

Rutila Resources Ltd
(ACN 139 886 187)

Notice of Annual General Meeting and Explanatory Memorandum

Notice is given that the Annual General Meeting of Shareholders of Rutila Resources Ltd ("**Rutila**" or the "**Company**") for 2014 will be held on **Tuesday 25th November 2014 at 10.00 am** (Sydney time) at **UNSW CBD Campus, Level 6, 1 O'Connell Street, Sydney NSW 2000**. The Explanatory Memorandum accompanying this Notice of Annual General Meeting provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Memorandum and Proxy Form form part of this Notice.

The Directors have determined that pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) the persons eligible to vote at the Annual General Meeting are those who are registered shareholders of the Company as at 7pm (Sydney time) on **Sunday 23rd November 2014**.

Terms and abbreviations used in this Notice are defined in the Glossary to the Explanatory Memorandum.

BUSINESS

FINANCIAL STATEMENTS

To receive and consider the financial statements of the Company and its controlled entities for the year ended 30 June 2014 and the related Directors' Report and Auditors' Report.

Note: There is no requirement for Shareholders to approve these reports.

RESOLUTION 1: ADOPTION OF DIRECTORS' REMUNERATION REPORT

To consider and, if thought fit, to pass the following resolution as a non-binding ordinary resolution:

"That the Directors' Remuneration Report for the year ended 30 June 2014 be adopted."

Note: In accordance with section 250R of the Corporations Act 2001, the vote on Resolution 1 will be advisory only and will not bind the Directors or the Company.

The Directors unanimously recommend that Shareholders vote in favour of Resolution 1.

Voting Exclusion Statement

The Company is required by the Corporations Act to disregard any votes on Resolution 1 by or on behalf of a member of the key management personnel of the Company ("**KMP**") (as identified in the Remuneration Report and who include all of the Directors); or their closely related parties (defined in the Corporations Act to include certain of their family members, dependants and companies they control), as well as any undirected votes given to a KMP as proxyholder. However, the Corporations Act provides that this restriction will not prevent a KMP member or closely related party of a KMP member casting a vote on Resolution 1 (and the Company need not disregard a vote cast) where the person does so as a proxy if the vote is not cast on behalf of a person who is a KMP member or closely related party of a KMP member and either: (a) the voter is appointed as a proxy in writing that specifies the way the proxy is to vote on Resolution 1; **or** (b) the voter is the chair of the Annual General Meeting and the appointment of the chair as proxy: (i) does not specify the way the proxy is to vote on Resolution 1; and (ii) expressly authorises the chair to exercise the proxy even though Resolution 1 is connected directly or indirectly with the remuneration of a member of the KMP.

RESOLUTION 2: RE-ELECTION OF DIRECTOR (Dr Matthew James)

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

That Mr Matthew James, who retires in accordance with clause 12.11 of the Company's Constitution and, being eligible, offers himself for re-election as a Director of the Company, is hereby re-elected as a Director of the Company.

The Directors (with Dr James abstaining) unanimously support the election of Dr Matthew James.

RESOLUTION 3: RE-ELECTION OF DIRECTOR (Mr Harold Ou Wang)

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

That Mr Harold Ou Wang, who retires in accordance with clause 12.11 of the Company's Constitution and, being eligible, offers himself for re-election as a Director of the Company, is hereby re-elected as a Director of the Company.

The Directors (with Mr Harold Ou Wang abstaining) unanimously support the election of Mr Harold Ou Wang.

RESOLUTION 4: APPROVAL OF 10% PLACEMENT FACILITY

To consider and, if thought fit, pass the following resolution as a special resolution:

"That, pursuant to and in accordance with ASX Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of equity securities up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Memorandum."

The Directors unanimously recommend that Shareholders vote in favour of Resolution 4.

Voting Exclusion

The Company will disregard any votes cast on Resolution 4 by any person (and any associates of such a person) who may participate in the issue of equity securities pursuant to the 10% Placement Facility and any person (and any associates of such a person) who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if Resolution 4 is passed.

However, the Company will not disregard a vote if:

- (a) it is cast by a person as the proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) 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 the proxy decides.

OTHER BUSINESS

To transact any other business that may be brought forward in accordance with the Company's Constitution.

By order of the Board.

22 October 2014

A handwritten signature in black ink, appearing to read 'Shane Hartwig', written in a cursive style.

**Shane Hartwig
Company Secretary**

NOTES:

Explanatory Memorandum

The Notice of Annual General Meeting should be read in conjunction with the accompanying Explanatory Memorandum.

Eligibility to vote

In accordance with the Corporations Act 2001 (Cth) and the Company's Constitution, a person's entitlement to vote at the Annual General Meeting will be determined by reference to the number of fully paid ordinary shares registered in the name of that person (reflected in the register of members) as at 7 pm (Sydney time) on **Sunday 23rd November 2014**.

Proxy votes

A member (ie. a Shareholder) entitled to attend and vote is entitled to appoint not more than two (2) proxies to attend and vote in their place.

Where more than one (1) proxy is appointed, the appointment may specify the proportion or number of votes that the proxy may exercise, otherwise each may exercise half of the votes.

A proxy need not be a member.

A form of proxy must be signed by the member or the member's attorney.

Proxies must reach the Company at least forty eight (48) hours before the Annual General Meeting at which the person named in the Proxy Form proposes to vote (ie. by no later than 10 am (Sydney time) on Sunday 23rd November 2014). Proxies received after this time will not be valid.

The address for lodgement of proxies is:

Delivery Address:	Postal Address:	Fax Number:
Rutila Resources Ltd c/- Computershare Investor Services Pty Limited Yarra Falls 452 Johnston Street Abbotsford Vic 3067	Rutila Resources Ltd c/- Computershare Investor Services Pty Limited Yarra Falls 452 Johnston Street Abbotsford Vic 3067	+ 61 3 9473 2500

Undirected proxies

The Chairman of the Annual General Meeting will vote undirected proxies on, and in favour of, all of the proposed resolutions (subject to, in the case of Resolution 1, compliance with sections 250BD and 250R(5) of the Corporations Act).

Power of Attorney

If a proxy is signed by a member's attorney, the member's attorney confirms that he has received no revocation of authority under which the proxy is executed and the authorities under which the appointment was signed or a certified copy thereof must also be received at least forty eight (48) hours before the Annual General Meeting.

Bodies Corporate

A body corporate may appoint an individual as its representative to exercise any of the powers the body may exercise at meetings of the Company's Shareholders. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body could exercise at a meeting or in voting on a resolution.

Questions for the Auditor

Under section 250PA of the Corporations Act, Shareholders may submit written questions for the auditor up to five business days before the date of the Annual General Meeting. Shareholders wishing to do so may send their questions to the Company c/- Level 5, 56 Pitt Street Sydney NSW 2000, and the Company will pass them on to the auditor.

2014 Annual Report

Copies of the Company's 2014 Annual Report for the financial year ending 30 June 2014 ("**Annual Report**") comprising the Annual Financial Reports, Directors' Report and Auditors' Report of the Company and the Company's controlled entities will be distributed to those Shareholders requesting a physical copy of these documents. The Company's Annual Report is able to be viewed at the Company's website at www.rutilaresources.com.au.

Enquiries

Shareholders are invited to contact the Company Secretary, Shane Hartwig on (02) 9259 4405 if they have any queries in respect of the matters set out in these documents.

EXPLANATORY MEMORANDUM

RUTILA RESOURCES LIMITED

INTRODUCTION

This Explanatory Memorandum has been prepared to assist Shareholders in considering the Resolutions set out in the Company's Notice of Annual General Meeting. This Explanatory Memorandum forms part of, and should be read in conjunction with, the Company's Notice of Annual General Meeting, for the Company's Annual General Meeting to be held on **Tuesday 25th November 2014 at 10.00 am** (Sydney time) **UNSW CBD Campus, Level 6, 1 O'Connell Street, Sydney NSW 2000**.

Terms used in this Explanatory Memorandum are defined in the Glossary towards the end of this Explanatory Memorandum.

BUSINESS

FINANCIAL STATEMENTS

The *Corporations Act 2001* requires that the Annual Financial Report for the year ended 30 June 2014 (including the Directors' Report, Financial Statements and the Auditors' Report) be laid before the Annual General Meeting.

Although not requiring a vote of Shareholders, an opportunity will be provided for Shareholders to ask questions about or make comments on the reports (or on the management of the Company), including of the Company's auditor, who will be available to answer questions relating to the Auditors' Report.

RESOLUTION 1: ADOPTION OF DIRECTORS' REMUNERATION REPORT

The Board is committed to creating value for Shareholders by applying the Company's funds productively and responsibly. A portion of the funds available to the Company is applied to remunerate your Non-Executive Directors.

Your Board is aware of the sensitivities of Shareholders to remuneration practices generally, and submits its remuneration report to Shareholders for consideration and adoption under a non-binding resolution in accordance with section 250R (2) of the Corporations Act.

The Remuneration Report appears within the Directors' Report in the Company's Annual Report and describes the remuneration practices of the Company and the rationale underpinning those practices.

Directors' Recommendation

The Directors unanimously recommend that Shareholders vote in favour of the resolution.

RESOLUTION 2: RE-ELECTION OF DIRECTOR (Dr Matthew James)

Under the Company's Constitution, (clause 12.11), one third of Directors (not including persons appointed to fill a casual vacancy) must retire from office annually and, if eligible, may offer themselves for re-election.

Dr. James was appointed to the Board effective 15th August 2011 and joined Rutila Resources from Lynas Corporation where he held the role of Executive Vice President Strategy and Corporate Communications with accountability for strategy and business development, as well as investor relations and corporate communications.

Prior to joining Lynas, Matthew spent three years at Deutsche Bank in London followed by four years in the London office of McKinsey & Company, the management consulting firm where he worked at the CEO and board level of major companies helping them in strategic, organisational and operations issues. Matthew received a BE (Hons) degree in Ceramic engineering from the University of New South Wales, Australia and Ph.D. from Queens' College at the University of Cambridge. Dr. James is a Graduate member of the Australian Institute of Directors.

Directors' Recommendation

The Directors (with Dr James abstaining) unanimously support the election of Dr Matthew James.

RESOLUTION 3: RE-ELECTION OF DIRECTOR (Mr Harold Ou Wang)

Under the Company's Constitution, (clause 12.11), one third of Directors (not including persons appointed to fill a casual vacancy) must retire from office annually and, if eligible, may offer themselves for re-election.

Harold previously worked for China National Non-ferrous Metals Corporation ("CNNC"), China's non-ferrous sector 'ministry' and former parent of CHINALCO, CNMC, JNMC, Minmetals and many other Chinese non-ferrous majors.

Harold was Deputy Director of CNNC's planning department, overseeing new investment projects, and Foreign Affairs Department. As part of his role at CNNC, Harold was in charge of all international funding for CNNC for a period of 10 years. Harold also held the position of Vice President, China Business Development with Sino Mining International, Sino Refco Capital and Asia Resource Capital, a Joint Venture between Macquarie Bank and CNNC. Harold held the position of Executive Director and President of Lynas Corporation Limited before 2007. Harold studied at Tsinghua University, Beijing for his Master's degree of Engineering in the early 1980s.

Directors' Recommendation

The Directors (with Mr Harold Ou Wang abstaining) unanimously support the election of Mr Harold Ou Wang.

RESOLUTION 4: APPROVAL OF 10% PLACEMENT FACILITY

General

ASX Listing Rule 7.1A permits an "eligible entity" which has obtained shareholder approval by special resolution passed at an annual general meeting to issue "equity securities" (as defined in the ASX Listing Rules and which includes shares and options to acquire shares) up to 10% of its issued share capital through placements over a maximum 12 month period after the relevant annual general meeting (the **10% Placement Facility**).

The issue of equity securities under the 10% Placement Facility would be in addition to the Company's ability to issue equity securities without Shareholder approval under ASX Listing Rule 7.1. Broadly, ASX Listing Rule 7.1 permits the Company to issue up to 15% of its issued equity capital without Shareholder approval over a 12 month period.

An "eligible entity" for the purposes of ASX Listing Rule 7.1A is an entity that, as at the date of the relevant special resolution under that Rule, is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. If the special resolution were voted on at the date of the Notice, the Company would satisfy the eligible entity requirements, and the Directors believe that the Company would continue to satisfy those requirements on the date of the Annual General Meeting.

The Company is now seeking Shareholder approval by way of a special resolution to have the ability to issue equity securities under the 10% Placement Facility.

The effect of Resolution 4 will be to allow the Directors to issue equity securities under ASX Listing Rule 7.1A during a maximum period of 12 months after the Annual General Meeting without subsequent Shareholder approval and in addition to the Company's 15% placement capacity under ASX Listing Rule 7.1.

Resolution 4 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate shareholder, by a corporate representative).

Description of ASX Listing Rule 7.1A

ASX Listing Rule 7.1A came into effect on 1 August 2012.

(a) Shareholder approval

The ability to issue equity securities under the 10% Placement Facility is subject to Shareholder approval by way of a special resolution at an annual general meeting.

(b) Equity Securities

Any equity securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of equity securities of the Company. The Company, as at the date of the Notice, has on issue two classes of equity securities, being Shares and options to subscribe for Shares.

(c) Formula for calculating 10% Placement Facility

ASX Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during a period of up to 12 months after the date of the annual general meeting (see paragraph (f) below – "10% Placement Period"), a number of equity securities calculated in accordance with the following formula:

$$(A \times D) - E$$

A is the number of fully paid ordinary shares on issue 12 months before the date of issue or agreement:

(A) plus the number of fully paid ordinary shares issued in the 12 months under an exception in ASX Listing Rule 7.2;

(B) plus the number of partly paid ordinary shares that became fully paid in the 12 months;

(C) plus the number of fully paid ordinary shares issued in the 12 months with approval of holders of ordinary shares under ASX Listing Rule 7.1 or 7.4;

(D) less the number of fully paid ordinary shares cancelled in the 12 months.

Note that A has the same meaning in ASX Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%

E is the number of equity securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of shareholders under ASX Listing Rule 7.1 or 7.4.

(d) ASX Listing Rules 7.1 and 7.1A

The ability of an entity to issue equity securities under ASX Listing Rule 7.1A is in addition to the entity's 15% placement capacity under ASX Listing Rule 7.1.

At the date of the Notice, the Company has the capacity to issue:

- (i) 12,219,800 equity securities under ASX Listing Rule 7.1; and
- (ii) 8,146,533 equity securities under ASX Listing Rule 7.1A

The actual number of equity securities that the Company will have capacity to issue under ASX Listing Rule 7.1A will be calculated at the date of issue of the equity securities in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (refer to section (c) above).

(e) Minimum Issue Price

The issue price of equity securities issued under ASX Listing Rule 7.1A must be not less than 75% of the VWAP (volume weighted average price) of equity securities in the same class calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the equity securities are to be issued is agreed; or
- (ii) if the equity securities are not issued within 5 ASX trading days of the date in paragraph (i) above, the date on which the equity securities are issued.

(f) 10% Placement Period

Shareholder approval of the 10% Placement Facility under ASX Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; and
- (ii) the date of the approval by shareholders of a transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

(the **10% Placement Period**).

Information required by ASX Listing Rule 7.3A

ASX Listing Rule 7.3A sets out a number of matters which must be included in a notice of meeting seeking an approval under ASX Listing Rule 7.1A. The following information is provided for that purpose.

(a) Minimum Price

See section 7.2(e).

(b) Risk of dilution

Any issue of equity securities under the 10% Placement Facility will dilute the interests of Shareholders who do not receive any Shares under the issue.

There is a risk that:

- (i) the market price for the relevant equity securities may be significantly lower on the date of the issue of the equity securities than on the date of the Annual General Meeting; and
- (ii) the equity securities may be issued at a price that is at a discount to the market price for the relevant equity securities on the issue date,

which may have an effect on the amount of funds raised by the issue of the equity securities.

The table below shows the potential dilution of existing Shareholders on the basis of an issue price of \$0.17 (being the market price of Shares as at 15th October 2014) and the current value for the variable "A" calculated in accordance with the formula in ASX Listing Rule 7.1A(2) as at the date of this Notice.

The table also shows:

- (i) two examples where variable "A" has increased, namely by 50% and by 100%. Variable "A" could increase as a result of issues of Shares that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under ASX Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- (iii) two examples of where the assumed issue price of \$0.17 has changed: one, where it has decreased by 50% and two, where it has increased by 100%.

		50% decrease in Issue Price	Issue Price	100% increase in Issue Price
		\$0.075	\$0.17	\$0.3
Current Variable "A"	10 % voting dilution	8,146,533	8,146,533	8,146,533
	Funds raised	\$692,455	\$1,384,911	\$2,769,821
81,465,334				
50% increase in current Variable "A"	10 % voting dilution	12,219,800	12,219,800	12,219,800
	Funds raised	\$1,038,683	\$2,077,366	\$4,154,732
122,198,001				
100% increase in current Variable "A"	10 % voting dilution	16,293,067	16,293,067	16,293,067
	Funds raised	\$1,384,911	\$2,769,821	\$5,539,643
162,930,668				

The table has been prepared on the following assumptions:

- (i) The "Issue Price" is \$0.17, being the closing price of the Company's Shares on ASX on 15 October 2014.
- (ii) The Company issues the maximum number of equity securities available under the 10% Placement Facility.
- (iii) No options are exercised into Shares before the date of the issue of the equity securities.
- (iv) The 10% dilution reflects the aggregate percentage voting dilution against the issued Share capital at the time of issue. This is why the dilution is shown in each example as 10%.
- (v) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Annual General Meeting. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
- (vi) The table shows only the effect of issues of equity securities under ASX Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.

(vii) The issue of equity securities under the 10% Placement Facility consists only of Shares. If the issue of equity securities includes options, it is assumed that those options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.

(vii) The table does not take into account any issues of top-up Shares pursuant to the Master Agreement, as explained below.

Under the terms of the Master Agreement entered into between the Company and Todd Capital Limited in March 2012, there is a share top-up right regime under which the Todd group (being Todd Capital Limited and its related bodies corporate) has, for the duration of the Joint Venture Agreement in relation to Balla Balla, a right to subscribe for additional Shares to maintain the Todd group's shareholding percentage in the Company if the Company issues additional Shares to third parties other than in certain circumstances. Generally speaking, the Company's shares will be issued to the Todd group at the same price as they have been issued to the relevant third party. The issue of top-up shares is subject to all necessary regulatory approvals (including FIRB approval) and the Company's shareholder approvals being obtained. The top-up right will apply for so long as the Todd group holds at least 10% of the Company's shares. The issue of Shares under ASX Listing Rule 7.1A to third parties will trigger the operation of the Todd group top-up right.

(c) Issue Dates

The Company will only issue and allot the equity securities under the 10% Placement Facility during the 10% Placement Period. The approval under Resolution 4 for the issue of the equity securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).

(d) Purpose of Issues

The Company may seek to issue equity securities under the 10% Placement Facility for the following purposes:

- (i) as non-cash consideration for the acquisition of new resources, assets and investments (including expenses associated with such acquisitions). In such circumstances the Company will provide a valuation of the non-cash consideration as required by ASX Listing Rule 7.1A.3; or
- (ii) for cash consideration in which case the Company intends to use the funds raised for exploration activities at its existing projects and/or for acquisition of new assets or investments (including expense associated with such acquisitions) and general working capital.

The Company will comply with the disclosure obligations under the ASX Listing Rules (eg. Rule 7.1A (4) and 3.10.5A) upon issue of any equity securities under the 10% Placement Facility.

(e) Allocation policy

The Company's allocation policy for the issue of equity securities under the 10% Placement Facility is dependent on the prevailing market conditions at the time of any proposed issue. The identity of the allottees of the equity securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- (i) the purpose of the issue;
- (ii) alternative methods of raising funds that are available to the Company, including but not limited to, a rights issue or other issue in which existing security holders can participate;
- (iii) the effect of the issue of the equity securities on the control of the Company;
- (iv) the circumstances of the Company, including, but not limited to, the financial situation and solvency of the Company; and
- (v) advice from corporate, financial and broking advisers (if applicable).

The allottees of any equity securities that may be issued under the 10% Placement Facility have not been determined as at the date of the Notice but may include existing substantial Shareholders and/or new shareholders who are not related parties or associates of a related party of the Company. Further, if the Company is successful in acquiring new resources, assets or investments, it is likely that the allottees under the 10% Placement Facility will be the vendors of the new resources, assets or investments.

(f) Previous Approvals under ASX Listing Rule 7.1A

As the Company has previously sought and obtained Shareholder approval under ASX Listing Rule 7.1A. at the 2013 AGM, the Company provides the following additional information.

Equity securities issued in prior 12 month period	12,825,000
Percentage previous issues represent of total number of equity securities on issue at commencement of 12 month period	10.42%

Details of all issues of equity securities by the Company during the 12 month period preceding the Annual General Meeting are set out below

Date of issue:	08 July 2014
Number issued:	10,500,000
Class/Type of equity security	Unlisted Options
Summary of terms: Names of persons who received securities or basis on which those persons was determined:	6,500,000 \$.50 ex price, expiry date 31.12.2015 TIO (NZ) Limited 2,000,000 \$.50 ex price, expiry date 27.6.2017 Riverstone Advisory Limited 2,000,000 \$.30 ex price, expiry date 27.6.2017 Riverstone Advisory Limited
Price:	nil
Discount to market price (if any):	n/a
Consideration provided (cash or non-cash):	Non-cash consideration: past and future services performed. Refer the Explanatory Memorandum of the NOM released to the ASX 23 May 2014.
Current value of non-cash consideration (if relevant):	<ol style="list-style-type: none"> 1) The 2,000,000 options issued to Riverstone Advisory Limited with a \$.50 ex price, expiry date 27.6.2017 were valued on 23 May 2014 using the Black Scholes Option Methodology giving an option value of \$.02 per Option equating to \$40,000. The Black Scholes Option Methodology gives a current option value of \$.01 per Option as at 20 October 2014 equating to \$23,901. 2) The 2,000,000 options issued to Riverstone Advisory Limited with a \$.30 ex price, expiry date 27.6.2017 were valued on 23 May 2014 using the Black Scholes Option Methodology giving an option value of \$.045 per Option equating to \$89,900. The Black Scholes Option Methodology gives a current option value of \$.03 per Option as at 20 October 2014 equating to \$58,569. 3) The 6,500,000 replacement options issued to Tio (NZ) Limited with a \$.50 ex price, and expiry date 31.12.2015 had a value at issue date of approximately \$58,500. The Black Scholes Option Methodology gives a current option value of \$.007 per Option as at 20 October 2014 equating to \$45,500.

	<p>Common assumptions used in the Black Scholes valuation methodology included:</p> <ul style="list-style-type: none"> • Share price. \$.20 (for May 2014 valuation purposes) and \$.17 (for October 2014 valuation purposes) • Volatility: 50% • Interest Free Rate: 3.181 %
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Date of issue:	17 July 2014
Number issued:	2,325,000
Class/Type of equity security	Unlisted Options
Summary of terms: Names of persons who received securities or basis on which those persons was determined:	2,325,000 Unlisted Options \$.30 expiry date 17 July 2018 issued under the Rutila Employee Share Trust to the following people: Angela Johnson Peter Jones Alison Kemp Cassie Lovel Janelle van Straalen
Price:	Nil
Discount to market price (if any):	n/a
Consideration provided (cash or non-cash):	Non-cash consideration: past and future services performed
Current value of non-cash consideration (if relevant):	n/a

(g) Voting Exclusion Statement

A voting exclusion statement is included in the Notice.

At the date of the Notice, the Company has not approached nor intends to approach any particular existing Shareholder or security holder or an identifiable class of existing security holders to participate in the issue of any equity securities, and the Company has not formed an intention in relation to how it will decide which parties it might approach to participate in any issue of equity securities that might be made under the 10% Placement Facility. Assuming that remains the case at the time of the Annual General Meeting (which the Directors currently believe will be the case), no Shareholder's votes will be excluded under the voting exclusion in the Notice.

Directors' Recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 4.

GLOSSARY

\$ and cents means Australian dollars and cents.

Annual General Meeting means the annual general meeting of the Company convened by the Notice.

ASX means the Australian Securities Exchange.

ASX Listing Rule means a Listing Rule of ASX.

Board means the board of Directors of the Company.

Company or **Rutila** means Rutila Resources Ltd (ACN 139 886 187).

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Directors mean the directors of the Company.

EST means the Company's Executive/Employee Share Trust.

Explanatory Memorandum means the explanatory memorandum accompanying, and forming part of, the Notice.

Notice means the Notice of Annual General Meeting accompanying this Explanatory Memorandum, and of which the Explanatory Memorandum forms part.

Option means an option, issued by the Company, to subscribe for a Share.

Proxy Form means the proxy form for the Annual General Meeting accompanying the Notice.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a person who is registered as the holder of one or more Shares.