

**This booklet contains
The Notice of Extraordinary General Meeting
and
Explanatory Memorandum
and
Proxy Form
and
Independent Expert's Report
for**

**Pluton Resources Limited
ABN 12 114 561 732**

11 January 2012
10.30am
The Westin Hotel
Level 1
205 Collins Street
Melbourne
Victoria

You should read this booklet carefully before deciding how to vote. If Shareholders are in any doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional advisor.

Notice of Meeting to Shareholders

An Extraordinary General Meeting of Shareholders in Pluton Resources Limited (the **Company**) will be held at the Westin Hotel, 205 Collins Street, Melbourne Victoria on Wednesday, 11 January 2012 at 10.30 am.

The Explanatory Memorandum that accompanies and forms part of this Notice of Meeting describes in more detail the matters to be considered.

Please note terms contained in this Notice of Meeting have the same meaning as set out in Schedule 1 of the Explanatory Memorandum accompanying this Notice of Meeting.

SPECIAL BUSINESS

1. Resolution 1 - Ratification of issue of the Tranche 1 Shares and Tranche 2 Shares to Timeone Holdings Limited

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

"That, for the purposes of Listing Rule 7.4 and for all other purposes, the Company ratify the allotment and issue of:

- a) 14,084,507 Shares in the capital of the Company at an issue price of \$0.355 per Share on 5 August 2011 and 22 August 2011; and
- b) 15,506,164 Shares in the capital of the Company at an issue price of \$0.355 per Share on 6 October 2011,

to Timeone Holdings Limited on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting".

2. Resolution 2 - Approve the issue of the Tranche 3 Shares to Timeone Holdings Limited

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

"In accordance with Listing Rule 7.1 and for all other purposes, the Company approves the allotment and issue of 5,169,892 Shares at an issue price of \$0.355 per Share (each Share ranking equally in all respects with the presently issued Shares) to Timeone Holdings Limited on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting."

3. Resolution 3 - Approve the issue of the Tranche 4 Shares to Timeone Holdings Limited

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

"For the purposes of item 7 of section 611 of the Corporations Act and for all other purposes, approval is given for the Company to allot and issue to Timeone Holdings Limited, a total of 49,746,478 Shares at an issue price of \$0.355 per Share on the terms and conditions as set out in the Explanatory Memorandum accompanying this Notice of Meeting".

Voting exclusion statement

The Company will disregard any votes cast on Resolutions 1, 2 and 3 by:

- (a) Timeone Holdings Limited and a person who might obtain a benefit from the issue if the resolutions are passed, except a benefit solely in the capacity of a holder of ordinary securities; and
- (b) any associate of such persons.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as a proxy decides.

OTHER BUSINESS

To deal with any other business which may be brought forward in accordance with the Constitution and the Corporations Act.

By order of the Board of
Pluton Resources Limited

A handwritten signature in black ink, appearing to read 'Andrew Metcalfe', is written over a light grey rectangular background.

Andrew Metcalfe
Company Secretary
Dated: 9 December 2011

INFORMATION FOR VOTING SHAREHOLDERS

Voting Entitlements

For the purpose of determining a person's entitlement to vote at the Extraordinary General Meeting, and in accordance with regulation 7.11.37 and 7.11.38 of the Corporations Regulations 2011, the Board has determined that a person's entitlement to vote at the Extraordinary General Meeting will be the entitlement of that person set out in the register of Shareholders as at **7.00pm (Melbourne time) on 9 January 2012**.

On a poll, Shareholders have one vote for every Share held.

How to vote

Shareholders can vote by either:

- attending the meeting and voting in person or by attorney or, in the case of corporate Shareholders, by appointing a corporate representative to attend and vote; or
- appointing a proxy to attend and vote on their behalf using the proxy form accompanying this Notice of Meeting and by submitting their proxy appointment and voting instructions in person, by post, or by fax.

Voting in person (or by attorney)

Shareholders, or their attorneys, who plan to attend the meeting are asked to arrive at the venue 15 minutes prior to the time designated for the meeting, if possible, so that their holding may be checked against the Company's share register and attendance recorded. Attorneys should bring with them an original or certified copy of the power of attorney under which they have been authorised to attend and vote at the meeting.

Voting by proxy

A Shareholder entitled to attend and vote is entitled to appoint not more than two proxies. Each proxy will have the right to vote on a poll and also to speak at the meeting.

Where two proxies are appointed, each proxy may be appointed to represent a specific proportion of the Shareholder's voting rights. If the appointment does not specify the proportion or number of votes, each proxy may exercise half of the votes (in which case any fraction of votes will be disregarded).

A proxy need not be a Shareholder.

The proxy can be either an individual or a body corporate.

The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) must be completed and returned to the Company no later than **10.30 am (Melbourne time) on 9 January 2012** by:

- lodging or posting it to Boardroom Pty Limited (Level 7, 207 Kent Street, Sydney NSW 2000); or
- lodging or posting it to the Company at its registered office (Level 4, 468 St Kilda Road, Melbourne, Victoria, 3004); or
- faxing it to Boardroom Pty Limited (facsimile +61 2 9290 9655).

The proxy form must be signed by the Shareholder or his/her attorney duly authorised in writing or, if the Shareholder is a corporation, in a manner permitted by the Corporations Act. A proxy given by a foreign corporation must be executed in accordance with the laws of that corporation's place of incorporation. Where the appointment of a proxy is signed by the appointer's attorney, a certified copy of the power of attorney, or the power itself, must be received by the Company at the above address, or by facsimile, and by no later than **10.30 am (Melbourne time) on 9 January 2012**. If facsimile transmission is used, the power of attorney must be certified.

A proxy form is attached to this Notice of Meeting.

Statement Regarding Undirected Proxies

If a proxy is not directed how to vote on an item of business, the proxy may generally vote, or abstain from voting, as they think fit.

Should any resolution, other than those specified in this Notice of Meeting, be proposed at the Extraordinary General Meeting, a proxy may vote on that resolution as they think fit.

If a proxy is instructed to abstain from voting on an item of business, they are directed not to vote on the Shareholder's behalf on the poll and the shares that are the subject of the proxy appointment will not be counted in calculating the required majority.

Shareholders who return their proxy forms with a direction how to vote but do not nominate the identity of their proxy will be taken to have appointed the Chairman of the meeting as their proxy to vote on their behalf. If a proxy form is returned but the nominated proxy does not attend the meeting, the Chairman of the meeting will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the Chairman of the meeting, the secretary or any Director that do not contain a direction how to vote will be used where possible to support each of the resolutions proposed in this Notice, provided they are entitled to cast votes as a proxy under the voting exclusion rules which apply to some of the proposed resolutions. These rules are explained in this Notice.

Corporate Representatives

Any corporation which is a Shareholder may authorise (by certificate under common seal or other form of execution authorised by the laws of that corporation's place of incorporation, or in any other manner satisfactory to the Chairman of the Extraordinary General Meeting) a natural person to act as its representative at the Extraordinary General Meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the meeting evidence of his or her appointment, including any authority under which it is signed.

Explanatory Memorandum

INTRODUCTION

This Explanatory Memorandum has been prepared for the information of Shareholders of Pluton Resources Limited (**Pluton** or the **Company**) in relation to the business to be conducted at the Extraordinary General Meeting to be held at the Westin Hotel, 205 Collins Street, Melbourne, Victoria at 10.30 am on 11 January 2012.

PURPOSE OF EXPLANATORY MEMORANDUM

The purpose of this Explanatory Memorandum is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the Resolutions in the accompanying Notice of Meeting.

This Explanatory Memorandum does not take into account the individual investment objectives, financial situation and needs of individual Shareholders or any other person. Accordingly, it should not be relied on solely in determining how to vote on the Resolutions and Shareholders should seek their own financial or legal advice.

NOTICE TO PERSONS OUTSIDE OF AUSTRALIA

This Explanatory Memorandum has been prepared in accordance with the Corporations Act and the Listing Rules, disclosure requirements and Accounting Standards. These laws, disclosure requirements and accounting standards may be different to those in other countries.

FORWARD LOOKING STATEMENTS

Certain statements in this Explanatory Memorandum relate to the future. These statements reflect views only as of the date of this Explanatory Memorandum. While Pluton believes that the expectations reflected in the forward looking statements are reasonable, neither Pluton nor any other person gives any representation, assurance or guarantee that the occurrence of an event expressed or implied in any forward looking statements in this Explanatory Memorandum will actually occur.

DISCLAIMER

No person is authorised to give any information or make any representation in connection with the Placement which is not contained in this Explanatory Memorandum. Any information which is not contained in this Explanatory Memorandum may not be relied on as having been authorised by Pluton or the Board in connection with the Placement.

RESPONSIBILITY FOR INFORMATION

The information contained in this Explanatory Memorandum (except the Independent Expert's Report and information regarding Timeone Holdings Limited (**Timeone**) and its intentions) has been prepared by Pluton and is the responsibility of Pluton. Information concerning Timeone and its intentions has been provided by Timeone. None of Pluton, its associates or its advisers assumes any responsibility for the accuracy or completeness of that information.

The Independent Expert has prepared the Independent Expert's Report and has consented to the inclusion of that report in this Explanatory Memorandum. The Independent Expert takes responsibility for that report but is not responsible for any other information contained within this Explanatory Memorandum.

Shareholders are urged to read the Independent Expert's Report carefully to understand the scope of the report, the methodology of the assessment, the sources of information and the assumptions made.

ASX

A copy of the Notice of Meeting and Explanatory Memorandum has been lodged with ASX pursuant to the Listing Rules. Neither ASX nor any of its officers take any responsibility for the contents of the Notice and Explanatory Memorandum.

DEFINITIONS

Capitalised terms in this Explanatory Memorandum are defined in the Schedule 1.

ENQUIRIES

All enquiries in relation to the contents of the Notice of Meeting or Explanatory Memorandum should be directed to the Company's Managing Director, Mr Anthony Schoer or Company Secretary, Mr Andrew Metcalfe (telephone: +61 3 9867 8283).

1. BACKGROUND TO RESOLUTIONS

1.1 Introduction

As announced on 4 August 2011, Pluton has entered into a binding term sheet (**Term Sheet**) in respect of a strategic partnership with Timeone, to assist Pluton with funding requirements and future project development, exploration and growth opportunities. On 29 September 2011, Pluton and Timeone entered into a subscription agreement in respect of these arrangements (**Subscription Agreement**).

The Board believes that Timeone has access to funds and will be a strategic partner committed to the long term development of Pluton's assets. Timeone, together with its associates have strong beneficiation and logistics expertise and a contractual relationship with Rizhao Port Group and Sanmu that will assist Pluton in the development of the Irvine Island Project. Details on the background of Timeone, Rizhao Port Group and Sanmu are set out in Sections 1.6, 1.7 and 1.8, respectively.

1.2 Placement

Pursuant to the Term Sheet and the Subscription Agreement, Pluton agreed, subject to various conditions being satisfied or waived, to issue up to a total of 84,507,041 Shares to Timeone at an issue price of \$0.355 per Share (**Placement**) to raise a total of \$30 million, providing Pluton with a major operational and funding boost, in respect of Pluton's flagship Irvine Island Project. Following completion of the Placement (assuming that none of the options and performance rights are exercised and no other shares are issued by the Company) Timeone will hold a 29.94% interest in the issued capital in Pluton.

Under the terms of the Term Sheet and the Subscription Agreement, the Placement is comprised of four tranches as follows:

- (i) tranche 1 for 14,084,507 Shares (**Tranche 1 Shares**);
- (ii) tranche 2 for 15,506,164 Shares (**Tranche 2 Shares**);
- (iii) tranche 3 for 5,169,892 Shares (**Tranche 3 Shares**); and
- (iv) tranche 4 for 49,746,478 Shares (**Tranche 4 Shares**).

The Tranche 1 Shares were issued on 5 August 2011 and 22 August 2011 pursuant to the Term Sheet.

The issue of the Tranche 2 Shares was conditional upon, and subject to, the parties entering in an offtake agreement in respect of the Cockatoo Island Project (**Offtake Agreement**). On 6 October 2011, the Company and Timeone entered in the Offtake Agreement and accordingly, the Tranche 2 Shares were issued on 6 October 2011 pursuant to the Subscription Agreement. Details of the Offtake Agreement are set out in section 1.5(b).

The issue of the Tranche 3 Shares is conditional upon satisfaction (or waiver by the parties in mutual agreement) of the following conditions precedent:

- (i) the issue of the Tranche 2 Shares;
- (ii) Shareholders approving the issue of the Tranche 3 Shares and the Tranche 4 Shares for the purposes of Listing Rule 7.1; and
- (iii) Shareholders approving the acquisition by Timeone of up to 30% of the voting power in the Company for the purposes of item 7 of section 611 of the Corporations Act.

The issue of the Tranche 4 Shares is conditional upon satisfaction (or waiver by the parties in mutual agreement) of the following conditions precedent:

- (i) satisfaction or waiver of all of the conditions precedent for the Tranche 3 Shares; and
- (ii) the issue of the Tranche 3 Shares.

The issue of the Tranche 4 Shares is to occur on the later of 2 January 2012 and 3 business days after satisfaction of the conditions precedent for the Tranche 4 Shares.

1.3 Board representation

Under the Subscription Agreement, Timeone will be entitled to nominate up to 2 persons to be appointed as Directors, the first upon the issue of the Tranche 2 Shares and an additional director upon the issue of the Tranche 4 Shares. The right to nominate the first director to the Board continues only whilst Timeone holds at least a 15% interest in the Company and the right to nominate an additional director to the Board continues only whilst Timeone holds at least a 30% interest in the Company.

Due to the issue of the Tranche 2 Shares which occurred on 6 October 2011, Timeone is now entitled to nominate one Director to the Board. In addition, subject to Shareholders passing Resolutions 2 and 3 and the issue of Tranche 4 Shares under the Placement occurring, Timeone will be entitled to nominate a second Director to the Board. The identities of Timeone's nominees have not been confirmed, however approval of the appointment of Timeone's nominees will be sought at the next annual general meeting of the Company following their appointment.

1.4 Top Up Right

Under the Subscription Agreement, Timeone will be entitled to a top-up right to maintain its equity interest in the Company in the event that the Company proposes to undertake any capital raising by way of the issue of Equity Securities (**Top Up Right**).

The Top Up Right will not apply where the Company proposes to issue Equity Securities:

- (i) as consideration for the acquisition of an asset, business or security;
- (ii) on the exercise or conversion of other Equity Securities in the Company that existed prior to 29 September 2011;
- (iii) pursuant to a compensation or incentive scheme for benefit of employees, officers, directors or consultants of the Company; or
- (iv) under a dividend reinvestment plan or bonus share plan of the Company.

The issue of Shares pursuant to the exercise by the Timeone of the Top Up Right is subject to, and conditional upon, the Company obtaining all necessary Shareholder approvals. In addition, the Top Up Right will cease to apply if Timeone's relevant interest in the Shares of the Company falls below 5%.

On 6 December 2011, Pluton submitted an application to ASX requesting a waiver from the Listing Rule requirements which ordinarily prohibit anti-dilution rights such as the Top Up Right. The Company will release an announcement regarding ASX's decision in respect of this application once received.

1.5 Other strategic arrangements

Under the Subscription Agreement and a binding term sheet (**Project Term Sheet**) entered into by the parties dated 5 December 2011, Pluton and Timeone have also agreed to negotiate on an exclusive basis and in good faith, the following agreements:

- (i) the Offtake Agreement (which the parties have entered into, details of which are set out in section 1.5(b)) in respect of the Cockatoo Island Project;
- (ii) a formal project agreement (**Project Agreement**) regarding the Irvine Island Project;
- (iii) a barging and transshipment agreement (**Barging and Transshipment Agreement**) in respect of the pre-concentrate ore from the Irvine Island Project;
- (iv) a beneficiation agreement (**Beneficiation Agreement**) in respect of the pre-concentrate ore from the Irvine Island Project;
- (v) a sales proceeds agreement (**Sales Proceeds Agreement**) governing the terms of which profit from the sales of ore from the Irvine Island Project; and
- (vi) a marketing agency agreement (**Marketing Agency Agreement**) in respect of the marketing of ore from the Irvine Island Project.

In addition, the Company and Timeone will also be entering into an additional term sheet for the purposes of governing the terms under which Timeone will assist, subject to completion of the Proposed Acquisition (as defined below), in the funding, marketing, beneficiation and transshipment of any low grade ore arising from the Cockatoo Island Project.

(a) *Proposed acquisition of the Cockatoo Island Project*

As announced on 2 September 2011, Pluton has entered into a legally binding term sheet with the Cockatoo Island Vendors in relation to the potential acquisition of the Cockatoo Island Project (**Proposed Acquisition**). The Proposed Acquisition will provide important infrastructure synergies with the Company's Irvine Island Project and will assist the Company in becoming a producer of high grade direct shipping ore.

The Cockatoo Island Project comprises a virtually pure haematite orebody. In 2000, the Cockatoo Island Vendors entered into a joint venture arrangement to jointly mine 1.5 million tonnes of remnant ore onsite. Subsequently, a joint venture study in 2001 revealed that it was feasible to uncover an additional 4 million tonnes of iron ore from the sections of the orebody extending below the sea water level. To make mining possible, the Cockatoo Island Vendors constructed a 15 metre high sea wall to prevent tidal water from flowing into the pit and began mining in 2002. In August 2008, the Cockatoo Island Vendors received approval from the Department of Mines and Petroleum to implement an embankment project (**Stage 3**) to allow the construction of a 375 metre long and 13.5 metre high earthen, rock-armoured clay core seawall. In March 2009, the Department of Mines and Petroleum approved a design change to the Stage 3 seawall alignment to allow a slightly expanded pit excavation. It is expected that mining in respect of Stage 3 will continue until late 2012.

Various studies will need to be carried out in order to develop Stage 4, and approval from the Department of Mines and Petroleum will need to be obtained, however, it is the intention of the Cockatoo Island Vendors to conduct and submit the studies to the Department of Mines and Petroleum for approval prior to completion of the Proposed Acquisition.

It is understood that approvals should be obtained by the time Pluton acquires the Cockatoo Island Project. This will allow Pluton to commence production shortly after the completion of the Proposed Acquisition.

The Proposed Acquisition is subject to a number of approvals and conditions including:

- (i) completion of due diligence by Pluton, which was duly completed on 31 October 2011;
- (ii) completion of definitive agreements between Pluton and the Cockatoo Island Vendors; and
- (iii) receipt of certain required regulatory approvals and third party consents.

In consideration for the Proposed Acquisition, Pluton assumes responsibility for the environmental rehabilitation of Cockatoo Island when mining concludes. The completion date for the potential acquisition will be at the conclusion of Stage 3 of mining operations, expected to be completed in late 2012.

(b) Offtake Agreement

On 6 October 2011, the parties entered into the Offtake Agreement, the key terms of which are as follows:

- (i) **Quantity of offtake:**
 - (A) subject to the Tranche 4 Shares being issued in accordance with the Subscription Agreement, Timeone will be entitled to 100% of the Company's share of the fine ore from Stage 4 of the Cockatoo Island Project and 50% of the Company's share of fine ore from any stages of the Cockatoo Island Project subsequent to Stage 4; or
 - (B) if the conditions in respect of the Tranche 4 Shares are not satisfied or waived or the Tranche 4 Shares are not issued to Timeone because of Timeone's default under the Subscription Agreement, Timeone will be entitled to 50% of the Company's share of the fine ore from Stage 4 of the Cockatoo Island Project and 25% of the Company's share of fine ore from any stages of the Cockatoo Island Project subsequent to Stage 4.
- (ii) **Conditions:** The Offtake Agreement is subject to, and conditional upon:
 - (A) the Company acquiring the Cockatoo Island Project;
 - (B) Timeone nominating penalty specifications and price adjustments which are reasonably acceptable to the Company; and
 - (C) the Company determining in its sole discretion that the mining and sale of fine ore from Cockatoo Island is economically feasible.
- (iii) **Price:** The price for each 1% Fe applicable to all tonnage of fine ore sold will be at fair market value, which will be calculated on the published spot price (as contained in Platts, unless there is a spot price for Yampi ore) for the month immediately preceding the month in which shipping of the fine ore occurs and adjusted accordingly to take into account the capacity constraints for vessels.

On 4 October 2011, ASX gave a determination pursuant to the Listing Rules, confirming that Shareholder approval pursuant to Listing Rule 10.1 is not required in respect of the Offtake Agreement.

(c) **Project Term Sheet**

On 5 December 2011, the parties entered into the Project Term Sheet, the key terms of which are as follows:

(i) **Funding by Timeone:** Timeone will assist the Company in the financing of development capital for the Irvine Island Project, by way of vendor finance, use of surplus cash flow from Stage 4 of the Cockatoo Island Project and, if necessary, obtaining the balance of any outstanding finance from end-users of the concentrate from the Irvine Island Project.

(ii) **Arrangement for Mining, Shipping and Beneficiation of Iron Ore, and for Distribution of Proceeds:**

(A) The Company will mine the ore from the Irvine Island;

(B) The Company will pay all mining costs, royalties, barging and transshipment costs, marketing costs, financing costs and taxes in relation to the ore mined from Irvine Island;

(C) Timeone will pay all shipping costs and beneficiation costs;

(D) Timeone and the Company will enter into the Beneficiation Agreement under which Timeone will beneficiate the ore from the Irvine Island;

(E) Timeone and the Company will enter into the Barging and Transshipment Agreement under which Timeone will provide at an arm's length commercial rate, barging and transshipment services to enable ore from the Irvine Island Project and if appropriate, low grade ore from the Cockatoo Island Project to be barged from the islands to the transshipment facility between the islands;

(F) Timeone and the Company will enter into the Marketing Agreement under which Timeone will market the concentrate to end-users and assist in arranging finance for the Company, for a fee of 2.5% of the sale price of all iron ore sold from the Irvine Island; and

(G) Timeone and the Company will enter into the Sales Proceeds Agreement which provides for the receipt into and distribution of funds from a sales proceeds account.

(iii) **Profit Sharing:** The Company and Timeone agree to share all profits resulting in the sale of all ore from the Irvine Island on the following basis:

(A) in the case of the Company:

$$A = 0.70(R - (P + T))$$

(B) in the case of Timeone:

$$B = 0.30(R - (P + T))$$

where in both cases:

A is the share of the profits payable to the Company.

B is the share of the profits payable to Timeone.

R is the total revenue each 12 months from the sale of the beneficiated ore from the Irvine Island Project.

- P is the Company's total costs associated with the production of the ore sold during each 12 month period, where such costs are calculated pursuant to the Project Term Sheet (provided that any overhead costs payable by the Company do not exceed 5% of the total operating costs).
- T is Timeone's total costs associated with the beneficiation of the ore sold during each 12 month period, where such costs are calculated pursuant to the Project Term Sheet (provided that any overhead costs payable by Timeone do not exceed 5% of the total operating costs).

Under the Project Term Sheet, the Company and Timeone have agreed to enter into the following agreements on or before 5 April 2012 (unless otherwise agreed between the parties) to give effect to the above key terms:

- (i) the Project Agreement;
- (ii) the Barging and Transshipment Agreement;
- (iii) the Beneficiation Agreement;
- (iv) the Sales Proceeds Agreement; and
- (v) the Marketing Agency Agreement.

1.6 About Timeone

Timeone is incorporated in the British Virgin Islands (company number 1515220) and is owned by Chinese private investors. Timeone's business includes the design of mobile offshore transshipment platforms and the provision of mobile offshore transshipment services. Timeone has established a transport company in Inner Mongolia for the haulage of coal. Timeone has strong relationships with Rizhao Port Group, Sanmu and other mining and beneficiation companies.

Timeone has entered into contractual arrangements with Rizhao Port Group and Sanmu, pursuant to which:

- (i) Sanmu has agreed, with the support of the Rizhao Port Group, to expand its beneficiation plant located 5 km from the Rizhao Port and Lanshan Port area (**Beneficiation Plant**) to meet the processing requirements of Timeone (including Timeone's processing requirements under the Project Term Sheet); and
- (ii) Timeone has agreed to be responsible for improving the beneficiation technology and co-ordinating sales of the concentrate iron ore product from the Irvine Island Project.

Expansion of the Beneficiation Plant is expected to occur by the end of 2013.

1.7 About Rizhao Port Group

Rizhao Port Group is a company incorporated in Shandong Province in China and is a fully funded Chinese state-owned enterprise based in Rizhao, China.

Rizhao Port Group was established in May 2003. Since then, it has become a multi-functional, integrated large-scale modern enterprise group. Its operations covers a range of areas including port handling, storage and transportation, domestic and foreign trade, integrated logistics, harbor construction, construction and installation, real estate development, project supervision, machinery manufacturing, hotels and tourism and other industries.

Rizhao Port Group has two major ports, which are Shi Jiu and Lan Shan port. It has 44 productive berths with a designed capacity of 120 million tons or more. Since 2003, Rizhao Port Group increased its annual throughput capacity by 30.5% on average. In 2006, its annual

throughput exceeded 100 million tonnes. This number reached 151 million tonnes in 2008 and Rizhao Port Group became the 9th largest coastal port in China, among which it is the largest Chinese coastal port in importing iron ore and nickel ore, wood chips, bauxite, cement and soybean etc. In 2009, its cargo throughput was 181.3 million tonnes, which represents a 115.3% growth from 2005. Rizhao Port Group's growth rate ranks first in the nation's coastal ports.

Since 2003, investment made by Rizhao Port Group has accumulated to RMB100 million. It has built a number of specialized deepwater berths with 200,000 tonne and 300,000 tonne capacity and logistics centres.

Since listed in October 2006, Rizhao Port Group has successfully raised RMB3.24 billion, becoming one of the fastest growing listed companies.

1.8 About Sanmu

Sanmu is a wholly owned subsidiary of Rizhao Sanmu Group Co. Ltd., a private company established in 1983, located within the Rizhao Port Lan Shan Port area and comprises five subsidiaries: Rizhao Sanmu Wood Industry Co. Ltd, Rizhao Sanmu Mining Metallurgy Co., Ltd, Rizhao Huang An Trading Pty Ltd, Rizhao Sanmu Group Fenshui Storage and Logistics Company and Rizhao Sanmu Thermal Power Plant.

Sanmu owns the Beneficiation Plant and a pellet plant located at Rizhao Port's Lanshan port area. The Beneficiation Plant has a current capacity that is designed to process 2 Mt and covers an area of approximately 200,000 m². The capacity of the Beneficiation Plant has the potential to be expanded to 8 Mt.

1.9 Reasons for the Placement

(a) *Pluton will receive a total cash injection of \$30 million*

As at 31 August 2011, Pluton held cash of \$4.7 million. As a result of the issue of Tranche 1 and Tranche 2 Shares, Pluton received a total of \$10.5 million (before costs).

If Resolutions 2 and 3 are approved and the Tranche 3 Shares and Tranche 4 Shares are issued, Pluton will receive a further \$19.5 million (before costs), bringing the total cash injection from the Placement to \$30 million. This increased cash backing provided by the Placement has and will continue to strengthen Pluton's ability to continue operations and remain free of debt.

(b) *Introduces a well funded and experienced strategic partner*

Timeone has access to funds and will be a long term strategic partner, with strong beneficiation and logistics expertise and a contractual relationship with Rizhao Port Group, operator of the world's largest iron ore import terminal, located in Shandong Province, and Sanmu. Timeone is supportive of Pluton's management and current operating plan and has the financial backing to help secure the future of Pluton, its Irvine Island Project and other projects.

(c) *Pluton and Timeone will seek to identify potential synergies from the strategic partnership*

The Placement will allow Pluton to develop its relationship with Timeone to identify potential synergies. These synergies include:

- (i) access to beneficiation facilities which are to be built in China;
- (ii) the exchange of technical knowledge, skills and expertise with regards to exploration, mining and upstream and downstream processing issues;

- (iii) access to the Chinese markets; and
- (iv) the possible development of new markets for iron ore.

(d) *Secures a platform for future growth*

Timeone is committed to the long-term development of Pluton's assets and to the future growth of Pluton. Shareholders will benefit from the support provided by Timeone through the additional value delivered to Pluton's current and future suite of projects.

In particular, the recent Stage 1 pre-feasibility study for the Irvine Island Project identified production of a +40% ore-concentrate on Irvine Island for final beneficiation in Asia, as the preferred model for future growth and development. Timeone, together with its contractual relationship with Rizhao Port Group and Sanmu, offers strong financial backing, optimal location for beneficiation and strong relationships with end-users in China, to which the Company, and therefore the Shareholders, will benefit from.

(e) *Attractive funding source*

The Board has investigated other funding opportunities which have included potential joint ventures, placements and listing of securities on secondary exchanges. Each of the Directors believe the Placement to Timeone to be the best available funding source in the current environment.

1.10 Implications if the Tranche 3 Shares and the Tranche 4 Shares are issued

If the Tranche 3 Shares and the Tranche 4 Shares are issued, Timeone will hold a total of 84,507,041 Shares in the Company, which will represent (on an undiluted basis assuming that none of the options and performance rights are exercised and no other shares are issued by the Company) 29.94% of the issued capital of the Company.

Timeone will also be entitled to appoint up to 2 Directors to the Board.

In addition, Pluton will be placed in a stronger financial position with substantial resources and opportunities in order to further develop its operations, including the Irvine Island Project. The funds raised from the Placement will be applied towards:

- (i) progressing the development of the Irvine Island Project;
- (ii) progressing the development of the Cockatoo Island Project; and
- (iii) working capital purposes.

1.11 Implications if the Tranche 3 Shares and the Tranche 4 Shares are not issued

If the Tranche 3 Shares and the Tranche 4 Shares are not issued (due to Shareholders not approving Resolutions 2 and 3 or otherwise), Timeone will continue to hold its existing Shares in the Company, being a total of 29,590,671 Shares, which currently represents (on an undiluted basis assuming that none of the options and performance rights are exercised and no other Shares are issued by the Company) 13.04% of the issued capital of the Company.

In addition, Pluton will need to explore alternatives to optimise its assets and remain financially viable. In particular, if the Placement is not approved by Shareholders, and, in the absence of alternatives, Pluton will need to consider other funding options. Any equity raising on the Australian capital markets, or on a secondary market elsewhere, would likely be at a significant discount to the current market price of Shares and a significant dilution to existing Shareholders. The Directors believe the Placement represents the best option for Shareholders at the current stage of the Company's development.

2. RESOLUTION 1 – RATIFICATION OF ISSUE OF TRANCHE 1 SHARES AND THE TRANCHE 2 SHARES

2.1 Reasons for requiring of Shareholder approval

On 5 August 2011 and 22 August 2011, a total of 14,084,507 Shares at an issue price of \$0.355 per Share were issued to Timeone pursuant to the Term Sheet, to raise \$5,000,000 (before costs). Subsequently, on 6 October 2011, an additional 15,506,803 Shares at an issue price of \$0.355 per Share were issued to Timeone pursuant to the Subscription Agreement, to raise a further \$5,504,688.22 (before costs).

Listing Rule 7.4 permits the ratification of previous issues of securities made without prior shareholder approval, provided the issue did not breach the 15% threshold pursuant to Listing Rule 7.1. The effect of such ratification is to restore a company's maximum discretionary power to issue further shares up to 15% of the issued capital of the company without requiring shareholder approval.

Pursuant to Resolution 1, the Directors are seeking ratification under Listing Rule 7.4 of the issue of 29,590,671 Shares (being the aggregate total of the Tranche 1 Shares and Tranche 2 Shares issued on 5 August 2011, 22 August 2011 and 6 October 2011) in order to restore the right of the Company to issue further Shares within the 15% limit during the next 12 months.

2.2 Information for the purposes of Listing Rule 7.5

The following additional information is provided for the purpose of Listing Rule 7.5 in relation the Tranche 1 Shares, and Tranche 2 Shares under the Placement:

- (i) 29,590,671 Shares were allotted and issued;
- (ii) the Shares were issued at an issue price of \$0.355 per Share;
- (iii) the Shares issued were fully paid ordinary shares in the capital of the Company and rank equally in all respects with the existing fully paid ordinary shares on issue;
- (iv) the Shares were issued to Timeone, an unrelated party of the Company; and
- (v) funds raised from the issue were used for continued funding of the Irvine Island project.

3. RESOLUTION 2 - APPROVE THE ISSUE OF THE TRANCHE 3 SHARES TO TIMEONE HOLDINGS LIMITED

3.1 Reasons for requiring Shareholder approval

As stated above, Listing Rule 7.1 imposes a limit on the number of Equity Securities that a company may issue or agree to issue without shareholder approval. Generally, a company may not, without shareholder approval, issue in any 12 month period a number of Equity Securities which is more than 15% of the number of fully paid ordinary shares on issue 12 months before the issue.

The number of Equity Securities that may be issued by a company under Listing Rule 7.1, without shareholder approval, is not impacted by Equity Securities which are issued under an exception contained in Listing Rule 7.2 or which have been approved by shareholders.

Accordingly, Shareholder approval is being sought to issue the Tranche 3 Shares to Timeone, being a maximum of 5,169,892 Shares at an issue price of \$0.355 per Share.

3.2 Specific information required by Listing Rule 7.3

Pursuant to Listing Rule 7.3, details of the issue of the Shares, the subject of Resolution 2, are as follows:

- (i) the maximum number of Shares the Company can issue is 5,169,892;
- (ii) the securities will be issued no later than 3 months after the date of the Annual General Meeting;
- (iii) the Shares will be issued to Timeone;
- (iv) the Shares will be issued at an issue price of \$0.355 per Share;
- (v) the Shares will be fully paid ordinary shares in the capital of the Company and rank equally in all respects with the existing fully paid ordinary Shares in the Company on issue; and
- (vi) the purpose of the issue will be to satisfy the Company's obligations under the Subscription Agreement.

No underwriting fee, brokerage or commission is payable on the issue of these Shares.

4. RESOLUTION 3 - APPROVE THE ISSUE OF THE TRANCHE 4 SHARES TO TIMEONE HOLDINGS LIMITED

4.1 Reasons for requiring Shareholder approval

(a) Requirement pursuant to item 7 of section 611 of the Corporations Act

Under section 606(1) of the Corporations Act, subject to limited specified exemptions, a person must not acquire a "relevant interest" in issued voting shares in a public company, if as a result of the acquisition any person's voting power in the company would increase from 20% or below to more than 20%. In broad terms, a person has a "relevant interest" in shares if that person holds shares or has the power to control the right to vote or dispose of shares. A person's voting power in a company is the number of voting shares in which the person (and its associates) has a relevant interest compared with the total number of voting shares in a company.

Upon the issue of Tranche 4 Shares under the Placement, the increase in Timeone's voting power in the Company from 14.95% (upon the issue of the Tranche 3 Shares and assuming that none of the options and performance rights are exercised, no other shares are issued by the Company and Resolution 3 is passed by Shareholders) to 29.94% would increase their "relevant interest" in the Company in breach of section 606(1) of the Corporations Act in the absence of an applicable exception.

Item 7 of section 611 of the Corporations Act provides an exemption to the prohibition stated above. Item 7 of section 611 of the Corporations Act allows a party (and its affiliates) to acquire a relevant interest in shares that would otherwise be prohibited under section 606(1) of the Corporations Act, if the proposed acquisition is approved in advance by a resolution passed at a general meeting of the company, and:

- (i) no votes are cast in favour of Resolution 3 by the proposed acquirers (Timeone in this case) or their respective associates; and
- (ii) there was full disclosure of all information that was known to the persons proposed to make the acquisition of their associates or known to the Company that was material to a decision on how to vote on Resolution 3, including:

- (A) the identity of the person proposed to make the acquisition and their associates;
- (B) the maximum extent of the increase in that person's voting power in the company that would result from the acquisition;
- (C) the voting power that person would have as a result of the acquisition;
- (D) the maximum extent of the increase in the voting power of each of that person's associates that would result from the acquisition; and
- (E) the voting power that each of that person's associates would have as a result of the acquisition.

Accordingly, Shareholder approval is being sought in respect of the issue of the Tranche 4 Shares, being those Shares to Timeone which result in Timeone increasing its voting power in the Company to more than 20%.

(b) Listing Rule Requirements

As stated above, Listing Rule 7.1 imposes a limit on the number of Equity Securities that a company may issue or agree to issue without shareholder approval. Generally, a company may not, without shareholder approval, issue in any 12 month period a number of Equity Securities which is more than 15% of the number of fully paid ordinary shares on issue 12 months before the issue.

The number of Equity Securities that may be issued by a company under Listing Rule 7.1, without shareholder approval, is not impacted by Equity Securities which are issued under an exception contained in Listing Rule 7.2 or which have been approved by shareholders. Listing Rule 7.2 exception 16 states that Listing Rule 7.1 does not apply to an issue of securities approved by shareholders for the purposes of item 7 of section 611 of the Corporations Act.

Accordingly, Resolution 3 does not seek approval from Shareholders for the purposes of Listing Rule 7.1.

4.2 Independent Expert's Report

The Company appointed the Independent Expert to prepare the Independent Expert's Report, the purpose of which was to state whether or not, in their opinion, the proposal set out in Resolution 3 is 'fair' and 'reasonable' to Shareholders not associated with the proposed Placement.

In analysing whether the proposal set out in Resolution 3 is fair and reasonable when considered from the perspective of the Shareholders (other than Timeone and its associates) and to value the benefit given to Timeone, the Independent Expert is required to:

- (i) consider whether the advantages of the issue of the Tranche 4 Shares outweigh the disadvantages;
- (ii) give an opinion on whether any person will receive any premium for control of the Company as a result of the issue of the Tranche 4 Shares;
- (iii) inquire whether further transactions are planned between the Company and Timeone or any of its associates, and if any, determine whether those transactions would be on an arm's length basis; and
- (iv) consider whether the issue of the Tranche 4 Shares, if agreed to, may deter the making of a takeover bid for the Company.

For the purposes of the valuation of the benefits, the Independent Expert is required to set out the principal assumptions behind the valuation.

The Independent Expert has provided an opinion that it believes the proposal to issue the Tranche 4 Shares is not fair but reasonable to Shareholders of the Company not associated with the Placement.

A complete copy of this report is provided in Annexure A.

4.3 Directors' recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 3 and each of the Directors who hold Shares in the Company intend do so for the reasons outlined in Section 1.9.

The Directors do not have any material personal interest in the outcome of Resolution 3 other than their interests arising solely in their capacity as Shareholders.

4.4 Specific information required for the purposes of Resolution 3

The following information is provided in compliance with item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74 (in respect of acquisitions to be approved by shareholders in accordance with item 7 of section 611).

(i) **The identity of the allottee and any person who will have a relevant interest in the securities to be allotted**

Timeone is the proposed acquirer of the Shares under the Placement. Background information on Timeone as well as Rizhao Port Group and Sanmu, to which Timeone has a contractual relationship, are provided in Sections 1.6, 1.7 and 1.8, respectively.

(ii) **Full particulars (including the number and percentage) of the Shares in which Timeone has or will have a relevant interest immediately before and after the issue of the Tranche 4 Shares**

Immediately prior to the acquisition of the Tranche 4 Shares, and upon completion of the issue of the Tranche 3 Shares, Timeone will have a relevant interest in a total of 34,760,563 Shares, which currently represents (on an undiluted basis assuming that none of the options and performance rights are exercised, no other shares are issued by the Company and assuming Resolution 2 is also passed by Shareholders) 14.95% of the issued capital of the Company.

If Resolution 3 is passed and the Tranche 4 Shares are issued, Timeone will hold a relevant interest in a total of 84,507,041 Shares in the Company, which will represent (on an undiluted basis assuming that none of the options and performance rights are exercised, no other shares are issued by the Company and assuming Resolution 2 is also passed by Shareholders) 29.94% of the issued capital of the Company.

(iii) **The identity, associations (with Timeone and any of its associates) and qualifications of any person who is intended to or will become a Director if Shareholders agree to the allotment of the Tranche 4 Shares**

Under the Subscription Agreement, Timeone is entitled to nominate up to 2 persons to be appointed as Directors to the Board.

In the event that Shareholders approve Resolutions 2 and 3 and the Tranche 3 Shares and the Tranche 4 Shares are issued, Timeone will nominate 2 persons to be appointed as Directors and the Company will seek approval of their appointments at the next annual general meeting of the Company following such appointments. The identity of Timeone's nominees has not yet been determined.

(iv) **Timeone's intentions regarding the future of the Company if Shareholders agree to the allotment**

Timeone has given the following information to the Company to assist it to meet its responsibilities under ASIC Regulatory Guide 74. The Company takes no responsibility for any omission from, or any error or false or misleading statement in this Section 4.4. Timeone makes no statement or representation in relation to the Company, or their intentions in respect of the Company which may change if it becomes aware of information that is not currently available to it, except as set out below.

If Shareholders pass Resolution 3, and the Tranche 4 Shares are issued:

- (A) Business of the Company: Timeone does not intend to change the Company's business as conducted by the current management of the Company and otherwise outlined in this Explanatory Memorandum.
- (B) Capital of the Company: Other than those intentions stated in Section 1.5, Timeone does not intend to inject further capital into the Company.
- (C) Present employees: Timeone does not intend to seek any changes in relation to the future employment of current employees of the Company.
- (D) Transfer of property: Timeone does not proposed to transfer any property between the Company and Timeone or any person associated with Timeone. It is intended that the Company and Timeone will pursue development of the Irvine Island Project in accordance with the terms of the Project Term Sheet.
- (E) Redeploy fixed assets: Timeone does not intend to redeploy fixed assets of the Company.

(v) **Particulars of the terms of the proposed allotment and any contract or proposed contract between Timeone and the Company or any of their associates which is conditional upon, or directly or indirectly dependent on, Shareholders' agreement to the allotment**

Other than the completion of the issue of the Tranche 3 Shares and Tranche 4 Shares that are conditional on Shareholder approvals in accordance with Resolutions 2 and 3, there are no contracts or proposed contracts between Timeone and the Company or any of its associates which are conditional on, or directly or indirectly dependent on Shareholders approving the allotment of Shares.

(vi) **When the allotment is to be completed**

Under the Subscription Agreement, the Tranche 4 Shares are required to be issued on the later of 2 January 2012 and 3 business days after satisfaction of the conditions precedent for the Tranche 4 Shares.

(vii) **An explanation of the reasons for the proposed allotment**

The Tranche 4 Shares are being issued as part of the Placement. The reasons for the Placement are set out in Section 1.9.

(viii) **The interests of the Directors in Resolution 3**

The Directors do not have any material personal interest in the outcome of Resolution 3 other than their interests arising solely in their capacity as Shareholders.

(ix) **Identity of the Directors who approved or voted against the proposal to put Resolution 3 to Shareholders and the Explanatory Memorandum**

The Board is currently comprised of the following Directors:

- (A) Mr Malcolm Macpherson (Non-Executive Chairman);
- (B) Mr Anthony James Schoer (Managing Director, CEO); and
- (C) Mr Russell Williams (Non Executive Director)

The Directors unanimously recommend that Shareholders vote in favour of Resolution 3 and each of the Directors who hold Shares in the Company intend do so for the reasons outlined in Section 1.9.

(x) **Intention of Timeone to change significantly the financial or dividend policies of the Company**

Timeone does not intend to change the financial and dividend policies of the Company.

(xi) **Analysis of whether the acquisitions of the Tranche 4 Shares is fair and reasonable when considered in the context of the interests of the Shareholders other than Timeone**

The Company appointed the Independent Expert to prepare the Independent Expert's Report, the purpose of which was to state whether or not, in their opinion, the proposal set out in Resolution 3 is 'fair' and 'reasonable' to Shareholders not associated with the proposed Placement.

The Independent Expert has provided an opinion that it believes the proposal to issue the Tranche 4 Shares is not fair but reasonable to Shareholders of the Company not associated with the Placement.

A complete copy of this report is provided in Annexure A.

Neither the Company nor the Directors are aware of any additional information not set out in this Explanatory Memorandum that would be relevant to Shareholders in deciding how to vote on Resolution 3.

4.5 Key General risks

Shareholders should be aware of the following key general risks that may affect the future operating and financial performance of Pluton and the value of Shares.

(a) ***Economic Conditions***

Adverse changes in economic conditions such as interest rates, exchange rates, inflation, government policy, international economic conditions and employment rates amongst others are outside Pluton's control and have the potential to have an adverse impact on Pluton and its operations.

(b) ***Stock Market Fluctuations***

There are risks associated with any investment in a company listed on the ASX. The value of Shares may rise or fall depending on the financial and operating performance of Pluton and external factors over which Pluton and the Directors have no control.

These external factors include:

- (i) economic conditions in Australia and overseas which may have a negative impact on equity capital markets;
- (ii) changing investor sentiment in the local and international stock markets;
- (iii) changes in domestic or international fiscal, monetary, regulatory and other government policies; and
- (iv) developments and general conditions in the markets in which Pluton proposes to operate and which may impact on the future value and pricing of shares.

(c) *Regulatory Risks*

Pluton is exposed to any changes in the regulatory conditions under which it operates.

Such regulatory changes can include, for instance, changes in:

- (i) taxation laws and policies;
- (ii) accounting laws, policies, standards and practices;
- (iii) environmental laws and regulations; and
- (iv) employment laws and regulations, including laws and regulations relating to occupational health and safety.

4.6 Key Pluton specific risks

Shareholders should also be aware of the following specific risks associated with Pluton's business and the transactions contemplated in this Explanatory Memorandum that may affect the future operating and financial performance of Pluton and the value of Shares.

(a) *Increased or New Competition*

Pluton faces competition in its business. To the extent that there are new entrants or changes in strategy by existing competitors, Pluton may lose market share with consequent adverse effects upon operating and financial performance.

(b) *Reliance on Key Personnel*

The responsibility of overseeing day-to-day operations and the strategic management of Pluton is concentrated amongst a small number of key employees. While it is not currently anticipated, one or any number of these key employees may cease employment with Pluton. The loss of any such key employees of Pluton could have the potential to have a detrimental impact on Pluton until the skills that are lost are adequately replacement.

(c) *Occupational Health and Safety*

Pluton manages certain risks associated with the occupational health and safety of its employees. Pluton takes out insurance to cover these risks within certain parameters. However it is possible for injuries and / or incidents to occur which may result in expenses in excess of the amount insured or provided for with a resultant impact on Pluton's earnings.

(d) *Resource Estimates*

Pluton has made estimates of its resources based on relevant reporting codes, where required, and judgments based on knowledge, skills and industry experience. However, there is no guarantee that estimates will prove to be accurate. Actual mining, if and when it occurs,

may materially differ from forecasts and estimates due to further findings and results not previously known.

(e) Operating Risks

In common with other enterprises in the mineral and mining industry, Pluton's niobium and other mineral exploration activities are subject to conditions beyond Pluton's control that can increase costs. These conditions include, but are not limited to changes in legislative requirements, market conditions, commodity prices, government policies, exchange rates, interest rates, abnormal or severe weather or climatic conditions, natural disasters, unexpected maintenance or technical problems, key equipment failures and variations in geological conditions.

(f) Risks associated with voting on Resolutions 2 and 3 and the strategic partnership with Timeone

There are a number of risks associated with the strategic partnership with Timeone which Shareholders should be aware of depending upon whether or not Resolutions 2 and 3 are passed at the Extraordinary General Meeting and whether the conditions are met under the Offtake Agreement.

Shareholders should be aware that even if Resolutions 2 and 3 are passed, the Offtake Agreement will only become effective if the conditions precedent are met or waived. A summary of the conditions precedent in respect of the Offtake Agreement is set out in Section 1.5(b).

Pluton is not currently aware of any information which may cause the conditions precedent to be breached or unfulfilled. However, there is a risk that these conditions precedent will be unfulfilled due to circumstances outside its control.

In the event Shareholders approve Resolutions 2 and 3, but the conditions precedent under the Offtake Agreement are not satisfied or waived, the Company, and therefore the Shareholders, will not receive the maximum benefit of the strategic partnership with Timeone. This may have an adverse effect on the Company's Share price.

(g) Risks associated with the Proposed Acquisition

There are a number of risks associated with the Proposed Acquisition which Shareholders should be aware of, depending upon whether the relevant conditions precedent are met. As stated in Section 1.5(a), the Proposed Acquisition is subject to a number of approvals and conditions, including receipt of certain required regulatory approvals and third party consents.

If Resolutions 2 and 3 are approved by Shareholders and both the Tranche 3 Shares and the Tranche 4 Shares are issued, Timeone will have a 30% interest in the Company, and the Company will be considered to be a 'foreign person' for the purposes of the Foreign Acquisitions and Takeovers Act 1975 (Cth). This means that any future acquisition by the Company of an interest in Australian urban land, including the acquisition of the Cockatoo Island Project pursuant to the Proposed Acquisition, will be subject to approval by the Foreign Investments Review Board (**FIRB**). Such approvals are subject to the discretion of the applicable government or government officials.

Shareholders should also be aware that many of the other conditions precedent to the Proposed Acquisition are not within the control of the Company. Accordingly, no assurance can be given that these conditions precedent will be met.

In the event that the conditions precedent to the Proposed Acquisition are not met, the Proposed Acquisition will not complete and therefore the Company will not acquire ownership of the Cockatoo Island Project. This may have an adverse effect on the Company's future operations and Share price.

(h) *Risks associated with the Offtake Agreement*

There are a number of risks associated with the Offtake Agreement which Shareholders should be aware of depending on whether the conditions to the Offtake Agreement are met. As stated in Section 1.5(b), the Offtake Agreement is conditional, amongst other things, upon completion of the Proposed Acquisition.

In the event that the conditions precedent under the Offtake Agreement (including completion of the Proposed Acquisition) are not satisfied, the Offtake Agreement will be terminated. This may have an adverse effect on the Company's Share price.

(i) *Risks associated with the Project Agreement*

Shareholders should be aware that although Pluton and Timeone have entered into the binding Project Term Sheet, formal agreements giving effect of the terms of the Project Term Sheet have not been entered into. Accordingly, there is a risk that transshipment, beneficiation and marketing of the ore from the Irvine Island Project pursuant to the terms of the Project Term Sheet may not eventuate and therefore the Company may not have the ability to develop the Irvine Island Project as planned. In the event that such services are not delivered by Timeone, the Company will need to consider alternative development methods and there is no guarantee that any alternatives will be available and/or commercial viable.

(j) *FIRB implications*

As stated in Section 4.6(g), upon completion of the Placement, the Company will be considered a 'foreign person' for the purposes of the Foreign Acquisitions and Takeovers Act 1975 (Cth). In addition, to the impact this will have on the Proposed Acquisition and Offtake Agreement, any other future acquisitions by the Company of interests in Australian urban land or interests of more than 15% in an Australian business with total assets of more than \$231 million, will also be subject to FIRB approval. No assurance can be given that the Company will be successful in obtaining any or all of the various approvals.

SCHEDULE 1 - GLOSSARY OF TERMS

In this Explanatory Memorandum:

“Accounting Standards”	The meaning given to that term in the Corporations Act
“ACN”	Australian Company Number
“ASIC”	Australian Securities and Investments Commission
“ASX”	ASX Limited (ACN 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX Limited
“Board”	Board of Directors
“Cockatoo Island Project”	The legal and beneficial interests in the Tenements, infrastructure, assets and mining operations on Cockatoo Island in Western Australia held by the Cockatoo Island Vendors
“Cockatoo Island Vendors”	Cliffs Asia Pacific Iron Ore Pty Ltd (ACN 001 892 995), HWE Cockatoo Pty Ltd (ACN 009 639 285) and Cockatoo Mining Pty Ltd (ACN 130 506 277)
“Company” or “Pluton”	Pluton Resources Limited (ABN 12 114 561 732)
“Constitution”	The Constitution of the Company
“Corporations Act”	The Corporations Act 2001 (Cth)
“Director”	A director of Pluton
“Equity Securities”	The meaning given to that term in the Listing Rules
“Explanatory Memorandum”	Explanatory Memorandum accompanying the Notice of Meeting
“Extraordinary General Meeting”	Extraordinary General Meeting of Shareholders to be held on 11 January 2012
“Independent Expert”	BDO Corporate Finance (WA) Pty Ltd (ABN 27 124 031 045)
“Independent Expert’s Report”	Report of the Independent Expert dated 5 December 2011 set out in Annexure A
“Irvine Island Project”	The Company’s project referred to as the ‘Irvine Island Project’ and comprising E04/1172, P04/242 and MLA04/452, of which the Company is the registered holder
“Listing Rules”	The Official Listing Rules of ASX as amended from time to time
“Notice of Meeting”	The notice convening the Extraordinary General Meeting, which accompanies this Explanatory Memorandum
“Offtake Agreement”	The offtake agreement between Pluton and Timeone dated 6 October 2011
“Placement”	The Placement of Shares to Timeone as described in this Explanatory Memorandum
“Project Term Sheet”	The binding term sheet entered into between the Company and Timeone on 5 December 2011.
“Proxy Form”	Proxy Form attached to the Notice of Meeting

"Relevant Interest"	The meaning given to that term in section 608 of the Corporations Act
"Resolution"	Resolution in the Notice of Meeting
"Rizhao Port Group"	Rizhao Port (Group) Co., Ltd
"RMB"	Renminbi, being the official currency of the People's Republic of China
"Sanmu"	Rizhao Sanmu Metallurgy Co. Ltd
"Section"	A section in this Explanatory Memorandum
"Share"	A fully paid ordinary share in the capital of the Company
"Shareholder"	The registered holder of a Share
"Subscription Agreement"	The share subscription agreement between Pluton and Timeone dated 29 September 2011
"Tenements"	Mining tenements and mining tenement applications E04/1131-I, E04/1793, E04/1794, E04/1795, G04/33, G04/35, G04/36, G04/37, L04/49, P04/241, M04/448 or M04/10, M04/11, M04/12, M04/43 and M04/137
"Term Sheet"	The binding term sheet entered into between the Company and Timeone on 2 August 2011
"Timeone"	Timeone Holdings Limited
"Tranche 1 Shares"	The meaning given to that term in Section 1.2
"Tranche 2 Shares"	The meaning given to that term in Section 1.2
"Tranche 3 Shares"	The meaning given to that term in Section 1.2
"Tranche 4 Shares"	The meaning given to that term in Section 1.2

ANNEXURE A

INDEPENDENT EXPERT'S REPORT