

FINANCIAL REVIEW

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HD **Pluton assets at risk after missed royalty**
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Iron ore miner Pluton Resources is about to complete a capital raising of more than \$47.5 **million** without disclosing that its **mining** assets are at risk of being seized.

Evidence of the severe cash-flow squeeze being suffered at the hematite **ore** miner, which has **mining** and exploration assets on islands off the coast of Western Australia, follows a sharp and sustained fall in the **iron ore** spot price that has severely hurt all but the most established and low-cost miners.

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The Australian Financial Review can reveal that the state government lodged a "forfeiture application" over the **company's** Cockatoo **Island mining** lease in August, because Pluton has not paid more than \$1 **million** in **iron ore** royalties owed from its hematite **ore** project.

Separately, in September there was also an unrelated forfeiture claim lodged over the **company's** nearby Irvine **Island mining** assets, which is still being developed, based on allegations that the **company** had not met its minimum expenditure obligations to retain a **mining** lease.

Together, the forfeiture notices threaten the **company's** sole **ore** producing project, and its proposed future mine **site**.

Pluton chief executive Jeremy Bower said he did not believe the forfeiture notices needed to be disclosed to shareholders. "It's public information," Mr Bower said. "We don't see there being any risk to us."

Pluton has reached an agreement with the Department of Mines and Petroleum to pay the outstanding quarterly royalty at a later date. However, its inability to pay on time has left the **company** open to a process known as "plainting", whereby a rival can try to claim the asset for itself on the grounds the owner had not kept the assets in good standing.

Pluton's **ore** on Cockatoo **Island** is very high grade. Its port **operations** are located adjacent to its pits.

Mr Bower said he was confident that the "plaint" on Irvine **Island** would not be successful and he said that he did not know the identity of the person who was claiming the asset. Under pressure

"We were a little bit late on the expenditure there but that has been dealt with," Mr Bower said. "There are a few people who are [interested] in purchasing the tenement so perhaps one of them is trying to get it for free."

The person claiming that asset, named Iqbah Khan, could press their case even if the expenditure obligations have now been met.

Pluton, which has had its shares suspended since June after announcing it would conduct a capital raising, recently extended the closing date for the entitlement issue to October 13.

If Pluton's largest shareholder, **Hong Kong**-based General Nice Resources (GNR), which has an 18 per cent **stake**, takes up its full entitlement, it would become a 33 per cent shareholder in the **company**. It is not known whether GNR is aware of the forfeiture notices.

All up, Pluton is seeking between \$47.5 **million** and \$80 **million** to pay creditors; pay down debt; put towards working capital; and **buy** its estranged joint venture partner, Wise **Energy**, out of the Cockatoo **Island** project.

The **company** last month told the Australian Securities Exchange that the cash would be more than enough to restructure the **company** accordingly so long as there was no further deterioration in the **iron ore** price below \$US78 a tonne.

The falling **iron ore** price, which was as high as \$US190 a tonne in 2011, has put severe pressure on small miners. Almost one in five listed junior miners and explorers have a cash balance of less than \$500,000, while 50 per cent of them are sitting on less than \$2 **million**, Grant Thornton's latest annual survey of the sector shows.

Key points Pluton failed to make timely payment of more than \$1m in **iron ore** royalties. Forfeiture claims lodged over the **company's mining** projects on WA islands.

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