



# RUTILA

## RESOURCES

30 April 2014

### QUARTERLY ACTIVITIES REPORT FOR THE PERIOD 1 JANUARY TO 31 MARCH 2014

#### HIGHLIGHTS

- 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”) to provide Flinders with a fully integrated transportation and port handling service (“Transportation and Port Handling Service”) of up to 30 million tonnes per annum (“Mtpa”) for its proposed Pilbara Iron Ore Project (“PIOP”).
- Todd agreed to the provision of a A\$10 million funding package to Rutila, subject to shareholder approval, together with the extension of the existing loan facility to 31 December 2015.
- Western Australia Department of Mines and Petroleum granted the Miscellaneous Licence L47/690 on 15 January 2014, which covers land from The JV’s current mining leases to the gazetted Balla Balla Port area.
- Department of Mines and Petroleum registered Rutila on title for the completed earn-in stake of 50.1% in the Eucla West tenements, located in the Fraser Range region, Western Australia.
- Rutila entered into an agreement to sell down 50% of its Farm-in rights into the Eucla West tenements to Todd for consideration of A\$1.5 million, subject to shareholder approval.

## 1. CORPORATE

The Company achieved a significant Central Pilbara Infrastructure Project milestone during the quarter when, together with its Joint Venture Partner Todd, the Company announced that The JV (Rutila 68%, Todd 32%) had entered into a binding Alliance Agreement with Flinders to provide Flinders' proposed PIOP project with a Transportation and Port Handling Service for up to 30Mtpa of POIP product.

The Alliance Agreement contemplates the use of the proposed Balla Balla Mine Export Facilities ("Export Facility") surplus design capacity above the 6-10Mtpa required for development of the Balla Balla mine ("Balla Balla Mine"). The Transportation and Port Handling Service for the PIOP will combine a proposed rail transport solution together with the proposed Export Facility surplus design capacity, subject to Government approvals.

The Alliance Agreement outlines the basis upon which the parties will co-operate with a view to achieving the development of the following Projects:

- i. the Export Facility by The JV;
- ii. a proposed rail solution by The JV; and
- iii. the PIOP by Flinders.

Utilisation of the surplus design capacity of the Export Facility by Flinders enables the related capital costs to be shared across a larger export tonnage, reducing unit costs per tonne of ore and increasing the financial viability of both the Balla Balla Mine and the PIOP.

Flinders, as the foundation customer for the Transportation and Port Handling Service, will commit to a minimum of 20Mtpa (Stage 1 Flinders Capacity) with the ability to export up to 30Mtpa should that amount of PIOP product be made available. Together the PIOP and Balla Balla Mine could ultimately account for up to 45 million tonnes of capacity through the Export Facility, generating construction and operational employment; regional development opportunities; and direct and indirect revenue opportunities for the local communities and State and Federal Governments.

The JV and Flinders have agreed to work exclusively together until December 2015 to complete the definitive feasibility studies for their respective projects and enter into service agreements that will cover the transportation and port handling services. In consideration of entering into these agreements the parties have agreed the following:

- i. Flinders will pay a direct operating cost recovery fee on each tonne handled by the Transportation and Port Handling Service;
- ii. A\$25 per tonne service charge on each Flinders tonne handled by the Transportation and Port Handling Service;
- iii. The JV will pay a A\$5 per tonne foundation alliance member rebate for the first 20Mtpa commitment with a further rebate (commercial in confidence) applied for ore transported in excess of 20mtpa up to an agreed cap; and

- iv. Flinders will pay to The JV a price participation fee of 30% of revenue from PIOP iron ore sales above A\$60 per tonne on a CFR basis.

In addition, during the quarter the Company sought to extend the terms of its existing loan facility as well as seeking the provision of additional working capital to provide funds for required Central Pilbara Infrastructure Project work programmes. The Company announced during the quarter that it reached agreement with Todd for, subject to shareholder approval, the provision by Todd to Rutila of a A\$10 million funding package together with the extension of the existing loan facility to 31 December 2015.

The excellent support the Company has received from our largest independent shareholder and also JV partner in the Balla Balla and Central Pilbara Infrastructure project is of great benefit to the Company at a time when the capital market environment is difficult for junior resource focused companies. The Board wishes to recognise Todd's ongoing support.

A summary of terms for the funding package are as follows:

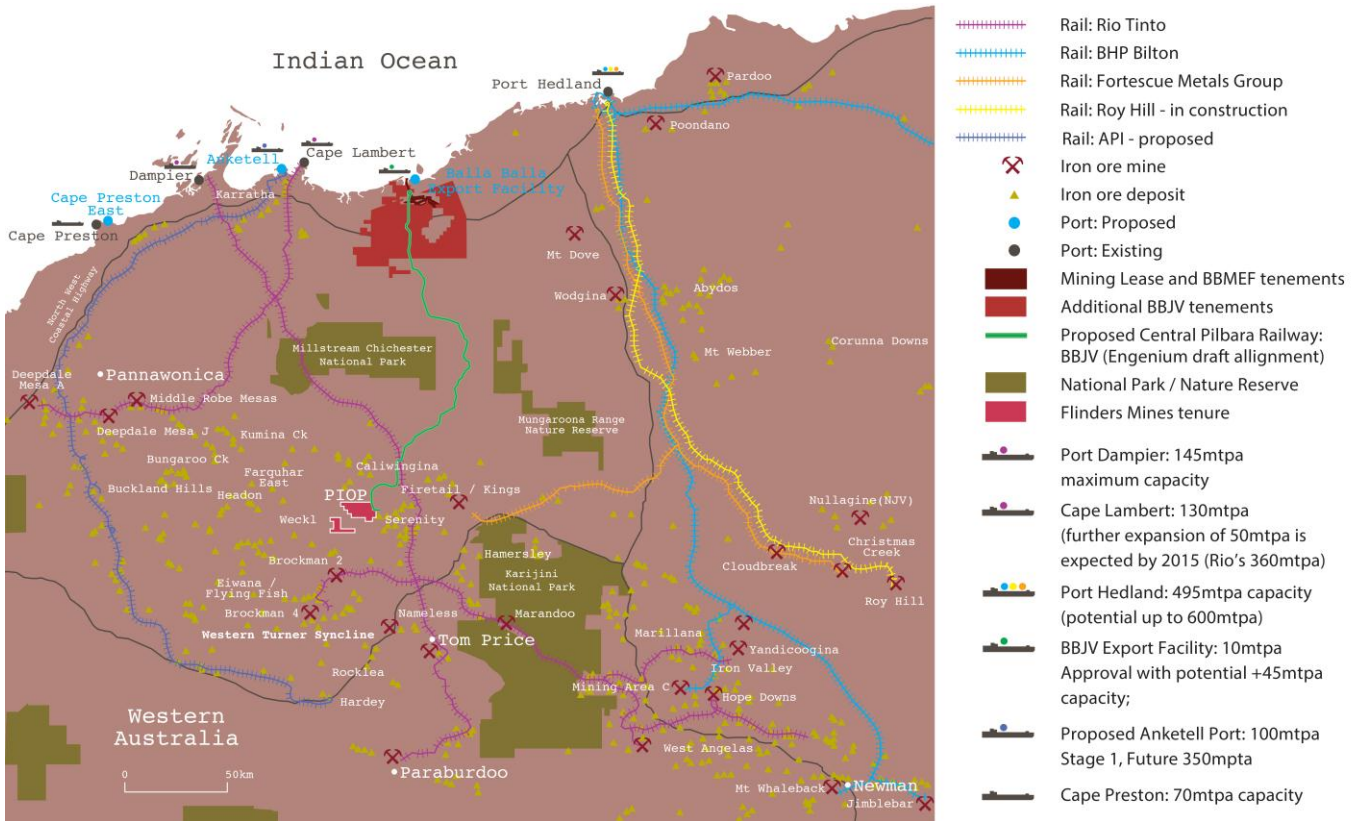
- i. The funding package comprises of a A\$10 million convertible loan;
- ii. The A\$10million convertible loan is to be drawdown by Rutila in two A\$5 million tranches;
- iii. The first drawdown is likely to occur on signing of definitive documents and shareholder approval;
- iv. The second is to be within 12 months and subject to certain milestones;
- v. At Todd's election the tranches are able to be converted into either RTA equity based on market price of RTA ordinary equity or additional interest in the Balla Balla JV based on the enterprise value of Rutila;
- vi. The pricing of the conversion for each A\$5 million tranche shall occur anytime between three months post drawdown and December 2015, at Todd's election, (to be based on a 30-day VWAP with agreed discount applied, note Todd are unable to trade in the Rutila ordinary equity for a 60 day period prior to the pricing of the conversion); and
- vii. An agreed coupon is payable on drawn funds.

As this funding package will require shareholder and other regulatory approvals the Company is in the process of compiling meeting documentation with the view to holding an extraordinary general meeting ("EGM") in June 2014 seeking approval for this funding package.

After the end of quarter, on 9th April 2014, Rutila and Todd entered into a Joint Funding and Participation Deed in relation to the Eucla West Project in the Fraser Range region which, subject to shareholder approval at the same EGM as mentioned above, will transfer to the Todd Group 50% of Rutila's 50.1% Farm-In interest in the Eucla West Project for a cash consideration of A\$1.5 million.

## 2. CENTRAL PILBARA INFRASTRUCTURE PROJECT

The signing of the Alliance Agreement with Flinders Mines was an important step on the journey of transforming the concept of the Central Pilbara Infrastructure Project into reality and reinforces the validity of key assumptions and operating parameters in utilising excess capacity identified in the Export Facility of The JV.



**Figure 2.1. The Location within the Pilbara of the PIOP, Proposed Central Pilbara Railway and Export Facility**

The JV and Flinders have agreed to work together to achieve the goals set out in the Alliance Agreement through the establishment of an Alliance Committee. The Alliance Committee has now been formed and Mr. Jon Young, CEO of the Todd Corporation, has been appointed Chairman – indicating the level of support and commitment of Todd to this project. The Alliance Committee will govern an Operational Working Group and a Finance Working Group. The role of the Operational Working Group is to ensure that there is liaison and cooperation, technical consistency and appropriate timetables for the connection of the Projects. The Finance Working Group will coordinate the development and obtaining of finance and ensuring that the requirements of individual financing and security packages will work together for each project.

Rutila, as manager of The JV, has continued to progress work during the quarter for the port, rail, stockyards and access related work that shall complete the Central Pilbara Infrastructure Scoping Study to combine the Export Facility, transport route and associated infrastructure and feed into the Definitive Feasibility Study for the Project.

For the port, the wave and current monitoring and modelling at the proposed Transshipment Shuttle Vessel

("TSV") loading facility, transshipment channel and inner and outer anchorages is now complete and indicates that wave and currents measured are within acceptable operating parameters. This information shall assist in the revision to jetty design to accommodate larger TSVs. Additional detailed bathymetry work along the proposed transshipment corridor, the proposed bulk carrier anchorages and shipping channel between the inner and outer anchorages is now complete. Port simulation to determine the operational limits of a TSV loading operation is scheduled for the quarter ending June 2014. This will confirm the size of the TSVs that will be able to operate within the port, permissible environmental conditions and assist in determining the operational regulations for the movement of bulk carriers.

With the rail concept study complete, Engenium were engaged during the quarter to complete the next phase of work on the proposed 200km railway Central Pilbara Railway from the proposed Export Facility to a potential train-loading site in the central Pilbara region. The work to date indicates that a standard railway from the Export Facility to the central Pilbara area is viable, and would not be dissimilar to other railways that have been successfully built and are continuing to be operated today.

Rutila is continuing work on the determination of stockyard layouts at both the Export Facility and train load out facility and preparation for the dynamic modelling of the entire infrastructure supply chain to determine the operational capabilities and risks as well as the capacity of the system under different operating conditions.

The access programme related to the proposed rail corridor has commenced. An introduction meeting was held with the Yindjibarndi Aboriginal Corporation ("YAC") during the quarter.

### **3. BALLA BALLA PROJECT**

The Department of Mines and Petroleum granted the Miscellaneous Licence L47/690 as announced by the Company on 17 January 2014. L47/690 covers land from The JV's current mining leases to the gazetted Balla Balla Port area by the Western Australia Department of Transport under the Marine and Harbours Act. L47/690 shall contain the Export Facility consisting of the stockyard area, the causeway and jetty to the transshipment shuttle vessel loading facility.

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. The second is the collaboration with Laiwu Steel, part of the Shandong Steel Group, to extract full value from the VTi Magnetite concentrate through the production of pig iron together with vanadium and titanium co-products.

The JV has followed up the previous marketing trip in China, with a visit to the southwestern region in China visiting regional Chinese steel companies. In addition a visit was made to key Korean steel companies, and leads are being explored in India.

The work between Laiwu Steel and Rutila, together with the Beijing General Research Institute of Metal and Mining, 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 remains ongoing, with

an additional test work program being finalised.

#### **4. EXPLORATION ACTIVITIES**

##### **4.1 Eucla West Fraser Range Exploration**

Following the registration of Rutila on title for the completed earn-in stake of 50.1% of the Eucla West tenements, located in the Fraser Range region, Western Australia, the Company is now in a position to complete the sale of 50% of Rutila's Eucla West Farm-in assets and rights to Todd for consideration of \$1.5 million. As part of this transaction, Rutila intends to transfer its interest to a wholly owned subsidiary, Forge Resources Crown Pty Ltd. The sale transaction remains subject to shareholder approval, the Company is preparing shareholder documentation for an EGM to be held in June 2014.

No exploration work was conducted during the quarter. The next phase of exploration is expected to commence upon completion of the 50% sell-down to Todd.

##### **4.2 New South Wales Tenements Overview**

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 deprioritised.

###### **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 requiring follow up.

###### **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 is under consideration.

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

## 5. Mining Tenements

Pursuant to listing rule 5.3.3, Rutila Resources Limited wishes to provide the following information on the mining tenements held at the end of quarter ending 31 March 2014:

Location	Project name	Tenement	No of Tenement	Area	Interest
NSW - Australia	Wymah	EL 7397	1	68.5m <sup>2</sup>	100%
NSW - Australia	Wymah North	EL 8059	1	72 m <sup>2</sup>	100%
NSW - Australia	Captains Flat <sup>1</sup>	EL 6381	1	240 m <sup>2</sup>	25%
NSW - Australia	Mayfield Project <sup>2</sup>	EL 6358	1	24.7 m <sup>2</sup>	46.55%
NSW - Australia	Mayfield North	EL 6691	1	91 m <sup>2</sup>	100%
NSW - Australia	Michelago	EL 6376	1	66 m <sup>2</sup>	100%
Fraser Range – Western Australia	West Eucla <sup>3</sup>	E69/2386	1	68 blocks	50.1%
Fraser Range – Western Australia	West Eucla	E69/2388	1	72 blocks	50.1%
Fraser Range – Western Australia	West Eucla	E69/2436	1	3 blocks	50.1%
Pilbara Region Western Australia	Balla Balla	E47/1743	1	1 block	68%
Pilbara Region Western Australia	Balla Balla	E47/1744	1	26 blocks	68%

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> Rutila (via its 100% subsidiary Forge Resources Crown Pty Ltd ) has entered into a Farm-In Agreement setting out the terms upon which RTA has 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.

Location	Project name	Tenement	No of Tenement	Area	Interest
Pilbara Region Western Australia	Balla Balla	E47/1829	1	4 blocks	68%
Pilbara Region Western Australia	Balla Balla	E47/2165	1	9 blocks	68%
Pilbara Region Western Australia	Balla Balla	E47/2224	1	16 blocks	68%
Pilbara Region Western Australia	Balla Balla	E47/2225	1	3 blocks	68%
Pilbara Region Western Australia	Balla Balla	G47/1229	1	1036 HA	68%
Pilbara Region Western Australia	Balla Balla	G47/1238	1	40 HA	68%
Pilbara Region Western Australia	Balla Balla	L47/0057	1	8317 HA	68%
Pilbara Region Western Australia	Balla Balla	L47/0168	1	53 HA	68%
Pilbara Region Western Australia	Balla Balla	L47/0171	1	18 HA	68%
Pilbara Region Western Australia	Balla Balla	L47/0174	1	5 HA	68%
Pilbara Region Western Australia	Balla Balla	L47/0175	1	14 HA	68%
Pilbara Region Western Australia	Balla Balla	L47/0229	1	54 HA	68%
Pilbara Region Western Australia	Balla Balla	L47/0242	1	32 HA	68%



<b>Location</b>	<b>Project name</b>	<b>Tenement</b>	<b>No of Tenement</b>	<b>Area</b>	<b>Interest</b>
Pilbara Region Western Australia	Balla Balla	L47/0243	1	4 HA	68%
Pilbara Region Western Australia	Balla Balla	L47/0244	1	41 HA	68%
Pilbara Region Western Australia	Balla Balla	L47/0245	1	29 HA	68%
Pilbara Region Western Australia	Balla Balla	L47/0325	1	137406 HA	68%
Pilbara Region Western Australia	Balla Balla	L47/0384	1	24 HA	68%
Pilbara Region Western Australia	Balla Balla	L47/0385	1	12 HA	68%
Pilbara Region Western Australia	Balla Balla	L47/0386	1	6 HA	68%
Pilbara Region Western Australia	Balla Balla	L47/0690	1	1532 HA	68%
Pilbara Region Western Australia	Balla Balla	M47/0297	1	349 HA	68%
Pilbara Region Western Australia	Balla Balla	M47/0298	1	394 HA	68%
Pilbara Region Western Australia	Balla Balla	M47/0311	1	274 HA	68%
Pilbara Region Western Australia	Balla Balla	M47/0312	1	155 HA	68%
Pilbara Region Western Australia	Balla Balla	M47/0360	1	531 HA	68%

Location	Project name	Tenement	No of Tenement	Area	Interest
Pilbara Region Western Australia	Balla Balla	M47/0361	1	135 HA	68%
Pilbara Region Western Australia	Balla Balla	M47/0541	1	180 HA	68%
Pilbara Region Western Australia	Balla Balla	M47/0804	1	335 HA	68%
Pilbara Region Western Australia	Balla Balla	P47/1300	1	129 HA	68%
Pilbara Region Western Australia	Balla Balla	P47/1437	1	38 HA	68%
Pilbara Region Western Australia	Balla Balla	P47/1521	1	109 HA	68%
Pilbara Region Western Australia	Balla Balla	P47/1522	1	74 HA	68%

Rutila has agreed the tern upon which it will sell 50% of its rights and interests in the Fraser Range tenements to the The Todd Group.

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 31 March 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 Person's Statement – Balla Balla**

*The Resource estimate for the Balla Balla BFS Central/Extension, BFS Western and East Block B deposits is sourced from Golder Associates report reference 087641039 011 L Rev2 dated 5 August 2009 and is contained within Domain 1 (main Fe zone modelled at 35% Fe cut-off) and Domain 7 (high vanadium zone modelled at 35% Fe cut-off and 0.85% V<sub>2</sub>O<sub>5</sub> cut-off) combined. The Resource estimate for the Balla Balla Far Western Area is sourced from Golder Associates report reference 087641039 007 L Rev1 dated 8 December 2008 and is contained within Domain 1.1 (lower main Fe zone) and Domain 1.2 (upper main Fe zone), both modelled at 35% Fe cut-off. For all deposits, tonnage estimations are reported at a cut-off grade of 0.001% Fe within the modelled domains. The Fe resource includes in-situ Fe-bearing minerals that are not amenable to magnetic recovery. Magnetic recovery factors or assumptions have not been applied to these Mineral Resources.*

*In August 2009, an increase to Measured, Indicated and Inferred Resources of the Western and Central-East Pit areas of the Balla Balla magnetite (Fe-V-Ti) deposit was reported. In December 2008, an upgrade of the Balla Balla Far Western Area Resource from 100% Inferred to Measured, Indicated and Inferred Resources was reported. The information in this document that relates to Mineral Resources is based upon information compiled by Matthew Chinn who is a member of the Australasian Institute of Mining and Metallurgy and a Fellow of the Geological Society of London. Matthew Chinn is a geological consultant to Rutila Resources Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined by the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012 Edition). Matthew Chinn consents to the inclusion in this document of the matters based on his information in the form and context in which it appears.*

### **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.*