



RUTILA
RESOURCES

31 July 2014

**QUARTERLY ACTIVITIES REPORT FOR THE PERIOD
1 APRIL TO 30 JUNE 2014**

HIGHLIGHTS

- Shareholder approval and completion of a finance package with Todd Minerals Limited providing a \$10 million convertible note facility to Rutila Resources Limited, together with the extension of the existing loan facility to 31 December 2015.
- Shareholder approval and completion of the 50% sell down of Rutila Resources Limited's Farm-in rights into the Eucla West tenements to Todd for consideration of \$1.5 million and entering into a Joint Funding and Participation Agreement relating to this project.
- Appointment of Mr. Peter Jones as Group Executive – Engineering, from UGL Limited.
- Preparation and alignment of all major engineering packages ready for commencement of Front End Engineering Design.
- Significant stakeholder engagement and access approvals progress for the proposed transport corridor from Flinders Mine's Pilbara Iron Ore Project site to the proposed Balla Balla Mine Export Facility, allowing commencement of environmental and heritage surveys.

1. CORPORATE

As announced last quarter Rutila Resources Limited (ASX:RTA, “Rutila” or “the Company”) and its partner Todd Minerals Limited (“Todd”) through their Balla Balla Joint Venture (“The JV”) entered into an Alliance Agreement (the “Alliance Agreement”) with Flinders Mines (ASX:FMS “Flinders”) aimed at providing Flinders with a fully integrated transportation and port handling service of up to 30 million tonnes per annum (“Mtpa”) for its proposed Pilbara Iron Ore Project (“PIOP”).

The Company has achieved significant progress on a number of fronts during the quarter. From an access perspective the Company has engaged with numerous stakeholders including all registered native title holders, pastoralists and mining tenement landholders along the proposed transport corridor. An early understanding of stakeholder constraints has facilitated the corridor footprint to be locked down, allowing commencement of environmental and heritage surveys.

During the quarter the Company announced the appointment of Mr. Peter Jones as Group Executive - Engineering, with project engineering responsibilities for The JV’s proposed Export Facility and Central Pilbara Infrastructure Project (“CPIP”). Mr. Jones, a Chartered Professional Engineer with over thirty years’ of Engineering, Procurement and Construction experience in the heavy industry market, joined the Company from UGL Limited where he was Group Manager Major Projects. Peter’s experience and skill set have accelerated the assessment of engineering contractors and preparation of documentation and standard contracts for Front End Engineering Design (“FEED”) Class 1 packages.

At the end of the quarter the Company held an Extraordinary General Meeting to consider resolutions pertaining to the next stage of funding and associated matters. Following the successful passing of all resolutions the Company announced completion of:

1. Revision of the Loan Facility Agreement with Todd, allowing extension of the loan repayment date by 18 months to 31 December 2015;
2. Access to a \$10 million convertible note facility, via two \$5 million convertible note tranches. The Company drew down the first \$5 million tranche in July 2014. The second \$5 million tranche may be accessed following completion of agreed project milestone achievements; and
3. Receipt of \$1.5 million from the sale proceeds of 50% of Rutila’s interest in the Eucla West project to which Rutila is currently farming in. Rutila and Todd now jointly own 50.1% of the Eucla West project with the ability to move to 100%.

The Company has commenced discussions with potential project debt providers on behalf of The JV and has received supportive feedback to date.

2. ALLIANCE AGREEMENT

The JV has been building on the foundation of the Alliance Agreement with Flinders during the quarter.

The newly formed Pilbara Port Authority (“PPA”), together with the Department of Transport, completed a site visit to the Balla Balla Mine and Export facility in June, facilitating commencement of negotiations for the construction licences and Port Facility Agreement required as a result of the port regulatory authority transferring to the PPA.

Based on information provided to the Office of the Environmental Protection Authority (“OEPA”), a Support letter has been received from the OEPA for a Section 45c approach to environmental approval for the port expansion, which allows for a variation to the existing Ministerial Approval MS.945.

Non-ground disturbing surveys of the transport corridor and port expansion footprint, including environmental and heritage survey programmes commenced in June 2014. These environmental surveys will be completed within the required seasonal window. A Section 91 application has been submitted to the Department of Lands for early investigative works access (e.g. ground disturbing hydrological and geotechnical programmes) to the transport corridor. This involved combining known constraints, all stakeholder advice and engineering requirements to lock down the proposed transport corridor alignment.

During the quarter, negotiations for a Native Title Agreement with the Yindjibarni Aboriginal Corporation (“YAC”) in relation to the transport corridor were substantially progressed. The JV’s Shared Value approach to the community in which we operate was well received and on 30 July 2014, post quarter end, YAC held a community meeting to introduce the proposed negotiated agreement. Native Title agreements are already in place with The JV for the Balla Balla Export Facility with the Ngarluma Aboriginal Corporation (“NAC”).



Figure 2.1. The Location within the Pilbara of the Proposed Transport Corridor

Engineering work during the quarter focused on preparation for the FEED phase, which is scheduled to commence in August.

Preliminary Port simulation sufficient to determine the operational limits of a Transport Shuttle Vessel loading operation was completed during the quarter, as was the preferred realignment of the Jetty and Load Out facility based upon the water current data retrieved during the previous quarter. An Early Contractor Involvement tender programme for the jetty and causeway has commenced and an early works application for the stockyard, causeway and marine early works have been submitted to the Department of Mines and Petroleum and Department of Transport respectively for Geotechnical Investigation Works to validate the current observational data.

Meetings between The JV and Flinders have progressed well with alignment in Procurement Strategies and coordination of resources being the major focus.

Project management system and software package procurement was completed with “PM Web” selected as the software and McLachlan Lister selected as the integration manager.

3. BALLA BALLA PROJECT

The marketing of the Balla Balla VTi Magnetite concentrate continued during the quarter. The JV is pursuing two parallel channels to market. The first is marketing the product to steel mills, mainly in China, as an iron ore for blending with other iron ores given the low silica, alumina and phosphor levels of the VTi Magnetite concentrate. This market for the concentrate appears weak at present, with volumes and prices that, stand-alone, would not support development of the mine without the CPIP taking on the cost of the Export Facility development.

The second channel to market is extraction of full value from the VTi Magnetite concentrate through the production of pig iron together with vanadium and titanium co-products. The collaboration with Laiwu Steel, part of the Shandong Steel Group and Rutila, together with the Beijing General Research Institute of Metal and Mining, is ongoing. The current focus is to undertake verification test work of the final step in a process to separate the iron from the titanium and vanadium, as well as complete mass and energy balances for the proposed process.

4. EXPLORATION ACTIVITIES

4.1 Eucla West Fraser Range Exploration

The Company completed the sale of 50% of Rutila's Eucla West Farm-in assets and rights to Todd for consideration of \$1.5 million during the quarter, with the funds received in June 2014. The next phase of exploration is now being planned, commencing with a review of the work completed to date and analysis of exploration options going forward which shall cover the Bristol graphite mineralization intersected in the previous drilling campaign, the other basement targets from the previous Electromagnetic campaign, as well as the Mineral Sand Resource defined in the tenements.

4.2 New South Wales Tenements Overview

As reported last quarter no significant exploration activities are recorded for the Company's NSW projects during this quarter. With the project development work under way within the Pilbara region the NSW tenement work has been deprioritized and the Company plans to divest the NSW assets.

4.2.1 EL 7397 and EL 8059: Wymah and Wymah North (Rutila 100%)

No exploration activities were conducted on these tenements during the reporting period. The two licences are prospective for tin, tungsten and molybdenum mineralisation and surveys during the course of 2013 highlighted a number of prospects.

4.2.2 EL 6381: Captains Flat (Rutila 25%)

Ironbark (ASX: IBG) and NSW Base Metals (a Glencore Limited subsidiary) have jointly earned a 75% interest in the Captains Flat Project from Rutila who now holds a 25% contributing interest. The Company has received an

expression of interest for purchase of the Company's share of this project, which has now been accepted by the Board. The details of this divestment shall be announced upon completion of definitive documentation.

4.2.3 EL 6358: Mayfield Project (Rutila 46.55%)

As advised in the previous quarter, Capital Mining Limited as operator of the Joint Venture, has resolved to undertake a further drilling program with the view to broadening the scale of the resource both at depth and along strike. The proposed program entails the completion of 3 inclined RC drill holes for a total of 860 metres. These holes have been targeted to intersect a mineralised zone that has already been well defined.

4.2.4 EL 6691: Mayfield North and EL 6376: Michelago (Rutila 100%)

No significant exploration activities have taken place on these tenements during the quarter.

5. MINING TENEMENTS

Pursuant to listing rule 5.3.3, Rutila wishes to provide the following information on the mining tenements held at the end of quarter ending 30 June 2014:

Location	Project name	Tenement	Interest at beginning of quarter	Interest at end of quarter
NSW - Australia	Wymah	EL 7397	100%	100%
NSW - Australia	Wymah North	EL 8059	100%	100%
NSW -Australia	Captains Flat ¹	EL 6381	25%	25%
NSW -Australia	Mayfield Project ²	EL 6358	46.55%	46.55%
NSW -Australia	Mayfield North	EL 6691	100%	100%
NSW - Australia	Michelago	EL 6376	100%	100%
Fraser Range – Western Australia	West Eucla ³	E69/2386	50.1%	25.05%
Fraser Range – Western Australia	West Eucla	E69/2388	50.1%	25.05%

¹ Ironbark Zinc Limited (ASX:IBG) and NSW Base Metals Pty Ltd have jointly earned a 75% interest in the project via a Farm – In Agreement. All parties now contribute on their basis of their respective holdings.

² Capital Mining Limited (ASX: CMY) earned a 51% interest in the Project via a Farm-In Arrangement with the balance (2.45%) being held by a private holder.

³ Rutila (via its 100% subsidiary Forge Resources Crown Pty Ltd) has entered into a Farm-In Agreement setting out the terms upon which RTA earned its Initial Interest (50.1%) and how it may acquire the Further Farm-In Interest (29.1%) and potentially the balance of the interest. During the quarter, Rutila sold 50% of its interest in the Farm-in Agreement and its earned interest in the Fraser Range tenements to Todd.

Location	Project name	Tenement	Interest at beginning of quarter	Interest at end of quarter
Fraser Range – Western Australia	West Eucla	E69/2436	50.1%	25.05%
Pilbara Region Western Australia	Balla Balla	E47/1743	68%	68%
Pilbara Region Western Australia	Balla Balla	E47/1744	68%	68%
Pilbara Region Western Australia	Balla Balla	E47/1829	68%	68%
Pilbara Region Western Australia	Balla Balla	E47/2165	68%	68%
Pilbara Region Western Australia	Balla Balla	E47/2224	68%	0%
Pilbara Region Western Australia	Balla Balla	E47/2225	68%	68%
Pilbara Region Western Australia	Balla Balla	G47/1229	68%	68%
Pilbara Region Western Australia	Balla Balla	G47/1238	68%	68%
Pilbara Region Western Australia	Balla Balla	L47/0057	68%	68%
Pilbara Region Western Australia	Balla Balla	L47/0168	68%	68%
Pilbara Region Western Australia	Balla Balla	L47/0171	68%	68%
Pilbara Region Western Australia	Balla Balla	L47/0174	68%	68%
Pilbara Region Western Australia	Balla Balla	L47/0175	68%	68%
Pilbara Region Western Australia	Balla Balla	L47/0229	68%	68%
Pilbara Region Western Australia	Balla Balla	L47/0242	68%	68%
Pilbara Region Western Australia	Balla Balla	L47/0243	68%	68%
Pilbara Region Western Australia	Balla Balla	L47/0244	68%	68%
Pilbara Region	Balla Balla	L47/0245	68%	68%

Location	Project name	Tenement	Interest at beginning of quarter	Interest at end of quarter
Western Australia				
Pilbara Region Western Australia	Balla Balla	L47/0325	68%	68%
Pilbara Region Western Australia	Balla Balla	L47/0384	68%	68%
Pilbara Region Western Australia	Balla Balla	L47/0385	68%	68%
Pilbara Region Western Australia	Balla Balla	L47/0386	68%	68%
Pilbara Region Western Australia	Balla Balla	L47/0690	68%	68%
Pilbara Region Western Australia	Balla Balla	M47/0297	68%	68%
Pilbara Region Western Australia	Balla Balla	M47/0298	68%	68%
Pilbara Region Western Australia	Balla Balla	M47/0311	68%	68%
Pilbara Region Western Australia	Balla Balla	M47/0312	68%	68%
Pilbara Region Western Australia	Balla Balla	M47/0360	68%	68%
Pilbara Region Western Australia	Balla Balla	M47/0361	68%	68%
Pilbara Region Western Australia	Balla Balla	M47/0541	68%	68%
Pilbara Region Western Australia	Balla Balla	M47/0804	68%	68%
Pilbara Region Western Australia	Balla Balla	P47/1300	68%	68%
Pilbara Region Western Australia	Balla Balla	P47/1437	68%	68%
Pilbara Region Western Australia	Balla Balla	P47/1521	68%	68%
Pilbara Region Western Australia	Balla Balla	P47/1522	68%	68%
Pilbara Region Western Australia	Balla Balla	E47/2251	0%	68%

Location	Project name	Tenement	Interest at beginning of quarter	Interest at end of quarter
Pilbara Region Western Australia	Balla Balla	E47/2382	0%	68%
Pilbara Region Western Australia	Balla Balla	E47/2959	0%	68%

During the quarter, Rutila sold 50% of its rights and interests in the Fraser Range tenements and the related Farm-In Agreement to Todd.

E47/2444 was surrendered by Rutila and its joint venture partner Todd in March 2014. Exploration tenements E47/2251, E47/2382 and E47/2959 were granted during the quarter.

Other than outlined above, no other mining tenements or beneficial percentage interests held in farm-in or farm-out agreements were acquired or disposed of during the quarter.

This information, and the information included in the Quarterly Activities Report for the Quarter Ended 30 June 2014 was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

Competent Persons Statement – Eucla West

The information in this report that relates to Exploration Results is based on information compiled by Mr Ralph Porter who is a member of the Australian Institute of Geoscientists. Mr Porter is a consultant to Forge Resources Limited and is employed by CSA Global Pty Ltd. Mr Porter 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 as a competent person as defined in the 2004 Edition of the “Australasian Code for Reporting Exploration results, Mineral Resources and Ore Reserves”. Mr Porter consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Competent Persons Statement – NSW Projects

The review of NSW exploration activities and results contained in this report is based on information compiled by Mr. M Rampe, a director of Harvest Exploration Pty Ltd and a Member of the Australasian Institute of Mining and Metallurgy. He has sufficient experience which is relevant to the style of mineralisation and types 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 (the JORC Code). Mr. Rampe consents to the inclusion of this information in the form and context in which it appears in this report. The Company is reporting the historical exploration results under the 2004 edition of the Australasian Code for the Reporting of Results, Mineral Resources and Ore Reserves (JORC code 2004).

Disclaimer

The interpretations and conclusions reached in this report are based on current geological theory and the best evidence available to the author at the time of writing. It is the nature of all scientific conclusions that they are founded on an assessment of probabilities and, however high these probabilities might be, they make no claim

for absolute certainty. Any economic decisions that might be taken on the basis of interpretations or conclusions contained in this report will therefore carry an element of risk.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

Rutila Resources Limited

ABN

30 139 886 187

Quarter ended ("current quarter")

30 June 2014

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (12months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation		
	- Balla Balla Project	-	(3,528)
	- Central Pilbara Infrastructure	(1,211)	(2,408)
	- Fraser Range & Other	(106)	(868)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(1,572)	(4,818)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	9	55
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)		
	- Receipts from Joint Venture partner	1,967	4,327
	Net Operating Cash Flows	(913)	(7,240)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects		
	(b) equity investments		
	(c) other fixed assets	(21)	(117)
1.9	Proceeds from sale of: (a) prospects	1,500	8,500
	(b) equity investments		
	(c) other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)	31	(1,435)
	Net investing cash flows	1,510	6,948
1.13	Total operating and investing cash flows (carried forward)	597	(292)

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	597	(292)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows		
	Net increase (decrease) in cash held	597	(292)
1.20	Cash at beginning of quarter/year to date	1,156	2,045
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	1,753	1,753

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	304
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Payments include Non-Executive Director Fees, Executive Director Fees and the Executive Chairman's Salary.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Rutila received shareholder approval at an EGM held in June 2014 for the funding transactions detailed in the ASX announcement dated 26 February 2014. Rutila had access to Tranche 1 (\$5 million) of the \$10 million convertible loan as of 14 July 2015 and will have access to Tranche 2 \$5 million upon achieving defined operational milestones.	
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	
- Eucla West	220
- Balla Balla	
- Central Pilbara Infrastructure	2,200
4.2 Development	
4.3 Production	
4.4 Administration	
- Admin and Wages	1,521
4.5 Expected receipts from JV Partners	(664)
4.6 Expected draw down of Tranche 1, Convertible Loan	(5,000)
Total	(1,723)

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,753	1,156
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	1,753	1,156

+ See chapter 19 for defined terms.

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	Refer to commentary in Quarterly Activity Report		
6.2	Interests in mining tenements and petroleum tenements acquired or increased	Refer to commentary in Quarterly Activity Report		

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities (description)	Nil	-	-	-
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	80,577,667	80,577,667	\$0.20	\$0.20
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities (description)	Nil			

+ See chapter 19 for defined terms.

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (description and conversion factor)	19,855,909 600,000 1,575,000 3,900,000 50,000 1,000,000 1,550,000 7,450,000 6,500,000 2,000,000 2,000,000	19,855,909	Exercise price \$0.20 \$0.67 \$0.54 \$0.54 \$0.56 \$0.50 \$0.30 \$0.30 \$0.50 \$0.50 \$0.30	Expiry date 31 July 2014 15/6/2015 1/12/2015 1/12/2015 10/9/2017 29/5/2015 2/10/2017 20/12/2017 31/12/2015 27/6/2017 27/6/2017
7.8	Issued during quarter	6,500,000 2,000,000 2,000,000		Exercise Price \$0.50 \$0.50 \$0.30	Expiry Date 31/12/2015 27/6/2017 27/6/2017
7.9	Exercised during quarter	Nil			
7.10	Expired during quarter	6,500,000		Exercise price \$0.50	Expiry Date 29/5/2014
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals only)				

Compliance statement

- This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- This statement does give a true and fair view of the matters disclosed.

Sign here:
(Director/Company secretary)

Date:

Print name:

+ See chapter 19 for defined terms.

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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