

31st January, 2012

QUARTERLY ACTIVITIES REPORT – DECEMBER 2011

HIGHLIGHTS

- **Current drilling program on Irvine completed with rig de-mobilised.**
- **Formal environmental approval process commenced.**
- **Strategic partnership structure finalised with Timeone Holdings, including 100% pre-concentrate off-take agreement.**
- **Pluton progresses with potential acquisition of Cockatoo Island.**
- **100% conversion to Indicated Mineral Resource category for Hardstaff Peninsula.**

COMMENTS

Tony Schoer, Managing Director, said: "The quarter ended December 2011 has been very significant for the Company. The finalisation of a strategic partnership structure with Timeone and the progression of the potential acquisition of Cockatoo Island will add significant long term value to the Company."

"Pluton has completed the exploration drilling campaign on Irvine and now moves from exploration into pre-development. This is an important transition for the Company, and is highlighted by the appointment of a Chief Development Officer and an Environmental Manager to assist in taking the Company through to production. "

"In June 2011 Pluton announced various programs required to significantly upgrade the value of the Irvine project. These are ongoing and are summarised in this report. Rather than wait for all tasks to be completed, Pluton will announce progressive changes in value as they are determined, commencing with the revised mine life which is expected to be announced in February."

IRVINE ISLAND

Environmental Approvals

The formal environmental review process commenced with the lodging of the Environmental Scoping Document (ESD) to the EPA in December. The ESD outlines the agreed information to be provided in the Public Environmental Review (PER) document for Irvine Island. Comments on the ESD were received from the EPA in January, and work has commenced on the PER documentation.

Pluton Resources Limited

Level 4, 468 St Kilda Rd Melbourne Vic 3004
PO Box 255 Seddon West Victoria 3011
Ph: (03) 9820 3802 • Fax: (03) 9867 8587
ABN: 12 114 561 732

Exploration

Diamond drilling continued at the Irvine Project with one rig operating on a 24/7 double shift cycle during the reporting period. Drilling was completed for resource definition, metallurgical test work, hydrological and environmental purposes.

Exploration activities undertaken at the Hardstaff Peninsula and Phase III area are summarised below.

Exploration - Hardstaff Peninsula

Drilling during the period has been completed for resource definition, geotechnical, metallurgical and environmental purposes at the Hardstaff Peninsula. One diamond drill hole 11DDH131 (site Y2-23) was drilled as a combined resource definition/geotechnical hole in the northern area of the Hardstaff Peninsula. Geotechnical information collected during logging of the hole will be incorporated into the open pit mine designs.

Three PQ core size diamond drill holes 11DDH124 (site Y2-4), 11DDH129 (site Y2-3) and 11DDH130 (site Y2-5) were completed to provide large diameter whole core for metallurgical test work. Core from the four drill holes completed to date will provide sufficient bulk samples for physical and representative sample test work. It is anticipated that the core will be dispatched from site during first quarter 2012 to commence pilot scale test work.

One short depth, vertical drill hole 11DDH132 (site Y2-24) was completed as an environmental monitoring hole for subterranean fauna.

To date, fifty-three diamond drill holes for a total advance of approximately 10,109 metres have been completed from the drilling program at the Hardstaff Peninsula as at 15th January 2012.

A drill hole collar plan for the Hardstaff Peninsula is given in Figure 1.

Environmental Drilling Phase III

Drilling operations continued at the Phase III area during the reporting period.

The aim of the drilling program is to complete sufficient diamond drill holes both within and outside the proposed mining/processing plant impact zones that can be used for environmental monitoring purposes. These include subterranean fauna sampling (Styglofauna and Troglofauna) and subsurface hydrological studies to provide requisite information for Project approval.

To date, twenty-two (22) diamond drill holes have been completed at twelve (12) different site locations for a total advance of approximately 1,950 metres.

A drill hole collar and planned drill site map for the Phase III area is given in Figure 2.

The following tables summarise the drilling work program for the quarter:

Table 1: Hardstaff Region, Diamond Drilling Completed Quarter 4, 2011.

Hole Number	Site Number	Metres Drilled	Status	Purpose	Comment
11DDH124	Y2-4	113.90	Drilled	Metallurgical	Submit for test work
11DDH129	Y2-3	122.00	Drilled	Metallurgical	Submit for test work
11DDH130	Y2-5	222.80	Drilled	Metallurgical	Submit for test work
11DDH131	Y2-23	296.90	Drilled	Resource/geotech	Assays pending
11DDH132	Y2-24	40.10	Drilled	Environmental	Not assayed
Total		795.70			

Table 2: Phase III, Diamond Drilling Completed Quarter 4, 2011.

Hole Number	Site Number	Metres Drilled	Status	Purpose
11DDH125	PH3-11	122.20	Drilled	Environmental
11DDH126	PH3-11	40.00	Drilled	Environmental
11DDH127	PH3-14	140.00	Drilled	Environmental
11DDH128	PH3-14	40.00	Drilled	Environmental
Total		342.20		

The current exploration and environmental drilling program is now complete, and the drill rig has been demobilised. A short drilling program for environmental monitoring purposes will be conducted later this calendar year.

Resource Update

On the 8th November 2011, Pluton announced an updated Indicated Mineral Resource statement for the Hardstaff Peninsula.

The previous Indicated and Inferred Mineral Resources for the Hardstaff Peninsula (ASX announcement, April 27th 2011), were updated based on the latest resource estimation for both the Yampi Member and Wonganin Sandstone. The Yampi Member Indicated Mineral Resource now stands at **175 Mt @ 33% total iron and 38.6% weight recovery**, at a minimum cut-off grade of 10% total iron.

This also includes a higher grade Indicated Mineral Resource component of **59 Mt @ 51% total iron and 55.1% weight recovery** using a cut-off grade of 50% total iron for the Yampi Member.

In addition, the Company announced an updated Indicated Mineral Resource for the Wonganin Sandstone of **368 Mt @ 21% total iron** (no cut-off grade applied).

The global Indicated Mineral Resource tonnes reported in accordance with the JORC Code¹, now stands at **543 Mt** for the Hardstaff Peninsula.

Conversion of the zone of Inferred Mineral Resources into higher confidence Indicated Mineral Resources at the Hardstaff Peninsula has enabled updated Ore Reserves and valuation studies to commence for the Project.

The current Mineral Resource does not include outcropping iron mineralisation from the Isthmus Region of Irvine Island.

An updated resource statement has been prepared and is summarised in Tables 3 and 4.

Table 3: Yampi Member Mineral Resource, Hardstaff Peninsula, Irvine Island, Western Australia (E04/1172).

Classification	COG Fe (%)	Tonnes (Mt)	Total Wt Rec* (%)	Total Mineralisation			Magnetite Mineralisation		
				Iron (%)	SiO ₂ (%)	LOI at 950° C	Wt Rec by DTR (%)	Fe by DTR (%)	SiO ₂ by DTR (%)
Indicated >40% iron (Lens 1)	40	5	49.2	45	32.5	1.2	34.2	69	2.4
Indicated >50% iron (Lens 2)	50	59	55.1	51	25.6	0.7	37.7	70	1.9
Indicated >30% and <50% Iron (Lens 2)	30	43	39.2	33	47.5	1.0	30.8	69	3.2
Sub Total Indicated (Lens 1 and 2)		107	48.5	43	34.7	0.8	34.8	70	2.5
Indicated >10% iron and < 30% iron	10	68	23.0	18	62.6	1.8	20.5	68	5.2
Total Indicated	-	175	38.6	33	45.5	1.2	29.3	69	3.6

Supporting notes for Table 3.

1 The Mineral Resource is reported in accordance with the JORC Code¹

2 All resources have been rounded to the nearest 1 million tonnes

3 CoG stands for cut-off grade

4 *Total weight recovery includes both the magnetite and hematite mineralisation where a 50% recovery has been assumed for hematite.

Table 4: Wonganin Sandstone Mineral Resource, Hardstaff Peninsula, Irvine Island, Western Australia (E04/1172).

Classification	COG Fe (%)	Tonnes (Mt)	Total Wt Rec* %	Iron (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	S (%)	P (%)	LOI at 950° C
Indicated Wonganin Sandstone	-	368	19.7	21	61.0	4.20	0.09	0.032	1.9

Supporting notes for Table 4.

1 The Mineral Resource is reported in accordance with the JORC Code¹

2 All resources have been rounded to the nearest 1 million tonnes

3 CoG stands for cut-off grade

4 No cut-off grade has been applied to the Wonganin Sandstone Indicated and Inferred Mineral Resource estimation

¹ Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2004 Edition, prepared by the Joint Ore Reserves Committee of the Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.

Dry Magnetic Testing

Variability test work at a 3mm grind size was completed on a number of drill core samples from both the Hardstaff Peninsula and Isthmus Region during the quarter.

A total of twenty-seven drill core composite samples were tested from twenty-one different diamond drill holes at the Hardstaff Peninsula. The composite samples were collected from the northern and southern Hardstaff Peninsula that intersected both the Wonganin Sandstone and Yampi Member.

In addition, the test work program included a total of twelve drill core composites of the Yampi Member from ten different sites drilled at the Isthmus Region.

Results from the Wonganin Sandstone drill core composites at the Hardstaff Peninsula confirm the head iron grade required to produce a +40% pre-concentrate is 28% iron at 3mm grind size. The mass recovery is 52.7%.

Results from the Yampi Member drill core composites at the Hardstaff Peninsula indicate the head Fe grade required to produce a +40% pre-concentrate is 26% Fe at 3mm grind size.

Results from the Yampi Member drill core composites at the Isthmus Region indicate the head Fe grade required to produce a +40% pre-concentrate is 34% Fe at 3mm grind size.

The production of a +40% iron pre-concentrate at a 3mm grind size is expected to offer significant capital and operating cost advantages as well as processing benefits.

IRVINE VALUATION UPDATE

On the 14th June 2011 the Company announced a series of tasks to be undertaken to improve the economics of the Irvine Island Project in preparation for the commencement of the Definitive Feasibility Study (DFS). These tasks are on-going and are summarised below:

- i) ***Increase in Mine Life*** – Drilling at the Hardstaff Peninsula to convert the Inferred Mineral Resources into Indicated Mineral Resources was completed and subsequent optimization studies conclude, as expected, that the initial pit design could be extended to the north of Hardstaff. The existing Hardstaff Peninsula Mineral Resource was updated to include the change from Inferred to Indicated Mineral Resources and a new mine plan is currently being prepared that should significantly increase the mine life. It is expected the results will be announced in February once the revised mine plan has been completed.
- ii) ***Capital Reduction*** - Capital estimates provided in the Pre-Feasibility Studies (PFS) assumed equipment such as the pre-concentrator, power plants, etc. were sourced and built in Australia. Timeone Holdings are currently sourcing quotes from vendors in China for large cost capital items, in particular the pre-concentrator, where we would expect significant cost reductions with vendor finance provided.

- iii) **3mm Grind** – The PFS assumed a grind size of feed to pre-concentrate at 1mm sizing. Testing at 3mm was successful and has produced a similar mass recovery of iron at comparable iron feed grade. A coarser grind is expected to reduce both capital and operating costs.

The high level review of capital and operating costs on the pre-con 40 plant is currently in progress. A revised process sheet flow for the pre-con 40 plant is nearing completion and will be costed during February. It is expected that the updated results will be available by the end of the current quarter following an internal review by Pluton and our partners, Timeone.

- iv) **Include Isthmus tonnage in Valuation** – An updated Mineral Resource estimate for the Isthmus Region is due to be completed by the end of February 2012. It is our expectation that a proportion of the current Inferred Mineral Resource will be converted into Indicated Mineral Resources. This is based on the completion and inclusion of the results from a number of technical studies. These include detailed surface mapping, completion of down hole geophysical and surface surveys and re-logging of diamond core where appropriate which were completed during the quarter. Upgrading of the Inferred Mineral Resource into Indicated Mineral Resources will enable valuation studies to be completed for the Isthmus Region.

- v) **Increase Iron Recovery in Pre-Concentrate and Concentrate** – Positive metallurgical test work results were received from a total of nineteen drill core composites on the Wonganin Sandstone at the Hardstaff Peninsula. The head Fe grade required to produce a +40% iron pre-concentrate is 28% iron with a mass recovery of 52.7% at a 3mm grind size. This is considered significant as the PFS Stage 1 valuation assumed a mass recovery of 50%. The increase in mass recovery without a decrease in iron feed grade is expected to result in more product tonnes and increase Project revenue.

Results from a total of seven drill core composite samples from the Yampi Member at the Hardstaff Peninsula indicate that the head Fe grade required to produce a +40% iron pre-concentrate is 26% Fe at a 3mm grind size.

Results from a total of twelve drill core composite samples from the Yampi Member at the Isthmus Region indicate that the head Fe grade required to produce a +40% iron pre-concentrate is 34% Fe at a 3mm grind size.

As results are known, Pluton will advise the change in value of the Project, commencing with the revised mine life in February 2012.

STRATEGIC PARTNERSHIP – TIMEONE HOLDINGS

During the quarter Pluton announced details of the strategic partnership with Timeone Holdings.

Under the agreement Timeone will take 100% of the pre-concentrate from Irvine and beneficiate to an average 67.5% iron concentrate in China. Timeone will market the concentrate and assist in raising finance for the Project. Pluton will retain 100% of both Irvine and Cockatoo Islands.

Full details are available in the ASX announcement dated 12th December, 2011.

Pluton and Timeone have also entered into a 100% off-take agreement for Stage 4 ore from Cockatoo at full market value. Timeone have agreed to assist in financing of the Cockatoo acquisition and Stage 4 development. Discussions regarding financing are progressing.

COCKATOO ISLAND

On the 7th December 2011, Pluton announced that it had given notice to the owners of Cockatoo Island that it intends to move forward with the acquisition. This followed extensive due diligence activities by Pluton.

Pluton is currently waiting for the draft key transaction agreement from the Cockatoo owners. The commercial terms of the acquisition were negotiated in the binding term sheet in August 2011.

On 23rd December 2011, Pluton announced the Stage 4 valuation. Stage 4, in accordance with the JORC Code, contains a Probable Ore Reserve of 1.2Mt @ 68.5% iron.

Stage 4 Ore Reserves

Classification		Tonnage (Mt)	Fe (%)	P (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	S (%)
Probable	Seawall Hematite	1.2	68.54	0.005	0.97	0.51	0.004
Probable		1.2	68.54	0.005	0.97	0.51	0.004

Table 5: Ore Reserve Statement, Stage 4 Base Case, Cockatoo Island, Western Australia (M04/448-I).

Notes for Table 5:

The Ore Reserve estimate is based on Indicated Mineral Resources contained within the Stage 4 mine design. The Stage 4 Ore Reserve is derived from the geological interpretation of the lithologically controlled Seawall Hematite Unit which controls the high grade iron mineralisation. The Ore Reserve includes all in-situ volumes inside the Seawall Hematite mineralised solid constrained by the Stage 4 open pit design, Stage 3/Stage 4 interface and surface constraints. A density value of 4.7 t/m³ based on historical estimates has been applied to the convert the volume to in-situ ore tonnages. Costs and modifying factors used in the mining study assume mining by conventional open pit methods utilising hydraulic excavators and haul trucks. No cut-off grade was applied to the Seawall Hematite.

Based on a capital cost for Stage 4 development of \$35.0 million and an operating cost of \$53/tonne, the NPV for stage 4 is expected to be positive after allowing for the full acquisition cost. The acquisition cost is the transfer of environmental rehabilitation responsibility for Cockatoo to Pluton.

Cockatoo offers significant upside for Pluton. Infrastructure facilities currently on Cockatoo will mean less duplication for the Irvine development, resulting in a lower capital cost as well as minimising Irvine's environmental footprint. In addition, there is potential to extend the operational life of Cockatoo with a potential Stage 5 DSO operation, underground DSO targets, and low grade iron targets that may be suitable for additional feed for the Irvine pre-concentrator.

The Stage 4 mine plan has been submitted, by the current owners, to the WA Department of Mines and Petroleum for approval.

Gaining third party consents for the transfer of Cockatoo to Pluton is currently underway.

FUNDING

At the end of December Pluton had \$2.032 million cash on hand.

Funding from strategic partner Timeone Holdings for tranche 3 is now expected on the 17th February, with tranche 4 shortly after.

Pluton agreed to extend the receipt dates for tranches 3 and 4 at the request of Timeone to finalise agreements with their financial partners.

The equity funding agreement with Timeone is independent of the agreements in place or being negotiated regarding the Irvine Island and Cockatoo Island developments.

For further information please contact:

Investors and analysts

Tony Schoer, Managing Director 0411 232 711

Competent Persons Statements

The information in this statement relates to Mineral Resource Estimates, Ore Reserves, Exploration Results and Targets for the Irvine Island Project and Cockatoo Island is based on information compiled by Mr A Griffith, who is a Member of the Australasian Institute of Mining and Metallurgy and is a full-time employee of the Company. Mr A Griffith has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'

About Pluton: Pluton Resources Limited is listed on the Australian Stock Exchange (ASX Code "PLV"). Pluton has assembled a diversified portfolio of interests in tenements in Western Australia and Tasmania. Tenements in Western Australia are prospective for iron ore, with the 100% owned Irvine Island iron ore project progressing to the resource definition stage. Tenements located in Tasmania are prospective for high grade or bulk tonnage copper, gold and silver. Further details on Pluton can be found at www.plutonresources.com.

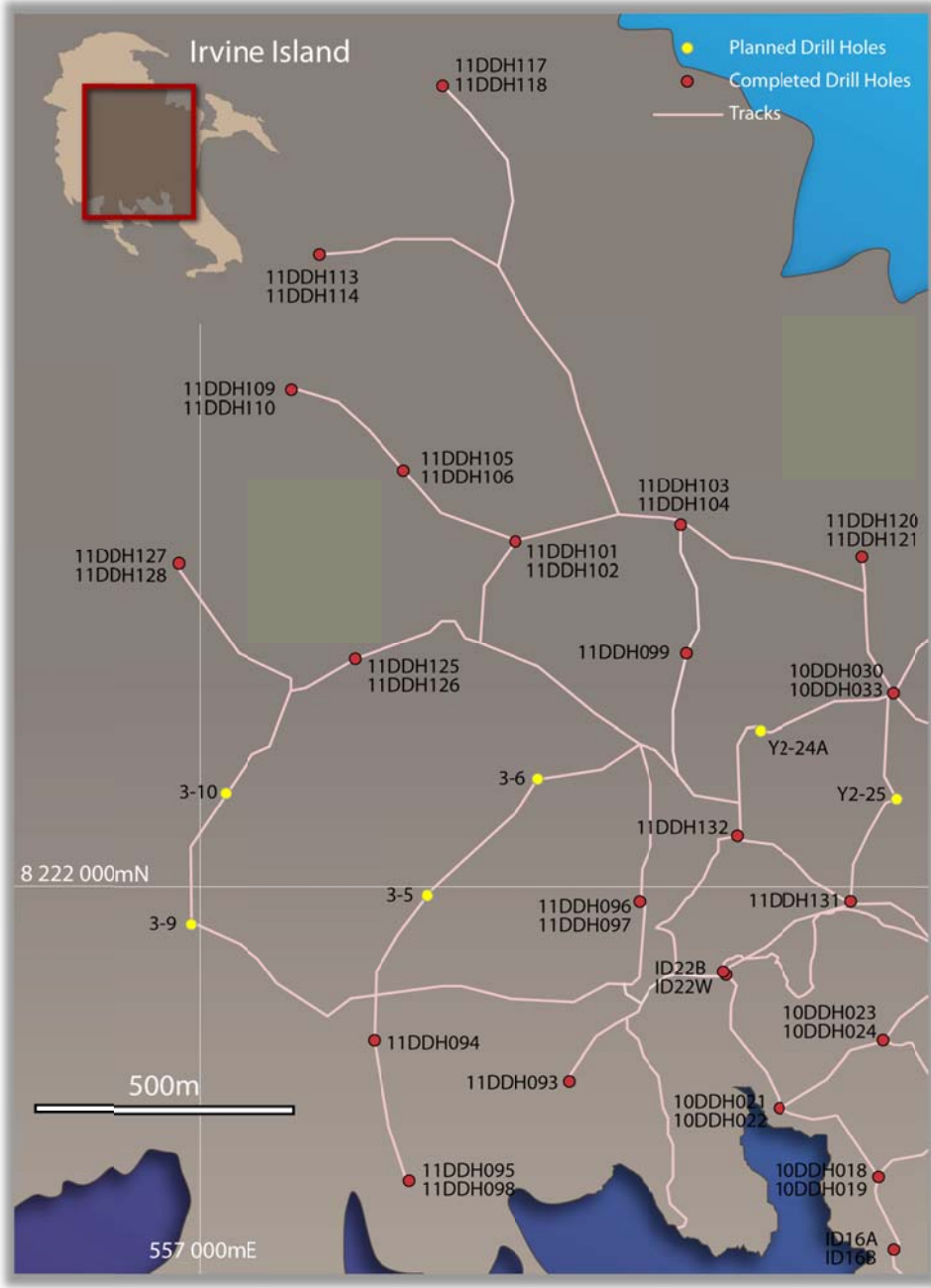


Figure 2: Drill Hole Collar and Drill Site Locations Phase III Area, Irvine Island.