaid over a monthly period at a rate greater than the equivalent amortisation applicable to a five year, straight line loan facility; and
- (f) other events of default customary for a facility of this nature.

Under the terms sheet, Watpac agrees it will not exercise any rights to recover the \$13 million the subject of the proposed Promissory Note until all of the conditions have been satisfied or the terms



sheet is terminated. The terms sheet will terminate if the conditions precedent are not satisfied by 31 December 2014.

As a consequence of the arrangements with Watpac detailed above, the Company does not have to raise the additional cash above the Minimum Subscription it was previously anticipating having to raise, given Watpac's preparedness to convert debt to equity and its agreement to restructure \$13 million of the indebtedness into the Promissory Note.

The Company and Watpac have also been working together to develop a new mine plan for the Project which is hoped will improve operational efficiencies at the Project and extend the life of Stage 4.

SECTION 3 WISE

The Company and Wise have been in discussions concerning the purchase by the Company of the Wise Assets, without any formal agreement having been entered into. Various commercial issues remain outstanding as at 12 October 2014, the date on which completion of the sale and purchase was proposed to have been completed under the Letter Agreement. These discussions have taken place against the backdrop of an iron ore price of around US\$95 per tonne as at the time of lodgement of the Prospectus to around US\$80 per tonne at the time of lodgement of this Second Supplementary Prospectus. In addition, since the Letter Agreement was signed with Wise, the Company has undergone a significant restructure to the Board and senior management, and adopted a strategic plan for the Company moving forward which aims to improve the prospects of the Company and generate Shareholder value. The arrangements being reached with Watpac and the development of a new mine plan for the Project as noted in Section 2 are integral to this strategy.

As detailed in the Prospectus, if the conditions precedent to the Letter Agreement have been met, and if the Wise Transaction is not completed on or before 12 October 2014 (which it hasn't been), there is a risk that Wise may take the position that it is entitled to compel the Company to resign as manager of the Joint Venture or that operations at the Project cease and that any money contributed into the Joint Venture on behalf of Wise from the date of the Letter Agreement would not be recoverable from Wise. The Company has previously requested an extension to the completion date (amongst other things).

In the event that Wise is successful in compelling the Company to resign as manager of the Joint Venture or to cause Project operations to cease, this would have a severe detrimental effect on the Company's cash flows and potentially its solvency. The Company notes that Wise will also lose a significant revenue stream if operations cease and the Company maintains its position that Wise's liability for past contributions to Joint Venture expenditure (as contemplated in the Investigating Accountant's Report) will remain due and payable.

SECTION 4 FINANCING ARRANGEMENTS

The Supplementary Prospectus noted the Company had entered into a term sheet with the Placement Agent under which the Placement Agent will seek one or more lenders to provide the Company a US\$70 million senior secured debt facility, and that subject to the debt facility being entered into, the Placement Agent may (in their discretion) subscribe for \$15 million worth of Shortfall Shares.

The Company notes discussions with the Placement Agent with respect to the proposals outlined above have not resulted in the Company receiving binding debt proposals or any commitments from the Placement Agent or its clients to apply for Shortfall Shares. The parties have agreed the mandate has terminated.



As noted in the Prospectus, the Company has received an unexecuted indicative term sheet from a third party, Chimaera Capital Markets (**Chimaera**), to restructure the Company's existing debt. Discussions with respect to the term sheet are at a very preliminary stage. There is no certainty an agreement will be reached with Chimaera or any other financier.

SECTION 5 SHIPPING SCHEDULE

It has previously been disclosed that the Company has agreed to deliver four shipments of iron ore to Hyundai Steel Company (**HSC**) pursuant to the terms of an iron ore sales agreement (with a shipment to be delivered in each of August, September, November and December 2014). The Company has advised that it has negotiated with HSC to vary the shipping schedule to enable delivery of high grade ore to HSC's specifications. As yet the parties have not executed a formal variation. The risk to the Company of not having entered into a written agreement with HSC varying the iron ore sales agreement is that of a claim in contract or damages where the ore delivered is not in accordance with the contract specifications.

SECTION 6 APPLICATIONS RECEIVED

The Company has received Applications for 133,234,258 Shares for a total subscription price of \$1,332,343 from Eligible Shareholders subscribing for their Entitlement under the Offer.

Further, the Company has:

- (a) now received commitments from creditors and the Lead Manager to convert \$18.85 million worth of debt (and corporate advisory fees) into equity through applications for Shortfall Shares;
- (b) as noted above, received a commitment from Watpac to convert \$3 million of the debt it is owed by the Company into Shortfall Shares; and
- (c) received other commitments totalling \$5.05 million.

Together with GNR's underwriting commitment detailed in Section 2, the above means the Company now has commitments of \$47.8 million, achieving the Minimum Subscription of \$47.5 million under the Offer.

SECTION 7 STATUS OF OFFER

The Offer will close at 5pm (WST) today, 13 October 2014 and Shares are expected to be allotted on 20 October 2014.

The Company noted in the Supplementary Prospectus that it needed to raise at least an additional \$10,000,000 over and above the Minimum Subscription in order to have sufficient comfort that it can pay the creditors who have either formally or informally agreed to a forbearance in order to proceed with the Offer and allot the Shares. On 26 September 2014, the Company announced that this amount had increased to \$15,000,000.

The Company monitors its cash flow requirements and forecasts on an ongoing basis, taking into account all prevailing circumstances. Taking into account current circumstances, in particular:

- (a) the Company's entry into the Promissory Note under which Watpac has agreed to re-structure \$13 million owed to it by the Company as detailed in Section 3;



- (b) Watpac's agreement to convert \$3 million owed to it by the Company into Shortfall Shares; and
- (c) the current status of creditors including, as noted in Section 6, the commitments from trade creditors and the Lead Manager to convert \$18.85 million worth of debt (and corporate advisory fees) into equity through applications for Shortfall Shares (which has increased from \$15.8 million as disclosed in the Supplementary Prospectus),

the Directors have now determined that if the Minimum Subscription is achieved (and no additional amount is raised) the Company will still have sufficient comfort that it will be able to pay creditors who have either formally or informally agreed to a forbearance to the extent those or similar forbearance arrangements expire. Accordingly, as the Company has now received commitments of \$47.8 million, achieving the Minimum Subscription of \$47.5 million under the Offer, the Directors have determined to proceed with the Offer.

The Directors believe the changes in this Second Supplementary Prospectus are, on the whole, not materially adverse from the point of view of an investor. Accordingly, no action needs to be taken if you have already subscribed for Shares or Shortfall Shares under the Prospectus.

SECTION 8 LOYALTY OPTION OFFER

The Prospectus noted that subject to completion of the Offer and market conditions at the time, the Company intends to conduct a pro rata issue of Options (each with an exercise price of \$0.013 expiring on the date 3 years from the date of issue) 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. The Options offer has not been conducted given the extension of the Closing Date of the Offer.

Subject to completion of the Offer and market conditions at the time, the Company intends to conduct the Option offer in January 2015. A prospectus for the offer of 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.

SECTION 9 NEW RISK FACTORS

The following new risk factors are noted:

ASX announcement

The Company released an ASX announcement on 26 September 2014 (**Announcement**). The Announcement noted the Company needed to raise at least \$15 million in cash subscriptions under the Offer (as opposed to creditor debt to equity swaps) to enable it to satisfy creditors which have either formally or informally agreed to forbearance in order for the Offer to be completed. As noted above, the Company monitors its cash flow requirements on an ongoing basis, and as a result of the new circumstances outlined in this Second Supplementary Prospectus, has now determined that the Company will be able to satisfy creditors which have either formally or informally agreed to forbearance (to the extent those or similar forbearance arrangements expire), provided the Minimum Subscription is reached. The Company's entry into the Promissory Note has facilitated the Company being able to reach this conclusion.

The Announcement also provided an update on the Company's Underwriting Agreement with GNR, noting that GNR had provided a conditional underwriting commitment of \$18 million and an unconditional underwriting commitment of \$8 million. This did not accurately reflect the status of the



Underwriting Agreement at the time. At the time of the Announcement, GNR was still obligated to underwrite the Offer to \$26 million (as detailed in the Supplementary Prospectus) albeit GNR was also entitled to terminate the Underwriting Agreement because of the occurrence of several termination events (see Section 2 above), although it had not exercised its rights to do so. As detailed in Section 2, the Company and GNR have now agreed to amend the Underwriting Agreement such that GNR has agreed to waive any rights it may have in respect of the occurrence of any termination events arising before the date the UWA Amendment, and has unconditionally agreed to underwrite the Offer to \$20.9 million.

Compliance and regulatory risk

As noted in the 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. The Company remains subject to the risk of any breach, including in relation to the accuracy and timing of disclosures made during the Offer period.

Other than as disclosed above or in the Prospectus or Supplementary Prospectus, the Company believes it is materially in compliance with the laws and rules to which it is subject. However, the interpretation of laws and rules can be subjective, and there is a risk that ASIC, ASX or a person aggrieved could form contrary views to that taken by the Company and take action. Any action against the Company may have a negative impact on the Company, the Offer and the value of the Shares.

Forfeiture risk

The Company has received a notice of intention to forfeit mining lease 04/448 (being a mining lease at the Project) from the Department of Mines and Petroleum (**DMP**). The notice indicated the Company has failed to pay royalties and lodge specified forms and reports with respect to the Project required under the *Mining Regulations 1981*. The notice noted that the DMP intends to make a recommendation to the Minister that the tenement should be forfeited, but provided an opportunity for the Company to pay outstanding royalties, lodge outstanding forms, and provide written submissions as to why the tenement should not be forfeited by 19 September 2014.

The Company lodged written submissions with DMP on 11 September 2014 which noted the Company wished to defer payment of the outstanding royalties until mid-October 2014 (**Submissions**). The Company has had various discussions with the DMP on this issue, and based on these discussions, have a reasonable basis to consider the DMP has agreed to extend the time for payment of the royalties and that in the meantime, it will not make any recommendations to the Minister that the tenement be forfeited. It is noted the Submissions did not state the Offer was subject to an underwriting arrangement that contained conditions that if breached meant that the Minimum Subscription would not be achieved resulting in the Company not having the money to make the payment.

Although Minimum Subscription has now been achieved and the Company will have the funds to promptly pay the outstanding royalties, there remains a risk that the DMP may take action. Any action that would lead to the Company forfeiting the tenement would have severe consequences for the Company.

Promissory Note

As detailed above, the restructure of \$13 million of indebtedness owed to Watpac into the Promissory Note is subject to the satisfaction of a number of conditions precedent. If these conditions are not



satisfied by 31 December 2014, the terms sheet will terminate and Watpac may take action to recover the \$13 million owed to it. Watpac's agreement to restructure this debt into the Promissory Note was integral to the Board's determination that the Company will have sufficient comfort that it will be able to pay creditors who have either formally or informally agreed to a forbearance (to the extent those or similar forbearance arrangements expire), if the Minimum Subscription is reached (and no additional amount is raised). If the conditions precedent to the Promissory Note are not satisfied the Company may be required to repay the \$13 million immediately. The Company does not anticipate that it will have the money to make this payment.

Financial Accounts Risk

The Company is currently working with its auditor on the audit of the Company's financial statements for the year ended 30 June 2014. The Company is currently suspended and has not lodged its audited statements by the time required under the ASX Listing Rules. As noted above, the Company is subject to enforcement action by ASX. If the audited statements are not lodged by the time of allotment of Shares under the Offer, there is a risk this may affect the Company's application for quotation of the Shares.

SECTION 10 SERVICES AGREEMENT

The Company has entered into a mandate with Chimaera under which Chimaera will:

- (a) advise the Company on the recapitalisation and reorganisation of the Company and its assets (including the Project); and
- (b) conduct a review of the Company and the Joint Venture's key contracts and commercial arrangements including sales and marketing arrangements in respect of all products, contractor and technical services arrangements and logistics arrangements,

(the **Services**).

The key terms of the mandate are as follows:

- (a) the Company shall pay Chimaera a monthly fee of \$60,000. For the first 6 months of the mandate, subject to shareholder approval, the monthly fee shall be satisfied through the issue of Shares;
- (b) if the Company enters into a term sheet (or similar document) with any party in relation to a project or a transaction arising out of or in connection with the mandate or the Services (**Covered Transaction**), or in respect of any form of funding sought by the Company, the Company must pay Chimaera a fee of \$60,000;
- (c) the Company shall pay Chimaera an amount of 2.5% of the value of any Covered Transaction if it constitutes a capital raising, and 1.5% of the value of any Covered Transaction if it does not constitute a capital raising. If the Company instructs Chimaera to advise with respect to a Covered Transaction but decides not to proceed with the transaction, it must pay Chimaera 50% of the relevant success fee;
- (d) the mandate has an initial term of 12 months; and
- (e) the appointment of Chimaera is exclusive. In addition, Chimaera has a first right of refusal to provide certain other services to the Company.



Chimaera has been assisting the Company restructure its arrangements with Watpac and rework the financial model for the Cockatoo Island project. Further, Chimaera has been developing the refinancing term sheet referred to in Section 4.

SECTION 11 USE OF FUNDS AND PRO FORMA BALANCE SHEET

11.1 Use of funds

As a result of the information in this Second Supplementary Prospectus, the proposed use of funds table in Section 1.2 of the Prospectus is replaced with the following:

Use of funds	Amount	
	Estimated Subscriptions	
	\$	%
Trade Creditors including conversion of trade creditor amounts to equity	12,502,205	26.2
Financial Creditors including conversion of financial creditor amounts to equity	18,347,795	38.4
Secured Financial Creditor and Offtaker (GNR) conversion to equity	9,400,000	19.7
Working capital*	7,550,000	15.8
Total^ψ	\$47,800,000	100%

Notes

**This shall be applied to the general working capital needs of the Company including corporate and administrative overhead, statutory charges, and the costs of the Offer.*

It is noted that the above table shows the proposed use of funds raised based on commitments received as at the date of this Second Supplementary Prospectus. As the Offer closes today, it is not anticipated that any significant further Applications will be received. Additional funds raised from Applications received today will be used for working capital.

11.2 Pro forma balance sheet

As a result of the updates in this Second Supplementary Prospectus, the Company has prepared an updated pro-forma balance sheet using the reviewed 31 March 2014 balance sheet and adjusted for:

- the Offer, assuming \$47.8 million is raised (ie 4,780,000,000 new Shares are issued and \$47.8 million is raised before costs, being the commitments received as at the date of this Second Supplementary Prospectus); and
- all the subsequent events set out in Section 6 of the IAR.

The pro forma balance sheet is set out below:



Consolidated Statement of Financial Position	Reviewed as at 31 March 2014 \$'000	Subsequent events \$'000	Pro forma adjustments \$'000	Pro forma after offer \$'000
CURRENT ASSETS				
Cash and cash equivalents	\$185	\$677	\$5,277	\$6,139
Trade and other receivables	\$10,086	\$21,130	\$7,927	\$39,143
Inventories	\$2,052	-	-	\$2,052
Other current Assets	\$2,758	-	-	\$2,758
TOTAL CURRENT ASSETS	\$15,081	\$21,807	\$13,204	\$50,092
NON-CURRENT ASSETS				
Property, plant and equipment	\$7,239	\$750	\$1,250	\$9,239
Intangible assets	\$260	-	-	\$260
Exploration and evaluation assets	\$75,434	-	\$522	\$75,956
Other non-current assets	\$330	-	-	\$330
TOTAL NON-CURRENT ASSETS	\$83,263	\$750	\$1,772	\$85,785
TOTAL ASSETS	\$98,344	\$22,557	\$14,976	\$135,877
CURRENT LIABILITIES				
Trade and other payables	\$16,656	\$12,552	(15,543)	\$13,665
Borrowings	\$12,468	\$297	(8,852)	\$3,913
Hire purchase liabilities	\$703	-	-	\$703
Provisions	\$288	-	-	\$288
Deferred revenue	\$23,640	(2,132)	(6,040)	\$15,468
TOTAL CURRENT LIABILITIES	\$53,755	\$10,717	(30,435)	\$34,037
NON CURRENT LIABILITIES				
Provisions (Rehabilitation)	\$18,162		-	\$18,162
LT Borrowings			\$11,053	\$11,053
TOTAL NON CURRENT LIABILITIES	\$18,162	-	\$11,053	\$29,215
TOTAL LIABILITIES	\$71,917	\$10,717	(19,382)	\$63,252
NET ASSETS	\$26,427	\$11,840	\$34,358	\$72,625
EQUITY				
Issued Capital	\$93,224	\$18,067	\$44,677	\$155,968
Reserves	\$4,114	\$267	-	\$4,381
Accumulated losses	(70,911)	(6,494)	(10,319)	(87,724)
TOTAL EQUITY	\$26,427	\$11,840	\$34,358	\$72,625



In preparing the pro forma balance sheet, the Company has used the same assumptions set out in Section 7 of the IAR and incorporating the changes to the pro forma balance sheet as explained in section 8.2 of the Supplementary Prospectus dated 21 August 2014. The following adjustments have been incorporated into the above pro forma balance sheet:

1. The cash at bank balance has increased by \$1.9 million from the previous pro forma balance sheet due to an agreed part payment on the Ishine Loan Balance of US\$0.5 million at completion of the Rights Issue. The remaining Ishine Loan Balance is to be repaid at a later date. This has resulted in a short-term borrowings balance of AUD\$1.9 million remaining at the close of the Rights Issue and an additional corresponding cash amount being available.
2. The movement in trade and other payables from the previous pro forma balance sheet is as a result of the movement in trade creditors for the pro forma period and the conversion of \$10m of Watpac's outstanding indebtedness into the Promissory Note. In addition, Watpac has agreed to roll the previously contemplated \$3 million convertible note into the Promissory Note, for a total loan term facility of \$13 million. Of the Promissory Note, \$1.95 million is classed as current as the Company expects to repay this amount within the 12 months from the 31 March 2014 balance date. This has resulted in a long-term borrowing of \$11.05 million, short term borrowings of \$3.93 million and an increase in a receivable from Wise being recognised for 50% of the increase in trade creditors not previously recognised, being \$5.8 million. Additionally, this also has resulted in a corresponding adjustment to profit and loss of the same value.
3. The pro forma balance sheet has been prepared on the basis of the Company's reviewed accounts for the period ended 31 March 2014. These accounts have been reviewed but have not been the subject of audit. The Company's auditors are currently carrying out the audit process, and there may be changes to the pro forma balance sheet once the audit is complete. In particular, the Company expects a material write down to the exploration and evaluation asset carrying value of the Irvine Project, which cannot yet be quantified with any certainty.

SECTION 12 EXPENSES OF THE OFFER

As the underwritten amount has changed and the Lead Manager has agreed that all of its fees (being approximately \$2,290,000) will be settled through the issue of Shortfall Shares, the table in Section 6.15 of the Prospectus regarding expenses of the Offer is replaced with the following:

Expense	Estimated Subscriptions
ASIC fees	\$2,290
ASX fees	\$41,995
Investigating Accountant's Report	\$140,000
Legal expenses	\$350,000
Share registry fees	\$11,000
Underwriting fee	\$1,436,875
Printing and other expenses	\$64,000
Total	\$2,046,160

The Lead Manager (and its nominees) have been issued 133,000,000 Shares under the First Patersons Offer and will be issued an additional 127,000,000 Shares under the Second Patersons Offer around the same time as the issue of Shares under the Offer. As noted above, the Lead



Manager has agreed that its corporate advisory and lead manager fees may be satisfied through the issue of Shortfall Shares. Accordingly, 229,000,000 Shortfall Shares will be issued to the Lead Manager under the Shortfall Offer. It is noted the above table has been prepared based on commitments received as at the date of this Second Supplementary Prospectus. As the Offer closes today, it is not anticipated that any significant further applications will be received.

SECTION 13 STATUS OF THE PROSPECTUS, THE OFFER AND APPLICATIONS

All other details in relation to the Prospectus and the Offer remain unchanged and accordingly the Prospectus and the Supplementary Prospectus, which should be read in its entirety with this Second Supplementary Prospectus, provide the basis for and the means by which Eligible Shareholders may accept all or any part of their Entitlement under the Offer. Please see the Prospectus for information on how Eligible Shareholders may participate in the Offer.



SECTION 14

DIRECTORS' RESPONSIBILITY STATEMENT & CONSENTS

The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements made by the Directors in this Second Supplementary Prospectus are not misleading or deceptive and that in respect to any other statements made in this Second Supplementary Prospectus by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given their consent to the statements being included in this Second Supplementary Prospectus in the form and context in which they are included and have not withdrawn that consent before lodgement of this Second Supplementary Prospectus with the ASIC, or to the Directors' knowledge, before any issue of Shares pursuant to the Prospectus, the Supplementary Prospectus or this Second Supplementary Prospectus. This Second Supplementary Prospectus is prepared on the basis that certain matters may be reasonably expected to be known to likely investors or their professional advisers.

Each Director has consented to the lodgement of this Second Supplementary Prospectus with ASIC and has not withdrawn that consent.

Dated: 13 October 2014

A handwritten signature in black ink, appearing to read "Paul D'Sylva", is written over a horizontal line.

Paul D'Sylva
Director

Please note that all other details in relation to the Prospectus, the Supplementary Prospectus and the Offer remain unchanged.