

**23 October 2014**

**QUARTERLY ACTIVITIES REPORT FOR THE PERIOD  
1 July 2014 to 30 September 2014**

**HIGHLIGHTS**

- Balla Balla Joint Venture (BBJV) has defined the most suitable rail corridor for the approximately 160km railway (the Railway) traversing south from the proposed transshipment and stockyard facility at Balla Balla Harbour on the Pilbara Coast (the Port Facility) (together Balla Balla Infrastructure or BBI) to Flinders Mines Limited's (Flinders) Pilbara Iron Ore Project (PIOP).
- This rail corridor has been proposed as a result of a study which included preliminary non-ground disturbing geotechnical and hydrogeological studies. From these investigations, a concept of approximately 160km railway and 37km conveyor alignment has been developed to link the Port Facility to PIOP.
- BBJV updated its estimated capital cost to develop the proposed transshipment and stockyard facility and Rail line to PIOP. This capital cost has reduced and is now estimated to be ~A\$2.0 billion.
- Exploration activities recommenced at the Eucla West Project during the quarter. The petrological investigation of the Bristol graphite-bearing core samples has confirmed that the graphite within the Bristol prospect is medium to coarse-grained flake graphite.

## 1. BALLA BALLA JOINT VENTURE ACTIVITY

The principal focus of activity for Rutila Resources Limited (Rutila or the Company) continues to be preparation for the commencement of the Front End Engineering Design (FEED) study and development of the Definitive Feasibility Study (DFS) for the port and rail infrastructure project known as “Balla Balla Infrastructure” (BBI), part of the BBJV with Todd Corporation Limited (Todd) of New Zealand which includes the Balla Balla VTi magnetite deposit (Balla Balla Mine). Todd is a major shareholder of Rutila.

As reported previously, the BBJV has developed a viable transshipping route for the export of bulk iron ore from the historic Balla Balla Harbour. This facility was initially examined for the export of ore from the Balla Balla Mine but was identified as having capacity throughput well above that required for the Balla Balla Mine.

In February of this year the BBJV entered into an Alliance Agreement with 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 PIOP.

The BBJV has defined a proposed transport corridor including an approximately 160km railway line traversing south from the Balla Balla Harbour to east of the existing Rio Tinto Tom Price railway line. To connect PIOP to the railway line, it is proposed to construct a 37km conveyor from the PIOP mine to the railhead stockyard for train load-out.

Pre-feasibility studies have been completed which demonstrate that the construction of a railway and port transshipment facility is a viable and economic solution for Flinders haulage needs, based on the commercial rates of the Alliance Agreement.

The total capital cost for BBI, comprising the Railway (including the proposed conveyor) and Port Facility, with an initial haulage and transshipment capacity of 45Mtpa, has been reduced from previous estimates.

The BBJV has commissioned a number of independent industry experts to assist in the definition and estimation of the capital expenditure (Capex) required to be outlaid for the completion of the BBI project.

These experts, including Parsons Brinckerhoff for the railway line, Nepean Engineering for the conveyor and Mintrex for the Port Facility, have defined a Class-4 capital estimate (+/-40%) for BBI of approximately A\$2.0 billion as outlined in Table 1 below.

Class-4 Capital Estimates (+/-40%)	Units	Estimated Capex
Port (Train unloader, Stockyard, Causeway, Jetty)	AUD M	678
<b>Total Port Facility</b>	<b>AUD M</b>	<b>678</b>
Railway - 160km (inc. Railhead Stockyard)	AUD M	859
PIOP mine to Railhead conveyor – 37km	AUD M	145
Above rail cost (Rolling stock, Workshops)	AUD M	326
<b>Total Railway</b>	<b>AUD M</b>	<b>1,330</b>
<b>Total Infrastructure Costs (incl. 10% contingency and 6% owners costs)</b>	<b>AUD M</b>	<b>2,008</b>

**Table 1: Estimated Capex requirement for the proposed BBI Port Facility and Railway**

Significant work has been completed by the BBJV on obtaining necessary access and approvals for the BBI project and on establishing a baseline engineering assessment for the Port Facility and proposed Railway. The rail corridor has now been defined.

The BBJV is advancing all relevant stakeholders approval for both the Port Facility and proposed Railway.

The construction of a rail connection from Balla Balla Harbour to near the PIOP mine will require the granting of a State Agreement by the Government of Western Australia. The BBJV is now working through the relevant processes with the State Government.

Tender documents for the FEED studies have been completed with request for tenders issued for all major packages. Certain packages have already begun, notably the award to BAM Clough of the Limited Notice to proceed for the Causeway and Jetty design of Balla Balla Harbour.

Native title agreements for the proposed rail corridor have been advanced with the relevant aboriginal communities.

During the quarter the BBJV entered into a non-binding memorandum of understanding with a major Chinese steel mill, which sets out the basis upon which the BBJV and the major Chinese steel mill wish to develop a long term strategic relationship with the aim to utilise the proposed BBI to support its desire to be a significant importer of iron ore from the Pilbara.

## **2. ALLIANCE AGREEMENT**

The BBJV and Flinders continued the process of regular Alliance Meetings to keep both parties informed of the relative progression of each of their projects.

Flinders progression on the PIOP project during the quarter included:

- a significant increase in the Eagle Deposit Indicated Mineral Resource;
- significant high grade and near surface hematite mineralisation intersected at its Blackjack Deposit;
- a significant increase in the Champion Deposit Indicated Mineral Resource; and
- release of an updated capital cost estimate for PIOP of A\$726 million.

### **3. EXPLORATION ACTIVITIES**

#### **3.1 Eucla West Fraser Range Exploration**

During the September quarter exploration activities were commissioned on the Eucla West Project. Activities on this project were last reported on in September 2013.

Recent work has included:

- Updated independent reviews of the potential for basement mineralisation (nickel, base metals, gold and graphite) throughout the project area and of the McLaren heavy mineral sands (HMS) deposit and regional HMS potential
- Petrological investigations on graphite-bearing core samples from the Bristol graphite occurrence
- Commencement of metallurgical test work on composite graphite samples from Bristol.
- A small aircore drilling program to collect an approximately 2.5 tonne bulk sample of HMS-bearing sand from the McLaren HMS deposit and delivery of the HMS bulk sample to the RJ Robbins laboratory, located in Brisbane for advanced test work.

The updated exploration reviews concluded further exploration for HMS and graphite is warranted, subject to positive outcomes of the metallurgical test work programmes underway.

The petrological investigation of the Bristol graphite-bearing core samples has confirmed that the graphite within the Bristol prospect is medium to coarse-grained flake graphite with the graphite flakes well orientated and usually exceeding 0.5mm in length, with a size range of 0.1mm to 2mm and typically ranging from 0.02mm to 0.1mm in width. The graphite flakes are often, but not always, interlayered with iron sulphides (generally marcasite, pyrite and pyrrhotite), which will require separation from the graphite to recover a clean graphite product. The graphite is hosted by metasediments mostly at granulite facies metamorphic grade. The typical host metasediment is classified as a graphite-bearing orthopyroxene (garnet) biotite feldspar quartz schist or gneiss.

ALS Metallurgy, Perth, has commenced metallurgical test work on six (6) composite samples of graphite-bearing core from the Bristol occurrence. The test work is designed to ascertain the flake size of the graphite, graphite recovery using heavy liquid separation and flotation tests and the resulting product quality, grade and marketability.

The McLaren deposit HMS bulk sample was collected by drilling 23 shallow (maximum sample depth 16m) NQ size aircore drill holes in a tight pattern around a previous aircore drill hole which is considered to be representative of the McLaren HMS deposit. The bulk sample is now at the RJ Robbins laboratory in Brisbane and work is in progress to assess processing, recovery and heavy mineral separation characteristics and to determine product grade. The test work will produce a series of concentrate products that will be available for marketing studies.

The results of the graphite and HMS metallurgical test work programmes are expected to be received during the December quarter and the results will determine future project activity.

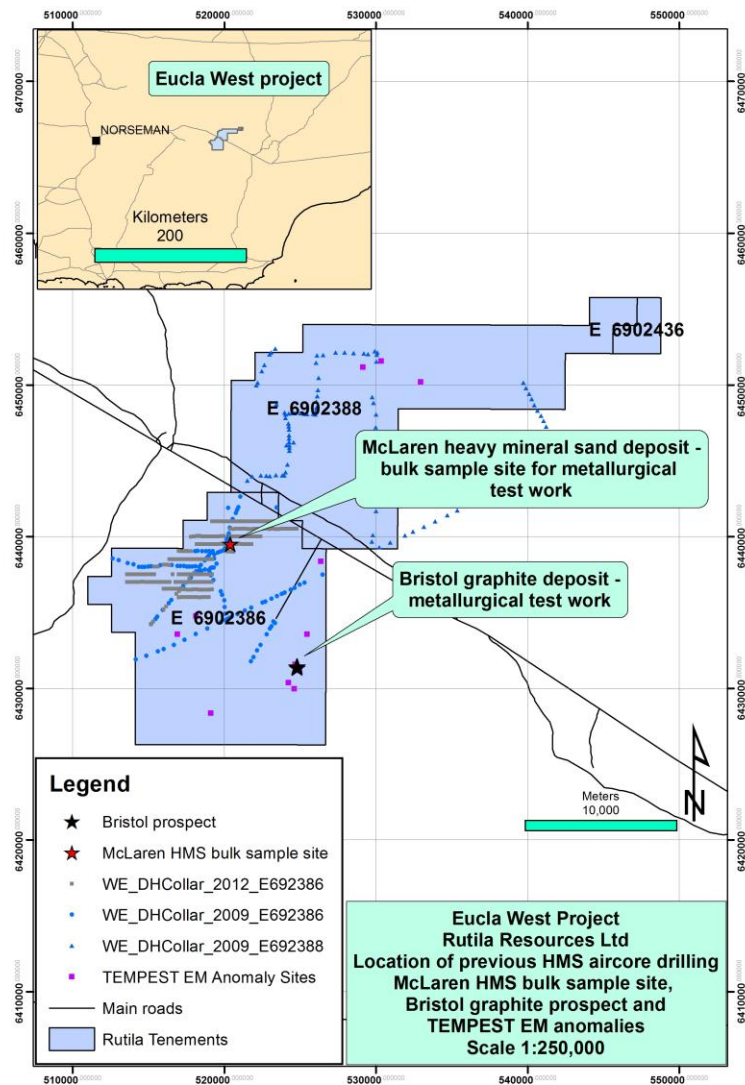


Figure 1: Eucla West Project

### 3.2 NEW SOUTH WALES TENEMENTS OVERVIEW

No significant exploration activities are recorded for the Company's NSW projects during this quarter.

#### 3.2.1 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. Future activities on these tenements are subject to on-going review.

#### 3.2.2 EL 6381: Captains Flat (Rutila 25%)

Ironbark (ASX: IBG) and NSW Base Metals (a Glencore Limited subsidiary) have previously jointly earned a 75% interest in the Captains Flat Project from Rutila, which currently holds a 25% contributing interest. Rutila has agreed terms to sell its 25% interest to Ironbark, including receiving 1,000,000 shares in Ironbark, to be escrowed for a period of 6 months from date of issue, and a 0.25% net smelter royalty. Completion of the proposed divestment is subject to a number of conditions. Rutila will keep the market fully informed as the transaction progresses.

#### 3.2.3 EL 6358: Mayfield Project (Rutila 46.55%)

No significant exploration activities have taken place on this tenement during the quarter. Future activities are currently subject to on-going review.

#### 3.2.4 EL 6691 (Mayfield North) and EL 6376 (Michelago) - Rutila 100%

No significant exploration activities have taken place on these tenements during the quarter. Future activities on these tenements are subject to on-going review.

### 4. 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 September 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	EL 6381	25%	25%
NSW - Australia	Mayfield Project	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	E69/2386	25.05%	25.05%
Fraser Range – Western Australia	West Eucla	E69/2388	25.05%	25.05%
Fraser Range – Western Australia	West Eucla	E69/2436	25.05%	25.05%

<b>Location</b>	<b>Project name</b>	<b>Tenement</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
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	E47/2225	68%	68%
Pilbara Region Western Australia	Balla Balla	G47/1229	68%	68%
Pilbara Region Western Australia	Balla Balla	G47/1230	0%	68%
Pilbara Region Western Australia	Balla Balla	G47/1231	0%	68%
Pilbara Region Western Australia	Balla Balla	G47/1234	0%	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 Western Australia	Balla Balla	L47/0245	68%	68%
Pilbara Region Western Australia	Balla Balla	L47/0325	68%	68%
Pilbara Region Western Australia	Balla Balla	L47/0384	68%	68%

<b>Location</b>	<b>Project name</b>	<b>Tenement</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
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	L47/0723	0%	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	68%	68%
Pilbara Region Western Australia	Balla Balla	E47/2382	68%	68%
Pilbara Region Western Australia	Balla Balla	E47/2959	68%	68%

The tenements G47/1230, G47/1231, G47/1234 and L47/0723 were granted within 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.



**Competent Persons Statement – Eucla West**

*The review of the Eucla West exploration activities and 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 Rutila 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.*