

RUTILA RESOURCES LTD
FINANCIAL REPORT
ABN 30 139 886 187

FOR THE YEAR ENDED 30 JUNE 2014

DIRECTORS REPORT

The Directors present their report together with the consolidated financial statements comprising of Rutila Resources Limited ("Rutila or the Company") and its subsidiaries for the year ended 30 June 2014 ("the Group") and the auditor's report thereon.

DIRECTORS

The Directors of the Company at any time during or since the end of the financial year are:

Nicholas Curtis AM, B.A. (Hons) FAICD, Executive Chairman

Mr Curtis is Executive Chairman of the Company. He was appointed to the Board on 1 July 2010 and became Executive Chairman effective 1 September 2013. He is Chairman of Lynas Corporation Limited and of the private corporate advisory firm, Riverstone Advisory. Mr Curtis serves as a Director of the Asia Society Australia and as a Governor of the Mining and Metals Industry Partnership Group and Co-Chair of the Global Growth Company community with the World Economic Forum. He was a Non-Executive Director of Conquest Mining Limited from May 12 2010 to October 18 2011 prior to the company's restructure to become Evolution Mining. From June 2004 to August 2011 he served as a Director of the Garvan Institute of Medical Research and from August 2004 to October 2009 he was Chairman of the Board of St Vincent's & Mater Health Sydney Limited. In addition he served as a Director of St Vincent's Health Australia Ltd and St Vincent's Healthcare Ltd from June 1 2004 to October 1 2010. His career spans more than 30 years in the resources and finance industries.

On June 13 2011, Mr Curtis was awarded an AM (Member of the Order) for his services to the community through executive roles supporting medical research and healthcare organisations and also for his work fostering Australia-China relations.

Emmanuel Correia, B.Bus ACA, Non-Executive Director

Emmanuel Correia was appointed to the Board 8th October 2009 and is a Chartered Accountant and has extensive experience in the corporate finance and equity capital markets. Emmanuel has had over 20 years of public accounting and corporate finance experience both in Australia, North America and the United Kingdom. He has held various senior positions with Deloitte and other accounting firms and boutique corporate finance houses.

Emmanuel provides corporate advice to a diverse client base both in Australia and in overseas markets. Emmanuel has previously held a number of public Company Directorships and his key areas of expertise include Initial Public Offerings and secondary capital raisings, corporate strategy and structuring and merger and acquisitions. Emmanuel is a non-executive director of Ambassador Oil and Gas and is also the Company Secretary of Bluglass Ltd

Dr. Matthew James, BE (Hons) Ph.D, Non-Executive Director

Dr. James was appointed to the Board effective 15th August 2011 as Managing Director, a role he fulfilled until 19 September 2013 as his family relocated to the UK. Matthew remained within the executive leadership team as an Executive Director until 1 July 2014 when he took up a Non-Executive Director position and he will remain a Director of the Company for the foreseeable future. Matthew joined the Company 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. Matthew played an instrumental role in building Lynas to an ASX100 Company with a market capitalisation of approximately \$3.5 billion.

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 operational issues. Matthew received a B. Eng. (Hons) degree in Ceramic Engineering from the University of New South Wales, Australia and Ph.D. in Material Science and Engineering from Queens' College at the University of Cambridge. Dr James is a Graduate member of the Australian Institute of Directors.

Harold Ou Wang, Masters of Science, Non-Executive Director

Harold Wang was appointed to the Board of Rutila 1st July 2010 and is a Founding Partner of Riverstone Advisory, a corporate advisory firm that specialises in bridging the gap between western resource opportunities and the increasing Chinese demand for raw materials.

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 non-ferrous majors. Harold was Deputy Director of CNNC's planning department, overseeing new investment projects, and Foreign Affairs Department. In his role at CNNC Harold was in charge of all international funding for CNNC for a period of 10 years. Harold held the position of Executive Director and President of Lynas Corporation Limited before 2007. 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 studied at Tsinghua University, Beijing for his Master's degree of Engineering in early 1980s.

DIRECTORS REPORT

Michael Wolley, B.A. (Hons) MMgmt, Non-Executive Director

Michael was appointed to the Board 7th June 2012 and holds a first class honours degree in Chemical and Materials Engineering (University of Auckland) and a Masters of Management (Macquarie Graduate School of Management). Michael had a 15 year career with Mobil Oil Australia in a range of roles including engineering, operations, strategic planning and business development in Australia and New Zealand. In 1995 he left Mobil to pursue opportunities in Asia Pacific and worked in a number of senior executive roles in the manufacturing and industrial sectors including a period as President of BlueScope Steel China.

In 2007 Michael returned to the resources sector as Chief Operating Officer for Lynas Corporation, and subsequently into the gold sector where he is a Director of Red Mountain Mining, an ASX listed gold development business.

Michael was appointed Vice President Corporate Development for the Todd Corporation in 2011. In February 2013 he was appointed to the role of Vice President Minerals and Coal based in Sydney. He is a Director of Wolf Minerals, an ASX listed resources business, and sits on the Board of Straterra, the New Zealand minerals industry body, and is a member of the AICD and the NZICD.

COMPANY SECRETARY

Shane Hartwig was appointed as Company Secretary 8th October 2009. Shane is a Certified Practising Accountant and Chartered Company Secretary and holds a Bachelor of Business degree, majoring in Accounting and Taxation from Curtin University of Technology in Western Australia.

Shane is involved in the areas of Initial Public Offerings, capital raisings, prospectus and information memorandum preparation and project management, Company assessments and due diligence reviews, mergers and acquisitions and providing general corporate advice and is currently Non-Executive Director of Exalt Resources Limited, Company Secretary of Anteo Diagnostics Limited and Exalt Resources Limited both on a contract basis.

Shane has over 18 years experience in the finance industry both nationally and internationally with exposure to both the debt and equity capital markets.

DIRECTORS MEETINGS

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

	Directors Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Nicholas Curtis	9	9	-	-	-	-
Matthew James	9	9	1	1	2	2
Harold Ou Wang	9	6	2	1	-	-
Michael Wolley	9	8	2	1	2	2
Emmanuel Correia	9	8	2	2	2	2

During the year, some Board business was affected by execution of circulated resolutions.

PRINCIPAL ACTIVITIES

The principal activities of the Group are to pursue and acquire mineral and energy related assets in Australia and overseas.

OPERATING RESULTS

The net loss of the consolidated group after income tax for the year was \$7,047,278 (2013: \$7,534,401).

DIVIDENDS

No dividends were paid or declared during the year (2013: \$Nil).

FINANCIAL POSITION

The net liabilities of the consolidated group at 30 June 2014 were (\$610,753) (2013: net assets of \$6,056,832). At 30 June 2014, the group had cash balances of \$1,752,995 (2013: \$2,045,419).

The decrease in net assets has resulted from Rutila investing in feasibility studies over the proposed Balla Balla export facility and transport corridor during the year. The expenditure does not meet the criteria for classification as

DIRECTORS REPORT

FINANCIAL POSITION (CONTINUED)

an asset under the Australian Accounting Standards and therefore the expenditure has been recognised as an expense.

The resultant consolidated statement of financial position shows a deficit in equity of \$610,753, however the Directors are of the reasonable opinion that this does not reflect the true value of the underlying assets of the Group. Given the Directors opinion regarding the true and prospective value of the Groups' underlying assets, the Directors believe there is a reasonable prospect that the amended loan facilities provided to the Group by a subsidiary of The Todd Corporation Limited ("the Todd Debt") as detailed in Note 13 will be converted to equity either at the project or company level. In the event the Todd Debt is not converted to equity in either the project or the company, the Directors believe there is a possibility of either raising additional equity or refinancing to repay the Todd Debt.

STATE OF AFFAIRS

Other than matters detailed in the Review of Operations and Likely Developments there were no significant changes in the state of affairs of the consolidated group.

ENVIRONMENTAL PERFORMANCE

Rutila and two of its subsidiaries Forge Resources Crown Pty Ltd and Forge Resources Swan Pty Ltd hold exploration licences issued by New South Wales Department of Trade and Investment - Resources and Energy, and the Western Australian Department of Mines and Petroleum which specify guidelines for environmental impacts in relation to exploration activities. The licence conditions provide for the full rehabilitation of the areas of exploration in accordance with the Departments' guidelines and standards. There have been no significant known breaches of the licence conditions.

REVIEW OF OPERATIONS AND LIKELY DEVELOPMENTS

Background

Rutila (formerly Forge Resources Limited) was originally formed in 2009 to participate in the exploration and acquisition of mineral and energy related assets. The Company's primary project is its 68% interest in the advanced Balla Balla Vanadium – Titanium – Magnetite ("VTi Magnetite") project ("Balla Balla") that was acquired by Rutila from Atlas Iron Limited. Balla Balla is located on granted mining tenements near the Pilbara coastline approximately 100km west of Anketell Point. In addition Rutila has earned a 50.1% stake in the Eucla West mineral sands exploration project in the Fraser Range region and has entered into a joint participation agreement with Todd Minerals and Coal Pty Ltd to continue to progress this project. Rutila in accordance with its charter will also seek to acquire or participate in additional resource and energy projects in Australia and overseas.

Corporate Activity

On 24 September 2013, it was resolved at a general meeting of shareholders, that the company would change its name to Rutila Resources Limited.

During the past year our Company has continued to build on its foundations from prior years. The main focus of activity has been the continued development of the Balla Balla project and associated export facility located on the Western Australian Pilbara coastline, with our joint venture partners, a subsidiary of The Todd Corporation ("Todd") ("the BBJV").

In October 2013, Rutila completed a capital raising of \$7 million through the sale of 7% of its interest in the Balla Balla project to its joint venture partner Todd, taking Todd's share in the joint venture to 32% and Rutila's share to 68%.

In June 2014, shareholder approval was given to an amended financing facility, which provided for an extension of the term of the existing loan facility provided by Todd until the 31st of December 2015, along with the provision of an additional \$10 million convertible loan facility. The total Todd Debt including accrued interest as at 30 June 2014 was \$36,758,645. The first \$5 million of the additional \$10 million convertible loan facility was drawn down in July 2014, with the remaining \$5 million expected to be drawn down later in the year.

The excellent support the Company has received from its Balla Balla project joint venture partner and substantial shareholder, Todd, is of great benefit to the Company at a time when the capital market environment is difficult for junior resource focused companies.

Existing Projects

Balla Balla Project

During the year the engineering and cost structures of the Balla Balla project definitive feasibility study ("DFS") were completed. The DFS included the Balla Balla VTi Magnetite mine, a processing plant to produce 6 - 10 million tonnes per annum of magnetite concentrate at 58% Fe, 0.8% V₂O₅ and 15% TiO₂ and a separate ilmenite

DIRECTORS REPORT

Balla Balla Project (continued)

treatment plant to produce 180,000 tonnes per annum of 47% TiO₂ ilmenite, along with the coastal stockyard and export facility infrastructure.

A scoping study of the potential export facility infrastructure was undertaken during the year, which indicated that the export facility could potentially have an initial installed capacity of 45 million tonnes per annum, with ultimate potential to reach up to 90 million tonnes per annum, subject to the appropriate approvals.

The scoping study has resulted in Rutila and its joint venture partner Todd entering into an Alliance Agreement with Flinders Mines Limited ("Flinders") to potentially provide Flinders with an integrated transportation and export solution for up to 30 million tonnes per annum for its proposed Pilbara Iron Ore Project ("PIOP").

Under the terms of the Alliance Agreement, Flinders will reimburse the BBJV for all costs associated with the provision of transportation and handling services for its PIOP ore as well as a net amount of approximately \$20 per tonne of ore handled and 30% of revenue from Flinders' PIOP iron ore sales above \$60 per tonne.

The key aspect of the Alliance Agreement is for the BBJV to reach a final investment decision ("FID") on its integrated transport and export solution and for Flinders to reach FID for its PIOP mine prior to 31 December 2015. In order to achieve this both Alliance parties will need to obtain all required stakeholder authorisations and approvals, the BBJV will need to complete front end engineering design studies over the proposed integrated transport and export facilities, Flinders will need to complete its feasibility studies for PIOP, third party offtake arrangements will need to be secured, and project development finance obtained by both Alliance parties.

The BBJV is well advanced in progressing the key work programs in relation to the above.

Eucla West Mineral Sands

During the year, Rutila earned a 50.1% stake in the Eucla West tenements located in the Fraser Range region in Western Australia, by meeting its expenditure commitments under the Eucla West farm-in agreement. In June 2014, shareholder approval was given to sell down 50% of Rutila's farm-in rights and interests in the Eucla West tenements to Todd Minerals and Coal Pty Ltd ("Todd Minerals") for \$1.5 million. Rutila has entered into a Joint Funding and Participation Agreement with Todd Minerals in relation to this project and intends to continue progress this project, with both the heavy mineral sands resource and basement graphite mineralisation to be further explored.

NSW Tenements

Rutila did not undertake significant exploration activities in relation to its NSW tenements during the year. With the Company's focus on the Balla Balla project and the Eucla West Mineral Sands project, the NSW exploration work has been deprioritised and the Company intends to divest its interest in its NSW tenements over the coming year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

During July 2014, the Company drew down the first \$5 million tranche of \$10 million in additional funding provided by a subsidiary of The Todd Corporation Limited under a revised loan facility agreement, which was approved on 27 June 2014 at a general meeting of shareholders. The terms of the revised loan facility are set out at Note 13.

Other than described above there has not arisen in the interval since 30 June 2014 and up to the date of this report, any matter that, in the opinion of the Directors, has significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

DIRECTORS' INTERESTS

As at the date of this report, the relevant interests of the Directors in the securities of the Company were as follows:

	Number	
	Fully paid ordinary shares	Options
Nicholas Curtis	28,250,000	6,333,334
Emmanuel Correia	325,001	1,258,334
Matthew James	638,703	5,266,667
Harold Ou Wang	350,000	2,016,667
Michael Wolley ¹	-	300,000
	<u>29,563,704</u>	<u>15,175,002</u>

Note 1. Mr Wolley has advised that the ultimate beneficial interest in these options, if they vest, has been assigned to the Todd Corporation, in accordance with his contractual employment obligations with the Todd Corporation.

DIRECTORS REPORT

SHARE OPTIONS

At the date of this report unissued shares of the Company under option are:

Expiry Date of options	Exercise Price	No. of shares under option
29 May 2015	\$0.50	1,000,000
15 June 2015	\$0.67	600,000
1 December 2015	\$0.54	5,475,000
31 December 2015	\$0.50	6,500,000
27 June 2017	\$0.30	2,000,000
27 June 2017	\$0.50	2,000,000
10 September 2017	\$0.56	50,000
30 September 2017	\$0.30	1,450,000
20 December 2017	\$0.30	7,450,000
1 January 2018	\$0.56	50,000
17 July 2018	\$0.30	2,325,000
		<hr/>
		28,900,000

All unissued shares are ordinary shares of the Company. These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

Shares issued on exercise of options

Since the end of the financial year the Company issued ordinary shares as a result of the exercise of options as follows (there are no amounts unpaid on the shares issued):

Number of shares	Amount paid on each share
887,667	\$0.20

INDEMNIFYING OFFICERS OR AUDITORS

Since the end of the financial year, the Company has paid an insurance premium of \$11,250 (2013: \$11,350) in respect of a contract insuring the Directors and officers of the Company against a liability incurred by such Directors and officers to the extent permitted by the Corporations Act 2001. The Company has not otherwise, during or since the end of the year, indemnified or agreed to indemnify the auditor of the Company, or of any related body corporate, against a liability incurred by such the auditor.

PROCEEDINGS

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings in the year.

NON-AUDIT SERVICES

The Board of Directors is satisfied that the provision of non audit services by the auditor during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 and do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's APES 110: Code of Ethics for Professional Accountants.

DIRECTORS REPORT

NON-AUDIT SERVICES (CONTINUED)

Details of the amounts paid or payable to the auditors HLB Mann Judd for non-audit services provided during the year are set out below.

	2014
	\$
(a) Taxation Services	
Tax compliance services, including review of Company income tax returns	40,938
Total remuneration for taxation services	<u>40,938</u>
(b) Advisory Services	
Corporate services	67,500
Total remuneration for advisory services	<u>67,500</u>
Total remuneration for non-audit services	<u>108,438</u>

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with section 307C of the Corporations Act 2001 the auditor's independence declaration for year ended 30 June 2014 has been received and can be found on page 12 of the Financial Report and forms part of this report.

REMUNERATION REPORT (AUDITED)

Details of the nature and amount of remuneration for each Director and key management personnel of Rutila are set out below.

Remuneration Policy and Practices

The Company's policy for determining the nature and amount of remuneration of Board members and senior executives is as follows:

i. Non-Executive Directors

The Board's policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to its Non-Executive Directors and will review their remuneration annually.

The maximum aggregate annual remuneration of Non-Executive Directors is subject to approval by the shareholders in general meeting. The shareholders have determined at a general meeting held on 9 March 2010 the maximum aggregate remuneration amount to be \$350,000 of short-term benefits per year. The Directors have resolved that the fees payable to Non-Executive Directors for all Board activities are \$155,000 of short-term benefits per year plus superannuation guarantee contributions of 9.5% per annum where required by legislation.

ii. Key management personnel

To pursue the Company's objectives, the Company has assembled a group of Directors which they believe have extensive experience in the mining, metallurgy and finance industries. The Company will recruit appropriate key executive management personnel commensurate with the Company's growth in activity. The remuneration structure for these key executive management, including Executive Directors will be based on a number of factors, including qualifications, particular experience, general past performance of the individual concerned, overall performance of the Company and general human resources market pricing. There is no predetermined equity compensation element within the remuneration structure nor predetermined performance conditions to be satisfied; these equity compensation elements and performance conditions are considered on an individual basis.

Company performance and Director and executive remuneration

The aim of the Company's remuneration policy is to achieve goal congruence between the Company's shareholders, Directors and executives. As the company is still in the exploration and definition stage, performance of the company as evidenced by its financial results and share price, is not linked to remuneration.

DIRECTORS REPORT

Remuneration of Directors and key management personnel for the year to 30 June 2014

The following table of benefits and payments represents the components of the current year and comparative year remuneration expenses for each member of KMP of the consolidated group. Such amounts have been calculated in accordance with Australian Accounting Standards.

	Short-term benefits		Post-employment		Share-based	Total	Value of options as proportion of remuneration
	Cash salary and fees	Non-cash benefits	Super- annuation	Termini-nation benefits	Options		
2014	\$	\$	\$	\$	\$	\$	%
Directors							
N Curtis	389,354	-	14,812	-	71,039	475,205	15
M James ¹	445,051	-	4,150	-	59,781	508,982	12
H Ou Wang	43,500	-	-	-	25,901	69,401	37
E Correia	49,583	-	-	-	5,683	55,266	10
M Wolley	43,333	-	-	-	4,262	47,595	9
Total Directors	970,821	-	18,962	-	166,666	1,156,449	14
Key Mgmt							
G Atkins ²	191,040	-	16,435	-	5,683	213,158	3
J van Straalen	88,157	-	8,747	-	-	96,904	-
S Hartwig	167,500	-	-	-	8,525	176,025	5
Total Key Mgmt	446,697	-	25,182	-	14,208	486,087	3
Total	1,417,518	-	44,144	-	180,874	1,642,536	11

Note 1 M James became a non-executive director on 1 July 2014

Note 2 G Atkins resigned 26 April 2014

	Short-term benefits		Post-employment		Share-based	Total	Value of options as proportion of remuneration
	Cash salary and fees	Non-cash benefits	Super- annuation	Termini- nation benefits	Options		
2013	\$	\$	\$	\$	\$	\$	%
Directors							
N Curtis	37,500	-	-	-	-	37,500	-
M James	380,420	-	23,595	-	67,988	472,003	14
H Ou Wang	36,000	-	-	-	10,486	46,486	23
E Correia	35,000	-	-	-	-	35,000	-
M Wolley	37,205	-	-	-	-	37,205	-
Total Directors	526,125	-	23,595	-	78,474	628,194	12
Key Mgmt							
G Atkins	212,007	-	19,080	-	7,420	238,507	3
S Hartwig	72,000	-	-	-	-	72,000	-
Total Key Mgmt	284,007	-	19,080	-	7,420	310,507	2
Total	810,132	-	42,675	-	85,894	938,701	9

Other transactions with key management personnel

Other than as set out in Note 17: Related Party Transactions there have been no further transactions with key management personnel during the year ended 30 June 2014.

DIRECTORS REPORT

Loans to key management personnel

There were no loans made to key management personnel during the year ended 30 June 2014.

Executive Share Trust

The Company has established the Rutila Resources Limited Employee Share Trust ("EST") for the purpose of retaining and incentivising its key personnel. The Company believes that the criteria set out in the EST provide a cost effective performance-based means by which the Company can reward its key personnel. For further details, please refer to note 16 of the financial statements which set out the main terms of the EST.

Options Granted as Remuneration

The following options were granted as remuneration to KMP during the financial year:

Name	Grant Date	Granted No.	Value of options granted	Options exercised no.
N Curtis	20/12/2013	5,000,000	487,125	-
M James	20/12/2013	1,150,000	112,039	-
H Wang	20/12/2013	600,000	58,455	-
E Correia	20/12/2013	400,000	38,970	-
M Wolley ¹	20/12/2013	300,000	29,228	-
S Hartwig	2/10/2013	600,000	58,456	-
G Atkins ²	2/10/2013	400,000	38,968	-

Note 1. Mr Wolley has advised that the ultimate beneficial interest in these options, if they vest, has been assigned to the Todd Corporation, in accordance with his contractual employment obligations with the Todd Corporation.

Note 2: Mr Atkins resigned from the Company on 26 April 2014. 100,000 of the options granted above were cancelled post year end on 17 July 2014.

None of the options listed above have vested, nor been exercised. The terms and conditions relating to options issued as remuneration during the year to KMP are as follows:

- The options expire on the earlier of 4 years from the date of issue and the date which is 6 months after the Option holder resigns as a director of the Company or discontinues service to the Company.
- 75% of the options issued to each KMP vest on recommendation to the Board to approve a final investment decision for the Balla Balla project or a material project of similar scale. 25% of the options issued to each KMP vest after 2 years service by the KMP from the date of issue.

The fair value of the options granted and shown in the table above has been determined in accordance with Australian Accounting Standards using a binomial option pricing model and will be recognised as an expense over the relevant vesting period to the extent that the conditions necessary for vesting are satisfied

Movement in KMP option holdings

	Balance at beginning of year or date of appointment	Granted as compensation	Issued on exercise of options	Other changes	Balance at end of year or date of resignation or cessation	Vested at 30 June 2014
N Curtis	1,333,334	5,000,000	-	-	6,333,334	1,333,334
M James	3,616,667	1,150,000	-	500,000 [^]	5,266,667	4,116,667
H Ou Wang	1,416,667	600,000	-	-	2,016,667	1,416,667
M Wolley	-	300,000	-	-	300,000	-
E Correia	858,334	400,000	-	-	1,258,334	858,334
S Hartwig	877,501	600,000	-	-	1,477,501	877,501
J van Straalen	-	-	-	-	-	-
G Atkins *	733,334	400,000	-	-	1,133,334	733,334
Total	8,835,837	8,450,000	-	500,000	17,785,837	9,335,837

* Resigned 26 April 2014

[^]Listed options purchased during the year

DIRECTORS REPORT

Movement in share holdings of KMP

The number of ordinary shares in Rutila held directly and indirectly by each key management personnel of the Company during the year is as follows:

	Balance at beginning of year or date of appointment	Granted as compensation	Issued on exercise of options	Other changes	Balance at end of year or date of resignation or cessation
2014					
N Curtis	28,250,000	-	-	-	28,250,000
M James	538,703	-	-	100,000 [^]	638,703
H Ou Wang	350,000	-	-	-	350,000
M Wolley	-	-	-	-	-
E Correia	325,001	-	-	-	325,001
S Hartwig	382,501	-	-	-	382,501
J van Straalen	-	-	-	-	-
G Atkins *	100,000	-	-	-	100,000
Total	29,946,205	-	-	100,000	30,046,205

* Resigned 26 April 2014

[^]Listed shares purchased during the year

Service Agreements

The Executive Chairman, Nicholas Curtis is an employee of the Company under an agreement signed on 19 September 2013. Under the terms of the contract:

- A salary package of \$475,000 per annum including statutory superannuation
- Annual leave of 4 weeks
- An incentive component comprising 5,000,000 options to purchase fully paid ordinary shares in Rutila with the following key terms:
 - Options were approved by Rutila shareholders at AGM held 29 November 2013
 - Exercise Price of \$0.30
 - Expiry date of 4 years from date of issue
 - Options to vest, 75% on a recommendation to the Board to approve a final investment decision for the Balla Balla project or a material project of similar scale; and 25% vest after 2 years of service.

Until 1 July 2014, Dr Matthew James was an employee of the Company under an agreement signed on 1 August 2011. Under the terms of the contract:

- A salary package of \$425,466 per annum including statutory superannuation
- Annual leave of 4 weeks
- An incentive component comprising 2,000,000 options to purchase fully paid ordinary shares in Rutila with the following key terms:
 - Options were approved by Forge shareholders at AGM held 24 November 2011
 - Exercise Price of \$0.54
 - Expiry date of 4 years from date of issue
 - Options to vest, 1,000,000 on the first anniversary date of employment and 1,000,000 in the event the Company is successful in raising a minimum of \$15m at a price no less than \$0.35 per share on or before 23rd March 2012.

There are no other service agreements.

END OF AUDITED REMUNERATION REPORT.

DIRECTORS REPORT

This directors' report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to read 'Nicholas Curtis', with a long horizontal flourish extending to the right.

Nicholas Curtis
Executive Chairman

Dated this 30th day of September 2014

RUTILA RESOURCES LIMITED

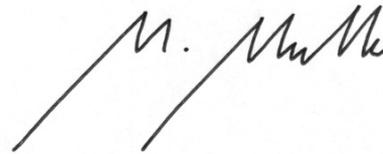
ABN 30 139 886 187

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Rutila Resources Limited for the year ended 30 June 2014 I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

This declaration is in relation to the Rutila Resources Limited and the entities it controlled during the year.



M D Muller
Partner

Sydney, NSW
30 September 2014

HLB Mann Judd (NSW Partnership) ABN 34 482 821 289

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Email: mailbox@hlbnsw.com.au | Website: www.hlb.com.au

Liability limited by a scheme approved under Professional Standards Legislation

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2014.

	Note	2014 \$	2013 \$
Revenue	2	4,127,978	219,132
Consultancy expenses		(1,070,192)	(1,330,323)
Professional fees		(122,559)	(98,387)
Legal fees and listing fees		(506,414)	(275,354)
Employee benefits expenses		(1,354,264)	(1,020,096)
Occupancy expenses		(103,351)	(150,467)
Directors remuneration		(121,374)	(128,305)
Equity-based compensation		(379,693)	(92,476)
Interest payable	13	(4,744,277)	(4,175,854)
Depreciation and amortisation expenses		(45,942)	(7,225)
Infrastructure expenses		(2,253,759)	-
Other expenses		(473,431)	(475,046)
Loss before income tax		(7,047,278)	(7,534,401)
Income tax expense	3	-	-
Loss after income tax		(7,047,278)	(7,534,401)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Other comprehensive income for the year, net of tax		-	-
Other comprehensive income for the year		-	-
Total comprehensive loss for the year attributable to members of the Parent Entity			
		(7,047,278)	(7,534,401)
		Cents	Cents
Earnings per share			
From continuing operations:			
Basic and diluted loss per share	21	(8.75)	(9.35)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014.

	Note	2014 \$	2013 \$
CURRENT ASSETS			
Cash and cash equivalents	5	1,752,995	2,045,419
Trade and other receivables	6	415,646	520,456
TOTAL CURRENT ASSETS		2,168,641	2,565,875
NON-CURRENT ASSETS			
Plant and equipment	7	98,270	27,252
Other Assets	8	36,048,937	37,249,357
Deposits	9	256,677	234,900
TOTAL NON-CURRENT ASSETS		36,403,884	37,511,509
TOTAL ASSETS		38,572,525	40,077,384
CURRENT LIABILITIES			
Trade and other payables	11	2,345,370	1,964,275
Employee provisions	12	79,263	41,382
Borrowings	13	-	32,014,895
TOTAL CURRENT LIABILITIES		2,424,633	34,020,552
NON-CURRENT LIABILITIES			
Borrowings	13	36,758,645	-
TOTAL NON-CURRENT LIABILITIES		36,758,645	-
TOTAL LIABILITIES		39,183,278	34,020,552
NET ASSETS / (LIABILITIES)		(610,753)	6,056,832
EQUITY			
Issued capital	14	26,239,259	26,239,259
Reserves		1,116,807	1,588,614
Accumulated losses		(27,966,819)	(21,771,041)
TOTAL EQUITY / (DEFICIENCY IN EQUITY)		(610,753)	6,056,832

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2014.

	Ordinary Issued Capital \$	Accumulated Losses \$	Share Based Payment Reserve \$	Total \$
For the year ended 30 June 2014				
Balance at 1 July 2013	26,239,259	(21,771,041)	1,588,614	6,056,832
Total comprehensive loss for the year	-	(7,047,278)		(7,047,278)
Options issued during the year	-	-	379,693	379,693
Options expired during the year		851,500	(851,500)	-
Balance at 30 June 2014	26,239,259	(27,966,819)	1,116,807	(610,753)
For the year ended 30 June 2013				
Balance at 1 July 2012	26,239,259	(14,236,640)	1,496,138	13,498,757
Total comprehensive loss for the year	-	(7,534,401)	-	(7,534,401)
Options issued during the year	-	-	92,476	92,476
Balance at 30 June 2013	26,239,259	(21,771,041)	1,588,614	6,056,832

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2014.

	Note	2014 \$	2013 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		151	23,004
Payments to suppliers and employees		(5,168,495)	(3,920,066)
Interest paid		(527)	-
Interest received		55,544	198,219
Net cash used in operating activities	18(b)	(5,113,327)	(3,698,843)
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(116,960)	(18,071)
Proceeds from sale of interest in tenements		8,500,000	-
Exploration and evaluation expenditure		(3,826,791)	(3,957,964)
Payments for security deposits		(71,455)	-
Net cash provided by/(used in) investing activities		4,484,794	(3,976,035)
CASH FLOW FROM FINANCING ACTIVITIES			
Funds advanced from joint venture partners		302,109	-
Tenement bonds recovered		34,000	-
Net cash provided by financing activities		336,109	-
Net decrease in cash and cash equivalents held		(292,424)	(7,674,878)
Cash at beginning of year		2,045,419	9,720,297
Cash at end of year	18(a)	1,752,995	2,045,419

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Statement of Significant Accounting Policies

These consolidated financial statements and notes represent those of Rutila Resources Ltd and controlled entities (the "consolidated group" or "group" or "Rutila").

Rutila is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange under ASX code RTA. On 24 September 2013, the Company changed its name from Forge Resources Ltd to Rutila Resources Ltd.

The financial statements were authorised for issue on 30 September 2014 by the Directors of the Company. The Directors have the power to amend and reissue the financial statements.

Basis of preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Going concern basis of accounting

At 30 June 2014 the Group had a net deficit of assets over liabilities of \$610,753, net deficit of current assets over current liabilities of \$255,992 and incurred a loss after tax of \$7,047,278 during the year ended 30 June 2014. The major liability at 30 June 2014 was a loan from a subsidiary of The Todd Corporation Limited ("Todd") totalling \$39,758,645 including interest. This liability is due to be repaid by 31 December 2015 but, at the option of Todd, may be converted into an increased interest in the Balla Balla VTi Magnetite Project ("Balla Balla"). During July 2014 additional funds of \$5,000,000 were advanced by Todd and an additional amount of \$5,000,000 is expected to be received later in the year. Both of these additional amounts are also repayable by 31 December 2015 unless Todd exercise their option to convert these amounts either into shares of the Company or an increased interest in Balla Balla. Full terms of all these facilities are detailed in Note 13.

If Todd does not exercise its option to convert these loans in to the Company's shares or additional interests in Balla Balla and these loans are therefore repayable to Todd at 31 December 2015, and the Group is unable to source alternative funds beforehand, there is a material uncertainty as to whether the Group will continue as a going concern.

However the Directors believe that there is a reasonable prospect that the amended loan facilities provided to the Group by Todd as discussed above will be converted to equity either at a project or company level. In the event that Todd does not convert to equity in either the project or the company, the Directors believe there is a possibility of raising additional equity or refinancing to repay the Todd Debt.

Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Rutila at the end of the reporting period. A controlled entity is any entity over which Rutila has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 22 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the consolidated statement of financial position and statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

(b) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Other revenue is recognised as it accrues.

NOTES TO THE FINANCIAL STATEMENTS

(c) Income tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income). Current income tax expense charged to the profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses. Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where : (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(d) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less.

(e) Exploration and development expenditure

Exploration, evaluation and development expenditures incurred are capitalised in respect of each identifiable area of interest. These costs are capitalised to the extent that they are expected to be recovered through the successful development or sale of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to capitalise costs in relation to that area of interest.

Provisions for restoration costs are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

NOTES TO THE FINANCIAL STATEMENTS

(f) Financial instruments

Initial recognition and initial measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Finance instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iv) Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Preferred shares

Preferred share capital is classified as equity if it is non-redeemable or redeemable only at the discretion of the parent Company, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon declaration by the directors.

Preferred share capital is classified as a liability if it is redeemable on a set date or at the option of the shareholders, or where the dividends are mandatory. Dividends thereon are recognised as interest expense in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or have expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(g) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST component of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(h) Employee benefits

Provision is made for the consolidated group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(i) Provisions

Provisions are recognised when the consolidated group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(j) Earnings per share

Basic loss per share is determined by dividing the operating loss after income tax attributable to members of the Parent Entity by the weighted average number of ordinary shares outstanding during the financial year.

Diluted loss per share adjusts the figures used in the determination of basic loss per share by taking into account any reduction in earnings per share that will probably arise from the exercise of options outstanding during the financial year.

When the consolidated group has an operating loss after income tax and the conversion of ordinary share capital in respect of potential ordinary shares does not lead to a diluted earnings per share that shows an inferior view of the

NOTES TO THE FINANCIAL STATEMENTS

(j) Earnings per share (continued)

earnings performance of the consolidated group, than is shown by basic loss per share, the diluted loss per share is reported the same as basic loss per share.

(k) Equity-settled compensation

The consolidated group may operate equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(l) Segment reporting

The consolidated group identifies its reportable operating segments based on the internal reports that are reviewed by the Board of Directors. Corporate office activities are not allocated to operating segment and form part of the balance of unallocated revenue, expenses, assets and liabilities.

(m) Plant and Equipment

Each class of plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

All repairs and maintenance are recognised as expenses in the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	20 - 33.33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(n) Accounting Estimates and Judgments

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period is capitalisation and write-off of capitalised exploration costs.

The determination of when to capitalise and write-off exploration expenditure requires the exercise of judgement based on assessments of results, various assumptions and other factors such as historical experience, current and expected economic conditions.

NOTES TO THE FINANCIAL STATEMENTS

(o) Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information, including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

(p) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(q) Interests in Joint Arrangements

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Group's interests in the assets, liabilities, revenue and expenses of jointly operations have been included in the appropriate line items of the consolidated financial statements. Details of the Group's interests are provided in Note 10.

Gains and losses resulting from sales to a joint operation are recognised to the extent of the other parties' interests. When the Group makes purchases from joint operation, it does not recognise its share of the gains and losses from the joint arrangement until it resells those goods/assets to a third party.

(r) Trade and Other Receivables

Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

(s) Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognized as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(t) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(u) Leases

The determination of whether or not an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

(v) New Accounting Standards for Application in Future Periods

The relevant Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

- AASB 9: Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).

NOTES TO THE FINANCIAL STATEMENTS

(v) New Accounting Standards for Application in Future Periods (continued)

The Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

It is anticipated that the application of this standard will not have a material effect on the Group's results or financial reports in future periods.

Note 2: Revenue

	2014	2013
	\$	\$
Non - operating activities		
- gain on sale of tenement interest	4,071,740	-
- interest income	56,084	198,219
- other income	154	20,913
	<u>4,127,978</u>	<u>219,132</u>

Note 3: Income tax expense

(a) The components of income tax expense comprise:

Deferred tax	(1,997,942)	(2,220,275)
Deferred tax assets not recognised	<u>1,997,942</u>	<u>2,220,275</u>
	-	-

(b) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:

Prima facie tax benefit on the loss from ordinary activities before income tax at 30% (2013: 30%)	(2,114,183)	(2,260,320)
Add:		
Tax effect of:		
Other non-allowable items	2,333	1,141
Share based payments expensed during year	113,908	27,743
Less:		
Tax effect of:		
Deferred tax assets not recognised	<u>1,997,942</u>	<u>2,231,436</u>
Income tax expense/(benefit)	-	-

Tax losses

Deferred Tax Assets/(Liabilities) Not Brought to Account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1 (c) occur:

- Tax Losses	12,087,877	4,816,669
- Temporary Differences	<u>(1,838,822)</u>	<u>(959,068)</u>
Total	<u>10,249,055</u>	<u>3,857,601</u>

The above tax losses include capital losses of \$676,127 (2013: Nil).

The taxation benefits will only be obtained if:

- (i) the consolidated group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the loss to be realised;
- (ii) the consolidated group continues to comply with the conditions for deductibility imposed by law; and
- (iii) no changes in tax legislation adversely affect the consolidated group in realising the benefits from the deductions for the loss.

NOTES TO THE FINANCIAL STATEMENTS

Note 4: Auditors' remuneration

	2014	2013
	\$	\$
Remuneration of the auditor HLB Mann Judd of the Parent Entity for:		
- auditing or reviewing the financial reports	57,000	69,737
- taxation services	40,938	10,550
- corporate services	67,500	-
	<u>165,438</u>	<u>80,287</u>
Remuneration of the auditor Hall Chadwick of the Parent Entity for:		
- auditing or reviewing the financial reports	-	6,913
	<u>165,438</u>	<u>87,200</u>

Note 5: Cash and cash equivalents

Cash at bank and on hand	1,752,995	2,045,419
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Note 6: Trade and other receivables

Current

Other receivables	415,646	520,456
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(a) Effective interest rates and credit risk

There is no interest rate risk for the balance of trade and other receivables. All amounts past due are considered impaired and provided against. All other receivables are within credit terms and not considered impaired. No amounts are past due as at 30 June 2014 (2013: Nil).

Note 7: Plant and equipment

	Furniture, fittings and office equipment \$
Non-current	
Consolidated	
Year ended 30 June 2013	
Opening net book amount	16,406
Additions	18,071
Depreciation expense	(7,225)
Closing net book amount	<u>27,252</u>
At 30 June 2013	
Cost	41,904
Accumulated depreciation	(14,652)
Net book amount	<u>27,252</u>
Year ended 30 June 2014	
Opening net book amount	27,252
Additions	116,960
Depreciation expense	(45,942)
Closing net book amount	<u>98,270</u>
At 30 June 2014	
Cost	158,864
Accumulated depreciation	(60,594)
Net book amount	<u>98,270</u>

NOTES TO THE FINANCIAL STATEMENTS

Note 8: Other Assets

	2014	2013
	\$	\$
Non-current		
Tenements acquired	28,193,369	31,806,000
Expenditure capitalised	7,855,568	5,443,357
Carrying amount at end of the year	<u>36,048,937</u>	<u>37,249,357</u>

Recoverability of the carrying amount of exploration assets is dependent on the successful exploration and commercial exploitation of the tenements.

(1) Rutila acquired the Balla Balla VTi Magnetite Project ("Balla Balla") from Atlas Iron Limited ("Atlas") on 31 May 2012. Following the acquisition, Rutila subsequently sold 25% to and entered into an unincorporated Joint Venture ("JV") with a subsidiary of The Todd Corporation Limited of New Zealand ("Todd") for the development of Balla Balla. An additional 7% was sold to Todd in October 2013 bringing their interest to 32% in the Balla Balla project.

(2) In September 2011 Rutila achieved the right to explore and develop the Eucla West Mineral Sands Project by way of a farm in agreement whereby Rutila has the right to earn 50.1% of the project by spending \$2.0 million within two years. Rutila may either elect to earn a further 29.9% (total 80%) by spending a further \$4.0 million over a further three year period, or acquire the project outright with a payment of \$7.5 million and the grant of a 1.5% gross sales royalty. Should Rutila earn-in to 80%, the Company then has the right to acquire the project outright for a payment of \$5 million and the grant of a 1.0% gross sales royalty.

Rutila completed its earn-in to 50.1% of the Eucla West Mineral Sands Project by spending \$2 million to September 2013.

The tenements relating to the Eucla West project and being part of the Rutila Groups' interests were transferred within the Group to Forge Resources Crown on 12 June 2014. On 27 June 2014 at the general meeting, shareholders approved various transactions pursuant to a Joint Funding and Participation Agreement ("JFPA") between Forge Resources Crown and Todd Minerals and Coal Pty Ltd ("Todd Minerals"). Under the JFPA:

- The Rutila Group sold to Todd Minerals, for a cash payment of \$1.5 million:
 - i) An ownership interest in 50% of the initial 50.1% farm-in interest which the Rutila Group has acquired in the Eucla West project tenements under the Rutila Group's farm-in arrangements with the Farmor (Westover Holdings Pty Ltd and Wild Side Pty Ltd); and
 - ii) 50% of the rights of the Rutila Group to earn or acquire up to all of the remaining 49.9% farm-in interest in the Eucla West project tenements under the farm-in agreement; and
 - iii) Todd Minerals may in certain circumstances in the future acquire from the Rutila Group further interests in the Eucla West project tenements from the Rutila Group or acquire shares in Forge Resources Crown, and the Rutila Group may in certain circumstances in the future acquire interests in the Eucla West project tenements from the Todd Group.

Note 9: Deposits

	2014	2013
	\$	\$
Non-current		
Bank deposit – office lease	181,177	109,722
Bank deposit – tenement security	75,500	125,178
	<u>256,677</u>	<u>234,900</u>

The tenement security bank deposits are restricted so that they are available for any rehabilitation that may be required on exploration tenements. The bank deposits are interest earning.

NOTES TO THE FINANCIAL STATEMENTS

Note 10: Joint Ventures

(a) Interest in Joint Venture Operations

A controlled entity, Forge Resources Swan Pty Ltd, has a 68% (2013: 75%) interest in an unincorporated joint venture, whose principal activity is exploration of the Balla Balla asset. The Company is the manager of the unincorporated joint venture. The joint venture commenced on 31 May 2012.

The consolidated group's share of assets employed in the joint venture is:

	2014	2013
	\$	\$
Current assets		
Cash and cash equivalents	641,981	-
Trade and other receivables	268,554	-
Total current assets	910,535	-
Non-current assets		
Other costs carried forward in respect of areas of interest:		
– Exploration development expenditure	5,948,337	2,605,720
– Tenements	27,895,892	30,655,000
Total non-current assets	33,844,229	33,260,720
Share of total assets of joint venture	34,754,764	33,260,720
Other Current Liabilities		
Sundry payables and accrued expenses	1,080,494	1,400,597
Total Liabilities	1,080,494	1,400,597
Net interest in joint venture	33,674,270	31,860,123
Expenses	4,239,203	1,632,518

(b) Interest in Joint Venture Operations

A controlled entity, Forge Resources Crown Pty Ltd, has a 50% interest in an unincorporated joint venture under the JFPA with Todd Minerals discussed in Note 8, whose principal activity is exploration of the Eucla West Mineral Sands Project. The Company is the manager of the unincorporated joint venture. The joint venture commenced on 27 June 2014.

The consolidated group's share of assets employed in the joint venture is:

Non-current assets		
Other costs carried forward in respect of areas of interest:		
– Tenements	1,550,000	-
Total non-current assets	1,550,000	-
Share of total assets of joint venture	1,550,000	-
Net interest in joint venture	1,550,000	-
Expenses	-	-

Note 11: Trade and other payables

Current

Trade payables	892,481	263,270
Sundry payables and accrued expenses	1,452,889	1,701,005
	2,345,370	1,964,275

NOTES TO THE FINANCIAL STATEMENTS

Note 12: Employee provisions

	2014	2013
	\$	\$
Annual leave	79,263	41,382

Note 13: Borrowings

Current

Secured liabilities:

Loans	-	27,500,000
Accrued interest	-	4,514,895
	-	32,014,895

Non-current

Secured liabilities:

Loans	31,625,000	-
Accrued interest	5,133,645	-
	36,758,645	-

(a) The carrying amounts of assets pledged as security are:

Mortgage on interests in the assets of the Company (2013: Balla Balla mining tenements)	38,572,525	27,500,000
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(b) Loan Summary

A wholly-owned subsidiary of The Todd Corporation Limited ("Todd Lender") has, under a Loan Facility Agreement, provided Forge Resources Swan Pty Ltd ("Forge Borrower") (a wholly-owned Rutila subsidiary) with \$27.5 million of senior secured debt secured over Rutila's interests in the Balla Balla project ("Facility A Loan"). The loan was drawn down in full in May 2012. The loan had an initial two year term which was due to end in May 2014.

On the 27th June 2014 a revised loan facility agreement with the Todd Lender was approved by shareholders. The terms of the revised loan facility are as follows:

1. The extension of the term of the Facility A Loan from the original repayment date of 31st May 2014 to 31st December 2015;
2. Todd Lender to provide Forge Borrower with an additional \$10 million, being the Facility B Loan, which will be drawn down in two tranches of \$5 million, and may be convertible into either fully paid ordinary shares in the Company, or an increased direct interest in the Balla Balla Project;
3. Extend the existing security arrangements put in place under the original loan facility in favour of Todd Lender so that the existing security secures amounts under the Facility B Loan (as well as the Facility A Loan and all interest payable) and also so that this security is augmented by an unlimited guarantee from the Company and by the Company granting security over all of its assets in favour of Todd Lender;
4. Enable Todd Lender or its nominated affiliate to replace the Forge Borrower as the manager of the Balla Balla JV if certain milestones relating to progress on the Balla Balla JV are not satisfied;
5. Clarification that the option granted to the relevant Todd Group member (as a party to the Balla Balla JV) in 2012 to acquire an additional 7.5% of the Balla Balla JV for a purchase price of \$36.4 million extends to all of the Balla Balla Mine, the Balla Balla Export Facility and the Central Pilbara Rail Facility (as assets of the Balla Balla JV); and

NOTES TO THE FINANCIAL STATEMENTS

Note 13: Borrowings (continued)

6. In certain circumstances, agree to issue to the Replacement Options to Tio (NZ) Limited (a member of the Todd Group). These circumstances are limited to, if TIO (NZ)'s existing 6.5 million options (exercise price of \$0.50) be "out of the money" at their option expiry and TIO (NZ) choose not to exercise, then the company shall cancel the existing options and issue new options under the same terms with the exception of the expiry date which shall be extended to December 2015 provided that, if any time prior to 31 December 2015, the company's share price trades higher than \$0.50 for a 30 consecutive day period, the company shall have the right, exercisable on written notice to the Todd Group, to reduce the expiry date to no less than 3 months from the date of such notice.

Under a Joint Venture Option Agreement entered into between the wholly-owned subsidiary of The Todd Corporation Limited which has an interest in the Balla Balla JV ("Todd JV Party") and Forge Resources Swan Pty Ltd, Todd JV Party has an option to acquire an additional 7.5% interest in the Balla Balla JV from Forge Resources Swan Pty Ltd for a fixed consideration of \$36.4 million.

The option will expire on the earliest of the date of first drawdown of project finance for the Balla Balla project and 31st May 2022 (the "Expiry Date"). The option is open up to the Expiry Date but exercisable only during certain periods throughout the term.

If the option is exercised, Forge Resources Swan Pty Ltd will on the relevant completion date transfer to the Todd JV Party an additional 7.5% interest in the Balla Balla JV. No cash will be paid by the Todd JV Party to Forge Resources Swan Pty Ltd, rather Todd JV Party will pay the \$36.4 million consideration to the Todd Lender which will constitute full or partial (depending on when paid) repayment of the loan amount (inclusive of accrued interest) of \$36.4 million for the Facility A loan under the revised loan facility agreement. Any excess amount of the total loan plus accrued interest over \$36.4 million must be repaid by Forge Resources Swan Pty Ltd to the Todd Lender.

Should Forge Resources Swan Pty Ltd be successful in obtaining and drawing down on a Project Finance Facility, and the option is not exercised, then Forge Resources Swan Pty Ltd will be required to repay the loan in full from the Todd Lender from the proceeds of this project finance.

Note 14: Issued capital

	2014	2013
	\$	\$
80,577,667 (2013: 80,577,667) fully paid ordinary shares	26,239,259	26,239,259
	2014	2014
	No of shares	\$
(a) Fully paid ordinary shares		
Balance at beginning and end of reporting year	80,577,667	26,239,259
Fully paid ordinary shares		
Balance at beginning of reporting year	80,577,667	26,239,259
Issue of shares during the year:		
- Shares issued during the year	-	-
Transaction costs	-	-
Balance at end of reporting year	80,577,667	26,239,259

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding-up of the Company in proportion to the number of shares held. Every ordinary shareholder present at a meeting of the Company, in person or by proxy, is entitled to one vote, and upon a poll each ordinary share is entitled to one vote.

Ordinary shares have no par value.

NOTES TO THE FINANCIAL STATEMENTS

(b) Options over unissued shares

	2014 No	2013 No
Options		
Balance at beginning of reporting year	33,480,909	32,455,909
Issued during the year	19,500,000	1,025,000
Lapsed during the year	(6,500,000)	-
Balance at end of reporting year	46,480,909	33,480,909

At 30 June 2014, the Company had 26,625,000 unlisted options on issue under the following terms and conditions:

Number	Expiry Date	Exercise Price
1,000,000	29 May 2015	\$0.50
600,000	15 June 2015	\$0.67
5,475,000	1 Dec 2015	\$0.54
6,500,000	31 Dec 2015	\$0.50
2,000,000	27 Jun 2017	\$0.50
2,000,000	27 Jun 2017	\$0.30
50,000	10 Sept 2017	\$0.56
1,550,000	30 Sept 2017	\$0.30
7,450,000	20 Dec 2017	\$0.30

As at 30 June 2014 there were 19,855,909 listed options which expired on 31 July 2014 and had an exercise price of \$0.20.

(c) Capital management

When managing capital, management's objective is to ensure the consolidated group continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the consolidated group.

Management adjusts the capital structure to the extent possible to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, management may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Note 15: Key Management Personnel Compensation

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel ("KMP") for the year ended 30 June 2014.

The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

	2014 \$	2013 \$
Short-term employee benefits	1,417,518	810,132
Post-employment benefits	44,144	42,675
Share-based payments	180,874	85,894
Total KMP compensation	1,642,536	938,701

Short-term employee benefits

These amounts include fees and benefits paid to the executive Chair and non-executive directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other KMP.

Post-employment benefits

These amounts are the current year's estimated cost of providing for the Group's defined benefits scheme post-retirement, superannuation contributions made during the year and post-employment life insurance benefits.

NOTES TO THE FINANCIAL STATEMENTS

Share-based payments

These amounts represent the expense related to the participation of KMP in equity-settled benefit schemes as measured by the fair value of the options, rights and shares granted on grant date.

Further information in relation to KMP remuneration can be found in the directors' report.

a) KMP share holdings

	Balance at beginning of year or date of appointment	Granted as compensation	Issued on exercise of options	Other changes	Balance at end of year or date of resignation or cessation
2014					
N Curtis	28,250,000	-	-	-	28,250,000
M James	538,703	-	-	100,000 [^]	638,703
H Ou Wang	350,000	-	-	-	350,000
M Wolley	-	-	-	-	-
E Correia	325,001	-	-	-	325,001
S Hartwig	382,501	-	-	-	382,501
J van Straalen	-	-	-	-	-
G Atkins *	100,000	-	-	-	100,000
Total	29,946,205	-	-	100,000	30,046,205

* Resigned 26 April 2014

[^]Listed shares purchased during the year

	Balance at beginning of year or date of appointment	Granted as compensation	Issued on exercise of options	Other changes	Balance at end of year or date of resignation or cessation
2013					
N Curtis	28,250,000	-	-	-	28,250,000
M James	410,000	-	-	128,703 [^]	538,703
H Ou Wang	350,000	-	-	-	350,000
M Wolley	-	-	-	-	-
E Correia	325,001	-	-	-	325,001
G Atkins	100,000	-	-	-	100,000
S Hartwig	382,501	-	-	-	382,501
Total	29,817,502	-	-	128,703	29,946,205

[^]Listed shares purchased during the year

b) KMP option holdings

	Balance at beginning of year or date of appointment	Granted as compensation	Issued on exercise of options	Other changes	Balance at end of year or date of resignation or cessation
2014					
N Curtis	1,333,334	5,000,000	-	-	6,333,334
M James	3,616,667	1,150,000	-	500,000 [^]	5,266,667
H Ou Wang	1,416,667	600,000	-	-	2,016,667
M Wolley	-	300,000	-	-	300,000
E Correia	858,334	400,000	-	-	1,258,334
S Hartwig	877,501	600,000	-	-	1,477,501
J van Straalen	-	-	-	-	-
G Atkins *	733,334	400,000	-	-	1,133,334
Total	8,835,837	8,450,000	-	500,000	17,785,837

* Resigned 26 April 2014

[^]Listed options purchased during the year

NOTES TO THE FINANCIAL STATEMENTS

c) KMP option holdings (continued)

2013	Balance at beginning of year or date of appointment	Granted as compensation	Issued on exercise of options	Other changes	Balance at end of year or date of resignation or cessation
N Curtis	1,333,334	-	-	-	1,333,334
M James	3,616,667	-	-	-	3,616,667
H Ou Wang	1,416,667	-	-	-	1,416,667
M Wolley	-	-	-	-	-
E Correia	858,334	-	-	-	858,334
G Atkins	733,334	-	-	-	733,334
S Hartwig	877,501	-	-	-	877,501
Total	8,835,837	-	-	-	8,835,837

Note 16: Equity – based compensation

- 1) The Company has established the Rutila Resources Limited Employee Share Trust (“EST”) for the purpose of retaining and incentivising its key personnel. A summary of the main terms of the EST is as follows:
 - i. The trustee of the Rutila Resources Limited Employee Share Trust is Trinity Management Pty Limited (“Trustee”).
 - ii. The Board will administer the EST in accordance with the terms of the governing Deed (“Terms”) (and any other terms prescribed by the Board for the operation of the EST which are consistent with the Terms).
 - iii. The Board has discretion to determine which employees, Directors, executives or contractors are invited to apply to the Trustee for Share Units (“Eligible Employee”). The Company has absolute discretion to determine the number of Share Units to be issued to an Eligible Employee.
 - iv. The Board may from time to time suspend operation of, or cancel, the EST.
 - v. Subject to the ASX Listing Rules and to specified restrictions in the Terms, the Board may at any time by written instrument or by resolution, amend all or any of the provisions of the Terms, and make amendments to the Terms, or structure of an offer, as they apply in respect of foreign jurisdictions where such amendments would be appropriate for tax purposes, as determined by the Board.
 - vi. The Company must not make an offer under the EST where the grant of the performance shares, Options or Shares contemplated by the offer would result in the Company exceeding the limit that applies under ASIC Class Order 03/184. Class Order 03/184 prescribes that the aggregate of all offers of securities in the same class in the previous 5 years under the EST must not exceed 5% of the issued capital of the Company at the time of the offer.
There are certain types of issues, which are exempt from this calculation, including offers made pursuant to a disclosure document.
 - vii. At the time participating employees wish to redeem or encash their holding, bonus share units are issued by the Trustee to enable full share value to be received including any growth over the holding period. The Company’s contribution is limited to the issue of Shares in the Company.
 - viii. The share units provide to unit holders substantially the same rights in respect of the performance shares which are allocated to the share units as if the unit holders were the legal owners of the performance shares, excluding the rights to:
 - (a) direct the Trustee how the voting rights attached to the performance shares shall be exercised; and
 - (b) receive the income derived from the performance shares including dividends declared in respect of the shares, until such time that the performance shares are converted to Shares.
 - ix. In general, the share units are not transferable.
 - x. Any entitlement to share units, which have not vested, will be forfeited if a participant resigns from employment with the Company or ceases employment for any other reason.
 - xi. Subject to the ASX Listing Rules, in the event of a takeover, scheme of arrangement or other change of control as determined by the Board in respect of the Company, share units may, at the discretion of the Board, vest on a pro rata basis in accordance with an assessment of performance.

NOTES TO THE FINANCIAL STATEMENTS

Note 16: Equity – based compensation (continued)

The assessed fair value of options granted to Eligible Employees under the terms of the EST during the year ended 30 June 2014 are set out in the table below:

Number	Expiry Date	Exercise Price	Weighted Average Value per Option
1,550,000	30 Sep 2017	\$0.30	\$0.0974
7,450,000	10 Sep 2017	\$0.30	\$0.0974

The terms and conditions relating to options issued under the EST are as follows:

- The options expire on the earlier of 4 years from the date of issue and the date which is 6 months after the Option holder resigns as a director of the Company or discontinues service to the Company
- 75% of the options issued to each Eligible Employee vest on recommendation to the Board to approve a final investment decision for the Balla Balla project or a material project of similar scale. 25% of the options issued to each KMP vest after 2 years' service by the Eligible Employee from the date of issue.

The assessed weighted average fair value of options granted during the year ended 30 June 2014 under the EST was \$0.974 per option (2013: \$0.071). The fair value at grant date has been determined in accordance with Australian Accounting Standards using a Binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at granted date and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate of the term of the option.

The models input for options granted during the year ended 30 June 2014 include the expected price volatility based on the historic volatility of companies in the mining sector.

The options will be recognised as an expense over the relevant vesting period to the extent that the conditions necessary for vesting are satisfied.

Note 17: Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

During the period a sum of \$1,245,550 (2013: \$902,000) was paid and 4,000,000 options (independently valued at \$129,800) were issued (2013: Nil) to Riverstone Advisory ("Riverstone"), a firm involved in the provision of merger and acquisition advisory services to the natural resource sector. Riverstone provided project management and other management support services as well as advisory services. Nicholas Curtis and Harold Ou Wang are Directors and shareholders of Riverstone.

Additionally payments were made to Peloton Capital Pty Ltd of \$26,400 (2013: \$26,400) for investor relation services. Emmanuel Correia and Shane Hartwig are Directors of Peloton Capital Pty Ltd. However due to the structure of Peloton Capital Pty Ltd, neither Emmanuel Correia or Shane Hartwig received, directly or indirectly, any amounts from these payments.

Key management personnel

Details of the compensation of key management personnel are included in Remuneration Report section of the Directors Report, and summarised in Note 15.

NOTES TO THE FINANCIAL STATEMENTS

Note 18: Notes to statement of cash flows

	2014	2013
	\$	\$
(a) Reconciliation of cash		
Cash at bank and on hand	1,752,995	2,045,419
(b) Reconciliation of loss from ordinary activities after income tax to net cash used in operating activities		
Loss from ordinary activities after income tax	(7,047,278)	(7,534,401)
Depreciation and amortisation	45,942	7,225
Non-cash expense – gain on sale of tenements	(4,071,740)	-
Non-cash expense – equity based compensation	379,693	92,476
Non-cash expense – Interest payable accrued	4,743,790	4,175,854
Changes in assets and liabilities relating to operations:		
- Increase (Decrease) in creditors and accruals	784,733	(372,789)
- Increase (Decrease) in provisions	37,931	(5,873)
- Decrease (Increase) in receivables	13,602	(61,335)
Net cash used in operating activities	(5,113,327)	(3,698,843)

(c) Non-cash Financing and Investing Activities

Shares issued:

No shares were issued during the year ended 30 June 2014.

On 2 October 2013 1,550,000 options were issued with an exercise price of \$0.30 and expiry date four years from the date of issue. 25% of the options vest two years from the date of issue and 75% of the options vest on recommendation to the board to approve a financial investment decision for the Balla Balla project or a material project of similar scale. These have been independently valued at \$151,008.

On 20 December 2013 7,450,000 options were issued with an exercise price of \$0.30 and expiry date four years from the date of issue. 25% of the options vest two years from the date of issue and 75% of the options vest on recommendation to the board to approve a financial investment decision for the Balla Balla project or a material project of similar scale. These have been independently valued at \$725,817.

On 27 June 2014, shareholders approved the replacement of 6,500,000 options issued to a subsidiary of Todd with an exercise price of \$0.50 and an expiry date of 31 December 2015 and vest from the date of issue. These have been valued at \$58,500.

On 27 June 2014, shareholders approved the issue of 4,000,000 options to Riverstone Advisory, 2,000,000 of which have an exercise price of \$0.50 and 2,000,000 with an exercise price of \$0.30, with an expiry date of 27 June 2017 and vest from the date of issue. These have been independently valued at \$129,800.

Note 19: Segment information

Identification of reportable segments

The consolidated group has identified its reportable segments based on the location of its exploration assets.

The primary business segment and the primary geographic segment within which the Company operates are minerals and energy exploration in Australia respectively.

NOTES TO THE FINANCIAL STATEMENTS

Note 20: Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the consolidated group's risk management framework. The consolidated group's risk management policies are established to identify and analyse the risks faced by the consolidated group, to set appropriate risk limited and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the consolidated group's activities.

The consolidated group's activities expose it to a limited number of financial risks as described below. The consolidated group's overall risk management program seeks to minimise potential adverse effects on the financial performance of the consolidated group. To date, the consolidated group has not had the need to utilise derivative financial instruments such as foreign exchange contracts or interest rate swaps to manage any risk exposure identified. The consolidated group holds the following financial instruments.

	2014	2013
	\$	\$
Financial assets		
Cash and cash equivalents	1,752,995	2,045,419
Other receivables	415,646	520,456
Deposits	256,677	234,900
Total	2,425,318	2,800,775
Financial liabilities		
Trade and other payables	2,345,370	1,964,275
Borrowings	36,758,645	32,014,895
Total	39,104,015	33,979,170

Specific financial risk exposures and management

The main risks the consolidated group is exposed to through its financial instruments are interest rate risk, credit risk and liquidity risk.

Interest rate risk

The consolidated group's main interest exposure arises from cash at bank, bank term deposits and mortgage loans as at the reporting date, the consolidated group had the following cash profile.

Cash at bank and in hand	1,752,995	2,045,419
Loans	(36,758,645)	(32,014,895)
Total	(35,005,650)	(29,969,476)

The consolidated group's main interest rate risk arises from cash and cash equivalents. The cash in the investment account earns a floating interest rate between 2.40% and 3.65%. The loans carry fixed interest of 15%.

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The risk is measured using cash flow forecasting. At 30 June 2014 the Group had no material exposure to foreign currencies and therefore no sensitivity analysis has been performed.

Credit risk

Credit risk is managed on a consolidated group basis. Credit risk arises from cash and cash equivalents, deposits and banks as well credit exposure including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. In respect of the parent entity, credit risk relates to loans with subsidiary and associated companies. In order to achieve stated corporate objectives, the parent entity provides financial support to subsidiary and associated companies, but only to the level, which the Board considers necessary to achieve these objectives and meets agreed conditions. Any loans to subsidiary and associated companies considered to be unrecoverable have been provided for.

NOTES TO THE FINANCIAL STATEMENTS

Liquidity risk (continued)

The consolidated group maintains sufficient liquidity by holding cash in readily accessible accounts. The consolidated group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The consolidated groups' financial liabilities of \$39,104,015 have a maturity date of 31

December 2015. The consolidated group has also extended its existing loan facility with the Todd Corporation to include an additional \$10 million convertible loan.

Fair value

The carrying amount of financial assets and liabilities recorded in the financial statements represents their respective net fair values unless otherwise noted, determined in accordance with the accounting policies disclosed in the Statement of Accounting Policies.

Sensitivity analysis

The following table illustrates sensitivity to the consolidated group's exposure to reasonably probable changes in interest rates. The table indicates the impact on how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. This sensitivity assumes that the movement in a particular variable is independent of other variables.

	Profit \$	Equity \$
Year ended 30 June 2014		
+/- 1% in interest rates	+/-17,530	+/- 17,530
Year ended 30 June 2013		
+/- 1% in interest rates	+/- 20,454	+/- 20,454
	2014	2013
Note 21: Earnings per share		
Operating loss after income tax used in the calculation of basic and diluted loss per share	(7,047,278)	(7,534,401)
	No	No
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic and diluted loss per share	80,577,667	80,577,667
	Cents per share	Cents per share
Basic earnings per share	(8.75)	(9.35)
Diluted earnings per share	(8.75)	(9.35)

Note 22: Controlled Entities

Controlled Entities Consolidated

Subsidiaries of Rutila Resources Ltd	Country of incorporation	Percentage Owned (%)	
		2014	2013
Forge Resources Swan Pty Limited	Australia	100	100
Forge Resources Crown Pty Limited*	Australia	100	100
Forge Balla Balla Investments Pty Ltd*	Australia	100	100

* Acquired on incorporation for a consideration of \$2.

NOTES TO THE FINANCIAL STATEMENTS

Note 23: Events occurring after the reporting period

During July 2014, the Company drew down the first \$5 million tranche of \$10 million in additional funding provided by a subsidiary of The Todd Corporation Limited under a revised loan facility agreement, which was approved on 27 June 2014 at a general meeting of shareholders. The terms of the revised loan facility are set out at Note 13.

Other than described above there has not arisen in the interval since 30 June 2014 and up to the date of this report, any matter that, in the opinion of the Directors, has significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

The financial report was authorised for issue on 30 September 2014 by the Board of Directors.

Note 24: Reserves

The share-based payments reserve records items recognised as expenses on valuation of employee share options and options issued to settle the Company's liabilities.

Note 25: Capital and Leasing Commitments

	2014 \$	2013 \$
Operating Lease Commitments		
Non-cancellable operating leases contracted for but not recognised in the financial statements		
Payable – minimum lease payments:		
– Within one year	303,801	167,734
– Later than one year but not later than five years	241,000	410,859
	<u>544,801</u>	<u>578,593</u>

The property leases are non-cancellable leases with a range from 24 to 36-month term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased 4% per annum. The lease allows for subletting of all lease areas.

	2014 \$	2013 \$
Expenditure Commitments		
Minimum expenditure commitments for mining tenements (including JV commitments):		
– Within one year	604,808	630,749
– Later than one year but not later than five years	1,429,710	1,222,333
– Later than five years	1,621,011	1,541,241
	<u>3,655,529</u>	<u>3,394,323</u>

NOTES TO THE FINANCIAL STATEMENTS

Note 26: Parent Information

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Accounting Standards.

	2014 \$	2013 \$
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets	1,025,196	2,101,557
Non-current assets	-	4,436,805
TOTAL ASSETS	<u>1,025,196</u>	<u>6,538,362</u>
LIABILITIES		
Current liabilities	503,608	481,530
Liabilities	1,132,341	-
TOTAL LIABILITIES	<u>1,635,949</u>	<u>481,530</u>
EQUITY		
Issued capital	26,239,259	26,239,259
Retained earnings	(27,966,819)	(21,771,041)
Option reserve	1,116,807	1,588,614
TOTAL EQUITY	<u>(610,753)</u>	<u>6,056,832</u>
STATEMENT OF COMPREHENSIVE INCOME		
Total loss	<u>(6,195,778)</u>	<u>(7,982,612)</u>
Total comprehensive loss	<u>(6,195,778)</u>	<u>(7,982,612)</u>

Guarantees

As part of the revised loan facility agreement with a wholly owned subsidiary of the Todd Corporation Limited, as outlined in Note 13, Rutila Resources Limited has entered into an unlimited guarantee and has granted security over all of its assets.

Contractual commitments

As at 30 June 2014, Rutila Resources Ltd had expenditure commitments of \$536,903 (2013:\$337,513). These have been included in Note 25 above. Rutila Resources Ltd had not entered into any other contractual commitments for the acquisition of property, plant and equipment.

Note 27: Contingent Liabilities

Due to the acquisition of the Balla Balla project in May 2012, the Company is liable to pay stamp duty on the tenements acquired to the Western Australian Office of State Revenue. The Office of State Revenue issued an interim assessment of stamp duty payable (the Company's share being \$1.024 million). The interim assessment was paid on 9 January 2014. The Company is in the process of finalising its stamp duty obligations relating to the acquisition of the Balla Balla project and accordingly has accrued an additional amount of \$120,000 in the consolidated accounts as at 30 June 2014.

However, as a result of ongoing dialogue with the Western Australian Office of State Revenue in relation to the appropriate valuation base for the purposes of calculating the applicable stamp duty amount, the final assessment of the stamp duty is still outstanding. Accordingly as at the date of this report there is inherent uncertainty in estimating the quantum and timing of the issuance of the final stamp duty assessment and it is not possible to quantify the value of the contingent liability, in excess of the amount already recorded in the accounts.

As part of the Balla Balla transaction with Atlas outlined in Note 8(1), Atlas is entitled to receive a 4% royalty from the initial 5.5 million tonnes of contained Fe within magnetite concentrate sales and 200,000 tonnes of contained TiO₂ within ilmenite sales.

Upon completion of the 4% royalty tonnages, the royalty shall drop to 1% of revenue on remaining tonnages up to a total of 36 million tonnes of contained Fe within magnetite concentrate sales and 1.2 million tonnes of contained TiO₂ within ilmenite sales.

The value of these royalty streams will be determined by the price achieved at the time these tonnages are sold by Rutila. Further royalties of \$0.5/tonne ore original vendor royalties and 5% W.A. Government royalties are also payable.

NOTES TO THE FINANCIAL STATEMENTS

Note 27: Contingent Liabilities (continued)

As payment of all the royalties mentioned above are dependent on future production, and given the inherent uncertainty in estimating the quantum and timing of production, it is not possible at this stage to quantify the value of the contingent liability.

Note 28: Company Details

REGISTERED OFFICE

Level 24
56 Pitt Street
Sydney NSW 2000

PRINCIPAL PLACE OF BUSINESS

Level 24
56 Pitt Street
Sydney NSW 2000

DIRECTORS DECLARATION

In accordance with a resolution of the Directors of Rutila Resources Ltd, I declare that in the opinion of the Directors:

1. the financial statements and notes, as set out on pages 13 to 38, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Australian Accounting Standards which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - (b) give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the consolidated group;
2. the Chief Executive Officer and Chief Financial Officer have each declared that:
 - (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) the financial statements and notes for the financial year comply with the Australian Accounting Standards; and
 - (c) the financial statements and notes for the financial year comply give a true and fair view.
3. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Dated this 30th day of September 2014



Nicholas Curtis
Executive Chairman

RUTILA RESOURCES LIMITED

ABN 30 139 886 187

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Rutila Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Rutila Resources Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration, for the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's and its controlled entities' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

HLB Mann Judd (NSW Partnership) ABN 34 482 821 289

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RUTILA RESOURCES LIMITED

ABN 30 139 886 187

**INDEPENDENT AUDITOR'S REPORT
(continued)**

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, given to the directors of the company on 30 September 2014, would be in the same terms if provided to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Rutila Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 10 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

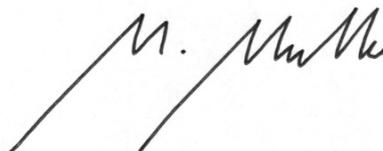
In our opinion, the Remuneration Report of Rutila Resources Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

Material Uncertainty Regarding Continuation as a Going Concern

Without modifying our opinion, we draw attention to Note 1 (Going concern basis of accounting) in the financial report, which indicates that the consolidated entity incurred a net loss of \$7,047,278 during the year ended 30 June 2014 and as of that date, the consolidated entity's total liabilities exceeded its total assets by \$610,753. This note also provides details of \$36,758,645 of debt which is due to be repaid by the company on 31 December 2015. These conditions, along with other matters as set forth in Note 1 (Going concern basis of accounting), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

A handwritten signature in black ink that reads 'HLB Mann Judd'.

**HLB Mann Judd
Chartered Accountants**

A handwritten signature in black ink that reads 'M. Muller'.

**M D Muller
Partner**

**Sydney, NSW
30 September 2014**

CORPORATE GOVERNANCE STATEMENT

The Company has adopted a comprehensive system of control and accountability as the basis for the administration of corporate governance.

The Board is responsible to Shareholders for the overall management of the Company's business and affairs. The Directors' overriding objective is to increase Shareholder value within an appropriate framework, which protects the rights and interests of Shareholders and ensures the Company is properly managed.

The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs. To the extent they are applicable, the Company has adopted the Corporate Governance Principles and Recommendations (2nd edition) ("**Principles & Recommendations**") as published by ASX Corporate Governance Council, which are as follows:

Recommendation 1	Lay solid foundations for management and oversight;
Recommendation 2	Structure the Board to add value;
Recommendation 3	Promote ethical and responsible decision making;
Recommendation 4	Safeguard integrity in financial reporting;
Recommendation 5	Make timely and balanced disclosures;
Recommendation 6	Respect the rights of shareholders;
Recommendation 7	Recognise and manage risk;
Recommendation 8	Remunerate fairly and responsibly.

In accordance with recommendations of the ASX, information published on the Company's web site includes charters of Board and its subcommittees, codes of conduct and other policies and procedures relating to the Board and its responsibilities. A copy of the Company's Corporate Governance Statement can be found on the Company's website www.rutilaresources.com.au under the Corporate Governance Section.

The Board will consider on an ongoing basis its Corporate Governance procedures and whether they are sufficient as the Company's activities develop in size, nature and scope.

The Board sets out below its "if not, why not" report. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, in accordance with ASX Listing Rule 4.10.3 the Board has offered full disclosure and reason for the adoption of its own practice, in compliance with the "if not, why not" regime.

The table below summarises the eight principles and recommendations (P&R) and those recommendations not adopted by the Company.

	ASX P&R ¹	If not, why not ²		ASX P&R ¹	If not, why not ²
Recommendation 1.1	✓		Recommendation 4.2		✓
Recommendation 1.2	✓		Recommendation 4.3	✓	
Recommendation 1.3 ³	✓		Recommendation 4.4 ³	✓	
Recommendation 2.1		✓	Recommendation 5.1	✓	
Recommendation 2.2		✓	Recommendation 5.2 ³	✓	
Recommendation 2.3	✓		Recommendation 6.1	✓	
Recommendation 2.4	✓		Recommendation 6.2 ³	✓	
Recommendation 2.5	✓		Recommendation 7.1	✓	
Recommendation 2.6 ³	✓		Recommendation 7.2	✓	
Recommendation 3.1	✓		Recommendation 7.3	✓	
Recommendation 3.2	✓		Recommendation 7.4 ³	✓	
Recommendation 3.3	✓		Recommendation 8.1	✓	
Recommendation 3.4	✓		Recommendation 8.2		✓
Recommendation 3.5 ³	✓		Recommendation 8.3	✓	
Recommendation 4.1	✓		Recommendation 8.4 ³	✓	

Notes

1 Indicates where the Company has followed the Principles and Recommendations.

2 Indicates where the Company has provided "if not, why not" disclosure.

3 Indicates an information based recommendation. Information based recommendations are not adopted or reported against using "if not, why not" disclosure – information required is either provided or it is not.

CORPORATE GOVERNANCE STATEMENT

Principle 1 – Lay solid foundations for management and oversight

Recommendation 1.1: *Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.*

Recommendation 1.2: *Companies should disclose the process for evaluating the performance of senior executives.*

Disclosure:

As contained in the Company's Corporate Governance Statement, the Executive Chairman will review the performance of all Senior Executives on an ongoing basis and report his findings to the Board.

Recommendation 1.3: *Companies should provide the information indicated in the Guide to reporting on Principle 1.*

Disclosure:

A summary of the Company's Board Charter and functions reserved for the Board and Executive Chairman is available on the Company's website at www.rutilaresources.com.au under the section marked Corporate Governance.

Principle 2 – Structure to the Board to add value

Recommendation 2.1: *A majority of the Board should be Independent Directors*

Notification of Departure:

1 of 5 Directors are classified as independent.

Explanation for Departure:

The Company's Constitution requires that the minimum number of Directors is 3. The Company presently has five Directors consisting of one Executive Chairman and four Non-Executive Directors. Of the Directors, Mr Emmanuel Correia is a Non-Executive Director and is considered as independent. Mr Nicholas Curtis is the Executive Chairman and is a substantial shareholder of the Company, Dr Matthew James was an Executive Director until 30 June 2014 and continues to be an adviser to the Company, Mr Harold Wang is a Non-Executive Director and has been a principal of a material adviser to the Company and Mr Michael Wolley is a director of a related body corporate of The Todd Corporation Limited which holds a 32% interest in the Balla Balla Project and is also a substantial shareholder of Rutila.

The Board seeks to ensure that, where practical, a majority of the Board will be independent. The Board has adopted specific principles in relation to directors' independence. These specific principles are available on the Company's website at www.rutilaresources.com.au under the section marked Corporate Governance.

Recommendation 2.2: *The Chair should be an independent director.*

Notification of Departure:

The Executive Chair, Nicholas Curtis is not an independent Director by virtue of his shareholding in the Company.

Explanation for Departure

The Board believes that the composition of the Board is both appropriate and acceptable at this stage of the Company's development and includes an appropriate mix of skills and expertise, relevant to the Company's current business.

Recommendation 2.5: *Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.*

Disclosure:

The full Board is responsible for evaluating the performance of the Board, its committees and individual Directors. The Board, committees and individual Directors are evaluated annually by way of informal meetings and/or internal questionnaires.

Recommendation 2.6: *Companies should provide the information indicated in the Guide to Reporting on Principle 2.*

Disclosure:

The independent Director, Emmanuel Correia is independent as he is a Non-Executive Director, not a member of management and is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of his judgment.

To assist Directors with independent judgement, it is the Board's policy that the Directors may seek independent professional advice at the Company's expense, subject to prior consultation with the Chair of the Board.

In determining candidates for the Board, the full Board follows a prescribed procedure which is publicly available on the Company's website at www.rutilaresources.com.au under the section marked Corporate Governance.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. Under the Company's Constitution, if there are 3 or more Directors then one third of the Directors (excluding

CORPORATE GOVERNANCE STATEMENT

the Managing Director) must retire at every annual general meeting. Retiring directors are eligible for re-election. Re-appointment of Directors is not automatic.

Principle 3 – Promote ethical and responsible decision-making

Recommendation 3.2:

The entity has established a policy concerning diversity and has disclosed the policy or a summary of that policy on its website at www.rutilaresources.com.au. The policy includes requirements for the board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.

The Company recognises that a diverse and talented workforce is a competitive advantage and that the Company's success will be the result of the quality and skills of its people. The Company's policy is to recruit and manage on the basis of qualification for the position and performance, regardless of gender, age, nationality, race, religious beliefs, cultural background, sexuality or physical ability.

Rutila is committed to maintaining diversity within its workforce at all levels, and to do this end sets a minimum target of 15% women in Board/Senior Executive Positions to encourage gender diversity. Such targets are important but the overriding factor will be the employment of the best person for the role.

Below are details of the Company's gender diversity numbers.

Gender Diversity	Male	Female
Total Staff (incl. Board)	11	5
Senior Executives/Directors	3	2
Non-Executive Directors	4	-

Recommendation 3.3:

The entity has disclosed in the annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.

Recommendation 3.4:

The entity has disclosed in the annual report the proportion of women employees in the whole organisation and women in senior executive positions or on the Board.

Recommendation 3.5: Companies should provide the information indicated in the Guide to reporting on Principle 3.

Disclosure:

Rutila has established a Code of Conduct and a Share Trading policy which all executives and employees are expected to follow. The Company's Code of Conduct and Share Trading policy is available on the Company's website at www.rutilaresources.com.au under the section marked Corporate Governance.

Principle 4 – Safeguard integrity in financial reporting

Recommendation 4.2: The audit committee should be structured so that it:

- consists only of non-executive directors;
- consists of a majority of independent Directors;
- is chaired by an independent chair; who is not chair of the Board; and
- has at least three members.

Notification of Departure:

Currently the Audit Committee does not consist of a majority of independent Directors.

Explanation for Departure:

The full Board considers the current members of the Audit Committee have the requisite skill and background to carry out tasks pursuant to the Audit Committee Charter whilst maintaining independent thought and judgement.

Recommendation 4.4: Companies should provide the information indicated in the Guide to reporting on Principle 4.

Disclosure:

The Company has a Risk Management Policy and an Audit and Risk Management Committee Charter, a copy of which is available on the Company's website at www.rutilaresources.com.au under the section marked Corporate Governance.

CORPORATE GOVERNANCE STATEMENT

Principle 5 – Make timely and balanced disclosure

Recommendation 5.2: *Companies should provide the information indicated in the Guide to reporting on Principle 5.*

Disclosure:

A summary of the Company's policy to guide compliance with ASX Listing Rule disclosure is available on the Company's website at www.rutilaresources.com.au under the section marked Corporate Governance.

Principle 6 – Respect the rights of shareholders

Recommendation 6.2: *Companies should provide the information indicated in the Guide to reporting on Principle 6.*

Disclosure:

A summary of the Company's shareholder communication strategy is available on the Company's website at www.rutilaresources.com.au under the section marked Corporate Governance.

Principle 7 – Recognise and manage risk

Recommendation 7.3: *the Board should disclose whether it has received assurance from the chief executive officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting.*

The Board intends to seek written assurance from the Executive Chairman and Head of Finance in relation to the above statement.

Recommendation 7.4: *Companies should provide the information indicated in the Guide to Reporting on Principle 7.*

The Company has established an Audit and Risk Management Committee to monitor and review on behalf of the Board the system of risk management, which the Company has established. This system aims to identify, assess, monitor and manage operational and compliance risks. In addition the Company has established a Risk Management policy to ensure that procedures are in place to identify, monitor and report on risks facing the Company.

A copy of the Audit and Risk Management Charter and the Risk Management policy is available on the Company's website at www.rutilaresources.com.au under the section marked Corporate Governance.

Principle 8 – Remunerate fairly and responsibly

Recommendation 8.2: The remuneration committee is structured so that it:

- consists of a majority of independent directors
- is chaired by an independent chair
- has at least three members.

Explanation for Departure:

The Company has established a separate Remuneration and Nomination Committee, however it is not made up of a majority of independent directors.

The full Board considers the current members of the Remuneration and Nomination Committee have the requisite skill and background to carry out tasks pursuant to the Remuneration and Nomination Committee Charter whilst maintaining independent thought and judgement.

Under the Remuneration and Nomination Committee Charter, the role of the Committee is to review the Company's remuneration practices and policies and establish appropriate remuneration levels including incentive policies for Directors and senior executives.

Recommendation 8.4: *Companies should provide the information indicated in the Guide to reporting on Principle 8.*

Disclosure:

The Remuneration and Nomination Committee has adopted Remuneration and Nomination Committee Charter, a copy of which is available on the Company's website at www.rutilaresources.com.au under the section marked Corporate Governance.

There are no termination or retirement benefits for non-executive Directors (other than superannuation).

It is the Company's policy to prohibit transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes.

ADDITIONAL INFORMATION

Additional information required by the ASX Limited listing rules and not disclosed elsewhere in this report is set out below information as at 1 September 2014.

Substantial Shareholders

The names of the substantial shareholders listed in the Rutila Resources Ltd register as at 1 September 2014 were:

Holders	Fully paid ordinary shares	
	Number	%
NYCO PTY LTD <NA CURTIS SUPER FUND A/C>	24,000,000	29.46
TIO (NZ) LIMITED	16,000,000	19.64
	40,000,000	49.10

Class of Shares and Voting Rights

At 1 September 2014 there were 81,465,334 fully paid ordinary shares on issue held by 543 individual shareholders. All issued ordinary shares carry one vote per share. Holders of options do not have voting rights.

Distribution of equity security holders:

Category (Size of Holdings)	Ordinary Shares	Unlisted Share Options
1 - 1,000	106	-
1,001 - 5,000	84	-
5,001 - 10,000	106	-
10,001 - 100,000	176	4
100,001 and over	71	13
	543	17

The number of shareholders holding less than a marketable parcel at 1 September 2014 was 148. As at the date of this report there is no on-market buy back of the Company's shares.

Twenty largest holders of quoted ordinary shares	Fully Paid Ordinary Shares	
	Number	%
NYCO PTY LTD <NA CURTIS SUPER FUND A/C>	24,000,000	29.46
TIO (NZ) LIMITED	16,000,000	19.64
AUSTRALIA CONGLIN INTERNATIONAL INVESTMENT GROUP PTY LTD	5,000,000	6.14
NYCO PTY LTD <CURTIS S/FUND A/C>	4,250,000	5.22
BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE NO 1 A/C>	3,829,103	4.70
KELLY BROOKVALE PTY LIMITED <BURST SUPER FUND A/C>	1,165,900	1.43
DR MATTHEW PETER JAMES	1,125,370	1.38
MR ANDREW CLIVE BEDE ROSS + MRS MARY-LOUISE ROSS <ARML SUPER FUND A/C>	1,000,000	1.23
BRADFIELD & PRICHARD REAL ESTATE CONSULTANTS PTY LTD <BENSON & GUTH RETIRE FND A/C>	814,171	1.00
MRS YAO XU <XIAO LIU A/C>	671,634	0.82
MR REGINALD STEWART INGLIS <R S INGLIS SUPER FUND A/C>	600,000	0.74
WESTOVER HOLDINGS PTY LTD	550,000	0.68
QUOTIDIAN NO 2 PTY LIMITED	544,462	0.67
MR REINHARD GREGG <COLORFORM EXEC SUPER A/C>	529,347	0.65
CITICORP NOMINEES PTY LIMITED	519,414	0.64
DR ALASTAIR ROWLAND BROWN <HIPIKI STAFF FUND A/C>	505,000	0.62
BRADFIELD & PRICHARD REAL ESTATE CONSULTANTS P/L <BENSON&GUTH RETMNT FUND A/C>	500,000	0.61
SAYERS INVESTMENTS (ACT) PTY LTD	475,000	0.58
MR TIMOTHY PETER HAMILTON WEARNE	462,905	0.57
SILMAR PTY LTD <SUPER FUND ACCOUNT>	454,611	0.56
Total	62,996,917	77.33
Remainder	18,468,417	22.67

ADDITIONAL INFORMATION

ASX Confirmations and Waivers

As previously disclosed, during the year ended 30 June 2012, Rutila obtained funding from Balla One (Investments) Pty Ltd (a wholly-owned subsidiary of The Todd Corporation Limited) ("Todd") which enabled Rutila to complete the purchase of Balla Balla from Atlas, and Forge Resources Swan Pty Ltd ("Forge Resources Swan") (a wholly-owned subsidiary of Rutila) entered into an unincorporated joint venture with a related body corporate of Todd ("Todd JV Party") for the development of the Balla Balla project.

In addition, pursuant to a Farm-in Agreement entered into on 5 November 2013 with Westover Holdings Pty Ltd (ACN 053 989 852) and Wild Side Pty Ltd (ACN 059 584 039) (together the "Farmor"), the Rutila Group has rights to earn or acquire a maximum 100% interest in the Eucla West Project. The Rutila Group's interest in the Eucla West Project under the Farm-in Agreement is currently 50.1%.

The Company, Forge Resources Crown and Todd Minerals entered into a Joint Funding and Participation Agreement (the "JFPA") on 9th April 2014 in respect of the Eucla West project which sets out the arrangements agreed between the Rutila Group and the Todd Group for future funding of the Eucla West project and certain other rights. Certain transactions pursuant to the JFPA were approved by the Company's shareholders in a general meeting held on 27 June 2014.

In connection with the transactions referred to above Rutila obtained from the ASX various waivers of, and confirmations regarding, certain ASX Listing Rules. These waivers and confirmations require Rutila to disclose certain information in this annual report, as follows.

Additional Information (Balla Balla)

1. Joint Venture Agreement

Under a Joint Venture Agreement entered into between Forge Resources Swan and Todd JV Party, the Balla Balla project is to be operated as an unincorporated joint venture with Forge Resources Swan now having a 68% interest (previously a 75% interest) and Todd JV Party now having a 32% interest (previously a 25% interest).

The Joint Venture Agreement contemplates various circumstances in which one joint venturer might transfer all or part of their joint venture interest to the other. In summary, these circumstances include as follows (based on a 2 party joint venture scenario).

(a) Change of control or less than minimum interest

Where a joint venturer ceases to be a subsidiary of its ultimate holding company or has less than a 7.5% interest in the joint venture (in each case the "First Party"), the other joint venturer ("Other Party") may, by notice to the First Party and the joint venture manager, cause the First Party to make a deemed offer to sell its entire interest in the joint venture to the Other Party.

The purchase price for the First Party's joint venture interest will be a fair market price as determined by an independent expert (such expert to be one nominated by the Institute of Arbitrators & Mediators Australia), unless the circumstances of the transaction are such that none of ASX Listing Rule 10.1, 11.1.2 or 11.2 has any potential application (in which case the price will be a fair market price agreed between the parties, with expert determination only required if the parties cannot agree the price within 30 days after the deemed sale offer is made). The Other Party has 60 days, from the date the purchase price has been agreed or determined, within which to accept the offer. Completion is to occur within 60 days after acceptance.

In circumstances where Rutila or a related body corporate of Rutila receives a deemed sale offer as per the above and ASX Listing Rule 11.1.2 applies to the acceptance of that deemed sale offer by the relevant Rutila entity, it will not be entitled (or obliged) to accept the relevant offer unless Rutila shareholders have approved the enforcement in accordance with that ASX Listing Rule.

(b) Default

If a joint venturer has not paid any monies it is required to pay under the Joint Venture Agreement within 14 days of the due date ("Defaulting Party"), the other joint venturer ("Non-Defaulting Party") may, by notice to the Defaulting Party and the joint venture manager, state that it wishes to purchase all (but not some only) of the Defaulting Party's interest in the joint venture (a "Buy-Out Election"). Where a Non-Defaulting Party makes a Buy-Out Election, it cannot enforce its charge under the Cross Security Deed (that document is summarised in section 11.5 of Rutila's notice of general meeting dated 24 April 2012) unless the Defaulting Party suffers an insolvency event.

The purchase price for the First Party's joint venture interest will be a fair market price as determined by an independent expert (such expert to be one nominated by the Institute of Arbitrators & Mediators Australia), unless the circumstances of the transaction are such that none of ASX Listing Rule 10.1, 11.1.2 or 11.2 has any potential application (in which case the price will be a fair market price agreed between the parties, with expert determination only required if the parties cannot agree the price within 14 days after the Buy-Out Election is made).

ADDITIONAL INFORMATION

In circumstances where Rutila or a related body corporate of Rutila is the Non-Defaulting Party and ASX Listing Rule 11.1.2 applies to the enforcement of a Buy-Out Election by the relevant Rutila entity, it will not be entitled to enforce a Buy-Out Election unless Rutila shareholders have approved the enforcement in accordance with that ASX Listing Rule.

(c) Sole risk proposal - buy-in right

The Joint Venture Agreement contains a regime whereby one joint venturer can elect to develop and mine a deposit on a sole-risk basis if the joint venturers cannot agree that the joint venture will develop and mine such deposit.

Where a sole risk operation is undertaken, the non-participating joint venturer can elect to participate in the sole risk operation by purchasing an interest in the operation which is equal to the joint venturer's then percentage interest in the joint venture (a "re-buy interest"). The purchase consideration will be a cash amount equal to three times the amount of the non-participating joint venturer's percentage share (based on its percentage interest in the joint venture) of all costs and expenses incurred by the sole risk joint venturer up to the date of the other joint venturer's purchase election.

A Rutila entity (ie. Rutila or a related body corporate of Rutila) which is the non-participating joint venturer may not elect to purchase a re-buy interest in circumstances where ASX Listing Rule 11.1.2 applies to the relevant purchase unless Rutila shareholders have approved the transaction in accordance with that ASX Listing Rule.

2. Joint Venture Option Agreement

Under a Joint Venture Option Agreement entered into between Forge Resources Swan and Todd JV Party, Todd JV Party has an option to acquire an additional 7.5% interest in the Balla Balla joint venture from Forge Resources Swan.

The Joint Venture Option Agreement is summarised in Note 13(b) to the financial statements. In addition to that summary, the following aspects of the Joint Venture Option Agreement should be noted.

- The 'completion date' of the option will be the later of the date of first drawdown of project finance and satisfaction of completion conditions (i.e. receipt of any required regulatory approvals) (provided that if any completion conditions are not satisfied within 30 days after the drawdown date then either party can elect to not proceed with completion).
- If the option is exercised and project finance funds are not drawn down within 4 months after the date that Forge Resources Swan notifies Todd JV Party of a project finance term sheet, then Rutila may cancel the transfer of the 7.5% interest in the Balla Balla joint venture. Todd JV Party may again exercise the option during any subsequent exercise period.

3. Top-up right

Under a Master Agreement that has been entered into between Rutila and Todd Capital, there is a share top-up right regime under which the Todd group (being Todd Capital and its related bodies corporate) has, for the duration of the Joint Venture Agreement (referred to in section 1 above), a right to subscribe for additional Rutila ordinary shares ("Rutila shares") to maintain the Todd group's shareholding percentage in Rutila if Rutila issues additional shares to third parties other than in certain circumstances (eg. pursuant to a pro rata entitlement offer, pursuant to the exercise of existing options, or pursuant to the terms of an employee incentive plan which has been unanimously approved by directors). Generally speaking, the Rutila 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 Rutila shareholder approvals being obtained. The top-up right will apply for so long as the Todd group holds at least 10% of the Rutila shares.

Additional Information (Eucla West)

4. Joint Funding and Participation Agreement ("JFPA")

Under the JFPA (following Shareholders approval on 27 June 2014), the Todd Group (through Todd Minerals) now holds a beneficial interest in half of the Rutila Group's current 50.1% interest in the Eucla West Project tenements and has a right to earn or acquire up to half of the remaining 49.9% interest in the Eucla West Project tenements.

The JFPA provides for the sharing of expenditure as between Forge Resources Crown and Todd Minerals (the "Funding Parties") to be incurred in connection with the Eucla West Project under the Farm-in Agreement, the making of decisions and elections by Forge Resources Crown under the Farm-in Agreement, and the manner in which the Funding Parties will acquire interests in the Eucla West Project tenements once certain expenditure requirements have been satisfied.

ADDITIONAL INFORMATION

Under the JFPA, Forge Resources Crown has certain reporting obligations to Todd Minerals in relation to the Eucla West farm-in activities. Forge Resources Crown cannot amend the Farm-in Agreement without Todd Minerals prior written consent, such consent not to be unreasonably withheld where the proposed amendment does not materially affect Todd Mineral's rights and obligations under the JFPA in respect of the farm-in interest.

In addition, the JFPA contemplates various circumstances in which:

- one Funding Party might acquire all or part of the other Funding Party's interest in the Eucla West Project tenements (as represented by its Funding Share); and/or
- Todd Minerals might acquire shares in Forge Resources Crown,

("Potential Future Eucla West Transactions").

These Potential Future Eucla West Transactions can be distinguished from transactions under which a Funding Party is effectively acquiring from the Farmor its interests in the Eucla West Project tenements via cash contributions to expenditure (i.e. joint funding) and/or sole funding the acquisition of the Final Interest.

In summary the material terms of the JFPA that provide for the Potential Future Eucla Transactions, as set out in the JFPA, are as follows:

(i) **Funding Share below 33%**

Where a Funding Party's Funding Share (initially 50% Forge Crown and 50% Todd Minerals, but subject to adjustment) is reduced to below 33% ("**Minority Party**"), the Funding Party with the majority interest ("**Majority Party**") can, following a decision to acquire the Final Interest, also elect to acquire the Funding Share of the Minority Party. The purchase price will be equal to the total amount of expenditure contributed by the Minority Party and the consideration paid by the Minority Party to acquire the Final Interest. If Todd Minerals is the acquiring party then (subject to the Rutila Group itself holding beneficial interests in the Final Interest) the Rutila Group will hold the interests in the tenement on trust for Todd Minerals.

(ii) **Exercise of event of default rights**

A non-defaulting party can exercise certain event of default rights to acquire all or part of the defaulting party's "Funding Share" where:

- (A) A party (defaulting party) has failed to meet a cash call when required and the other party (the non-defaulting party) has elected to pay the defaulting party's cash call ("**Partial Funding Share Acquisition**"); and, or
- (B) An "event of default" has occurred with respect to a Funding Party ("**Full Funding Share Acquisition**") An "event of default" in relation to a Funding Party will occur if:
- (1) the Funding Party becomes insolvent;
 - (2) the Funding Party commits a material breach of its obligations under the JFPA which is capable of being remedied and does not remedy it within 14 days of receiving written notice from the other Funding Party specifying the breach and requiring the breach to be remedied. Where a Funding Party does not meet a cash call when required under the JFPA and the other Funding Party does not elect to pay the unpaid call, this will constitute this kind of material breach. For example, if Forge Resources Crown fails to pay its proportion of a call and Todd Minerals does not elect to pay the unpaid call, Forge Resources Crown will have committed an event of default;
 - (3) the Funding Party commits a material breach of its obligations under the JFPA which is not capable of being remedied;
 - (4) there is a change of control of the Funding Party (without the consent of the other Funding Party or other than as a result of a change of control of the listed holding company of the Funding Party); or
 - (5) a Funding Party fails to comply with its obligations under the JFPA to transfer a legal interest in the Eucla West Project tenements to the other Funding Party.

A Partial Funding Share Acquisition may occur where a Funding Party (defaulting party) fails to pay its proportion of a cash call and the other (non-defaulting party) elects to pay the unpaid call. Such a payment may result in the Funding Share of the defaulting party being decreased and the Funding Share of the non-defaulting party being increased by corresponding amounts. That is, if a non-defaulting party elects to pay the defaulting party's cash call, a corresponding amount of the defaulting party's interests in the Eucla West Project may effectively be transferred to the non-defaulting party.

Where a Full Funding Share Acquisition occurs, the purchase price will be equal to the total amount of expenditure contributed by the defaulting party and the consideration paid by the defaulting party to acquire the Final Interest. If

ADDITIONAL INFORMATION

Todd Minerals is the acquiring party then Forge Resources Crown will hold its beneficial interests in the tenements on trust for Todd Minerals. The JFPA will terminate upon transfer of the defaulting party's Funding Share.

If Forge Resources Crown is the defaulting party and within 60 days Todd Minerals has exercised its rights to make a Full Funding Share Acquisition from Forge Resources Crown but a legal and beneficial interest in the Eucla West Project tenements equivalent to that Funding Share is not transferred to Todd Minerals, then Todd Minerals can require the Company to transfer all of the shares it holds in Forge Resources Crown to Todd Minerals for the purchase price described in the preceding paragraph. The JFPA will terminate upon transfer of those shares.

(iii) Failure to transfer interests to Todd Minerals

If, in a situation where Todd Minerals is the assignee of interests in Eucla West Project tenements under the JFPA, a legal interest in the tenements has not been transferred to Todd Minerals within 90 days after all regulatory consents and approvals for the transfer have been obtained, then the Company will transfer or issue to Todd Minerals such number of shares in Forge Resources Crown that corresponds to Todd Mineral's beneficial interest (in percentage terms) in the Eucla West Project tenements as a proportion of the interests in the Eucla West Project tenements in which Forge Resources Crown has a legal or beneficial interest.

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