Cockatoo Island Proposed Acquisition Update and Stage 4 Valuation

HIGHLIGHTS

- Stage 4 Probable Ore Reserve reported in accordance with the JORC Code[1] of 1.2 Mt @ 68.5% iron.
- First iron ore production expected by April 2013.
- First iron ore shipment expected May 2013.
- Stage 4 open pit mine life of 14 months.
- Timeone Holdings 100% Stage 4 off-take agreement at market price.
- Currently in discussion with Timeone Holdings regarding funding of acquisition and capital.
- No valuation calculated on potential Stage 5 open-pit, underground exploration target or low grade exploration targets.
- Access to key infrastructure for Irvine Island development.

23rd December 2011, Melbourne: Pluton Resources (ASX:PLV) ("Pluton") is pleased to announce that after the successful completion of due diligence into the Company's potential acquisition of the iron ore assets on Cockatoo Island ("Cockatoo"), Western Australia, it has advised the current owners of Cockatoo Island in writing of the Company's intention to continue with the acquisition.

The conclusion of due diligence follows the ASX announcement on 2nd September, 2011 that Pluton had entered into a binding term sheet with the current owners being Cockatoo Mining, Cliffs Asia Pacific Iron Ore and HWE Cockatoo, in relation to the acquisition of their beneficial interest in mining tenements and certain infrastructure on Cockatoo Island.

Under the terms of the agreement, Pluton will assume full responsibility for the environmental rehabilitation of Cockatoo Island.

Pluton will now progress towards the next stage of the acquisition by reaching definitive agreements between all parties, which is scheduled for completion in January 2012.

The acquisition is subject to receiving regulatory approvals, third party consents and final Board approvals, and is scheduled for completion at the conclusion of the current Stage 3 open pit mining operations on Cockatoo Island in late 2012.

Cockatoo Island is part of a group of islands making up the Kimberley Iron Ore hub and includes Koolan Island and Irvine Island, the site of Pluton's flagship iron ore project.

Tony Schoer, Managing Director, Pluton, said: "Due diligence confirmed our view that Cockatoo Island has the potential to be extremely strategic and complimentary for our Irvine Island project, and also as an ongoing iron ore operation."

[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.

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

"Cockatoo Island produces high quality iron ore and has complimentary infrastructure, including a town site and airstrip, which removes the need for duplicate infrastructure thereby reducing our capital costs and environmental footprint on Irvine Island. "

"Stage 4 mining is expected to deliver a profitable return on our investment. Valuation studies show mining of Stage 4 will cover the full cost of the acquisition of Cockatoo Island including estimated rehabilitation costs and deliver a positive NPV. The acquisition cost and internally calculated NPV are not being disclosed due to commercial sensitivities, but will be advised after the definitive agreements are executed in January 2012.

The upside for Pluton is significant, and not just in terms of synergies related to infrastructure. Dependant upon metallurgical testing, Cockatoo appears to contain significant quantities of low grade ore that may be processed through the Irvine pre-concentrator plant, as well as low grade ore that could be direct shipped to Timeone's beneficiation plant in Rizhao, China without the need to pre-concentrate. There may also be potential to continue mining of high grade direct shipping ore from an underground operation and a smaller stage 5 extension. Both these areas are considered as exploration targets and will require additional investigation"

"Pluton has secured an Off-take Agreement with our strategic partner, Timeone Holdings, for 100% of Stage 4 production at a significant premium to reflect the quality of the ore. We are currently in discussions with Timeone about funding the acquisition and the capital required for development of Stage 4, and will advise the market the outcome of these discussions when they have concluded." he said.

Inputs into the valuation model for Stage 4 are given in Table 1:

Description	Ratio
Waste to Ore Ratio	1.1:1
Capital Expenditure	**A$**
Stage 4 Seawall	A$29.0M
Infrastructure	A$6.0M
Total	**A$35.0M**
Operating Costs	**A$/t**
(excluding State Royalties)	A$53

Iron Ore Pricing		
Year	USD/AUD Exchange Rate	62% Fe Fines Price (USD/dmt) FOB - Nominal
2013	0.988	US$156
2014	0.938	US$130

Table 1: Stage 4 Valuation Model Inputs

Stage 4 Base Case

Pluton has completed all necessary due diligence investigations relating to the acquisition of Cockatoo Island and associated infrastructure including the selection of the preferred development base case for the Stage 4 mining operations.

Two development options for Stage 4 at Cockatoo Island were outlined within the Term Sheet. These comprised either an onshore seawall development option with smaller iron ore tonnages or an offshore seawall development option containing increased iron ore tonnages. Pluton has selected the onshore seawall development option as the preferred base case for Stage 4. This case was selected as if offers the lowest risk profile, shortest construction timeframe and lowest capital cost that is estimated at $A35 million, and a superior NPV.

All construction and mining of the Stage 4 base case will occur within approved disturbance boundaries. This will include the development of a 300 metre long onshore seawall using the same construction methods and materials currently implemented at Cockatoo Island. It will also include the relocation of existing ancillary surface infrastructure to enable ore access during open-cut mining operations.

Schematic diagrams illustrating the selected onshore Stage 4 development base case are given in Figures 1 and 2.

Figure 1: Aerial View of Proposed Stage 4 Base Case Development.

Figure 2: Schematic Diagram Illustrating Onshore Seawall Development and Infrastructure to be Re-located.

Stage 4 Ore Reserves

An Ore Reserve estimate for the Stage 4 base case has been completed. The open-pit Ore Reserve estimate for the Stage 4 base case reported in accordance with the JORC Code is summarised in Table 2;

Classification		Tonnage (Mt)	Fe (%)	P (%)	SiO_2 (%)	Al_2O_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 2: Ore Reserve Statement, Stage 4 Base Case, Cockatoo Island, Western Australia (M04/448-I).

Notes for Table 2:

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.

Mineral Resources have been converted to Ore Reserves recognising the level of confidence in the Mineral Resource estimate and reflecting any modifying factors.

The Ore Reserve includes that part of the Mineral Resource contained within the open pit mine design. Indicated Mineral Resources within the design convert to Probable Ore Reserves, after consideration of all mining, metallurgical, social, environmental, statutory and financial aspects of the Project.

A schematic isometric view illustrating the proposed Stage 4 base case development is given in Figure 3.

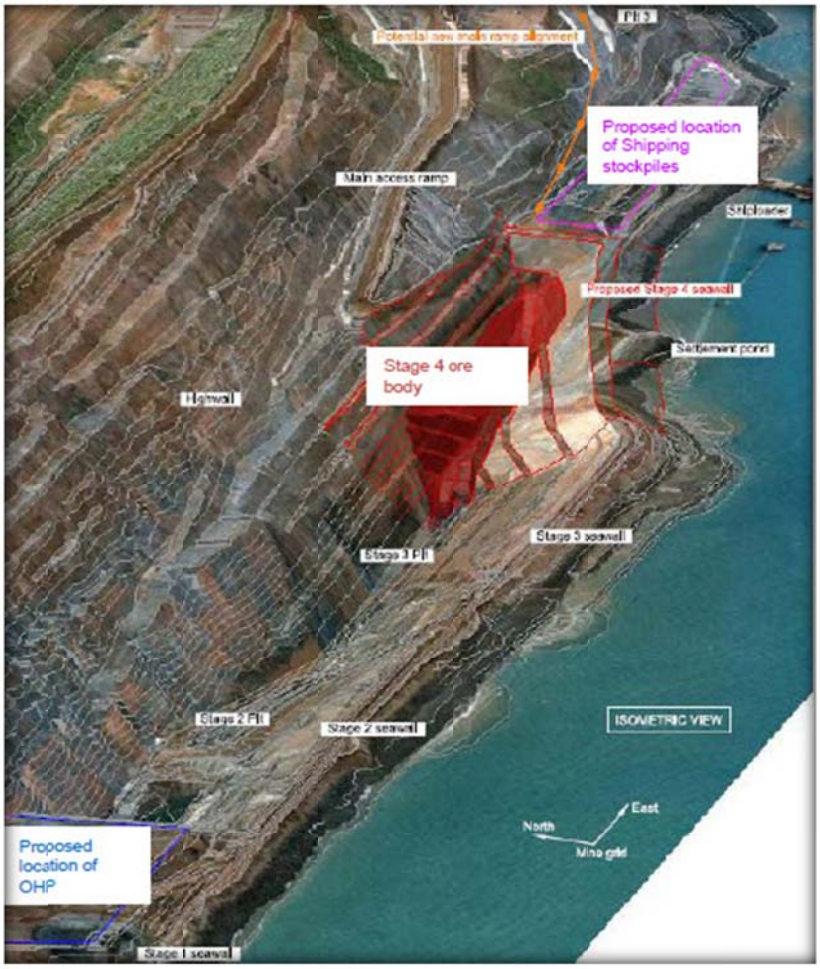

Figure 3: Proposed Stage 4 Onshore Seawall – Isometric View

Cockatoo Island Underground Exploration Target[2]

[2] In accordance with Clause 18 of The JORC Code the reference to 'Exploration Target' in terms of target size and type should not be taken as an estimate of Mineral Resources or Ore Reserves. Statements referring to quantity and grade of the exploration target are based upon historical exploration results which includes drilling that has intersected the mineralisation. The potential quantity and grade is conceptual in nature. There has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the definition of a Mineral Resource.

Based on the surface geometry of the Cockatoo Island ore body, a conceptual underground exploration target in the range of 60 to 120 million tonnes may exist. This assumes that the width and depth of mineralisation intersected remains constant over the strike length of the Seawall Hematite intersected and mined in Stages 1 to 3 at Cockatoo Island.

Pluton's intention is to investigate the underground exploration target potential in more detail following the completion of requisite steps defined under the terms of the acquisition for Cockatoo Island.

Cockatoo Island Surface Exploration Target[3]

In 2007, a suite of twenty three rock chip samples (CKR001 – CKR023) collected from surface at the south-eastern end of Cockatoo Island were submitted to Ammtec Ltd in Perth to test outcropping iron mineralisation within the keel of a plunging fold nose in the central part of the island as potential feed source for a WHIMS beneficiation project.

A summary of the head grade analysis is given in Table 3.

Head Grade Analysis – Cockatoo Island Samples							
Sample	Fe (%)	SiO2 (%)	Al2O3 (%)	P (%)	TiO2 (%)	Cl (%)	LOI-1000 (%)
CKR 001	32.02	50.84	2.29	0.005	0.18	0.003	0.90
CKR 002	56.32	18.77	0.39	0.005	0.04	0.004	0.19
CKR 003	55.26	19.02	1.11	0.022	0.06	0.003	0.71
CKR 004	53.73	21.26	1.21	0.014	0.06	0.003	0.55
CKR 005	46.91	30.74	1.25	0.014	0.05	0.003	0.75
CKR 006	56.26	18.17	0.87	0.007	0.05	0.001	0.38
CKR 007	18.24	71.51	1.07	0.033	0.10	0.003	0.94
CKR 008	38.94	43.39	0.47	0.006	0.09	0.015	0.26
CKR 009	43.19	37.17	0.67	0.005	0.06	0.018	0.29
CKR 010	61.87	10.21	0.76	0.009	0.05	0.007	0.41
CKR 011	31.56	54.15	0.35	0.008	0.06	0.004	0.18
CKR 012	29.64	55.31	1.58	0.006	0.12	0.003	0.62
CKR 013	44.83	34.80	0.77	0.014	0.05	0.003	0.42
CKR 014	41.00	38.87	1.61	0.004	0.12	0.004	0.57
CKR 015	37.54	45.52	0.35	0.005	0.18	0.004	0.18
CKR 016	47.05	30.71	0.97	0.016	0.43	0.006	0.49
CKR 017	55.28	20.35	0.33	0.006	0.10	0.007	0.23
CKR 018	44.64	35.26	0.43	0.017	0.13	0.005	0.46
CKR 019	22.51	67.32	0.24	0.029	0.008	0.002	0.21
CKR 020	52.78	23.75	0.25	0.023	0.12	0.004	0.40
CKR 021	43.57	36.55	0.75	0.008	0.08	0.003	0.36
CKR 022	38.84	42.28	1.55	0.006	0.20	0.003	0.57
CKR 023	47.62	30.10	1.12	0.010	0.08	0.003	0.54

Table 3: Head Grade Analysis Cockatoo Island Rock Chip Samples.

Splits of the twenty-three samples were pulverised to P_{100} 150 µm and then subjected to WHIMS separation at 9000 gauss.

[3] In accordance with Clause 18 of The JORC Code the reference to 'Exploration Target' in terms of target size and type should not be taken as an estimate of Mineral Resources or Ore Reserves. Statements referring to quantity and grade of the exploration target are based upon historical exploration results which includes drilling that has intersected the mineralisation. The potential quantity and grade is conceptual in nature. There has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the definition of a Mineral Resource.

A summary of the twenty-three WHIMS results is given in Table 4. The majority of the samples returned iron assay grades in excess of >60% Fe after the WHIMS test work. It is noted that some samples retained elevated levels of silica after separation, these tended to have high initial levels of silica i.e. over 40 to 50%.

WHIMS Separation – 23 Cockatoo Island Samples - P_{100} 150µm Summary Grades						
Sample	Fe (%)	SiO2 (%)	Al2O3 (%)	P (%)	TiO2 (%)	LOI-1000
CKR 001	59.14	13.57	0.64	0.006	0.64	0.26
CKR 002	67.97	2.27	0.15	0.004	0.19	0.10
CKR 003	67.04	2.96	0.51	0.015	0.12	0.39
CKR 004	67.35	2.93	0.33	0.012	0.12	0.19
CKR 005	65.55	5.20	0.53	0.010	0.08	0.39
CKR 006	68.01	2.46	0.18	0.005	0.08	0.10
CKR 007	54.39	19.46	0.84	0.064	0.34	1.41
CKR 008	63.04	9.34	0.21	0.006	0.16	0.19
CKR 009	64.29	7.39	0.20	0.005	0.10	0.15
CKR 010	68.38	1.75	0.24	0.006	0.06	0.16
CKR 011	64.43	7.31	0.17	0.007	0.13	0.14
CKR 012	60.76	12.28	0.30	0.006	0.25	0.19
CKR 013	65.35	5.88	0.27	0.010	0.08	0.23
CKR 014	65.63	5.26	0.33	0.003	0.19	0.18
CKR 015	60.01	13.51	0.14	0.004	0.28	0.10
CKR 016	64.19	6.87	0.29	0.010	0.59	0.22
CKR 017	67.99	2.48	0.14	0.005	0.12	0.18
CKR 018	66.36	4.17	0.27	0.013	0.19	0.34
CKR 019	62.42	10.29	0.11	0.011	0.21	0.11
CKR 020	67.15	3.20	0.19	0.015	0.17	0.24
CKR 021	65.42	5.81	0.22	0.06	0.12	0.14
CKR 022	65.74	5.17	0.22	0.006	0.34	0.13
CKR 023	67.62	2.74	0.31	0.007	0.11	0.20

Table 4: WHIMS Test Results from Rock Chip Samples.

On the basis of the positive WHIMS test work that was completed from the initial program of twenty-three rock chip samples, a program of reverse circulation drilling was completed during 2007/2008.

A total of thirty-one reverse circulation drill holes were completed to test iron mineralisation widths and grades within the Magazine Schist based on both interpreted contact positions of outcropping hematite quartzites and encouraging results from initial WHIMS test work within the keel of a plunging fold nose in the central part of the island.

Figure 4 displays the collar locations for the thirty-one reverse circulation drill holes that were completed as part of the program.

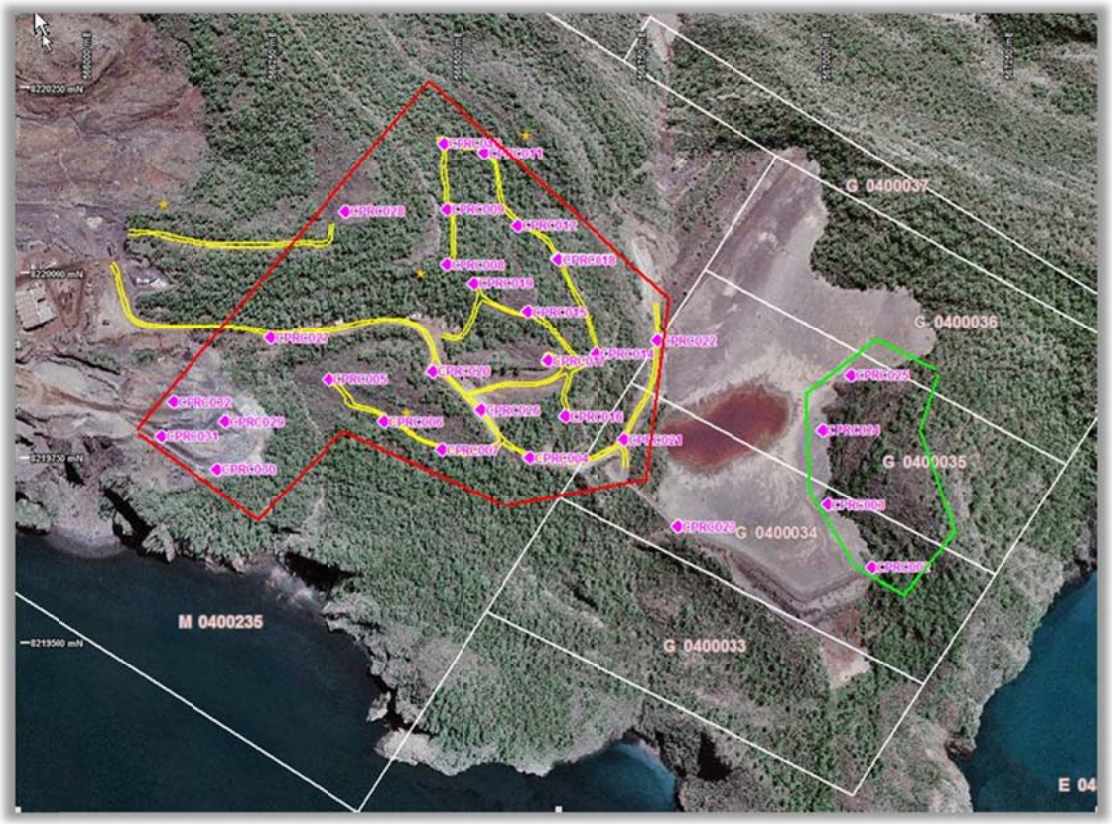

Figure 4: Reverse Circulation Drill Hole Collar Locations Beneficiation Project Area.

NB: Red boundary constraining estimated tonnages for the project area. Green boundary shows exploration target to the south of the Tailings Dam.

A series of wireframes were generated by Cliffs Natural Resource geologists and used to estimate conceptual global tonnages and iron grade. Iron grades for each horizon were calculated as a global length weighted averages for each horizon. In situ tonnages were estimated from wireframe models by applying an in situ dry bulk density of 3.0 tonnes/m³.

A conceptual exploration target of 19 million tonnes at 21.6% iron was calculated for the project area based on the assay results of the reverse circulation drilling programme.

The results of the exploration drilling and initial WHIMS test work are considered significant by Pluton as it represents an exploration target that warrants further investigation. This would include initial metallurgical test work to determine if the iron mineralisation could be upgraded into a +40% iron pre-concentrate using similar dry pre-concentration methods that are being evaluated for the adjacent Irvine Island Project and beneficiated into a final, high grade iron concentrate by our partners Timeone in China.

Closer spaced infill drilling would also be required to define a Mineral Resource in accordance with the JORC Code.

For more information contact Managing Director, Mr. Tony Schoer, on 0411 232 711 or tschoer@plutonresources.com.

Tony Schoer
Managing Director and Chief Executive Officer

This report contains forward looking statements that are subject to risk factors associated with the resources business. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, metallurgical recoveries, processing, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.

All references to dollars, cents or $ in this report are to AUD currency, unless otherwise stated.

Competent Persons Statements

The information in this report relating to Ore Reserves – Stage 4 Cockatoo Island, is based on information compiled by Mr A Duncan-Kemp. Mr Duncan-Kemp is a Member of The Australasian Institute of Mining and Metallurgy, and is a consultant to Pluton Resources Ltd. Mr Duncan-Kemp has sufficient experience relevant to the style of mineralisation and type of deposit 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'

The information in this report relating to Mineral Resources, Exploration Results and Targets for 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 deposit 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 100% owned by Pluton, which includes the Irvine Island iron ore project. 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.
