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THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in doubt about how to deal with this document, you should consult your legal, financial or other professional adviser immediately.

Target's Statement

in response to an Offer by

TIO (NZ) Limited

(New Zealand Company No. 3744171)

to purchase all of your ordinary shares in

Rutila Resources Ltd

(ABN 30 139 886 187)

for

$0.30 cash per Share

If you have any questions about this Target's Statement, please call Rutila on (02) 9259 4400.

Legal Adviser to Rutila Resources

CLIFFORD CHANCE

IMPORTANT NOTICES

Nature of this document

This Target's Statement dated 19 June 2015 is given by Rutila Resources Ltd (ABN 30 139 886 187) (**Rutila**) under Part 6.5 of the Corporations Act in response to the offer received from TIO (NZ) Limited (**TIO NZ**) for all of the shares in Rutila in which TIO NZ and Nyco do not have an interest. You should read the Target's Statement in its entirety.

ASIC and ASX

A copy of this Target's Statement was lodged with ASIC and sent to the ASX on 19 June 2015. Neither ASIC, ASX nor any of their respective officers takes any responsibility for the content of this Target's Statement.

Key dates

Date of Offer	**10 June 2015**
Date of this Target's Statement	**19 June 2015**
Close of Offer Period (unless extended or withdrawn)	**7.00pm (Sydney time) on 22 July 2015**

No account of personal circumstances and investment objectives

This Target's Statement does not take into account your individual investment objectives, financial or tax situation or particular needs. Before making a decision whether or not to accept the Offer, you should seek independent financial and taxation advice.

Disclaimer as to forward looking statements

This Target's Statement contains various forward-looking statements. Rutila Shareholders should note that forward-looking statements are only predictions and are inherently subject to risks and uncertainties. These risks and uncertainties include those that are specific to the industry in which Rutila operates, such as commodities prices and mining conditions, as well as general economic conditions, prevailing exchange and interest rates, and conditions in the financial markets and other known and unknown risks, variables and other facts. Actual values or results, performance or achievements may differ materially from implied or anticipated values, results, performance or achievements expressed or implied in any forward looking statements. None of Rutila, any of its officers or employees, any persons named in this Target's Statement with their consent, nor any person involved in the preparation of this Target's Statement makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement.

Disclaimer as to information about TIO NZ and Nyco

Information about TIO NZ or Nyco contained in this Target's Statement was prepared by Rutila using the information contained in the Bidder's Statement. This information has not been independently verified by Rutila. Accordingly, Rutila does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of this information.

Foreign shareholders

This Target's Statement has been prepared in accordance with Australian law. The information contained within it may not be the same as information that would be disclosed if the Target's Statement had been prepared in accordance with the laws and regulations of foreign jurisdictions.

The release, publication and distribution of this Target's Statement outside Australia (whether electronically or otherwise) may be restricted by law or regulation. Persons who receive this Target's Statement outside of Australia should seek advice on and observe any such restrictions. Failure to comply with such restrictions may find you in violation of applicable laws or regulations.

Diagrams and rounding

Any diagrams, charts, maps, graphs and tables appearing in this Target's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, maps, graphs and tables is based on information available at the date of this Target's Statement. In addition, any numerical information may not add up due to rounding

Resources

The statements in this Target's Statement about Rutila's resource estimates have been extracted without material amendment from reports and statements previously filed by Rutila with the ASX.

Privacy and your information

The Corporations Act requires Rutila to hold the names and addresses of its Shareholders on a public register. Rutila has collected your information from the register of Rutila Shareholders in order to provide you with this Target's Statement. The type of information collected includes your name, address and information on your shareholding in Rutila. Without this information, Rutila would not have been able to issue this Target's Statement to Rutila Shareholders.

Your information may be disclosed on a confidential basis to Rutila's related bodies corporate and external service providers (such as Rutila's share registry and printers) and may be required to be disclosed to ASIC and other regulators. If you would like details of information about you held by Rutila, please contact Computershare Investor Services Pty Limited, Yarra Falls, 452 Johnston Street, Abbotsford VIC 3067; Phone: 1300 850 505 / + 61 (03) 9415 4000.

Defined Terms

Defined terms used in this Target's Statement are explained in section 10.1 of this Target's Statement. Also, words and phrases used in this Target's Statement have the same meaning as in the Corporations Act 2001 (Cth) unless otherwise stated.

Date of this Target's Statement

This Target's Statement is dated 19 June 2015, which is the date it was lodged with ASIC.

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1. FREQUENTLY ASKED QUESTIONS

This section answers some frequently asked questions about the Offer. It does not cover all relevant issues for Rutila Shareholders and should be read together with the remainder of the Target's Statement.

Question	**Answer**
What is the Offer?	TIO NZ is offering 30 cents per Rutila Share for all of the Rutila Shares that you hold.
What choices do I have?	As a Rutila Shareholder, you can choose to: • accept the Offer for all of your Shares (you cannot accept for part of your Shareholding); or • sell some or all of your Shareholding on the ASX; • if you choose to only sell some of your Rutila Shares on the ASX, you will also be entitled to accept the Offer in relation to all of your remaining Rutila Shares; or • do nothing. There are implications for each of the above choices, including that your Shares may be compulsorily acquired even if you do not accept the Offer. A summary of these implications is set out in section 4.
Can I accept the Offer for less than 100% of my Rutila Shares?	No.
What does the Independent Director recommend?	Your Independent Director (Emmanuel Correia) recommends that you **ACCEPT** the Offer in the absence of a Superior Proposal. The reasons for his recommendation are set out in section 2.
What does the Independent Expert say?	The Independent Expert has concluded that the Offer is fair and reasonable to Rutila Shareholders. A full copy of the Independent Expert's Report is included in Annexure A of this Target's Statement.
What do the Directors intend to do with their own Rutila Shares?	Your Independent Director (Emmanuel Correia) intends to **ACCEPT** the Offer in the absence of a Superior Proposal in respect of all Rutila Shares under his control. Pursuant to the Cooperation Agreement between Nyco and TIO NZ, it has been agreed that all Rutila Shares held by or on behalf of Nyco (being a company owned by Nicholas Curtis and his spouse) will not be accepted into the Offer. All other Directors intend to **ACCEPT** the Offer in the absence of a Superior Proposal in respect of all Rutila Shares under their control.

What are the conditions to the Offer?	The Offer is subject to a number of conditions, which are set out in full in section 10.7 of the Bidder's Statement and discussed in section 6.8 of this Target's Statement. These conditions are (in summary): • TIO NZ acquiring a relevant interest in at least 75% of the Non-Associated Shares;[1] • TIO NZ receiving foreign investment review board approval; • no 'material adverse change' occurring in relation to Rutila; • no 'prescribed occurrences' occurring in relation to Rutila; • no breach of warranty or representation by Rutila; and • there being no additional entitlements to securities in Rutila that have not been disclosed to TIO NZ pursuant to the Bid Implementation Agreement. On 12 June 2015, TIO NZ gave notice to the ASX that the condition that the ASX provide a waiver of Listing Rule 6.23 to the extent necessary in relation to the Option arrangements has been fulfilled.
What happens if the conditions to the Offer are not met?	If the conditions are not met or waived before the Offer closes, then the Offer will lapse. If the Offer lapses, you will be free to deal with your Rutila Shares even if you accepted the Offer.
How do I accept the Offer?	See section 5 for details on how to accept the Offer.
What are the consequences of accepting the Offer now?	If you accept the Offer and unless you have the right to withdraw your acceptance (see section 6.10) and you exercise such right: • you will give up your right to sell any of your Rutila Shares on the ASX or otherwise deal with any of your Shares while the Offer remains open; and • you will be unable to accept any offer resulting from a Superior Proposal if one emerges, except in limited circumstances (see sections 6.9 and 6.10).
What are the tax consequences of accepting the Offer?	The general description of the tax consequences of accepting the Offer are set out in section 8 of the Bidder's Statement. As this section of the Bidder's Statement is a general outline only and does not provide advice on your own individual circumstances, you are encouraged to seek your own financial and tax advice on the consequences of accepting the Offer.

[1] TIO NZ has stated that it will not waive this condition unless TIO NZ has received valid acceptances for not less than 50.1% of the Non-Associated Shares under the Offer.

What if there is a Competing Proposal?	If a Competing Proposal is publicly announced (and the Independent Director acting reasonably considers it to be a bona fide Competing Proposal), Rutila will provide you with all information which is known to Rutila and which is material to the consideration of the Takeover Bid, including any material information concerning the Competing Proposal (**New Information**). Rutila will consult with ASIC about the dispatch of New Information to Shareholders. (For further information about Rutila's obligations in relation to Competing Proposals, see section 6.14.) The Independent Director will carefully consider any Competing Proposal and will advise you whether the Competing Proposal affects his recommendation to accept the Offer. If you accept the Offer, you will not be able to accept an offer resulting from a Competing Proposal except in limited circumstances (see sections 6.9 and 6.10).
If I accept the Offer, can I change my mind and withdraw my acceptance?	If you accept the Offer, you are only able to withdraw your acceptance in the following circumstances: (a) at any time while the FIRB Condition remains unfulfilled; (b) if the FIRB Condition is fulfilled, but the Offer otherwise remains conditional at the end of the Offer Period or, in the case of the 'prescribed occurrences' condition, at the end of the third business day after the end of the Offer Period; or (c) if TIO NZ extends the Offer Period by more than one month and postpones, for more than one month, the time when it has to meet its obligations under the Offer and the Offer is conditional at that time. If this occurs, a notice will be sent to you at the relevant time explaining your rights in this regard. For further details on the circumstances in which you can revoke your acceptance of the Offer, see section 10.5 of the Bidder's Statement
When does the Offer close?	The Offer will close on 7:00pm on 22 July 2015**,** but the Offer Period can be extended in certain circumstances (see section 6.7).
When will I be paid if I accept the Offer?	If you accept the Offer, you will not be paid until after the Offer becomes unconditional. See section 6.6 for further details about payment.
Who do I call if I have other questions about the Offer?	If you have any further questions about the Offer, you can call the bidder's Offer Information Line on 1300 667 923 (toll-free within Australia) or +61 3 9415 4080 (from outside Australia). Alternatively you can contact Rutila on (02) 9259 4400.

2. INDEPENDENT DIRECTOR'S RECOMMENDATION

2.1 Summary of the Offer

TIO NZ is offering 30 cents cash for each Rutila Share held by you.

The Independent Expert has confirmed that in its opinion, the Offer is fair and reasonable to Rutila Shareholders and has provided reasons. For a summary of the Independent Expert's Report, see section 3, and for a full copy of the Report itself, see Annexure A, of this Target's Statement.

The Offer is subject to a number of conditions. The conditions are discussed in section 6.8 of this Target’s Statement.

2.2 The Directors of Rutila

As at the date of this Target's Statement, the Directors are:

Name	**Position**
Nicholas Curtis	Executive Chairman
Matthew James	Non-Executive Director
Harold Wang	Non-Executive Director
Emmanuel Correia	Non-Executive Director
Michael Wolley	Non-Executive Director

The interests of each Director are set out in section 8 of this Target's Statement. Emmanuel Correia is the only Independent Director for the purposes of this Offer and the only Director able to make a recommendation to Rutila Shareholders.

2.3 The Independent Director's Recommendation

After taking into account each of the matters in the Bidder's Statement and in this Target's Statement, including the Independent Expert's Report, your Independent Director recommends that you **ACCEPT** the Offer in the absence of a Superior Proposal.

2.4 Reasons for the Independent Director's Recommendation

The Independent Director recommends that you **ACCEPT** the Offer for the reasons set out below.

(a) **Reason 1: The Offer represents a significant premium to the pre-Announcement Date trading price of Rutila Shares**

Rutila Shareholders who accept the Offer will receive $0.30 for each Rutila Share. The Offer represents:

- a 100% premium to the closing price of $0.15 per Share on 8 May 2015, the last trading day before the Announcement Date;
- a 80.7% premium to the 30 day VWAP[2] of $0.166 per Share as at 8 May 2015;
- a 57.9% premium to the 12 month VWAP[3] of $0.190 per Share as at 8 May 2015.

  Rutila Shares have not traded at the level of the Offer price since 25 July 2012.

(b) **Reason 2: The Independent Expert concludes that the Offer is fair and reasonable**

The Independent Expert has considered the Offer and concluded that the Offer is fair and reasonable. The Offer price of $0.30 per Share is at the high end of the Independent Expert's valuation range for Rutila Shares on a control basis of $0.245 – $0.315 per Share.

The Independent Expert's Report is set out in full in Annexure A of this Target's Statement. You are encouraged to read the report carefully before deciding whether or not to accept the Offer.

(c) **Reason 3: A Superior Proposal is unlikely**

Since the announcement of the Offer on 12 May 2015, no Superior Proposal has been put to Rutila or otherwise made to Rutila Shareholders. As a consequence of the size of TIO NZ and Nyco's shareholdings in Rutila, it is considered unlikely that Rutila Shareholders will receive a Superior Proposal from an alternative third party.

TIO NZ and Nyco together hold 69.35% of Rutila Shares, which may act as a deterrent against alternative proposals for Rutila. Individually each of TIO NZ and Nyco is in a position to block compulsory acquisitions under the Corporations Act, as each holds greater than 10% of Rutila Shares. In addition, TIO NZ's holding of 46.1% of Rutila Shares allows it to determine the outcome of any alternative scheme of arrangement or any other proposal requiring approval by 75% of Rutila Shareholders. The TIO NZ Group's ability to convert the second tranche of the Convertible Loan into further equity in Rutila may also act as a deterrent against alternative proposals. Further information on the Convertible Loan and other financing arrangements are set out in sections 2.4(f) and 7.8 of this Target's Statement.

(d) **Reason 4: Straightforward cash offer**

By accepting the Offer, you will receive a cash payment of 30 cents for each Rutila Share you hold if the Offer becomes or is declared unconditional. The cash offer provides the certainty of cash value compared to the uncertainty and additional risk in relation to Rutila's future profitability and ability to fund its projects and meet its refinancing obligations.

In addition, you will not incur any brokerage fees if your Rutila Shares are registered in an Issuer Sponsored Holding in your name and you deliver them directly to TIO NZ. If your Rutila Shares are registered in a CHESS Holding, or if you are a beneficial owner whose Rutila Shares are registered in the name of a broker, bank, custodian,

[2] VWAPs are calculated on the basis of ASX trading data sourced from S&P Capital IQ without the consent of S&P Capital IQ to the use of data, as permitted by ASIC Class Order 07/429.

[3] See footnote 2.

or other nominee, you should ask your Controlling Participant (usually your broker) or that nominee whether it will charge any fees in connection with acceptance of the Offer.

(e) **Reason 5: The Offer provides an opportunity to avoid the risk and uncertainty around Rutila's ability to fund its ongoing operational costs, its share of Project related costs and repay existing debt**

Rutila will require substantial additional equity and/or debt financing to continue to develop and operate its Projects. The Balla Balla Infrastructure Project alone has an estimated development cost of approximately $2 billion, with Rutila's share of these costs estimated to be $1.4 billion. In addition to the Balla Balla Infrastructure Project, the development costs for the Balla Balla Mine are estimated to be an additional $650 million, with Rutila's share of these costs estimated to be $440 million. Further information on Rutila's Projects is set out in section 7.2 of this Target's Statement.

Rutila will also require additional funding to continue to meet its ongoing operational commitments under the BBJV, fund its corporate overheads not directly associated with the BBJV, as well as to repay or refinance its existing debt.

As outlined in section 7.8 of this Target's Statement, TIO NZ Group is a major financier to Rutila. As at 31 December 2014, Rutila had loans of approximately $32.5 million plus accrued interest totalling approximately $12.1 million owing to Balla One, a subsidiary of TIO NZ, which are repayable on 31 December 2015. As at the date of this Target's Statement, the total debt owed to Balla One is approximately $47.6 million.

TIO NZ Group has also agreed to provide Rutila with an interim funding arrangement in the form of advanced cash calls contributed by TIO NZ Group under the BBJV arrangements to allow Rutila to meet its current obligations under the BBJV. Further details on Rutila's funding arrangements with TIO NZ Group are set out in section 7.8 of this Target's Statement and section 9 of the Bidder's Statement.

If the Offer is unsuccessful, Rutila Shareholders will continue to be exposed to the risks associated with Rutila's operational and Project funding commitments and its existing debt, including the risks that:

(i) Rutila will be unable to fund one or more of its existing Projects; and

(ii) Rutila will, in the short term, be unable to raise the capital or debt required to fund its current operational requirements (including its joint venture obligations) and to repay or re-finance its existing debt on or before 31 December 2015.

For further discussion of the risks associated with Rutila's business, see section 7.10.

(f) **Reason 6: Potential dilution of existing Rutila Shareholders if Offer is unsuccessful**

Should the Offer be unsuccessful, it is highly likely that Rutila Shareholders will experience dilution of their shareholdings if additional equity is issued to raise funds to meet Rutila's existing debt obligations and ongoing operating and capital requirements, particularly if TIO NZ Group ceases its current financing support provided to Rutila. No assurances can be given that Rutila will be able to successfully complete a capital raising on acceptable terms, or at all.

Should the Offer be unsuccessful, it is also likely that the TIO NZ Group will elect to convert the second tranche of the Convertible Loan into equity in Rutila. The TIO NZ Group is entitled to convert the Convertible Loan from 28 February 2015 until 31 December 2015. As part of the arrangements with Nyco, the TIO NZ Group has agreed not to convert the second tranche of the Convertible Loan during the Offer Period. See section 7.3(e) of the Bidder's Statement for more information.

(g) **Reason 7: Rutila's Share price may fall if the Offer is unsuccessful**

Should the Offer be unsuccessful, there is no guarantee that the Rutila Share Price will remain at current levels, especially given the uncertainty surrounding Rutila's ability to finance its ongoing obligations, refinance its debt and fund its project obligations.

2.5 Disadvantage of accepting the Offer

Further to the key reasons for the Independent Director's recommendation outlined above, the Independent Director notes that the Independent Expert considers that the key disadvantage to Rutila Shareholders who accept the Offer is that those Rutila Shareholders will no longer have any exposure to the underlying value of Rutila's mineral assets or the BBI Project. As outlined on page 5 of the Independent Expert Report, accepting Rutila Shareholders will forgo the opportunity to participate in any potential future upside in the value of Rutila Shares as Rutila's Projects are developed. The fair market value of Rutila and Rutila Shares may increase significantly, or conversely decline materially, depending on the outcome of future development of the BBI Project and Rutila's other assets, as well as the outcome of any future opportunities to attain new customers for the BBI Project or acquire new resources assets that would complement Rutila's existing projects. Identification of such opportunities is a key feature of Rutila's business strategy.

If TIO NZ is able to proceed to compulsorily acquire Shares, this potential disadvantage will affect all Rutila Shareholders, whether or not they accept the Offer. For further information on the circumstances in which TIO NZ may proceed to compulsorily acquire your Shares, see section 6.15 of this Target's Statement.

2.6 Intentions of your Directors in relation to the Offer

As at the date of this Target's Statement, each Director who has a Relevant Interest in Rutila Shares intends to accept the Offer in relation to those Rutila Shares in the absence of a Superior Proposal (other than in the case of Nicholas Curtis, the Rutila Shares held by or on behalf of Nyco, in respect of which Nyco has agreed not to accept the Offer).

3. INDEPENDENT EXPERT'S REPORT

3.1 Independent Expert's Report

The directors of Rutila have engaged Grant Thornton Corporate Finance Pty Limited (an independent expert not associated with Rutila, TIO NZ or Nyco) to report on whether, in its opinion, the Offer is fair and reasonable to Rutila Shareholders not associated with TIO NZ or Nyco.

The Independent Expert’s Report was commissioned in accordance with section 640 of the Corporations Act as TIO NZ's voting power in Rutila is more than 30%.

The Independent Expert has concluded that the Offer is fair and reasonable to Rutila Shareholders.

In reaching its conclusion, the Independent Expert compared the Offer Price of $0.30 per Share to the fair market value per Share on a control basis. It assessed the fair market value per Share on a control basis to be in the range of $0.245 to $0.315. Accordingly, the Offer Price is towards the high end of the Independent Expert's valuation range.

The Independent Expert's Report also includes an assessment of the fairness and reasonableness of the Offer having consideration to the advantages and disadvantages to Rutila Shareholders of accepting the Offer and other considerations including the special value of the Bid to TIO NZ Group.

A full copy of the Independent Expert's Report is included in Annexure A of this Target's Statement. All Rutila Shareholders should read this report carefully when considering the Offer.

4. YOUR CHOICES AS A RUTILA SHAREHOLDER

As a Rutila Shareholder, you have the following choices:

4.1 Accept the Offer

If you wish to accept the Offer, you should consult the details of how to accept set out in sections 5.1 of this Target's Statement and section 10.3 of the Bidder's Statement.

The Rutila Directors encourage you to read and consider this Target's Statement, the Independent Expert's Report and the Bidder's Statement in their entirety before deciding whether or not to accept the Offer.

If you accept the Offer, a binding contract of sale will immediately exist between you and TIO NZ and you will give up your right to sell your Rutila Shares on the ASX or accept any other Competing Proposal for Rutila except in very limited circumstances. See sections 6.9 and 6.10 for further details.

4.2 Sell your Rutila Shares on the ASX

You may sell some or all of your Rutila Shares on the ASX. The price you will receive for your Rutila Shares will depend on the prevailing market price of Rutila Shares at the time of sale. The latest price of Rutila Shares may be obtained from the ASX website www.asx.com.au (ASX code: RTA).

You should be aware that the market price of Rutila Shares may rise or fall during the Offer Period and following the close of the Offer. You should also note that you may need to pay a brokerage charge in respect of the sale.

If you choose to only sell some of your Rutila Shares on the ASX, you will also be entitled to accept the Offer in relation to all of your remaining Rutila Shares (see section 4.1).

4.3 Reject the Offer

If you wish to reject the Offer and retain your Rutila Shares you do not need to take any action.

5. HOW TO ACCEPT THE OFFER

You should read section 10.3 of the Bidder's Statement for full details of how to accept the Offer.

5.1 How to accept

If you decide to accept the Offer, your acceptance must be received before the end of the Offer Period (currently scheduled to end at 7:00pm on 22 July 2015, unless extended by TIO NZ in accordance with the Corporations Act).

You can only accept the Offer during the Offer Period for all of your Rutila Shares. If you return a properly completed Acceptance Form, you will be taken to have accepted the Offer for all of your Rutila Shares plus any additional Rutila Shares held by you at the date your acceptance is processed (despite any difference between the number of Rutila Shares held at that date and the number specified in the Acceptance Form).

You should read this Target's Statement, the Independent Expert's Report and the Bidder's Statement in their entirety before deciding whether or not to accept the Offer.

If you have not received or have mislaid your Acceptance Form, please contact:

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street
Abbotsford VIC 3067, Melbourne, Australia
Phone: 1300 667 923 / +61 (03) 9415 4080

to request another Acceptance Form.

5.2 CHESS Holdings

If your Rutila Shares are in a CHESS Holding (holder identification number beginning with 'X') and you are not a Participant, to accept you must either:

(a) instruct your Controlling Participant (usually your broker) to accept the Offer for you before the end of the Offer Period; or

(b) complete, sign and return the Acceptance Form (which was enclosed in the Bidder's Statement) in accordance with the instructions on it and return the form with all other documents required by the instructions to the address specified on the form so that it is received before the end of the Offer Period.

5.3 Issuer Sponsored Holdings

If your Rutila Shares are in an Issuer Sponsored Holding (security holder reference number beginning with 'I') or if at the time of your acceptance you are entitled to be (but are not yet) registered as the holder of your Rutila Shares, to accept you must complete, sign and return the Acceptance Form (which was enclosed in the Bidder's Statement) in accordance with the instructions on it and return the form with all other documents required by the instructions to the address specified on the form so that it is received before the end of the Offer Period.

5.4 Controlling Participants

If you are a Controlling Participant, you must initiate acceptance yourself under rule 14.14 of the ASX Settlement Operating Rules so as to be effective before the end of the Offer Period.

6. INFORMATION REGARDING THE TIO NZ OFFER

6.1 Summary

This section 6 contains the Independent Director's commentary on the terms and conditions of the Offer.

The full terms and conditions of the Offer are set out in section 10 of the Bidder's Statement.

6.2 TIO NZ

The Offer is being made by TIO NZ. TIO NZ is a wholly owned subsidiary of Todd Corporation.

As at the date immediately prior to this Target's Statement, TIO NZ holds a Relevant Interest in 69.35% of Rutila Shares.[4]

Further details regarding TIO NZ and Todd Corporation are contained in section 3 of the Bidder's Statement.

6.3 Nyco

Nyco is an entity owned by Rutila's Executive Chairman, Nicholas Curtis, and his spouse.

As at the date immediately prior to this Target's Statement, Nyco holds a Relevant Interest in 69.35% of Rutila Shares.[5]

Further details regarding Nyco are contained in section 4 of the Bidder's Statement.

6.4 Arrangements between TIO NZ and Nyco

TIO NZ and Nyco have entered into various arrangements regarding the Offer and their relationship if the Offer is successful. Detailed information on these arrangements is set out in section 9.3 of the Bidder's Statement. In summary, these arrangements consist of three elements:

(a) **The Cooperation Agreement**

The Cooperation Agreement sets out the terms on which TIO NZ and Nyco have agreed that TIO NZ will conduct the Takeover Bid. The key terms are summarised in section 9.3(a) of the Bidder's Statement and a full copy of the Cooperation Agreement was released to the ASX on 13 May 2015 and is available on the ASX website (www.asx.com.au; ASX code: RTA).

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[4] Includes the 20,483,500 Rutila Shares registered in the name of Nyco, and the 7,766,500 Rutila Shares registered in the name of Nyco Custodian as bare trustee for Nyco, in respect of which the Todd Corporation Group has a Relevant Interest as a result of the entry by TIO NZ and Nyco into the Cooperation Agreement. TIO NZ holds 55,944,863 Rutila Shares (representing approximately 46.08% of Rutila Shares). For further details, refer to the 'Notice of change of interests of substantial holder' dated 13 May 2015 (www.asx.com.au ASX code: RTA).

[5] Includes the 55,944,863 Rutila Shares held by TIO NZ, in respect of which Nyco and Mr Curtis have a Relevant Interest as a result of the entry of TIO NZ and Nyco into the Cooperation Agreement. Nyco holds 20,483,500 Rutila Shares and Nyco Custodian holds 7,766,500 Rutila Shares as bare trustee for Nyco (together representing approximately 23.3% of Rutila's Shares). Mr Curtis and his spouse, Angela Curtis, are the legal and beneficial owners of all the issued shares in Nyco and Nyco Custodian. For further details, refer to the 'Notice of change of interest of substantial holder' dated 13 May 2015 (www.asx.com.au, ASX code: RTA).

(b) **The Restructure Agreement**

The Restructure Agreement sets out the terms and conditions agreed between TIO NZ and Nyco for restructuring the Rutila Group in the event that TIO NZ and Nyco hold 100% of the Rutila Shares (or such earlier time agreed by the parties after TIO NZ has become entitled to undertake compulsory acquisition of any shares not held by TIO NZ and Nyco). The key steps of the restructure plan are summarised in section 9.3(b) of the Bidder's Statement. Rutila and the Independent Director have not been provided with a copy of the Restructure Agreement and their knowledge of that document, and the restructure plans of TIO NZ and Nyco under that document, is limited to the information set out in the Bidder's Statement.

(c) **The Shareholders' Agreement**

The Shareholders' Agreement, which is in a form agreed between TIO NZ and Nyco, will, when executed, govern the relationship between TIO NZ and Nyco as shareholders of Rutila and the terms on which the joint venture between them (through Rutila) will be managed. The key terms of the Shareholders' Agreement are summarised in section 9.3(c) of the Bidder's Statement. Rutila and the Independent Director have not been provided with a copy of the Shareholders' Agreement and their knowledge of its terms is limited to the information set out in the Bidder's Statement.

6.5 Regulatory relief

(a) **ASIC relief**

On 11 May 2015, ASIC granted relief from section 606 of the Corporations Act to the Todd Corporation Group and Nyco on certain conditions to permit the relevant parties to enter into the Cooperation Agreement and acquire a relevant interest in the Rutila Shares held by the other. This relief is necessary because, prior to obtaining the relief, each of TIO NZ and Nyco separately held a Relevant Interest in more than 20% of the Rutila Shares.

As a condition of this relief, among others, Todd Corporation Group has agreed not to waive the Minimum Acceptance Condition unless TIO NZ has received valid acceptances for not less than 50.1% of the Non-Associated Shares under the Offer.

(b) **ASX relief**

On 11 June 2015, the ASX granted a waiver to Rutila of ASX Listing Rule 6.23.3 to permit the cancellation of the Riverstone Options on the terms summarised in section 7.7(a) of this Target's Statement. The ASX also confirmed that ASX Listing Rule 6.23.3 did not apply to, and therefore no waiver was required in respect of, the treatment of the Employee Options as set out in section 7.7(b) of this Target's Statement.

On 12 June 2015, TIO NZ gave notice to the ASX declaring that the ASX waiver condition had been fulfilled. A full copy of this notice is available on the ASX's website (www.asx.com.au; ASX code: RTA).

6.6 The TIO NZ Offer and consideration

TIO NZ is offering 30 cents per Rutila Share for 100% of the Rutila Shares that you hold.

If you accept the Offer, TIO NZ will provide the consideration on or before the earlier of:

(a) one month after the date of your acceptance or, if this Offer is subject to a defeating condition when you accept this Offer, within one month after this Offer becomes unconditional; and

(b) 21 days after the end of the Offer Period.

6.7 Offer Period

The TIO NZ Offer is currently scheduled to close at 7:00pm on 22 July 2015.

TIO NZ may extend the Offer Period for up to 12 months if the defeating conditions of the Offer have not yet been satisfied. The defeating conditions are summarised in section 6.8 of this Target's Statement and set out in full in section 10.7 of the Bidder's Statement.

This means that if you accept the Offer while it is conditional there may be a significant period of time before you know whether or not the Offer will proceed and TIO NZ will pay you for your Rutila Shares. During this period you cannot deal with your Rutila Shares (subject to you having limited withdrawal rights which are described in section 6.10).

In addition, there will be an automatic extension of the Offer Period if, within the last 7 days of the Offer Period:

(a) TIO NZ improves the consideration offered under the Offer; or

(b) the consideration offered under the Offer is taken to be increased under section 651A(2) of the Corporations Act because TIO NZ purchases Rutila Shares outside the takeover bid constituted by the Offer for a cash price,

in which case the Offer Period will be automatically extended so that it ends 14 days after the relevant event occurs.

For further information on the Offer Period, see section 10.2 of the Bidder's Statement.

6.8 Conditions of the Offer

The Offer is subject to a number of conditions, including:

(a) **Minimum acceptance condition**

At the end of the Offer Period, TIO NZ has a Relevant Interest in at least 75% of the Non-Associated Shares then on issue. TIO NZ will not waive this condition unless TIO NZ has received valid acceptances for not less than 50.1% of the Non-Associated Shares under the Offer.

(b) **ASX waiver**

Before the end of the Offer Period, ASX has provided a waiver of Listing Rule 6.23 necessary to permit the treatment of the Options as set out in section 7.7 of this Target's Statement.

This condition was satisfied on 12 June 2015. For further details of the terms of the ASX waiver, see section 6.5(b) of this Target's Statement.

(c) **FIRB approval**

Before the end of the Offer Period, TIO NZ receives a notice of no objection to the Offer from FIRB (or the statutory period for making an order prohibiting the Offer lapses).

(d) **Material adverse change**

Between the Announcement Date and the end of the Offer Period, no 'material adverse change' occurs in relation to Rutila.

(e) **No prescribed occurrence**

Between the Announcement Date and the date 3 business days after the end of the Offer Period, no 'prescribed occurrence' occurs in relation to Rutila.

(f) **No breach of representation or warranty**

Between the Announcement Date and the end of the Offer Period, there is not a material breach of a Rutila Warranty (other than a breach of which the Bidder was aware of at the date of the Bid Implementation Agreement).

(g) **No persons entitled to securities in Rutila**

Between the Announcement Date and the end of the Offer Period, there are no additional entitlements to securities in Rutila other than those disclosed to TIO NZ pursuant to the Bid Implementation Agreement.

This is only a summary of the conditions of the Offer. The conditions are set out in full in section 10.7 of the Bidder's Statement.

As at the date of this Target's Statement, Rutila is not aware of any act, omission, event or fact that would result in the breach or non-satisfaction of a condition of the Offer. Rutila is not in a position to state whether the conditions of the Offer will be satisfied.

If the conditions are not satisfied or waived before the closing date of the Offer, as extended, the Offer will lapse and all acceptances will be returned. As at the date of this Target's Statement, only the ASX waiver condition has been satisfied. The other conditions of the Offer have not been satisfied or waived by TIO NZ.

6.9 Effect of Acceptance

If you accept the Offer while it is still conditional, you will give up your rights to sell your Rutila Shares, market or to otherwise deal with your Rutila Shares (subject to your limited rights to withdraw your acceptance).

In particular, if you accept the Offer you will be unable to accept any offer resulting from a Superior Proposal which arises after the date of this Target's Statement. However, if a subsequent offer resulting from a Superior Proposal is made, and TIO NZ decides to increase the Offer Price and the Offer becomes unconditional, you will be entitled to receive the higher price offered by TIO NZ.

Other consequences of accepting the Offer are set out in section 10.5 of the Bidder's Statement. You are encouraged to read those sections in full. In particular, you should note that by accepting the Offer you will:

(a) be deemed to give TIO NZ certain representations and warranties regarding your title to your Rutila Shares;

(b) with effect from the date on which all the conditions to the Offer have been fulfilled or waived, irrevocably appoint TIO NZ and any director, secretary and nominee of TIO NZ as your attorney to exercise all your powers and rights in relation to your Rutila Shares (including voting rights); and

(c) with effect from the date on which all the conditions to the Offer have been fulfilled or waived, becomes unconditional, agree not to attend or vote in person, by proxy or by body corporate representative at any general meeting of Rutila or purport to exercise any of the powers and rights conferred on TIO NZ in relation to your Rutila Shares.

6.10 **Limited right to withdraw acceptance**

If you accept the Offer, you are only able to withdraw your acceptance in the following circumstances:

(a) at any time while the FIRB Condition remains unfulfilled;

(b) if the FIRB Condition is fulfilled, but the Offer otherwise remains conditional at the end of the Offer Period or, in the case of the 'prescribed occurrences' condition, at the end of the third business day after the end of the Offer Period; or

(c) if TIO NZ extends the Offer Period by more than one month and postpones, for more than one month, the time when it has to meet its obligations under the Offer and the Offer is conditional at that time. If this occurs, a notice will be sent to you at the relevant time explaining your rights in this regard.

For further details on the circumstances in which you can revoke your acceptance of the Offer, see section 10.5 of the Bidder's Statement.

6.11 **Effect of an improvement in the Offer consideration**

If TIO NZ improves the consideration under the Offer, all Rutila Shareholders who accept the Offer, whether or not they have accepted before of after the improvement in consideration, will be entitled to the benefit of that improved consideration.

6.12 **Taxation implications of the Offer**

The taxation implications of accepting the Offer depend on a number of factors and will vary depending on your particular circumstances. A general outline of the Australian taxation considerations of accepting the Offer are set out in section 8 of the Bidder's Statement. That general outline has been prepared by TIO NZ.

You should carefully read section 8 of the Bidder's Statement and consider the taxation implications of accepting the Offer. The outline provided in the Bidder's Statement is of a general nature only and you should seek your own professional advice as to the taxation implications applicable to your personal circumstances.

6.13 **TIO NZ's intentions with respect to the Offer and Rutila**

TIO NZ has set out its and Nyco's intentions in relation to the Offer and the business of Rutila generally in section 7 of the Bidder's Statement, including:

(a) intentions if Rutila becomes jointly owned by TIO NZ and Nyco;

(b) intentions if Rutila becomes a partly owned, controlled entity of TIO NZ;

(c) intentions if Rutila is not controlled by TIO NZ; and

(d) other intentions with respect to the business of Rutila generally.

While section 7 of the Bidder's Statement sets out TIO NZ and Nyco's intentions for Rutila in certain circumstances, these intentions are stated to be current intentions only and may vary as new information becomes available or circumstances change. In addition, these intentions are subject to a general review of Rutila's projects and operations in the event that Rutila becomes owned by TIO NZ and Nyco. This review is to be undertaken by TIO NZ after the end of the Offer Period, and TIO NZ and Nyco's intentions for Rutila may therefore change, potentially resulting in changes to Rutila and its strategy and activities.

6.14 Bid Implementation Agreement and Competing Proposals

On 11 May 2015, Rutila and TIO NZ entered into a Bid Implementation Agreement setting out the terms on which they will implement the Takeover Bid. Further details of the Bid Implementation Agreement are set out in section 9.2 of the Bidder's Statement. A copy of the Bid Implementation Agreement was lodged with the ASX on 12 May 2015 and can be viewed on the ASX website at www.asx.com.au (ASX code: RTA).

The Bid Implementation includes obligations on Rutila to provide information to Shareholders in relation to Competing Proposals. The inclusion of these obligations in the Bid Implementation Agreement was a condition of the granting of ASIC Relief to TIO NZ and Nyco (see section 6.5(a)). These obligations are as follows:

(a) if a Competing Proposal (one which the Independent Director acting reasonably considers to be a bona fide proposal) is publicly announced at any time from the date of the Bid Implementation Agreement until the end of the Offer Period, Rutila must ensure that Rutila Shareholders are provided with all information which is known to Rutila and which is material to the consideration of the Takeover Bid by Rutila Shareholders, including any material information concerning the Competing Proposal (**New Information**); and

(b) Rutila must consult in a timely manner with ASIC in relation to the New Information and the time by which the New Information is to be dispatched to Rutila Shareholders.

6.15 Compulsory acquisition

TIO NZ has stated in section 7.2 of the Bidder's Statement that if it becomes entitled to do so, then it intends to proceed to compulsory acquisition of outstanding Rutila Shares in accordance with Part 6A.1 of the Corporations Act. Following completion of the compulsory acquisition, TIO NZ intends to apply for termination of the official quotation of Rutila Shares on the ASX and arrange for Rutila to be removed from the official list of the ASX.

(a) Post-bid compulsory acquisition

TIO NZ will be able to compulsorily acquire any outstanding Rutila Shares for which it has not received acceptances on the same terms as the Offer, if during, or at the end of, the Offer Period, TIO NZ (taken together with its Associates, including Nyco):

(i) has a relevant interest in at least 90% (by number) of Rutila Shares; and

(ii) has acquired at least 75% (by number) of Rutila Shares for which it has made the Offer.[6]

If these thresholds are met, TIO NZ will have one month from the end of the Offer Period within which to give compulsory acquisition notices to Rutila Shareholders who have not accepted the Offer. The consideration payable by TIO NZ will be the consideration last offered under the Offer.

[6] ASIC class order CO 13/522 modifies section 661A of the Corporations Act such that Rutila Shares in which TIO NZ or Nyco had a relevant interest as at the date of the Offer are not counted for the purpose of calculating whether the 75% threshold has been met.

As at the date of this Target's Statement, TIO NZ and its Associates, including Nyco, hold a relevant interest in 69.35% of Rutila Shares.

(b) **General compulsory acquisition**

Even if TIO NZ does not become entitled to compulsorily acquire Rutila Shares under the above procedures, it may nevertheless become entitled to exercise general compulsory acquisition rights at some time after the Offer Period under Part 6A.2 of the Corporations Act.

TIO NZ will be entitled to compulsorily acquire any Rutila Shares under Part 6A.2 of the Corporations Act if TIO NZ (together with its Related Bodies Corporate) holds full beneficial interest in at least 90% (by number) of Rutila Shares. (For this to occur, TIO NZ would need to acquire some or all of the Rutila Shares held by Nyco (as Nyco presently has an interest in approximately 23.3% of Rutila's Shares).) In that event, compulsory acquisition will occur if (among other things):

(i) TIO NZ lodges a compulsory acquisition notice with ASIC within six months of attaining the compulsory acquisition threshold and dispatches this notice to all other Rutila Shareholders;

(ii) TIO NZ proposes a cash price for the Rutila Shares to be compulsorily acquired; and

(iii) the compulsory acquisition notices sent to Rutila Shareholders are accompanied by an expert's report stating whether, in the opinion of the expert, the terms of the compulsory acquisition give a "fair value" for Rutila Shares.

In addition, if Rutila Shareholders with at least 10% of the remaining Rutila Shares object to the compulsory acquisition before the end of the objection period (which must be at least one month), TIO NZ will need to obtain the approval of a court for the compulsory acquisition.

6.16 Minority ownership consequences

If all conditions to the Offer are satisfied or waived, TIO NZ will acquire a majority Shareholding in Rutila, as it has agreed not to waive the Minimum Acceptance Condition unless it has received valid acceptances for not less than 50.1% of the Non-Associated Shares under the Offer. Accordingly, Rutila Shareholders who do not accept the Offer will be minority shareholders in Rutila. This has a number of possible implications, including:

(a) TIO NZ will control Rutila because it will be in a position to cast a majority of votes at a general meeting of Rutila enabling it to control the composition of the Board and the appointment of senior management, determine Rutila's dividend policy and control the strategic direction of Rutila and its subsidiaries;

(b) the liquidity of Rutila Shares may be lower than at present;

(c) the market price for Rutila Shares may fall immediately following the end of the Offer Period and it is unlikely that the price of Rutila Shares will reflect any takeover premium;

(d) if the number of Rutila Shareholders is less than that required by the ASX Listing Rules to maintain an ASX listing then TIO NZ may seek to have Rutila removed from the official list of the ASX and, if such removal occurs, Rutila Shares will not be able to be bought or sold on the ASX;

(e) if TIO NZ acquires 75% or more of Rutila Shares it will be able to ensure that the passing of special resolutions at meetings of Rutila, which would enable TIO NZ, among other things to change Rutila's constitution; and

(f) transactions between the Todd Group and Rutila will continue not to fall within the exceptions for closely held or wholly owned subsidiaries under the related party provisions of Chapter 2E of the Corporations Act and ASX Listing Rule 10.1.

6.17 Withdrawal of the Offer by TIO NZ

TIO NZ may withdraw the Offer with the written consent of ASX and subject to any conditions ASIC specifies in such consent.

If TIO NZ withdraws the Offer, Rutila Shareholders will no longer be able to accept the Offer.

6.18 Consequences of unsuccessful or withdrawn Offer

If the Offer is unsuccessful, Rutila will remain listed on the ASX and will continue to attempt to execute its current business strategy. The Rutila Directors will continue to consider strategic alternatives in order to maximise the value of Rutila Shares.

Should the Offer be unsuccessful or withdrawn, it is likely that Rutila Shareholders will experience dilution of their shareholdings as additional equity will need to be issued to raise funds to meet Rutila's existing debt obligations and ongoing operating and capital requirements, particularly if TIO NZ Group cease their current financing support provided to Rutila. No assurances can be given that Rutila will be able to successfully complete a capital raising on acceptable terms or at all.

Should the Offer be unsuccessful, it is also likely that the TIO NZ Group will elect to convert the second tranche of the Convertible Loan into equity in Rutila. The TIO NZ Group is entitled to convert the Convertible Loan from 28 February 2015 until 31 December 2015. As part of the arrangements with Nyco, the TIO NZ Group has agreed not to convert the second tranche of the Convertible Loan during the Offer Period. See section 7.3(e) of the Bidder's Statement for more information.

6.19 Governing law

The Offer and any contract resulting from acceptance of it are governed by the law in force in New South Wales, Australia.

7. INFORMATION REGARDING RUTILA

7.1 Background

This section 7 contains information regarding Rutila. Additional information about Rutila is included in section 7.2 of this Target's Statement.

Further information regarding Rutila is also available in Rutila's Annual Report for the financial year to 30 June 2014, its financial statements for the half-year to 31 December 2014, and its quarterly reports and cash flow statements, which are available on the ASX website at www.asx.com.au (ASX code: RTA).

7.2 Overview of Rutila

Rutila is a mineral resources company, incorporated in Australia and listed on the ASX (ASX code: RTA). Rutila's major assets are its interest in the Balla Balla Joint Venture, which includes the Balla Balla Infrastructure Project and the Balla Balla Mine, and the West Eucla Mineral Sands Project.

(a) Balla Balla Joint Venture (BBJV)

Rutila has a 68% interest in the BBJV, with Balla Two (Mining) Pty Limited (a subsidiary of TIO NZ) holding the remaining 32%. The foundation customer of the Balla Balla Infrastructure Project is Flinders Mines Limited (ACN 091 118 044) (**Flinders**). TIO NZ has entered into an implementation agreement with Flinders in relation to the proposed acquisition of Flinders' Pilbara Iron Ore Project (**PIOP**) which includes certain tenements for the extraction of iron ore. The proposed acquisition is subject to certain conditions, including the approval of the transaction by Flinders' shareholders.

The Balla Balla Infrastructure Project comprises the Balla Balla Rail Project and the Balla Balla Port. The rail infrastructure will consist of a 160km railway and 40km conveyor from Flinders' PIOP to the Balla Balla Port. The Balla Balla Port will have a phased capacity of up to 45 million tonnes per annum to accommodate the Flinders throughput, the output of the Balla Balla Mine and other potential third party iron ore producers.

The principal focus of activity for Rutila in relation to the BBJV is the progression of the Front End Engineering Design (**FEED**) study and development of the Definitive Feasibility Study (**DFS**) for the Balla Balla Rail Project and the Balla Balla Port.

For further information on the status of Rutila's Projects, please refer to Rutila's quarterly operations and cash-flow report for the quarter ended 31 March 2015 released to ASX on 30 April 2015 (amended on 4 May 2015). Copies of these reports are available at www.asx.com.au (ASX code: RTA).

(b) Balla Balla Mine

The BBJV has a 100% interest in the Balla Balla Mine, a vanadium titanium magnetite deposit, which is located 8km south of the proposed Balla Balla Port. The deposit has a JORC Code compliant resource estimate of 455.9 million tonnes of vanadium-titanomagnetite ore. The mine is intended to produce up to 10 million tonnes per annum. It is proposed that the Balla Balla Mine will be developed in conjunction with an expansion of the Balla Balla Port to a total throughput capacity of 45 million tonnes per annum.

(c) **Eucla West Mineral Sands Project**

Rutila has a 25.05% interest in the Eucla West Mineral Sands Project, a heavy mineral sands project in Western Australia. A JORC Code compliant resource estimate was completed by Hellman and Schofield Pty Limited and announced by Rutila in February 2012. Todd Minerals and Coal Pty Ltd also has a 25.05% interest in this project. The remaining 49.90% interest in the project is held by Westover Holdings Pty Ltd and Wildside (WA) Pty Ltd.

7.3 Rutila Directors

As at the date of this Target's Statement, the Directors are:

Nicholas Curtis Executive Chairman	Mr Nicholas Curtis is a director of Nyco and Executive Chairman of Rutila. His career spans more than 30 years in the resources and finance industries. Mr Curtis is also Chairman of the corporate advisory firm, Riverstone Advisory, is a Fellow of the Australian Institute of Company Directors and serves as a Director of the Asia Society. Mr Curtis has recently joined the St Vincent’s Precinct Research Executive Council as Chairman. Mr Curtis is a former Director of the Garvan Institute of Medical Research, St Vincent’s Health Australia Ltd, St Vincent’s Healthcare Ltd and was Chairman of the Board of St Vincent’s & Mater Health Sydney Limited from August 2004 to October 2009. Previously, Mr Curtis was Chairman of Lynas Corporation, a director of Conquest Mining (now Evolution Mining) and was the founding Chairman of Sino Mining Gold, (now part of Eldorado Gold). Prior to this Mr Curtis held the position of Executive Director of Macquarie Bank Limited. During Lynas Corporation’s membership of the World Economic Forum, Mr Curtis served as a Governor of the Mining and Metals Industry Partnership Group and as Co-Chair of the Global Growth Company community. On 13 June 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.
Matthew James 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 when his family relocated to the UK. Dr James remained within the executive leadership team as an Executive Director until 1 July 2014 when he took up a Non-Executive Director position. Dr James 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. Dr James played an instrumental role in building Lynas to an ASX100 Company. Prior to joining Lynas, Dr James 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. Dr James 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 Wang Non-Executive Director	Harold Wang was appointed to the Board of Rutila on 1 July 2010 and is a Founding Partner of HHK, a corporate advisory firm that specialises in bridging the gap between western resource opportunities and the increasing Chinese demand for raw materials. Mr Wang 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. Mr Wang was Deputy Director of CNNC's planning department, overseeing new investment projects, and Foreign Affairs Department. In his role at CNNC, Mr Wang was in charge of all international funding for CNNC for a period of 10 years. Mr Wang held the position of Executive Director and President of Lynas Corporation Limited before 2007. He 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. Mr Wang studied at Tsinghua University, Beijing for his Master's degree of Engineering in early 1980s.
Emmanuel Correia Non-Executive Director	Emmanuel Correia is a Chartered Accountant and has extensive experience in the corporate finance and equity capital markets. Mr Correia has had over 20 years public accounting and corporate finance experience 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. He is also a director and founder of Peloton Capital Pty Ltd. Mr Correia provides corporate advice to a diverse client base both in Australia and in overseas markets. He 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. Mr Correia is also the Company Secretary of Bluglass Ltd.
Michael Wolley Non-Executive Director	Mr Michael Wolley holds a first class honours degree in Chemical and Materials Engineering (University of Auckland) and a Masters of Management (Macquarie Graduate School of Management). In 2013, Mr Wolley was appointed to the role of Vice President Minerals and Coal of Todd Corporation based in Sydney. Mr Wolley is a Director of Wolf Minerals Limited, an ASX listed resources business. Mr Wolley also sits on the Board of Strattera, the New Zealand minerals industry body, and is a member of the Australian Institute of Company Directors and the New Zealand Institute of Company Directors.

7.4 Material changes in financial position of Rutila and other developments

(a) Half year results and quarterly reporting

Rutila released its interim financial report for the half-year ended 31 December 2014 on 11 March 2015 and its quarterly operations and cash-flow reports for the quarter ended 31 March 2015 on 30 April 2015 (amended on 4 May 2015). Copies of these reports are available at www.asx.com.au (ASX code: RTA).

(b) **Other material matters**

(i) On 5 March 2015, Todd Corporation (through its wholly owned subsidiary Balla One) provided Rutila with an election notice, setting out that it has elected to convert Tranche 2 of the Convertible Loan comprising $5 million (plus outstanding interest) into fully paid ordinary shares of Rutila.

The conversion arrangements of Convertible Loan are outlined at section 7.3(e) of the Bidder's Statement.

(ii) Commencing on 2 April 2015, TIO NZ Group agreed to provide Rutila with an interim funding arrangement in the form of advanced cash calls contributed by TIO NZ Group under the BBJV arrangements. These advance cash calls contributed by TIO NZ Group allow Rutila to meet its current obligations under the BBJV.

(iii) On 11 May 2015, Flinders Mines Limited announced that it had entered into an option agreement with a subsidiary of TIO NZ to sell Flinders' Pilbara Iron Ore Project (**PIOP**). Under the agreement, TIO NZ Group has the option to purchase PIOP for a total of A$65 million plus royalties. If the Offer is successful and TIO NZ Group exercises the PIOP option, the BBJV and PIOP will have a common controlling shareholder in TIO NZ. The potential value to TIO NZ of this common control is discussed at pages 5-6 of the Independent Expert's Report. The announcement of the option is available on www.asx.com.au (ASX code: FMS).

(iv) As set out in section 7.2(d) of the Bidder's Statement, and as announced by Rutila on 2 June 2015, if the proposed acquisition of PIOP completes and the Offer is successful, TIO NZ plans to develop PIOP and the Balla Balla Infrastructure Project as an integrated project. In anticipation of this, TIO NZ has also recently entered into conditional arrangements with Shandong Iron and Steel Group Co. Ltd (**SISG**), a Chinese steel company, for the sale and purchase of iron ore from the Central Pilbara.

These arrangements consist of a conditional agreement for long-term offtake of iron ore from PIOP and a right of first refusal over other volumes of iron ore from the Central Pilbara that TIO NZ or its affiliates might own, or have marketing rights to, in the future.

TIO NZ has stated in section 7.2(d) of the Bidder's Statement that even if TIO NZ does not gain control of PIOP, it is of the view that there may be other opportunities within the Central Pilbara to secure sources of iron ore to deliver to SISG under the Balla Balla Infrastructure Project.

7.5 Issued Rutila Shares

As at the date of this Target's Statement, Rutila had 121,410,197 Rutila Shares on issue.

Other than Rutila Shares that might be issued as a result of the exercise of the Rutila Options (see section 7.7(b) of this Target's Statement), Rutila does not anticipate that it will be required to issue any Rutila Shares before the end of the Offer Period. It is a condition of the Bid that no Rutila Shares are issued during the Offer Period, other than those issued as a result of the exercise of the Rutila Options.

7.6 Rutila substantial shareholders

As at 18 June 2015 being the last practical trading day prior to the date of this Target's Statement, the Rutila Shareholders with substantial holdings are as follows:

Substantial Holder	Relevant Interest
Todd Corporation (and each of its subsidiaries)	69.35%[7]
Mr Nicholas Curtis, Ms Angela Curtis and Nyco	69.35%[8]

Rutila has relied on substantial shareholder notices provided to it up to the date of this Target's Statement, which are available on the ASX website, and information provided by its share registry to compile the above table.

7.7 Rutila Options

As at the date of this Target's Statement, there were 27,300,000 Options on issue as follows:[9]

No. of Shares under Option	***Exercise Price ($)***	***Expiry Date***	***Holder(s)***
6,500,000	0.50	31 December 2015	TIO NZ
2,000,000	0.30	27 June 2017	Riverstone
2,000,000	0.50	27 June 2017	Riverstone
5,475,000	0.54	1 December 2015	Company employees and/or directors
50,000	0.56	10 September 2017	Company employees and/or directors
1,450,000	0.30	2 October 2017	Company employees and/or directors
7,450,000	0.30	20 December 2017	Company employees and/or directors
50,000	0.56	1 January 2018	Company employees and/or directors
2,325,000	0.30	17 July 2018	Company employees and/or directors

[7] Includes the 20,483,500 Rutila Shares registered in the name of Nyco, and the 7,766,500 Rutila Shares registered in the name of Nyco Custodian as bare trustee for Nyco, in respect of which the Todd Corporation Group has a Relevant Interest as a result of the entry by TIO NZ and Nyco into the Cooperation Agreement. TIO NZ holds 55,944,863 Rutila Shares (representing approximately 46.08% of Rutila Shares. For further details, refer to the 'Notices of change of interests of substantial holder' dated 13 May 2015 and 5 June 2015 (www.asx.com.au ASX code: RTA).

[8] Includes the 55,944,863 Rutila Shares held by TIO NZ, in respect of which Nyco and Mr Curtis have a Relevant Interest as a result of the entry of TIO NZ and Nyco into the Cooperation Agreement. Nyco holds 20.483,500 Rutila Shares and Nyco Custodian holds 7,766,500 Rutila Shares as bare trustee for Nyco (together representing approximately 23.3% of Rutila's Shares). Mr Curtis and his spouse, Angela Curtis, are the legal and beneficial owners of all the issued shares in Nyco and Nyco Custodian. For further details, refer to the 'Notice of change of interest of substantial holder' dated 13 May 2015 (www.asx.com.au, ASX code: RTA).

[9] The Bidder's Statement states that there were 28,900,000 Options on issue, but this includes 1,000,000 Options issued to Riverstone, which lapsed on 29 May 2015 and 600,000 issued to a former employee that lapsed on the 15th June 2015.

(a) **Option Cancellation Deeds**

Rutila has entered into the TIO NZ Option Cancellation Deed with TIO NZ and the Riverstone Option Cancellation Deed with Riverstone.

The TIO NZ Option Cancellation Deed provides that subject to the satisfaction of the conditions below, the TIO NZ Options will be cancelled for no consideration.

The Riverstone Option Cancellation Deed provides that subject to the satisfaction of the conditions below, the Riverstone Options will be cancelled in exchange for $3 (in aggregate).

Both Option Cancellation Deeds are conditional upon:

(i) the Offer becoming, or being declared unconditional; and

(ii) ASX granting Rutila a waiver from ASX Listing Rule 6.23, and any conditions to such waiver being satisfied, or waived by ASX, or the shareholders of Rutila giving any necessary approvals under ASX Listing Rule 6.23.

On 12 June 2015, TIO NZ gave notice to the ASX that the ASX waiver condition had been fulfilled (for further details, see section 6.5(b) of this Target's Statement).

(b) **Employee Options**

Under the terms of the Options issued to employees and directors (**Employee Options**), in the event of a takeover bid the period for exercising the Employee Options is to be accelerated so that the Options may be exercised within a specified period during the Offer Period. If a holder does not exercise his or her Employee Options during the new specified period, then those Employee Options will lapse provided that the Offer becomes unconditional.

On 12 June 2015, Rutila gave notice to the holders of the Employee Options of the new period in which they must exercise their Employee Options if they wish to exchange their options for Rutila Shares. The Rutila Directors note that it is unlikely that the Employee Options will be exercised because the exercise price for each Employee Option is equal to or greater than the consideration of 30 cents per Rutila Share under the Offer.

7.8 Other arrangements

The TIO NZ Group is a significant financier to Rutila. As at the date of this Target's Statement, the TIO NZ Group has financing arrangements in place with Rutila totalling $47.6 million as outlined below:

(a) As at the date of this Target's Statement, Forge Resources (a subsidiary of Rutila) has senior secured debt outstanding to Balla One (a subsidiary of TIO NZ) of $27.5 million plus accrued interest of approximately $14.7 million. The loan is repayable on 31 December 2015 and accrues interest at 15% per annum.

(b) Balla One and Forge Resources have also entered into the Convertible Loan. The Convertible Loan is split into two equal tranches with each tranche optionally convertible into either an additional interest in the BBJV or into fully paid ordinary shares in Rutila. The TIO NZ Group notified Rutila of its intention to convert the first tranche of the Convertible Loan on 24 October 2014 into fully paid ordinary shares in Rutila and converted this first tranche on the same day. As a result of the conversion the TIO NZ Group’s interests in Rutila increased from 19.64% to 46.08%.

On 28 November 2014, Rutila drew down on the second tranche of the Convertible Loan which, as at the date of this Target's Statement, has a balance of $5.4 million (inclusive of accrued interest). The TIO NZ Group is entitled to convert the second tranche of the Convertible Loan into equity from 28 February 2015 until 31 December 2015. As part of the arrangements with Nyco, the TIO NZ Group has agreed not to convert the second tranche of the Convertible Loan during the Offer Period (See section 7.3(e) of the Bidder's Statement for more information).

(c) TIO NZ Group has also agreed to provide Rutila with an interim funding arrangement in the form of advanced cash calls contributed by TIO NZ Group under the BBJV arrangements. These advance cash calls contributed by TIO NZ Group allow Rutila to meet its current obligations under the BBJV.

In its agreements with Nyco, if the Offer is successful, TIO NZ has agreed to certain arrangements in relation to the financing above. See section 9.3(b) of the Bidder's Statement for more information on these arrangements.

7.9 Material litigation

As at the date of this Target's Statement, the Rutila Directors are not aware and do not believe Rutila is involved in any ongoing litigation which is material in the context of Rutila and its subsidiaries taken as a whole.

7.10 Risk factors affecting Rutila's business

The risk factors in this section 7.10 are existing risks relating to Rutila's business and the industry in which it operates. Some of these risks will continue to be relevant to Rutila Shareholders who do not accept the Offer and retain their current shareholding in Rutila. The risks will also continue to be relevant to all Rutila Shareholders if the Offer does not proceed (for example, if the Bid Conditions are not met or waived before the end of the Offer Period).

This section 7.10 describes key, but not all, risks associated with an investment in Rutila as at the date of this Target's Statement. This section 7.10 does not take into account the investment objectives, financial circumstances, taxation position or particular needs of individual Rutila Shareholders and is not exhaustive. Prior to deciding whether or not to accept the Offer, Rutila Shareholders should carefully consider the risk factors discussed in this section 7.10, as well as other information contained in this Target's Statement, the Independent Expert's Report and the Bidder's Statement and seek independent professional advice.

In addition, if you do not accept the Offer during the Offer Period, you may end up being a minority shareholder in Rutila. This section 7.10 should be read in conjunction with section 6.16 of this Target's Statement, which describes some of the risks associated with being a minority shareholder in Rutila (in circumstances where TIO NZ does not become entitled to compulsorily acquire all remaining Rutila Shares).

(a) General risk factors

As with all entities with listed securities on the ASX, the future prospects, operating and financial performance of Rutila and the value of Rutila Shares are affected by a variety of general business, economic and political factors in Australia and overseas, including economic growth or recession, inflation, interest rates, employment levels, changes in law, government policies or regulatory regimes, changes in taxation laws (or their interpretation) or regulation in the markets in which Rutila operates. Deterioration of the general economic conditions, adverse foreign exchange rate movements, adverse movements in the Australian and overseas stock markets, natural disaster and catastrophic events may also affect Rutila's financial and operating position.

(b) **Specific risk factors**

(i) ***Iron ore price fluctuations***

The price for iron ore will ultimately depend on a number of factors including global iron ore demand and supply dynamics and, world economic growth. Any substantial decline in the price for iron ore or an increase in transportation or infrastructure costs could have a material adverse effect on Rutila and the value of Rutila Shares.

(ii) ***Reliance on successful development of Projects***

For Rutila to ultimately become a profitable operating entity, it must be successful in developing and commercialising one or a combination of its Projects: the Balla Balla Infrastructure Project, the Balla Balla Mine or the Eucla West Mineral Sands Project. If Rutila is not successful in developing any of these Projects, this is likely to have a material adverse effect on Rutila and the value of Rutila Shares.

(iii) ***Infrastructure access***

The profitability of Rutila and the value of Rutila Shares also directly relates to the successful development of a feasible rail and port infrastructure solution in the case of the Balla Balla Infrastructure Project or to the successful development of an alternative infrastructure solution to enable iron ore to be exported from the Balla Balla Mine.

(iv) ***Commercialisation***

If Rutila recovers commercial quantities of iron ore from its or its customers' projects, there is no guarantee that Rutila will be able to successfully transport the iron ore to commercially viable markets or sell the iron ore to customers to achieve a commercial return.

(v) ***Mining***

If Rutila proceeds to mine at one or more of its projects, mining risks include fire, explosions, environmental hazards, and injury to persons and property. The occurrence of any of these risks could adversely affect Rutila's operations and reputation or licence to operate.

(vi) ***Reserves***

Resource estimates are based on knowledge, experience and industry practice. Estimates are a necessary practice, and though valid when originally calculated, may change significantly and cease to be accurate when new information becomes available through additional fieldwork or analysis. Resource estimates are by their nature imprecise and to an extent depend on interpretation, which may result in inaccuracies.

(vii) ***Future funding***

Rutila may not be able to raise the short-term capital or divest of assets sufficient to repay or re-finance its existing debt in the required timeframe due to, among other things, the relative amount of finance needed compared to the market capitalisation of Rutila, Balla One's first ranking security interest over Rutila's assets and the current iron ore price environment.

Rutila will need to raise future additional capital to fund both the debt and equity elements of the Balla Balla Mine, the Eucla West Mineral Sands

Project and the Balla Balla Infrastructure Project. There are no guarantees that Rutila will be able to raise additional capital on acceptable terms or at all. In the event such funds are not forthcoming Rutila may seek to divest all or part of its interests in the Projects or reduce its commitments.

(viii) ***Regulatory risk***

Rutila may not be able to secure the necessary regulatory approvals and consents to develop and operate its Projects, including a State Rail Agreement, Pilbara Port Authority agreements, planning consents and marine and environmental approvals.

If the necessary regulatory approvals are secured, Rutila must comply with those approvals and other applicable laws, regulations and policies. This may from time to time affect timing and scope of work to be undertaken. Furthermore, changes to taxation rates or regimes designed to address climate change and greenhouse gas emissions, may have a material adverse effect on Rutila’s profitability

(ix) ***Environmental risks***

Resource exploration, development and production, including the development of related infrastructure, can be potentially environmentally hazardous, giving rise to substantial costs for environmental rehabilitation, damage control and losses.

(x) ***Native title and Aboriginal cultural heritage***

The existence of native title, registered native title claims and sacred Aboriginal sites or objects on land the subject of Rutila's tenements is a potential risk and may result in increased legal and administrative costs, or a complete or partial prohibition on mining activities, which have a material adverse effect on Rutila’s profitability

(xi) ***Insurance***

Insurance of all risks associated with resource exploration, development and production is not always available and, where available, the cost can be high. Rutila will not be insured against all possible losses, whether because of the unavailability of cover or because the premiums may be excessive relative to the benefits that would accrue.

(xii) ***Litigation***

Rutila may be the subject of complaints or litigation by customers, suppliers, government agencies or other third parties. Such matters may have an adverse effect on Rutila's reputation, divert its financial and management resources from operational matters, or have a material adverse effect on Rutila's future results and financial condition.

(xiii) ***Exchange rate fluctuations***

Rutila's financial results may be negatively affected by currency exchange rate fluctuations.

7.11 **Continuous disclosure**

Rutila is a disclosing entity (as that term is defined in the Corporations Act) and is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules.

Copies of the documents filed with ASX by Rutila may be obtained from the ASX's website at www.asx.com.au (ASX code: RTA).

8. INFORMATION REGARDING RUTILA DIRECTORS

8.1 Rutila Directors' interests in Rutila Shares and Options

As at the date of this Target's Statement, the Rutila Directors have the following interests in Rutila Shares and Options:

Director	***No. of Rutila Shares in which an interest is held***	***No. of Options in which an interest is held***
Nicholas Curtis[10]	28,250,000	9,000,000
Nicholas Curtis (as an Associate of TIO NZ)[11]	55,944,863	6,500,000
Matthew James	1,255,370	4,650,000
Harold Wang	350,000	2,016,667
Emmanuel Correia	525,001	1,258,334
Michael Wolley[12]	-	300,000

Pursuant to the Cooperation Agreement between Nyco and TIO NZ, it has been agreed that all Rutila Shares held by or on behalf of Nyco (being a company owned by Nicholas Curtis and his spouse) will not be accepted into the Offer. Pursuant to the Cooperation Agreement, it has also been agreed that Nyco and its Associates (who include Nicholas Curtis and Riverstone) will not exercise any of their Options during the Offer Period. The Cooperation Agreement also prevents the exercise of the Options issued to Michael Wolley, in which the ultimate beneficial interest, if they vest, has been assigned to Todd Corporation. For further information on the Cooperation Agreement and other arrangements between TIO NZ and Nyco, see section 6.4 of this Target's Statement.

The effect of the Offer on the interests in Rutila Shares held by the other Rutila Directors will be no different than the effect on the like interests of other persons. The effect of the Offer on the Options held by the other Rutila Directors as directors is the same as the effect on other employees of Rutila. For a summary of the treatment of Employee Options see section 7.7(b) of this Target's Statement.

The Riverstone Options, in which Nicholas Curtis has a relevant interest due to his shareholding in Riverstone, are to be cancelled if the Offer becomes unconditional. For a summary of the terms and purpose of these cancellations, see section 7.7(a) of this Target's Statement.

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[10] Includes the Rutila Shares registered in the name of Nyco and of Nyco Custodian as bare trustee for Nyco. The Options includes the Riverstone Options in which Mr Curtis has a relevant interest due to his shareholding in Riverstone.

[11] Includes the the Rutila Shares and Options registered in the name of TIO NZ, in respect of which Mr Curtis has a Relevant Interest as a result of the entry by TIO NZ and Nyco into the Cooperation Agreement. For further details, refer to the 'Notice of change of interests of substantial holder' dated 13 May 2015 (www.asx.com.au ASX code: RTA). The TIO NZ Options are to be cancelled if the Offer becomes unconditional. For summary of the terms and purpose of these cancellations, see section 7.7(a) of this Target's Statement.

[12] Mr Wolley has advised that Todd Corporation holds the the ultimate beneficial interest in these Options.

8.2 Rutila Directors' dealings in Rutila Shares

In the four month period ending on the date immediately before the date of this Target's Statement, the following Rutila Directors acquired or disposed of a Relevant Interest in Rutila Shares as described below:

(a) Nicholas Curtis, as a director and shareholder of Nyco, acquired a Relevant Interest in the 55,944,863 Rutila Shares held by TIO NZ, as a result of the entry of TIO NZ and Nyco into the Cooperation Agreement.

8.3 Rutila Directors' interests in TIO NZ and/or Nyco

None of the Rutila directors have any shareholding or other interest in TIO NZ or Todd Corporation.

Michael Wolley is a director of TIO NZ and an employee of Todd Corporation.

Nicholas Curtis is a director and shareholder of Nyco.

In accordance with principles of good corporate governance, the board of Rutila has established protocols and procedures in relation to the Takeover Bid so that Mr Wolley and Mr Curtis are excluded from the consideration of the Offer or any Competing Proposal by Rutila's board or management. The Protocols did not, however, exclude Mr Wolley and Mr Curtis considering and approving this Target's Statement (other than section 1, the Independent Director's recommendation) as Rutila Directors. However consistent with the Bidder's Statement, Mr Wolley absented himself (with the consent of the other Rutila Directors) from the Rutila Board meeting when this Target's Statement was approved.

8.4 Rutila Directors' dealings with TIO NZ and/or Nyco

There have been no acquisitions or disposals of a Relevant Interest in the shares of TIO NZ, Nyco or any Related Body Corporate of TIO NZ or Nyco by Rutila or any Rutila Director in the four months ending on the day immediately before the date of this Target’s Statement.

8.5 Benefits and agreements

(a) Retirement benefits

As a result of the Offer, no person has been or will be given any benefit (other than a benefit which can be given without Rutila Shareholder approval under the Corporations Act) in connection with the retirement of that person, or someone else, from a board or managerial role in Rutila or a Related Body Corporate of Rutila.

(b) Agreements connected with or conditional on the Offer

Nicholas Curtis, as a shareholder of Nyco, has an interest in the arrangements between Nyco and TIO NZ relating to the Offer and the business of Rutila if the Offer is successful. These arrangements are summarised in section 6.4 of this Target's Statement and section 9.3 of the Bidder's Statement. A key term of one of the arrangements, the Restructure Agreement, provides that, after the completion of the successful Offer, Mr Curtis will continue as the CEO of Rutila for an interim period until a successor is appointed at which point Mr Curtis would continue as an executive director of Rutila.

(c) Benefits from the Offer

The Independent Director will be paid by Rutila for his additional time necessarily spent in the negotiation, management and advisory work in relation to the Offer and any other matters in connection with the Offer. The additional costs will be charged on commercial terms and are not conditional on the successful completion of the Offer.

Except as set out in this section 8 of this Target's Statement, no Rutila Director has agreed to receive, or is entitled to receive, any benefit from TIO NZ or a member of the Todd Group which is conditional on, or is related to, the Offer, other than in their capacity as a holder of Rutila Shares.

(d) **Interests of Rutila Directors in contracts with TIO NZ and/or Nyco**

The following Rutila Directors have interests in contracts with members of the TIO NZ Group or the Nyco Group:

(i) Michael Wolley is a director of TIO NZ and an employee of Todd Corporation;

(ii) Nicholas Curtis, as a director and shareholder of Nyco, is interested in the arrangements agreed between TIO NZ and Nyco in relation to the Offer and Rutila (see sections 6.3 and 8.5(b) above);

(iii) Harold Wang is a director and major shareholder of HKK Advisory, an advisory firm which has an ongoing consultancy role to provide advice to Todd Corporation Group and the BBJV on operating in the Chinese market;

(iv) Matthew James has an ongoing consultancy role to provide advice to Todd directly on certain resource projects. The BBJV is explicitly excluded from this consultancy role.

Except as set out in this section 8 of this Target's Statement, none of the Rutila Directors has any interest in any contract entered into by TIO NZ, Nyco or a member of the TIO NZ Group or the Nyco Group.

9. OTHER IMPORTANT INFORMATION FOR RUTILA SHAREHOLDERS TO CONSIDER

9.1 General matters

In considering whether to accept the Offer, the directors of Rutila encourage you to:

(a) read this Target's Statement together with the Bidder's Statement and the Independent Expert's Report in their entirety;

(b) ensure that you understand the consequences of accepting or rejecting the Offer, as described in this Target's Statement and the Bidder's Statement;

(c) have regard to the current and historical share price of Rutila Shares:

(d) have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances; and

(e) obtain advice from your legal, financial or other professional adviser if you are in any doubt as to what you should do.

9.2 Consent

The following persons have given consent, and before the date of this Target's Statement have not withdrawn their consent, to:

(a) being named in this Target's Statement in the form and context in which they are named; and

(b) where applicable, the inclusion of other statements in this Target's Statement which are based on or referable to statements noted next to their names, or which are based on or referable to other statements made by those persons, in the form and context in which they are included.

Name of Person	Capacity	Statements
Directors	Rutila Directors	Statements made by, or statements based on statements made by, the Rutila Directors
Grant Thornton	Independent Expert	The Independent Expert's Report at Annexure A of this Target's Statement and any statements referring to the Independent Expert's Report in this Target's Statement.
Clifford Chance	Legal Adviser	Not applicable
Computershare	Share Registry	Not applicable

9.3 Disclaimer

Each of the persons named above:

(a) does not make, or purport to make, any statement in this Target's Statement other than those statements referred to above and as consented to by that person; and

(b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement other than as described in the part with the person's consent.

9.4 Consents not required under ASIC Class Orders

This Target's Statement contains statements which are made, or based on statements made, in documents lodged with ASIC or given to the ASX. Pursuant to ASIC Class Order 13/521, the consent of persons to whom such statements are attributed is not required for the inclusion of these statements in this Target's Statement. The relevant documents are:

(a) the Bidder's Statement;

(b) the Bid Implementation Agreement;

(c) the Cooperation Agreement; and

(d) ASX announcement by Flinders Mines Limited, '*Flinders signs Option Agreement with Todd Corporation*' dated 11 May 2015.

As permitted by ASIC Class Order 13/523, this Target's Statement may include or be accompanied by certain statements fairly representing a statement by an official person or from a public official document or a published book, journal or comparable publication. Pursuant to ASIC Class Order 13/523, the consent of such persons to whom statement or documents are attributed is not required for the inclusion of those statements in this Target's Statement.

9.5 No other material information

This Target’s Statement is required to include all the information that Rutila Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, but:

(a) only to the extent to which it is reasonable for Rutila Shareholders and their professional advisers to expect to find this information in this Target’s Statement; and

(b) only if the information is known to any Rutila Director.

The Rutila Directors are of the opinion that the information that Rutila Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer is the information contained in:

(a) the Bidder’s Statement (to the extent that the information is not inconsistent with or superseded by information in this Target’s Statement);

(b) Rutila's releases to the ASX, and in the documents lodged with ASIC before the date of this Target's Statement; and

(c) this Target’s Statement, including the Independent Expert's Report.

9.6 Accuracy of Bidder's Statement

The Rutila Directors have assumed, for the purpose of preparing this Target's Statement, that the information in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the Rutila Directors do not take any responsibility for the contents of the Bidder's Statement and do not endorse, in any way, any or all statements contained in it.

9.7 Criteria used by Directors

In deciding what information should be included in this Target’s Statement, the Rutila Directors have had regard to:

(a) the nature of the Rutila Shares;

(b) the nature of the Offer;

(c) the matters that Rutila Shareholders may reasonably be expected to know in relation to Rutila, TIO NZ, and the Offer;

(d) the fact that certain matters may reasonably be expected to be known to the professional advisors of Rutila Shareholders; and

(e) the time available to Rutila to prepare this Target's Statement.

9.8 Material developments

The directors of Rutila will advise you if there are any material developments in relation to the Offer during the Offer Period.

9.9 Governing Law

This Target's Statement is governed by the law of New South Wales, Australia.

10. DEFINITIONS AND INTERPRETATION

10.1 Definitions

Announcement Date	the date of the announcement of the Offer by TIO NZ, being 12 May 2015
ASIC	the Australian Securities and Investments Commission
Associate	has the meaning given in section 12 of the Corporations Act
ASX	Australian Securities Exchange (ABN 98 008 624 691)
ASX Settlement	ASX Settlement Pty Limited (ABN 49 008 504 532)
ASX Settlement Operating Rules	the operating rules of ASX Settlement which govern the administration of the Clearing House Electronic Subregister System
Balla Balla Infrastructure Project	together the Balla Balla Port and the Balla Balla Rail Project
Balla Balla Joint Venture or **BBJV**	the unincorporated joint venture between Forge Resources (a wholly owned subsidiary of Rutila) and Balla Two (Mining) Pty Limited (a subsidiary of TIO NZ) for the purposes of developing the Balla Balla Infrastructure Project and the Balla Balla Mine
Balla Balla Mine	the BBJV's titanomagnetite deposit near to the Balla Balla Port which contains high grades of iron, titanium and vanadium
Balla Balla Port	the proposed export facilities and associated infrastructure in the Balla Balla Harbour in the Pilbara, Western Australia designed to use transhipment vessels to load iron ore on to ocean going vessels
Balla Balla Rail Project	the proposed 200km rail line and conveyer system and associated infrastructure designed to transport iron ore from the Central Pilbara region to the Balla Balla Port
Balla One	Balla One (Investments) Pty Limited (ACN 157 889 300), a subsidiary of TIO NZ
Bid Implementation Agreement	the bid implementation agreement between TIO NZ and Rutila dated 11 May 2015
Bidder's Statement	the statement of TIO NZ under Part 6.5, Division 2 of the Corporations Act relating to the Offer dated 4 June 2015
CHESS Holding	a holding of Shares which are registered on Rutila's share register being a register which is administered by the ASX Settlement and which records uncertificated holdings of Shares
Competing Proposal	any proposal, agreement, arrangement or transaction, which, if entered into or completed, would mean a Third Party (either alone or together with any Associates) may: 1 directly or indirectly acquire a Relevant Interest, or have the right to acquire a legal, beneficial or economic interest in 10% or more of the Shares or of the share capital of any subsidiary of Rutila;

2 directly or indirectly acquire control of Rutila or a subsidiary of Rutila;

3 otherwise (whether directly or indirectly) acquire or become the holder of, have a right to acquire or have an economic interest in all or a material part of Rutila's business or assets or the business or assets of any subsidiary of Rutila;

4 otherwise acquire (directly or indirectly) or merge with Rutila or a subsidiary of Rutila;

5 enter into any agreement, arrangement or understanding requiring Rutila or the Independent Director to (i) change, withdraw or modify the Independent Director's recommendation of the Takeover Bid or (ii) not recommend the Takeover Bid,

whether by way of takeover bid, scheme of arrangement, trust scheme, securityholder approved acquisition, capital reduction or buyback, relevant agreement, sale or purchase of shares, units, securities or assets, global assignment of assets and liabilities, incorporated or unincorporated joint venture, dual-listed company (or other synthetic merger), derivative, swap, synthetic instrument or other transaction, arrangement or security.

Convertible Loan	the $10 million Facility B convertible loan between Balla One and Forge Resources as set out in the amended Facility Agreement dated 21 May 2014
Controlling Participant	in relation to your Shares, has the same meaning as in the ASX Settlement Operating Rules
Cooperation Agreement	the Cooperation Agreement between TIO NZ and Nyco dated 11 May 2015
Corporations Act	the *Corporations Act 2001* (Cth)
Director	a director of Rutila
Eucla West Mineral Sands Project	the mineral sands project in the Eucla Basin, Western Australia, in which Rutila has a 25.05% interest
Facility Agreement	the Australia Dollar Term Facility Agreement dated 31 May 2012 between Forge Resources, Swan Pty Limited, Rutila and Balla One, as amended from time to time
FIRB	Foreign Investment Review Board
FIRB Condition	the condition in clause 10.7(c) of the Bidder's Statement
Forge Resources	Forge Resources Swan Pty Limited (ACN 149 783 068)
Independent Director	Emmanuel Correia, a director of Rutila
Independent Expert	Grant Thornton Corporate Finance Pty Limited
Independent Expert's Report	the report prepared and issued by the Independent Expect included in Annexure A of this Target's Statement
Issuer Sponsored Holding	a holding of Shares on Rutila's issuer sponsored subregister

JORC Code	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Resources, 2012 edition
Minimum Acceptance Condition	the condition contained in clause 3(a) of Schedule 2 to the Bid Implementation Agreement, and set out in section 10.7(a) of the Bidder's Statement
Non-Associated Shares	all Shares except those Shares in which TIO NZ or Nyco, and their respective Associates, have a Relevant Interest at the beginning of the Offer Period
Nyco	Nyco Pty. Limited (ACN 003 663 330), as trustee of the N.A. Curtis Superannuation Fund
Nyco Custodian	Nyco Custodian Pty Limited (ACN 602 351 191)
Offer	the offer for Shares under the terms and conditions contained in section 10 of the Bidder's Statement
Offer Period	the period during which the Offer will remain open for acceptance in accordance with section 10 of the Bidder's Statement
Option	an option, issued by Rutila, to subscribe for a Rutila Share
Project	the Balla Balla Mine, the Balla Balla Infrastructure Project or the Eucla West Mineral Sands Project
Relevant Interest	has the meaning given in sections 608 and 609 of the Corporations Act
Restructure Agreement	the Restructure Agreement between TIO NZ and Nyco dated 11 May 2015
Riverstone	Riverstone Advisory Pty Ltd (ACN 164 304 045)
Riverstone Option Cancellation Deed	the cancellation deed in respect of the Riverstone Options entered into between Riverstone, Rutila and TIO NZ
Riverstone Options	the Options registered in the name of Riverstone
Rutila	Rutila Resources Ltd (ABN 30 139 886 187)
Rutila Warranties	the warranties and representations given by Rutila set out in clause 8.1 and clause 8.2 of the Bid Implementation Agreement
Shareholder or **Rutila Shareholder**	a registered holder of Rutila Shares
Shares or **Rutila Shares**	fully paid ordinary shares in the capital of Rutila
Superior Proposal	a bona fide Competing Proposal of the kind referred to in paragraphs 2, 3 and 4 of the definition of Competing Proposal which the Independent Director, acting in good faith and after receiving legal advice from the Rutila's legal adviser, determines is: 1 reasonably capable of being valued and completed in a timely manner, taking into account all aspects of the Competing Proposal and the person making it; and 2 more favourable to Shareholders as a whole than the

	Offer, taking into account all the terms and conditions of the Competing Proposal.
Takeover Bid	the off-market takeover bid constituted by the dispatch of the Offers in accordance with the Corporations Act
Target's Statement	this document, being the statement of Rutila under Part 6.5, Division 3 of the Corporations Act responding to the Offer
TIO NZ	TIO (NZ) Limited (New Zealand Company No.3744171) of Level 15, The Todd Building, 95 Customhouse Quay, Wellington 6001, New Zealand
TIO NZ Group	TIO NZ, Todd Minerals or any of their respective subsidiaries (and a reference to **TIO NZ Group Member** is a reference to TIO NZ, Todd Minerals or any of their respective subsidiaries)
TIO NZ Option Cancellation Deed	the cancellation deed in respect of the TIO NZ Options entered into between Rutila and TIO NZ
TIO NZ Options	the Options registered in the name of TIO NZ
Todd Corporation	The Todd Corporation Limited (New Zealand Company No. 3491) of Level 15, The Todd Building, 95 Customhouse Quay, Wellington 6011, New Zealand
Todd Corporation Group	Todd Corporation and its related bodies corporate (and a reference to a **Todd Corporation Group Member** is a reference to Todd Corporation or any of its related bodies corporate)
Todd Minerals	Todd Minerals Limited (New Zealand Company No. 3744115) of Level 15, The Todd Building, 95 Customhouse Quay, Wellington 6011, New Zealand
VWAP	volume weighted average price

10.2 Interpretation

In this Target's Statement, unless the context otherwise requires:

(a) a term or phrase defined in the Corporations Act has the same meaning when used in this Target's Statement;

(b) a reference to a section is a reference to a section of this Target's Statement;

(c) a reference to a statutory provision includes a reference to the statutory provision as modified or re-enacted from time to time and any subordinate legislation made or other thing done under the statutory provision;

(d) a reference to a person includes a reference to an individual, a Government Authority, corporation, body corporate, association, partnership or other entity having legal personality;

(e) a reference to the singular includes the plural and vice versa;

(f) the word "including" is to be read as if the words "but not limited to" were inserted immediately after it;

(g) a reference to a time of day is a reference to the time in Sydney, Australia;

(h) a reference to \$, dollars, ¢ or cents is to the currency of the Commonwealth of Australia.

The headings in this Target's Statement do not affect its interpretation.

11. APPROVAL OF TARGET'S STATEMENT

This Target's Statement has been approved by a resolution passed by the directors of Rutila Resources Ltd (ACN 139 886 187).

Signed for and on behalf of Rutila Resources Ltd.

E. Correia

Emmanuel Correia
Non-Executive Director
Rutila Resources Ltd

ANNEXURE A: INDEPENDENT EXPERT'S REPORT

Grant Thornton

An instinct for growth™

Rutila Resources Limited

Independent Expert's Report and Financial Services Guide

19 June 2015

The Independent Director
Rutila Resources Limited
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19 June 2015

Dear Sir

Independent Expert's Report and Financial Services Guide

Introduction

Rutila Resources Limited ("RTA" or the "Company") holds a 68% interest in the Balla Balla Joint Venture ("BBJV") which is primarily focused on developing an infrastructure project ("BBI Project") consisting of a transhipment and stockyard facility at Balla Balla Harbour on the Pilbara coast (the "BB Port") and a railway (the "BB Railway") for the mining of iron ore in the Pilbara region of Western Australia. The Company is listed on the Australian Securities Exchange ("ASX") and it had a market capitalisation of approximately A$34.6 million as at 15 June 2015.

The Todd Corporation Limited ("Todd Corporation" or "Todd") is a large New Zealand conglomerate with interests in various industries. Todd, via its wholly owned subsidiary TIO (NZ) Limited, is the largest shareholder in RTA with a 46.1% interest. In addition, Todd has provided loan facilities[1] to RTA totalling A$47.6 million (including capitalised interest) and it holds the remaining 32% in the BBJV.

NYCO Pty Limited ("Nyco") is an entity controlled by Mr Nicholas Curtis ("Mr Curtis"), Executive Chairman of RTA, who holds a 23.3% shareholding in RTA.

On 12 May 2015, RTA announced that it had entered into a Bid Implementation Agreement ("BIA") for the acquisition by Todd of all of the RTA shares ("RTA Shares") it does not own via an off-market takeover offer ("Takeover Offer") at A$0.30 per share in cash ("Offer Price").

Todd has also entered into a cooperation agreement with Nyco ("Cooperation Agreement") whereby Nyco has agreed not to accept the Takeover Offer and to remain as a shareholder in RTA. As a consequence of the Cooperation Agreement, Todd and Nyco are considered associates for the purpose of the Takeover Offer and accordingly, Todd and its associates are considered to have a

[1] The loan facilities are classified as secured loans.

relevant interest of approximately 69.4% in RTA. As a result, the Takeover Offer is only in relation to 30.6% of RTA Shares not held by Todd and its associates.

Mr Emmanuel Correia, RTA's Independent Director has recommended that RTA shareholders not associated with Todd or Nyco ("Non-Associated Shareholders") accept the Takeover Offer, in the absence of a superior proposal and subject to the Independent Expert concluding that the Takeover Offer is fair and reasonable. RTA's remaining Directors have not provided a recommendation to RTA Shareholders regarding the Takeover Offer due to potential conflict of interests resulting from pre-existing relationships with either Todd or Nyco.

Purpose of the report

Section 640 of the Corporations Act requires that a target statement made in response to a takeover offer for securities in an Australian publicly listed company must be accompanied by an independent expert's report if, among other things, the bidder's voting power in the target is 30% or more. Todd and its associates hold a 69.4% interest in RTA (Todd: 46.1% interest, Nyco: 23.3% interest). Therefore, the Independent Director of the Company has requested Grant Thornton Corporate Finance to prepare an Independent Expert's Report stating whether, in our opinion, the Takeover Offer is fair and reasonable to the Non-Associated Shareholders.

Summary of opinion

Grant Thornton Corporate Finance has concluded that the Takeover Offer is FAIR AND REASONABLE to RTA Shareholders.

Whilst we have concluded that the Takeover Offer is fair and reasonable, we strongly encourage RTA Shareholders to read this document in full. We believe that the assumptions adopted in reaching our opinion are reasonable, however, depending upon the views taken by individual shareholders in relation to these assumptions, it is possible that individual shareholders could reach a different conclusion on the appropriate range of values for RTA or the relevant advantages and disadvantages of the Takeover Offer.

Fairness assessment

In forming our opinion on the fairness of the Takeover Offer, Grant Thornton Corporate Finance has compared the fair market value per share of RTA on a control basis to the Offer Price of A$0.30 per RTA Share.

Grant Thornton Corporate Finance has selected the quoted price of listed securities with an adjustment for control as the primary approach to assess the fair market value of RTA Shares. Whilst this methodology presents certain limitations, particularly in relation to the level of liquidity in the RTA shares, other valuation methodologies are not appropriate as a primary approach (refer to section 5 for details).

The following table summarises our fairness assessment:

Fairness assessment	Section Reference	Low cents	High cents
Fair market value per RTA Share on a control basis	6.1.2	24.5	31.5
Offer price	1	30.0	30.0
Premium/ (Discount) to fair market value per RTA Share (cents)		5.5	(1.5)
Premium/ (Discount) to fair market value per RTA Share (%)		22.4%	(4.8)%

The Offer Price of A$0.30 per RTA Share is towards the high-end of our assessed valuation range on a control basis accordingly, we have concluded that the Takeover Offer is **FAIR** to RTA Shareholders.

RTA Shareholders should be aware that our assessment of the value per RTA Share does not reflect the price at which RTA Shares will trade if the Takeover Offer lapses. The price at which RTA Shares will ultimately trade depends on a range of factors including the liquidity of RTA Shares, macro-economic conditions, iron ore prices, exchange rates and the underlying financial position of RTA over time.

Reasonableness assessment

ASIC Regulatory Guide RG 111 "Content of expert reports" establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite being not fair, there are sufficient reasons for the security holders to accept the offer in the absence of any higher bid before the offer closes. In assessing the reasonableness of the Takeover Offer, we have considered the following advantages, disadvantages and other factors.

Advantages

Premium over the trading price

The Offer Price of A$0.30 cash per RTA Share, represents a premium of 100% to the closing price of RTA Shares of A$0.15 on the last day of trading prior to the announcement of the Takeover Offer. In addition, the Offer Price represents a premium in the range of 33%[2] and 71%[3] to RTA's VWAP in the months of January and March 2015, respectively, when liquidity was amongst the highest due to RTA's announcement of certain price catalysts, including the invitation to negotiate a State Agreement and obtaining approval for expanding the capacity of the BB Port.

The Takeover Offer provides shareholders with the opportunity to receive a certain cash amount at a premium to the recent trading prices of RTA, and at a premium to the prices at which RTA Shares may trade in the absence of the Takeover Offer or an alternative transaction.

[2] Based on monthly VWAP for March 2015.
[3] Based on monthly VWAP for January 2015.

Todd and its associates already have significant influence over the BBJV and, to a lesser extent, RTA

The BBJV is RTA's flagship asset. Todd already has a 32% direct interest in the BBJV and through its 46.1% shareholding in RTA and its financing arrangements with RTA, has considerable influence on RTA's exercise of its 68% interest in the BBJV.

Whilst Todd already has considerable influence over the conduct of the BBJV and together with Nyco hold a 69.4% interest in RTA, the Offer Price implies a premium for control towards the high-end of the range typically applied in the Australian market.

Remove the uncertainty in relation to the ability of the Company to continue as a going concern

As at the date of this report, RTA had loans totalling A$47.6 million (including capitalised interest) all due to a subsidiary of Todd ("Todd Loan"). The loan accrues interest at 15% per annum and matures on 31 December 2015.

In addition, RTA is required to provide funding to the BBJV to continue to develop the BBI Project. In RTA's December 2014 half-year accounts, RTA stated that it has been materially reliant on funding from Todd to meet its day-to-day obligations. In the absence of this support, RTA stated that there is material uncertainty as to whether RTA could continue as a going concern.

The Takeover Offer removes the risks attached to RTA not being able to refinance the Todd Loan or being forced to consider alternative finance sources, including equity raising, which would be dilutive for the Non-Associated Shareholders.

The Offer Price does not appear to have been adversely affected by the dominant position of Todd in both RTA and the BBJV, the high level of financial dependency that the Company has with Todd and the short-term maturity of the Todd Loan.

Removal of the risks associated with the development of BBI

Non-Associated Shareholders accepting the Takeover Offer will not continue to be exposed to the following risks and uncertainties in relation to RTA and the development of the BBI Project:

- *Funding* – Based on the information available at this point in time, the BBJV has estimated a total capital expenditure of about A$2 billion to develop the BBI Project. Based on the current shareholding in the BBJV, RTA will be required to contribute funding of approximately A$1.35 billion. Whilst approximately 50% to 60% of the capital expenditure is expected to be funded by way of external debt, based on the current scale of the Company, raising the required equity funding may be very dilutive for the existing Non-Associated Shareholders. In our opinion, there are also doubts whether or not a company with the size and scale of RTA would be able to raise the required equity based on the current market conditions.

- *Regulatory approval and consents* – In order to commence the development of the BBI Project, the BBJV must obtain further regulatory approval and consents, including a State Rail Agreement, Pilbara Port Authority Agreements, planning consents and marine approvals.

- *Prosperity of its founding customer Flinders Mines Limited ("Flinders" or "FML")* – Flinders' Pilbara Iron Ore Project ("PIOP") is currently the only foundation customer for the BBI Project. PIOP is in the process of obtaining a bankable feasibility study ("BFS") for a nominal 25Mtpa iron ore project commencing in late 2017. The ability of PIOP to transition from a pre-development to a production project is subject to numerous risks and uncertainties including iron ore price and exchange rate volatility, funding requirements and operational risks. These risks may affect the feasibility of PIOP and hence of the BBI Project. We note that Flinders has recently announced that the Alliance Agreement[4] with RTA, which among other things, regulates the tariff to be paid by PIOP for the use of the BBI Project, has become uneconomic for Flinders after the iron ore price dropped dramatically at the beginning of 2015.

Accordingly, RTA Shareholders accepting the Takeover Offer will no longer be exposed to the ongoing risks associated with holding an investment in RTA including those relating to the progression of the BBI Project.

Disadvantages

Accepting RTA shareholders will no longer have any exposure to RTA's mineral assets or the BBI Project

Subject to the Takeover Offer being declared unconditional, accepting shareholders will forgo the opportunity to participate in any potential future upside.

The underlying value of an RTA share is expected to materially change as its assets, in particular the 68% interest in the BBJV, move through their development cycle. Whilst the range of values attributed to RTA in our fairness assessment is considered reasonable at the date of this report, the fair market value of the Company may increase significantly, or conversely decline materially in value over the next two years depending on the outcome of future development of the BBI Project and PIOP.

Ability to continue as an RTA Shareholder

Based on the terms of the Cooperation Agreement and the defeating conditions of the Takeover Offer, only Nyco and Todd can remain as shareholders in RTA if the Takeover Offer becomes unconditional. Consequently, the Non-Associated Shareholders are not offered the same opportunity.

Other considerations

Special value for Todd

As discussed in section 4.2.5, on 11 May 2015, Flinders announced that it had entered into an option agreement with Todd, which upon exercise, will allow Todd to purchase PIOP for a total cash consideration of A$65 million plus a royalty ("PIOP Option").

If the Takeover Offer becomes unconditional and Todd exercises the PIOP Option, the BBJV and PIOP will have a common controlling shareholder in Todd[5]. This potential future corporate

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[4] The Alliance Agreement is an agreement between RTA and Flinders which governs the manner in which the development of the BBI Project will be integrated with the development of PIOP and establishes exclusive haulage arrangements for PIOP.
[5] Todd would have an effective ownership interest (directly and indirectly) of 84.2% in the BBJV and a 100% interest in PIOP.

structure will greatly enhance, in our opinion, the opportunities of the BBI being developed due to the following:

- As set out in the presentation released by RTA to the market in December 2014, the combined project (i.e. BBI plus PIOP) has the potential to be within the lowest cost quartile of iron ore producers with physical characteristics similar to Fortescue's Solomon hub mining region. Accordingly, there are some clear benefits in combining the BBI Project and PIOP under the same ownership.

- Conversely, Flinders announced to the market in May 2015 that based on the tariff to be charged to Flinders for the use of the BBI Project in accordance with the terms of the Alliance Agreement, PIOP is not economically viable at the current iron ore price. It is evident that the development of the BBI Project and PIOP under two separate and distinct ownership structures creates substantial additional economic, financial and operational risks, which may represent an impediment to their development in the current market conditions.

In our opinion, the acquisition of RTA in conjunction with the PIOP Option may create significant special value for Todd, and greatly enhance the probability of both projects being developed. This special value is not included in our valuation assessment of RTA, and in our opinion is not shared with the RTA Non-Associated Shareholders. It is unlikely that Todd will pass to the Non-Associated Shareholders any of these benefits as it holds about 46% of the issued capital of the Company (or 69.4% together with Nyco) and accordingly, the takeover contestability of RTA is limited. Usually, a potential bidder is required to pay a significant component of its strategic and special benefits to the target's shareholders if the change of control transaction takes place in a highly competitive environment with two or more interested parties.

Tax consequences

RTA Shareholders who accept the Takeover Offer will receive A$0.30 cash for each RTA Share currently held, which may, depending upon individual shareholders' taxation position, give rise to Capital Gains Tax consequences at a time that may or may not be advantageous to individual RTA Shareholders. A generic and indicative outline of the taxation implications of the Takeover Offer is included in the Bidder's Statement in Section 8. RTA Shareholders should seek their own independent taxation advice regarding the taxation consequences of the Takeover Offer.

RTA cash reserves and potential future dilution

RTA has a deficiency in net assets as at 31 December 2014 of approximately A$4.8 million. As previously mentioned, contributing to the deficiency is borrowings and related liabilities of approximately A$47.6 million (including capitalised interest) owed to Todd as at the date of this report. These amounts plus interest that continues to accrue at 15% per annum are to be repaid by 31 December 2015. We note that RTA's cash balance as at 31 March 2015 was approximately only A$1.1 million.

In the absence of the Takeover Offer, RTA will be required to raise the required funds (debt and equity) to refinance its borrowings and continue the development of the BBI Project. With increasing levels of borrowings, there is increased risk that RTA Shareholders may suffer further dilution in the future in the absence of the Takeover Offer.

Iron ore price volatility

As briefly discussed above, the development of the BBI Project is intricately linked to the development of Flinders' PIOP. The economic viability of PIOP in the current shareholding structure is particularly sensitive to movements in the iron ore price, which has exhibited a significant degree of volatility in recent times. There is also a reasonable degree of consensus between market analysts that excess iron ore supply will continue to put downward pressure on prices in the medium term.

Flinders has recently indicated that based on the current iron ore prices and tariff for the use of the BBI Project in the Alliance Agreement, PIOP is not economically viable.

RTA's share price may fall in the absence of the Takeover Offer

In the period subsequent to the announcement of the Takeover Offer on 12 May 2015, RTA's shares have traded at a minimum of A$0.265 on 21 May and 22 May 2015 and at a maximum of A$0.285 on multiple dates including 13 May, 14 May, 15 May, 2 June, 3 June, and 4 June 2015.

We note that RTA's share price subsequent to the announcement of the Takeover Offer has also reflected factors other than just the terms of the Takeover Offer, such as movements in the iron ore price, market conditions and other external factors, including the PIOP Option.

We consider that, all other things being equal, there is a reasonable prospect that RTA's shares may fall from their current level in the absence of the Takeover Offer or an alternative transaction, reflecting the withdrawal of the implied premium of the Takeover Offer.

Prospect of a superior proposal

We note that Todd already owns 46% of RTA[6] and in excess of 68% of the BBJV (both directly and indirectly via its shareholding in RTA) and accordingly any superior proposal for RTA as a whole will require the support of Todd as a substantial shareholder. In our opinion, it is unlikely that a superior proposal will emerge based on Todd's shareholding in RTA and BBJV.

Compulsory acquisition

Todd has stated in section 7.2 of the Bidder Statement that, if it (including Nyco) acquires a relevant interest in at least 75% of the Non-Associated RTA Shares and becomes entitled to do so under the Corporations Act, Todd intends to give notice to compulsorily acquire any outstanding RTA Shares. As such, the remaining RTA Shareholders may wish to consider accepting the Takeover Offer prior to the end of the offer period in order to expedite receipt of the cash consideration.

[6] Or 69.4% in conjunction with Nyco.

Independent Director's intentions

The Independent Director recommends that RTA Shareholders accept the Takeover Offer in the absence of a superior proposal and subject to the Independent Expert concluding that the Takeover Offer is fair and reasonable.

We note that the Independent Director who holds RTA shares intends to accept the Takeover Offer in relation to those shares.

Reasonableness conclusion

Based on the qualitative factors identified above, it is our opinion that the Takeover Offer is **FAIR AND REASONABLE** to RTA Shareholders.

Overall conclusion

After considering the abovementioned quantitative and qualitative factors, Grant Thornton Corporate Finance has concluded that the Takeover Offer is **FAIR AND REASONABLE** to the RTA Shareholders.

Each RTA Shareholder should decide whether or not to accept the Takeover Offer based on their own views of the value of RTA and expectations about future market conditions, iron ore prices, RTA's performance, and their individual risk profile and investment strategy.

Other matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

The decision of whether or not to accept the Takeover Offer is a matter for each RTA Shareholder to decide based on their own views of the value of RTA, expectations about future market conditions, and the future operating performance of RTA. If RTA Shareholders are in doubt about the action they should take in relation to the Takeover Offer, they should seek their own professional advice.

Yours faithfully
GRANT THORNTON CORPORATE FINANCE PTY LTD

ANDREA DE CIAN Director	PHILLIP RUNDLE Director

19 June 2015

Financial Services Guide

1 Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton Corporate Finance") carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by RTA to provide general financial product advice in the form of an independent expert's report in relation to the Takeover Offer.

2 Financial Services Guide

This Financial Services Guide ("FSG") has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

3 General financial product advice

In our report we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

4 Remuneration

When providing the report, Grant Thornton Corporate Finance's client is the Company. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of the Report, Grant Thornton Corporate Finance will receive from RTA fees of $110,000 plus GST, which is based on commercial rate plus reimbursement of out-of-pocket expenses for the preparation of the report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.

5 Independence

Grant Thornton Corporate Finance is required to be independent of RTA in order to provide this report. The guidelines for independence in the preparation of an independent expert's report are set out in Regulatory Guide 112 *Independence of expert* issued by the Australian Securities and Investments Commission ("ASIC"). The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

"Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with RTA (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Takeover Offer.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the transaction, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the transaction. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

Grant Thornton Corporate Finance considers itself to be independent in terms of Regulatory Guide 112 "Independence of expert" issued by the ASIC."

6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Financial Ombudsman Service (membership no. 11800). All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service who can be contacted at:

PO Box 579 – Collins Street West
Melbourne, VIC 8007
Telephone: 1800 335 405

Grant Thornton Corporate Finance is only responsible for this report and FSG. Complaints or questions about the General Meeting should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

Contents

1 Overview of the Takeover Offer

1.1 Introduction

On 12 May 2015, RTA announced that it had entered into the BIA with Todd whereby Todd proposes to acquire the RTA shares it does not own for A$0.30. Todd is a 46.1% shareholder in RTA, a provider of loan facilities to RTA and a joint venture partner with RTA in the BBJV. Todd has also entered into the Cooperation Agreement whereby Nyco has agreed not to accept the Takeover Offer and remain as a shareholder of RTA. As a consequence of the Cooperation Agreement, Todd and Nyco are considered to have a relevant interest of approximately 69.4% of RTA.

As part of the BIA, RTA and Todd and its associates have entered into an exclusivity arrangement which applies from the date of the BIA until the earlier of the termination of the BIA or the end of the offer period. During the exclusivity period, RTA is bound by the typical no-talk, no-shop and no-due diligence provisions. Todd and its associates have a matching right if during the exclusivity period RTA receives a superior proposal.

1.2 Conditions of the Takeover Offer

The Takeover Offer is subject to a number of conditions, including but not limited to the following:

- Minimum acceptance conditions of at least 75% of the Non-Associated RTA Shares[7], which will increase Todd and its associates' interest in RTA to circa 93% of the issued capital.

- Foreign Investment Review Board ("FIRB") approval.

- No prescribed occurrences.

- No material adverse changes.

Refer to Section 10.7 of the Bidder's Statement for further details in relation to the conditions of the Takeover Offer.

1.3 Todd's intention in relation to the Takeover Offer

Todd and its associates' intentions upon acquisition are set out in Section 7 of the Bidders Statement. In the event that Todd and its associates acquire a relevant interest in at least 75% of the Non-Associated RTA Shares, they intend to:

- Proceed with a compulsory acquisition of the outstanding Non-Associated Shares in accordance with the provisions of Part 6A.1 of the Corporations Act.

- Arrange for RTA to be delisted from the ASX.

[7] Defined as all RTA shares except those shares in which Todd Corporation and Nyco, and their respective associates have an interest in.

- Conduct a review of RTA's projects and operations on a strategic, financial and operational level.
- Replace the RTA Board with nominees from Todd and Nyco.
- Enter into a shareholders agreement with Nyco to regulate the operations of RTA and BBJV going forward.

In the event that Todd and its associates hold less than the required amount to compulsorily acquire the remaining RTA Shares, they may elect to waive the minimum acceptance condition and declare the Takeover Offer unconditional[8]. In these circumstances, they intend to still undertake the same review described above, but they will not be able to compulsorily acquire the remaining RTA Shares and they will not enter into the shareholders agreement.

1.4 Flinders' PIOP option agreement

On 11 May 2015, Flinders announced that it had entered into an option agreement with Todd whereby Todd will pay Flinders A$10 million to purchase an option to acquire 100% of PIOP. If Todd exercises the option, it will be required to pay a further A$55 million in cash plus a royalty. Further details of this transaction are set out in Section 4.2.5 of this Report.

[8] Todd will not waive the Minimum Acceptance Condition unless it has received acceptances for at least 50.1% of the Non-Associated RTA Shares.

2 Purpose and scope of the report

2.1 Purpose

Section 640 of the Corporations Act requires that a target statement made in response to a takeover offer for securities in an Australian publicly listed company must be accompanied by an independent expert's report if:

- The bidder's voting power in the target is 30% or more; or
- For a bidder who is, or includes, an individual – the bidder is a director of the target company; or
- For a bidder who is, or includes, a body corporate – a director of the bidder is a director of the target company.

The independent expert's report must state whether, in the opinion of the independent expert, the takeover offer is fair and reasonable to the target company's independent shareholders and provide the reasons for forming that opinion.

As at the date of our report, we note that Todd has more than a 30% interest in RTA. Hence, the Independent Director of RTA has requested Grant Thornton Corporate Finance to prepare an independent expert's report to assist RTA's Shareholders to assess the merits of the Takeover Offer and to state whether the Takeover Offer is fair and reasonable to RTA's Non-Associated Shareholders.

2.2 Basis of assessment

The Corporations Act does not define the meaning of "fair and reasonable". In preparing this report, Grant Thornton Corporate Finance has had regard to ASIC's Regulatory Guide 111 "Content of expert reports" ("RG 111") which establishes certain guidelines in respect of independent expert's reports prepared for the purposes of the Corporations Act. RG 111 is framed largely in relation to reports prepared pursuant to section 640 of the Corporations Act and comments on the meaning of "fair and reasonable" in the context of a takeover offer.

As the Takeover Offer is a takeover bid, RG 111 requires the following assessment:

- An offer is considered fair if the value of the offer price or consideration is equal to or greater than the value of the securities that are subject to the offer. The comparison should be made assuming 100% ownership of the target company and irrespective of whether the consideration offered is scrip or cash, and without consideration of the percentage holding of the offeror or its associates in the target company.
- An offer is considered reasonable if it is fair. If the offer is not fair it may still be reasonable after considering other significant factors which justify the acceptance of the offer in the absence of a higher bid. ASIC has identified the following factors which an expert might consider when determining whether an offer is reasonable:
  - The offeror's pre-existing entitlement, if any, in the shares of the target company.

– Other significant shareholding blocks in the target company.

– The liquidity of the market in the target company's securities.

– Taxation losses, cash flow or other benefits through achieving 100% ownership of the target company.

– Any special value of the target company to the offeror, such as particular technology or the potential to write off outstanding loans from the target company.

– The likely market price if the offer is unsuccessful.

– The value to an alternative offeror and likelihood of an alternative offer being made.

Grant Thornton Corporate Finance has determined whether the Takeover Offer is fair to RTA's Non-Associated Shareholders by comparing the fair market value range of RTA Shares on a 100% basis with the Offer Price, being A$0.30 per RTA Share.

In considering whether the Takeover Offer is reasonable to the RTA Shareholders, we have considered a number of factors, including:

- Whether the Takeover Offer is fair.
- The implications to RTA and RTA's Non-Associated Shareholders if the Takeover Offer does not complete.
- Other likely advantages and disadvantages associated with the Takeover Offer as required by RG111.
- Other costs and risks associated with the Takeover Offer that could potentially affect RTA's Non-Associated Shareholders.

2.3 Independence

Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to the Takeover Offer with reference to the ASIC Regulatory Guide 112 "Independence of Experts" ("RG 112").

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval of the Takeover Offer other than that of independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report.

Except for these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the Takeover Offer.

2.4 Consent and other matters

Our report is to be read in conjunction with the Target's Statement dated on or around 19 June 2015 in which this report is included, and is prepared for the exclusive purpose of assisting the RTA Shareholders in their consideration of the Takeover Offer. This Report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this Report in its form and context and consents to its inclusion in the Target's Statement.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Takeover Offer to the RTA Shareholders as a whole. We have not considered the potential impact of the Takeover Offer on individual shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Takeover Offer on individual shareholders.

The decision on whether or not to accept the Takeover Offer is a matter for each RTA Shareholder based on their own views of the value of RTA and expectations about future market conditions, RTA's performance, their individual risk profile and investment strategy. If shareholders are in doubt about the action they should take in relation to the Takeover Offer, they should seek their own professional advice.

3 Profile of the iron ore industry

RTA is primarily engaged in the development of the BBJV, particularly the BBI Project whose development is contingent on the simultaneous development of PIOP. As such, our focus in this section has been on the iron ore industry and related infrastructure.

3.1 Overview of iron ore industry

Iron is one of the most abundant elements, and the most abundant rock-forming element on earth, making up 5% of the earth's crust. With over 98% of iron ore produced globally used in the production of steel, demand for the mineral is closely linked to the growth of the construction and infrastructure industries, in particular in China.

The most commonly mined iron ores are magnetite and hematite which via different processing method can be sold as iron ore fines, pellets and lumps. Fines require the most processing and as such are the least valuable. High quality pellets can attract a 5-30% premium over lump ore when sold.

Magnetite

Magnetite is an ore that typically contains 20-40% iron in its natural form, with rich deposits containing up to 50% iron. The ore accounts for approximately 30% of global iron furnace feed[9] for steel production[10].

The requirement to both crush and screen the ore, as well as the need to magnetically process the ore once crushed, leads to magnetite being considered a lower quality unprocessed iron ore. Consequently magnetite commands a lower price in comparison to hematite when sold in its unprocessed form.

Countries such as North America, China, Kazakhstan and the Ukraine are primarily focused on the production of magnetite[11].

Hematite

Hematite is an ore that typically contains 62-64% iron in its natural form, and can contain up to 69% iron in rich deposits. As a major source of iron mined for steel production, it makes up to 65% of iron ore furnace feed[12].

Once mined, hematite undergoes a relatively simple crushing and screening process before being transported. As such, hematite is considered to be a high quality unprocessed iron ore, and is often referred to as a direct shipping iron ("DSO"). Iron ore content of 62% is the global standard for DSO.

[9] Where furnace feed is the equivalent of 100% iron content.
[10] US Geological Survey, Mineral Commodity Summaries, 2015.
[11] Geoscience Australia, 2012.
[12] Magnetic Mines, 29 May 2013.

Hematite is mined on every continent on earth except Antarctica and is the primary ore mineral that is mined in Australia, Brazil, Russia, Pakistan, India, Mexico and South Africa[13].

3.2 Global iron ore market

3.2.1 Iron ore demand

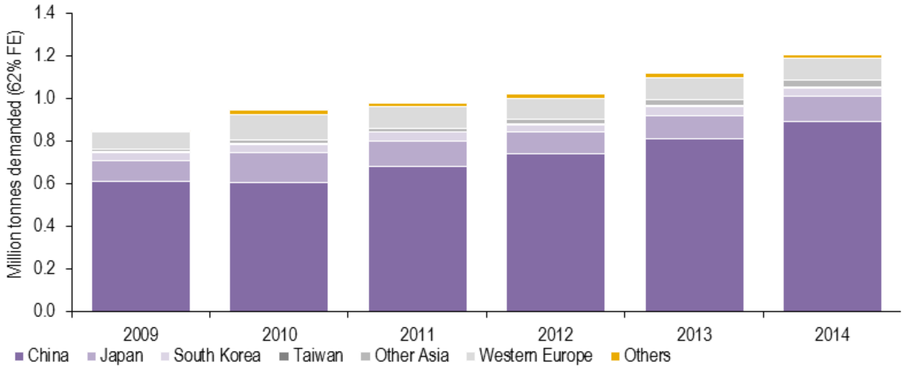
As the vast majority of iron ore mined globally is used in the production of steel, demand for steel is the single most influential factor in the demand for iron ore.

Steel is used in structural engineering, transport infrastructure and general manufacturing. Demand for these products is partially linked to economic growth and general consumption. Despite global economic concern in recent years, certain regions continue to demand large quantities of iron ore to support their economic growth.

Developing countries in Asia such as China have contributed significantly to growth in global steel demand in recent years. Steel demand is inextricably linked with economic growth, prosperity and urbanisation (mainly via the construction of high rise buildings). Once basic infrastructure needs are met and GDP continues to rise, the demand for consumer goods such as washing machines and refrigerators increases, as does the need for mobility via trains, buses and automobiles – all of which require steel for their production and related infrastructure.

For example steel demand is high in South Korea and Japan because of their large export industries which require the use of steel such as in shipbuilding and automotive. China's steel industry has grown very rapidly in recent decades such that China is now both the world's largest producer and consumer of steel which has resulted in a large increase in the demand of iron ore from Australia. China consumes about 70% of the seaborne iron ore. In 2013, steel production in China was 779Mt while the country consumed 1.25 billion of 62% iron ore content. Accordingly, iron ore prices and volumes are inextricably linked to GDP growth and level of construction, and as a result the volumes of iron ore imports as shown below.

Seaborne iron ore demand by country



Source: USDA, HDA, HDR Salva.

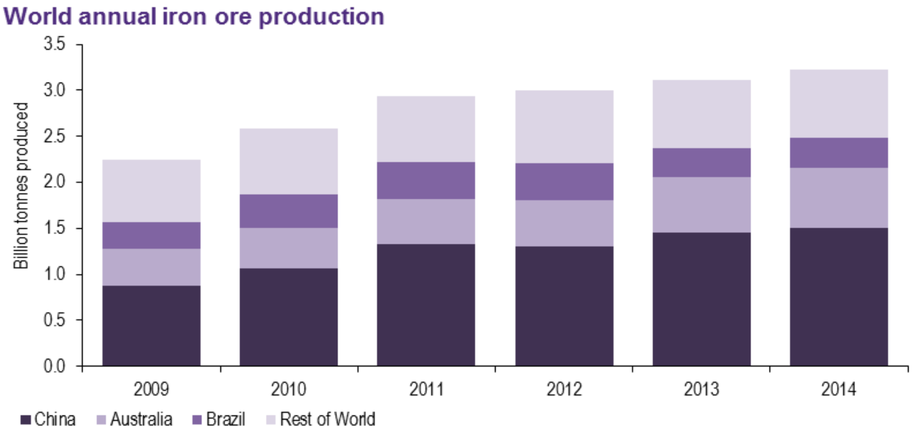
[13] Geology News and Information, Geology.com, 9 January 2015.

3.2.2 Iron ore supply

Despite being the largest producer of iron ore, China is also the world's largest importer of iron ore. Chinese iron ore is of an inferior grade compared to other major producers around the world. The average iron ore grade mined in China has an iron content of around 17-20%.

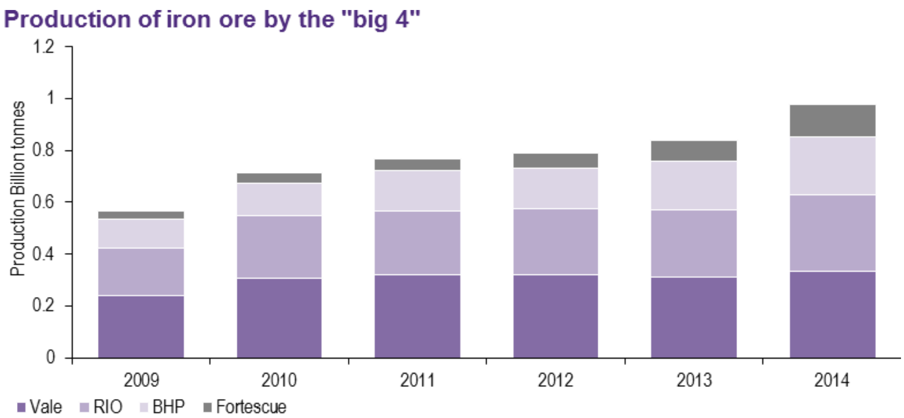
Iron ore mining has grown significantly in China in the past 10 years. The establishment of subsidies and preferential purchase agreements by the Chinese government has allowed the market to grow substantially despite high costs of production, ranging up to US$120 a tonne. This growth has slowed substantially as a result of reduced global iron ore prices, exposing uncompetitive, high cost Chinese producers to the international market. Chinese production is characterised by large, government-supported operations that produce at significantly above the global average cost of production. The vast majority of this production is used in domestic steel manufacturing.

Set out below is the global production of iron ore by country:



Source: US Geological Survey, 2009-2015.

The global iron ore market has an oligopolistic market structure. The four largest global iron ore miners are the Brazilian firm, Vale, followed by Australian miners, namely BHP Billiton, Rio Tinto and Fortescue Metals. These four businesses produce over 70% of the world's iron ore.



Source: Fortescue, Rio Tinto, BHP and Vale Annual Reports, 2009-2015.

Australia is the world's largest exporter of seaborne iron ore and is expected to maintain this position due to some large brownfield expansion projects in Western Australia's Pilbara region led by Rio Tinto, BHP Billiton and Fortescue Metals. There are also substantial tonnages expected to come online through greenfield projects including Hancock's Roy Hill, Baosteel's West Pilbara Iron Ore Project and Citic Pacific's Sino Iron Ore project. Rio Tinto is targeting production of 330 million tonnes in 2015, 350 million tonnes by 2017 and an eventual target of 360 million tonnes. BHP remains committed to lifting production from 250 million tonnes to 290 million tonnes but recently revealed that it would do this more slowly after having deferred capital expenditure to increase port facilities.

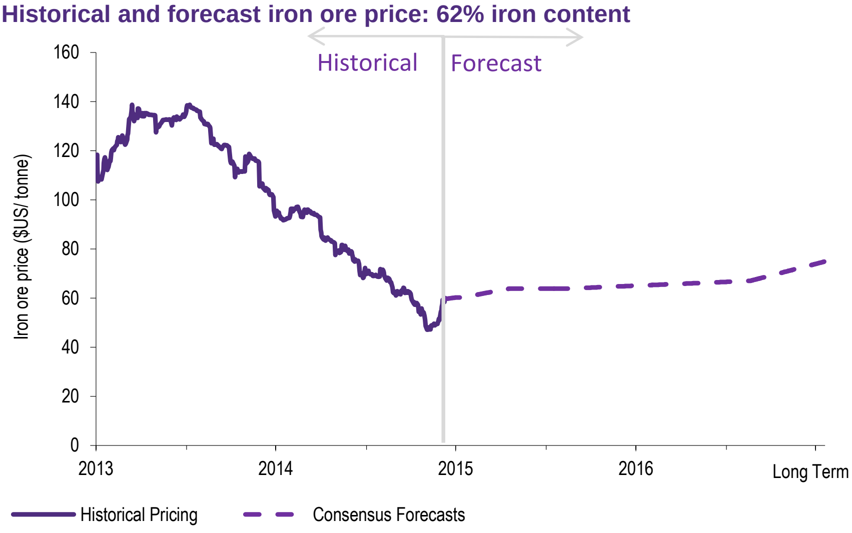
Brazil is the world's second largest exporter of seaborne iron ore and is dominated by Vale. Vale has recently signed an agreement with China which will help to fund a major expansion and invest in larger ships to transport high-quality ore to North Asia. Specifically, China will loan Vale up to US$4 billion to help fund a US$16.5 billion expansion called S11D. The project is expected to produce 90 million tonnes of iron ore that will be shipped to China via mega-ships which are anticipated to make ore shipment to China 25% cheaper.

3.2.3 Iron ore prices

The price for iron ore spiked in 2013, as shown in the graph below, as a result of significant steel intensive investment in China and globally on the back of stimulus plans, heavy infrastructure and transport investment, the Chinese urban property boom and other factors. These factors and the continuous additional supply introduced into the market has led to a material decrease in prices over the last 18 months.

Set out below is the historical and forecast iron ore price as at 25 May 2015:

Historical and forecast iron ore price: 62% iron content



Source: S&P Capital IQ and Consensus Forecasts, 2015.

Expectations in relation to the future performance of iron ore prices vary amongst market analysts and commentators. However, there is strong consensus in relation to the following factors which will continue to put downward pressure on the iron ore price:

- The years ahead will see lower demand, with marginal producers being forced out and major miners dominating supply growth.

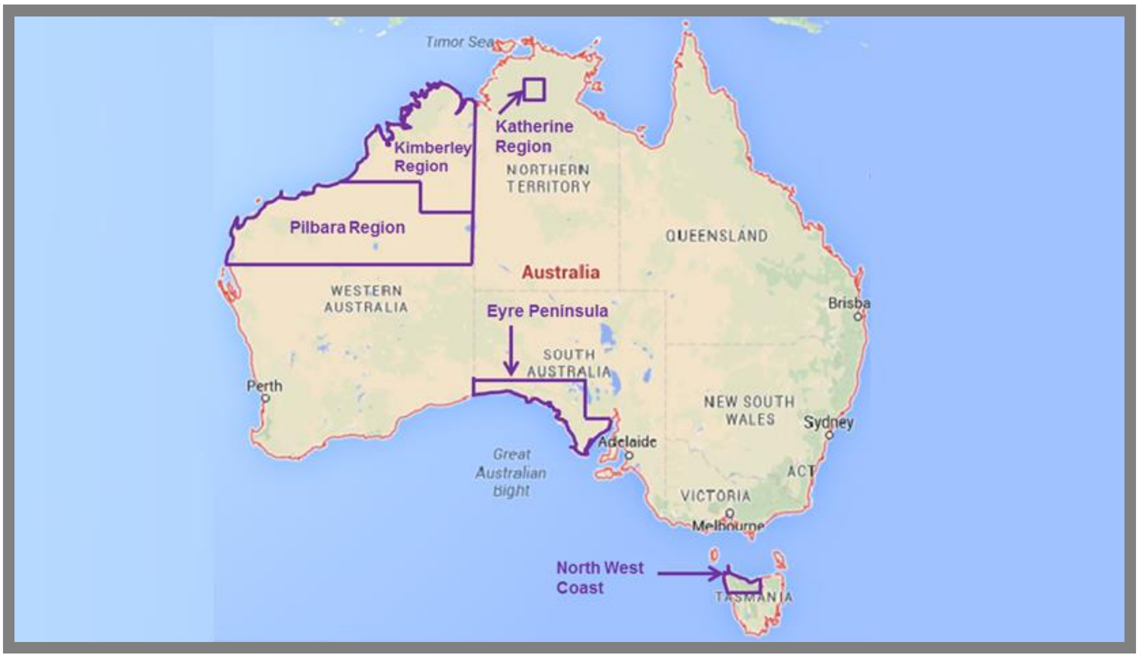
- Major producers remain intent on large brownfield expansion which will exacerbate the oversupply.

- Domestic Chinese demand for steel production is expected to reduce while scrap availability will rise.

3.3 Australian iron ore market

Australia's iron ore production has grown by 11.5% annually over the past 5 years. The industry generated revenue of $76.8 billion in 2015. Of total domestic production, approximately 90% of iron ore is exported.

The five key iron ore mining regions in Australia are shown below:



Source: GTCF Analysis.

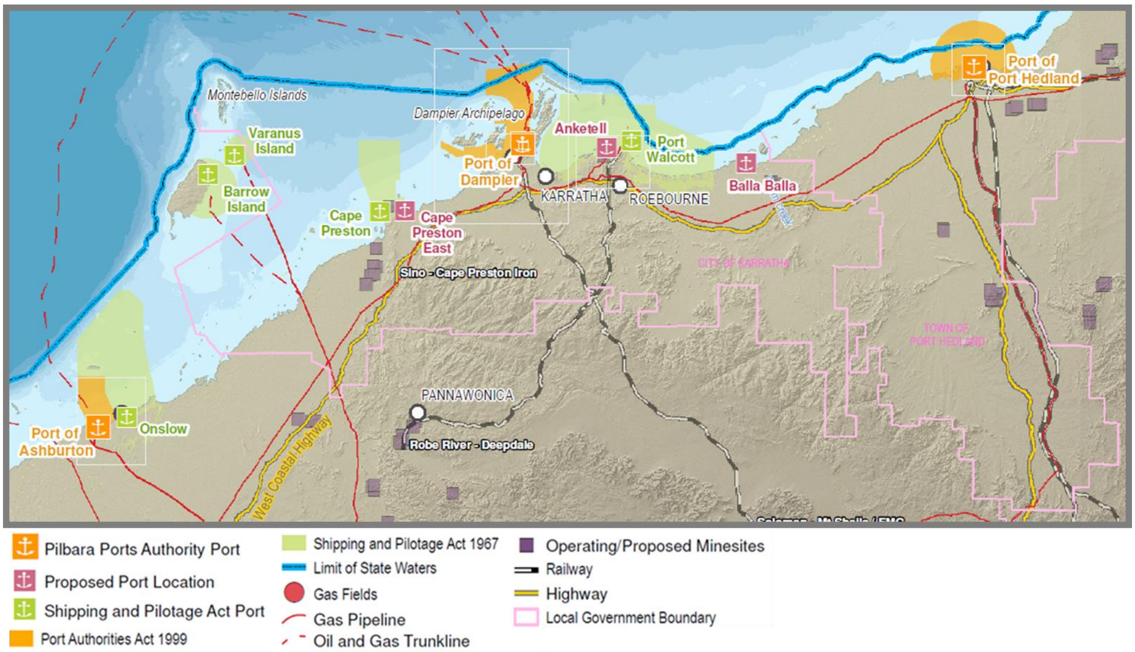
Over 80% of Australia's iron ore is mined in the Pilbara Region[14], and a further 10% to 15% of Australia's iron ore is mined in the Kimberley region.

Infrastructure supporting the Australian iron ore industry

Given the nature of the iron ore industry, significant investment in infrastructure is required for the production, transportation and eventual sale of iron ore. The three main infrastructure components supporting the production of iron ore are roads, rail lines and port facilities.

As shown in the map below, there is an extensive road, rail and port network that services the Pilbara region. Within the area, there are three main existing iron ore export port facilities which are linked to the road and rail infrastructure: the Port Hedland, the Port Walcott and the Port of Dampier.

[14] Geoscience Australia, 2014.



Source: Pilbara Port Authority, 2015.

There are also a number of proposed infrastructure projects that have either not yet been approved or are currently under construction. Through a mix of both conventional and non-conventional transport techniques, these ports present the opportunity to increase export capacity.

RTA has proposed the development of a small scale open access export port facility at Balla Balla in the Pilbara region in Western Australia. The BB Port will adopt a new method of export, through the use of Transhipment Shuttle Vessels ("TSV's") which allow the loading of smaller vessels onshore, and the loading of cape class vessels in deeper water at sea. This port design will reduce the cost of exporting iron ore, as a costly deep water and port facility will no longer be needed, and be replaced with a smaller, low cost, jetty for much smaller vessels.

There has also been a proposal for the development of another large export facility in Anketell. The $7 billion project is aimed at providing another 350 million tonnes a year of export capacity to the region. The Anketell project is being backed by Baosteel Resources Ltd, Posco Ltd and American Metal and Coal International Ltd.

Cape Preston East is a port facility 60km south west of Dampier and 4km from the CITIC Pacific Cape Preston port. The facility is proposed to have an annual throughput of 25 million tonnes per annum, and include a stockpile area for up to 2 million tonnes of iron ore.

There has also been a recent proposal by Mineral Resources Ltd to develop automated monorail transport infrastructure. The project, referred to as the Bulk Ore Transport System ("BOTS"), includes elevated monorail trains that can transport iron ore at a greater speed and lower cost than conventional heavy rail. The system has been used internationally, but is untested in Australia.

While these projects present the opportunity to reduce the cost of exporting iron ore, they are unlikely to be economically viable in the current market as a result of a significant drop in iron ore prices since the beginning of 2015.

4 Profile of Rutila Resources Limited

4.1 Introduction

RTA is an ASX listed company whose main asset is a 68% interest in the BBJV which is focussed on the development of the BBI Project and is also involved in the development of the BBM Project. The balance of the interest in the BBJV is held by Todd, which is also the major shareholder of RTA with an interest of 46.1%. RTA is the manager of the BBJV.

The BBI Project is an infrastructure project aiming at opening stranded iron ore mines in the Pilbara region through the construction of the following:

- A transhipment and stockyard facility at the BB Port for a total capital expenditure of A$680 million.

- A 160km railway to connect the BB Port to Flinders' PIOP, a proposed 25 Mtpa haematite iron ore mine 200 km south of the BB Port. Estimated capital expenditure for the BB Railway is A$1.33 billion.

Front End Engineering and Design is in progress for the BB Port and BB Railway. Coffey International has been appointed to complete geotechnical and hydrogeological studies relating to the BB Port and BB Railway, BAM Clogh for the jetty design and AECOM for the rail design. Final investment decision is expected towards the end of 2016 with procurement and construction expected to commence shortly after.

The foundation customer of the BBI Project is Flinders which owns 100% of PIOP[15]. Initially, the BB Port will have an export capacity of 25 Mtpa to enable the export of PIOP's ore. The BBJV may then increase the port capacity to 45 Mtpa to assist in unlocking the value of other stranded mines, including potentially the Balla Balla mine ("BBM Project") which is 100% owned by the BBJV. We note that Todd is also the largest shareholder of Flinders with a 19.9% interest.

In order to cement the implementation of the above strategy, the BBJV has executed an alliance agreement with Flinders ("Alliance Agreement") which governs the manner in which the development of the BBI Project will be integrated with the development of PIOP and establishes exclusive haulage arrangements for PIOP.

In addition, the BBJV has signed a non-binding framework agreement with a large Chinese steel mill setting out the key commercial terms for the supply of iron ore. We also note that a subsidiary of Todd has entered into a conditional agreement with a major Chinese steel mill for long term off-take of iron ore from the Central Pilbara which may include iron ore from PIOP.

RTA also owns other explorations assets in NSW and Western Australia.

A more detailed overview of the RTA's assets is set out in the following sections.

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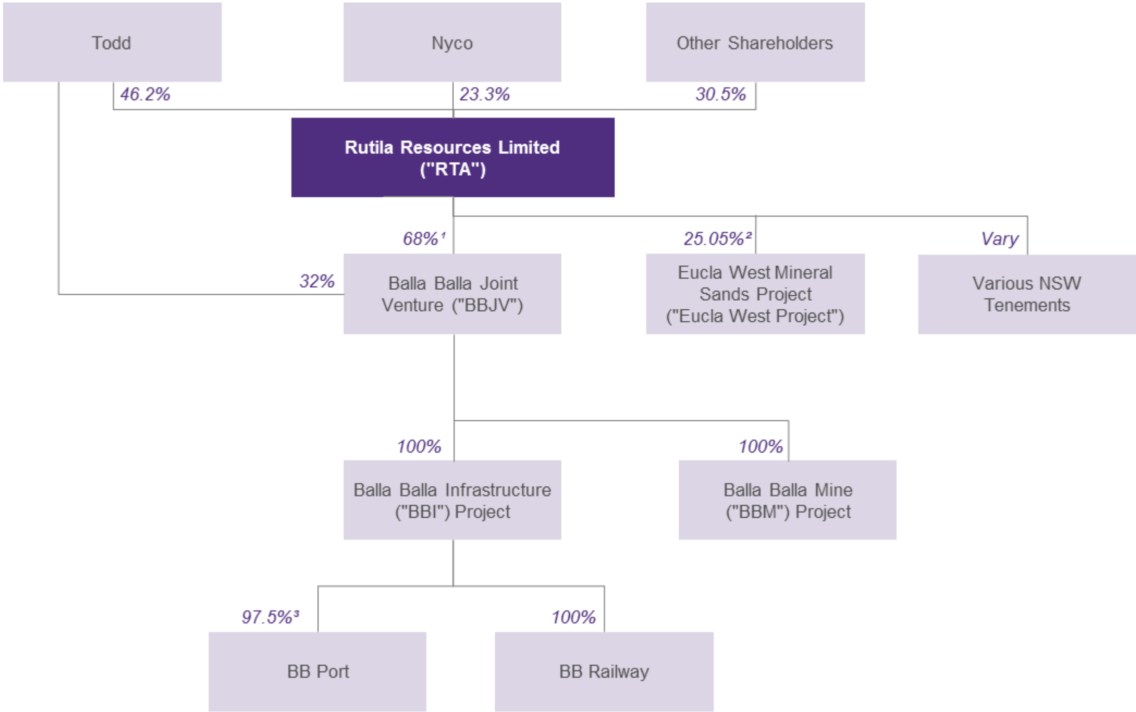
[15] Currently subject to the PIOP Option as discussed in section 4.2.5.

4.2 BBJV overview

4.2.1 Corporate structure of the BBJV

The Company and BBJV's corporate structure is summarised below:



Note (1): The remaining interest in the BBJV is owned by Todd. Rutila and Todd have entered into a management agreement whereby Rutila will manage the BBJV separately from each party's respective ownership interest.
Note (2): RTA and Todd are joint venture partners to a farm-in agreement under which the parties have the right to earn up to 80% interest in the Eucla West Project. Todd currently owns 25.05% of the Eucla West Project.
Note (3): The remaining interest in the proposed BB Port lease and license is owned by the Ngarluma Aboriginal Corporation.

Source: RTA Management.

4.2.2 BB Port

The BB Port is located between Dampier and Port Headland on the Pilbara coast, proximal to the original Balla Balla Port gazetted in 1898 which fell dormant in 1930 following the closure of the Whim Creek copper mine. The BB Port falls under the Pilbara Port Authority ("PPA") and the BBJV is currently working with PPA to agree the commercial terms upon which the BBJV will enter into the proposed lease and licensing arrangements to construct, use and operate the BB Port.

The BB Port is expected to be a low cost operation based on the following infrastructure:

- A conveyor connecting the train unloader to the port stockyard.
- Port stockyard.
- A 9.8 km causeway and conveyor.
- 2.6 km jetty and conveyor.

- TSV loading wharf. TSVs are loaded in shallow water and sail to deep water where larger cape size vessels can be loaded for international export.

The BB Port has been designed to minimise environmental impact by utilising TSV. No dredging or deep water infrastructure is expected to be required. Initially the BB Port will have a capacity of 25 Mtpa to facilitate iron ore export from PIOP. Subsequently, the capacity may be increased to 45 Mtpa. The Environmental Protection Authority ("EPA") approved the expansion capacity at the BB Port to 45 Mtpa at the end of January 2015.

4.2.3 BB Railway

The BB Railway involves a 40km conveyor and 160 km railway to connect the BB Port to PIOP. The proposed railway corridor has been identified; as a result the BBJV is in the process of completing the required native title agreements, pastoral agreements, technical surveys and heritage clearances to progress the BB Railway. RTA has recently announced that all necessary native title agreements for the BBI Project are now in place whilst RTA continues to negotiate access with key stakeholders comprising mainly pastoralists and mining tenement holders along the BB Railway selected corridor.

At the end of 2014, RTA, as the BBJV manager, was invited by the Western Australia Government to negotiate a State Agreement[16] to facilitate the construction of the BB Railway. This invitation resulted from extensive discussions and consultation with the WA Government, including the submission of a comprehensive Project Definition Document to the Department of State Development. The invitation to negotiate a State Agreement is an important milestone towards securing the commitment and support from the WA Government to the development of the BBI Project.

Based on the terms of the State Rail Access Act and Code, RTA is expected to be required to provide haulage services to third parties on commercial terms for any excess capacity on the BB Railway.

4.2.4 Alliance Agreement

The Alliance Agreement governs the integrated development of the BBI Project and PIOP and cement the status of Flinders as foundation customer for the BBI Project. Set out below are the key terms of the Alliance Agreement:

- As a foundation customer, Flinders will deliver up to 30 Mtpa of iron ore to the BBI Project via the development of PIOP.

- Flinders will pay all the direct operating costs associated with the haulage of PIOP ore handled by the BBI Project.

- Flinders will pay an access charge of A$20 per tonne (net of A$5/t customer rebate).

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[16] A State Agreement, which is ratified by Acts of WA Parliament, is a legal contract between the Western Australian Government and a proponent of a major project. It is a highly visible sign of the State's support for and commitment to the project. State Agreements detail the rights, obligations, terms and conditions for the development of the specific project and establish a framework for ongoing relations and cooperation between the state and the project proponents.

- Flinders will pay a price participation fee of 30% of revenue derived from ore sales in excess of A$60/t.

4.2.5 PIOP

PIOP is currently 100% owned by Flinders and it is not part of the BBJV. However, given the existence of the Alliance Agreement between the two parties, we have provided below a brief overview of the PIOP in order to assist RTA Shareholders in better understanding and assessing the risks attached to the BBI Project.

PIOP is an advanced hematite iron ore project which hosts a JORC compliant resource of about 1 billion tonnes at an average iron content of 55.6% (Fe%) as set out below.

Flinders PIOP		Resources				
Mineral	**Tonnage Mt**	**Fe%**	**SiO2%**	**Al2O3%**	**P%**	**LOI%**
Inferred	144.4	54.4	10.8	5.3	0.060	5.0
Indicated	792.2	55.5	8.9	4.5	0.070	6.0
Measured	105.3	56.4	10.5	5.1	0.050	2.8
Total	**1,041.9**	**55.6**	**9.3**	**4.7**	**0.070**	**5.5**

Source: Flinders Quarterly Report December 2014.

The project will consist of a number of open pits which will be progressively backfilled, a Run-Of-Mine and a mine processing plant. Total capital expenditure for the development of PIOP has been estimated at A$815 million.

Based on publicly available information released by RTA, we understand that the combined project (PIOP plus BBM Project under common ownership) has the potential to be in the low cost quartile iron ore producer with iron ore landed in China at a cost of A$46.5/t. However, under the current structure and shareholding, Flinders' breakeven point is increased to circa A$70/t after paying the haulage fee included in the Alliance Agreement. Flinders also stated that to pay back capital and interest and make a suitable return to shareholders, a long term iron ore price of more than US$85 per tonne is required.

PIOP's ore quality appears comparable to existing Pilbara fines products and Flinders has executed 10 non-exclusive memoranda of understanding with Chinese steel mills which seem to provide further support to the marketability of the final product.

Flinders has appointed Worley Parsons to complete the BFS for PIOP which is expected to be completed at the end of 2015. PIOP is currently expected to produce 25 Mtpa of saleable iron ore for at least 11 years.

On 11 May 2015, Flinders announced that it had entered into an option agreement with Todd, which, subject to satisfaction of customary conditions precedent, will allow Todd to purchase PIOP for a total consideration of A$65 million. The terms of the PIOP Option are summarised below:

- Todd will pay Flinders A$10 million cash upfront to enter into the PIOP Option.

- If Todd exercises the PIOP Option, it will pay Flinders an additional A$55 million cash to purchase PIOP plus a royalty agreement.

- Todd has until 31 December 2016 to exercise the PIOP Option which can be extended for a further two periods, each of two years, upon payment of an additional A$10 million for each two-year period.

- If Todd has not commenced construction of PIOP within 2 years of exercise of the PIOP Option, it must pay Flinders a further A$20 million.

If the Takeover Offer becomes unconditional and the PIOP Option is exercised, Todd will have absolute control over the BBI Project and PIOP which will materially de-risk the development of the combined project.

4.2.6 The BBM Project

RTA acquired 100% of the BBM Project from Atlas Iron in December 2011 for a total consideration of A$39.5 million plus a royalty. The BBM Project is a large magnetite, vanadium and titanium project with resource of 456 million tonnes at 45% Fe%, 0.64% vanadium and 13.7% titanium content.

A Definitive Feasibility Study ("DFS") was completed in February 2010 at a time when the iron ore price was approximately US$128. The BBM Project has primary environmental approvals and native title agreements in place. It was envisaged that the BBM Project would involve open pit mining operations, processing facilities and associated infrastructure to produce approximately 10 Mtpa of iron concentrate which would be exported by a dedicated transhipment operation at the BB Port which is only a few kilometres away. Immediately after the purchase of the BBM Project, RTA sold a 25% interest to a subsidiary of Todd for approximately $9.87 million. In September 2013, a further 7% interest in the BBM Project was sold to Todd for A$7 million.

The table below provides a summary of RTA's currently attributable JORC defined ore resources as at 28 May 2015:

BBM Project		**Resources Estimates (Dec '09)**		
Mineral	**Tonnes (Mt)**	**Fe%**	**V2O5%**	**TiO2%**
Inferred	150.2	44.3	0.64	13.4
Indicated	86.7	44.5	0.63	13.5
Measured	219.0	45.1	0.64	14.0
Total	**455.9**	**44.7**	**0.64**	**13.7**

Source: RTA Annual reports and quarterly updates.

We note with regard to the above that RTA has not revised the above noted resources since the acquisition of the BBM Project from Atlas Iron in December 2011.

In the current iron ore price environment, the BBM Project is unlikely to be economically viable. As result, the development of the BBM Project will constitute Phase 2 with the BBJV focussing on Phase 1 being the BBI Project, to support the export of 25 Mtpa iron ore from PIOP.

As discussed above, the BBJV has recently obtained EPA approval to expand capacity at the BB Port to 45 Mtpa which will support the future potential development of the BBM Project if iron ore prices recover from the current lows.

4.3 Other assets

4.3.1 Eucla West Mineral Sands Project

The Eucla West Project ("Eucla") is a prospective tenement for graphite and heavy metal sands. RTA owned a 50.1% equity interest in the project. During 2014 RTA sold 50% of its ownership (i.e. 25.05%) to Todd for A$1.5 million. Rutila has since entered into a joint funding and participation agreement with Todd to continue the development of Eucla.

4.3.2 Various New South Wales Tenements

RTA currently owns interests in four projects in New South Wales. No significant exploration activities are presently under way and RTA is seeking to divest its NSW tenements to focus on its Western Australian assets.

4.4 Financial Information

4.4.1 Financial performance

The following table summarises RTA's consolidated statement of comprehensive income for the financial years ended 30 June 2013 ("FY13"), 30 June 2014 ("FY14") and the half year ended 31 December 2014 ("HY15").

Consolidated statements of profit or loss for the period ended:	FY13	FY14	HY15
	Audited	Audited	Reviewed
Rutila Resources Limited	A$000	A$000	A$000
Revenues	219	4,128	36
Consultancy Expenses	(1,330)	(1,070)	(200)
Director's Remuneration	(128)	(121)	(94)
Legal Fees and Compliance Fees	(275)	(506)	(187)
Depreciation and Amortization Expenses	(7)	(46)	(51)
Employee Benefit Expense	(1,020)	(1,354)	(949)
Occupancy Expense	(150)	(103)	(147)
Professional Fees	(98)	(123)	(48)
Interest Expense	(4,176)	(4,744)	(3,309)
Equity Based Compensation	(92)	(380)	(336)
Infrastructure Expense	-	(2,254)	(4,753)
Other Expenses	(475)	(473)	(321)
Loss before income tax	**(7,534)**	**(7,047)**	**(10,359)**
Income tax Expense	-	-	-
Loss for the period	**(7,534)**	**(7,047)**	**(10,359)**

Source: Audited or reviewed financials, CapitalIQ and GTCF calculations

We note the following in relation to RTA's income statements:

FY14

- Revenues mostly represent the gain on the sale of 7% of the BBJV to Todd.
- RTA increased infrastructure expenditure significantly from FY13 to FY14 as it began the early stages of development of the BBJV.
- Consultancy expenses are in relation to advisory services provided to RTA for merger and acquisition activity, strategic financial advice and investor relation services.
- Employee benefits increased between FY13 and FY14 as a result of a material increase in short term employee benefits from $810,132 in FY13 to $1,417,518 in FY14.
- Interest expense rose in FY14, partly as a result of the material increase in the interest-bearing liabilities provided by Todd as detailed in section 4.4.2.1.

- Equity-based compensation expenses increased as a result of the establishment of the RTA Employee Share Trust ("EST"). The increase in expenses over the period relates primarily to the issue of 9 million RTA options under the EST in FY14.

HY15

- Infrastructure expenses increased in line with the further development of the BBJV project.

- Interest expense relates to the loan facility with Todd which is discussed in further detail in 4.4.2.1 of this report.

4.4.2 Financial position

The following table summarises RTA's consolidated statement of financial position as at 30 June 2014 and the half year ended 31 December 2014.

Consolidated statements of financial position as at	30-Jun-14	31-Dec-14
	Audited	Reviewed
Rutila Resources Limited	A$000	A$000
Current Assets		
Cash and Cash Equivalents	1,753	4,517
Trade and Other Receivables	416	675
Total Current Assets	**2,169**	**5,191**
Non-Current Assets		
Plant and Equipment	98	112
Intangible Assets	-	84
Exploration and evaluation expenditure	36,049	36,532
Other non-current assets	257	272
Total Non-Current Assets	**36,404**	**36,999**
Total Assets	**38,573**	**42,190**
Current Liabilities		
Trade and Other Payables	2,345	2,266
Short term provisions	-	83
Borrowings	79	43,260
Derivative liability	-	1,363
Total Current Liabilities	**2,425**	**46,973**
Non-Current Liabilities		
Borrowings	36,759	-
Total Non-Current Liabilities	**36,759**	**-**
Total Liabilities	**39,183**	**46,973**
Net Assets	**(611)**	**(4,782)**
Equity		
Common Stock - Par Value	26,239	32,090
Accumulated Losses	(27,967)	(38,326)
Reserves	1,117	1,453
Total Shareholders Equity	**(611)**	**(4,782)**

Source: Audited or reviewed financials, CapitalIQ and GTCF calculations

We note the following in relation to RTA's balance sheet as at 31 December 2014:

- Cash increased significantly at 31 December 2014 as a result of additional borrowings provided by Todd.
- Borrowings increased in the period from June 2014 to December 2014 and were reclassified as current liabilities.
- There was an increase in shares issued during HY15 as Todd converted the first tranche of its convertible loan into shares. The total number of shares issued to Todd amounted to 39,944,863 and were issued in October 2014.
- RTA has funding arrangements with Todd. Specifically, we note the following:

- RTA is currently relying on support from Todd to meet its obligations. Should this support be withdrawn and RTA is unable to raise additional capital, there is material uncertainty as to whether RTA can continue as a going concern.

- The directors believe that there is a reasonable prospect that the loan facility provided by Todd will be converted to equity, and additional funds will be sourced, as needed.

- The audit report to the financial report for HY15 included an emphasis of matter in relation to the uncertainty in the ability of RTA to continue as a going concern. The audit report states that as at 31 December 2014, the Company had a deficiency in net assets of A$4.8 million and should the business continue to make losses, there is material uncertainty as to whether RTA may be able to continue as a going concern.

4.4.2.1 Debt Funding

As stated earlier in this report, Todd is RTA's principal financier. As at 31 December 2014, there were loans provided by a subsidiary of Todd totalling approximately A$44.6 million[17] (which increased toA$47.6 million as at the date of this report).

As at the date of this report, these loans are represented by:

- An original loan facility ("Facility A Loan") of A$27.5 million loan with accrued interest of approximately A$14.7 million. This liability is due to be repaid by 31 December 2015.

- A second tranche of an additional loan facility ("Facility B Loan") of approximately A$5.4 million including accrued interest.

The Facility B Loan originated in June 14 following shareholders' approval of an amended financing facility whereby Todd was to provide an additional A$10 million in convertible loan funds in two tranches of A$5 million each. The first tranche was drawn down in July 2014, with the full amount including interest being converted by Todd into RTA shares in October 2014. The second Tranche of A$5 million was drawn down in November 2014. In March 2015, Todd elected to convert the loan plus outstanding interest into RTA Shares, however Todd has not yet effected conversion which can be effected up to 31 December 2015.

4.4.2.2 Equity Capital

As at the date of our report RTA has the following securities outstanding:

- 121,410,197 RTA Shares, as detailed below,

- 27.3 million options ("RTA Options").

[17] Calculated as borrowing of A$43.3 million and derivative liabilities of A$1.4 million.

RTA Shares

The top 10 shareholders of RTA are set out below:

Top shareholder as at 25 May 2015			
Rank	Name	Number of Shares	Interest (%)
1	Tio (NZ) Limited	55,944,863	46%
2	Nyco Pty Ltd <Curtis Super Fund>	24,000,000	20%
3	Australia Conglin International Investment Group Pty Ltd	5,000,000	4%
4	Nyco Pty Ltd <Curtis S/Fund A/C>	4,250,000	4%
5	Brispot Nominees Pty Ltd	3,829,103	3%
6	Kelly Brookvale Pty Limited	1,165,900	1%
7	Dr Matthew Peter James	1,125,370	1%
8	Mr Andrew Clive Bede Ross + Mrs Mary-Louise Ross	1,000,000	1%
9	Bradfield & Prichard Real Estate Consultants Pty Ltd	814,171	1%
10	Mrs Yao Xu	671,634	1%
Total top 10 shareholders		97,801,041	81%
Remaining shareholders		23,609,156	19%
Total shares outstanding		121,410,197	100%

Source: ASX announcements and annual reports.

As at the date of the report, Todd and Nyco (associates for the purpose of the Takeover Offer) collectively own 69.4% of the outstanding shares in RTA on an undiluted basis.

RTA Options

RTA Options have been issued to employees, Todd and Riverstone Advisory, a corporate advisory firm associated with Mr Curtis.

The following table summarises the key terms of the options outstanding:

RTA options	Vesting Conditions	Exercise Price ($)	Expiry Date	Number of options
Employee/director options				
	none	0.540	01-Dec-15	5,475,000
	none	0.560	10-Sep-17	50,000
	See Note 1	0.300	02-Oct-17	1,450,000
	See Note 1	0.300	20-Dec-17	7,450,000
	none	0.560	01-Jan-18	50,000
	none	0.300	17-Jul-18	2,325,000
Todd				
	none	0.500	31-Dec-15	6,500,000
Riverstone				
	none	0.500	27-Jun-17	2,000,000
	none	0.300	27-Jun-17	2,000,000
Total options outstanding				**27,300,000**

[1] 75% vest on recommendation to approve a final investment decision ("FID") for the BBI Project or another project of similar scale. 25% vest after 2 years of service by the individual employee.

Source: Management and GTCF calculations

5 Valuation methodology

5.1 Introduction

In accordance with our adopted valuation approach set out in Section 2.2, our fairness assessment involves comparing the Offer Price of A$0.30 per RTA Share to the fair market value of RTA Shares on a control basis.

Grant Thornton Corporate Finance has assessed the value of RTA Shares using the concept of fair market value. Fair market value is commonly defined as:

"the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm's length."

Fair market value excludes any special value. Special value is the value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

5.2 Potential valuation methodologies

RG 111 outlines the appropriate methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

- Discounted cash flow (DCF) method.
- Application of earnings multiples to the estimated future maintainable earnings or cash flows.
- Amount available for distribution to security holders on an orderly realisation of assets.
- Quoted price for listed securities, when there is a liquid and active market.
- Any recent genuine offers received by the target.

Further details on these methodologies are set out in Appendix B to this report. Each of these methodologies is appropriate in certain circumstances.

RG 111 does not prescribe which of the above methodologies an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert's skill and judgement and after considering the unique circumstances of the entity or asset being valued. In general, an expert would have regard to valuation theory, the accepted and most common market practice in valuing the entity or asset in question and the availability of relevant information.

5.3 Selected valuation methodology

In accordance with the requirements of RG111, we have considered a number of valuation methodologies for the purpose of our fairness assessment as outlined below.

DCF Approach

The 68% interest in the BBJV is RTA's most valuable asset. Whilst the Company has prepared long term cash flows projections for the BBI Project, we have not adopted the DCF approach as the primary valuation methodology in our fairness assessment due to the following:

- The projections for the BBI Project involve significant elements of subjective judgement and analysis that may or may not be correct. The projections are based on initiatives yet to be implemented or completed, including consents and approvals from Pilbara Port Authority and the negotiation of a State Agreement.

- Based on the current iron price and the terms of the Alliance Agreement, Flinders has indicated that PIOP is not economically viable.

- The total BB Port and BB Railway capital expenditure is estimated at about A$2 billion. Based on its 68% interest in the BBJV, RTA will be required to provide funding (both debt and equity) of about A$1.35 billion. There is a high degree of uncertainty as to whether or not RTA will be able to secure the required funding given current market conditions, size and scale of RTA, and its lack of financial robustness.

- Flinders is the only foundation customer of the BBI Project. Flinders is still in the process of completing a bankable feasibility study for PIOP and it expects to reach final investment decision towards the end of the year. However, as noted above based on the terms of the Alliance Agreement, PIOP is not currently economically viable.

Based on the discussions above, we are of the opinion that the DCF approach is not appropriate as the primary valuation methodology as it would be based on significant hypothetical assumptions.

Earnings multiples and asset based methodology

Based on the early stage nature of RTA's assets, the Company does not generate any revenue, accordingly earnings based methodologies are not applicable.

Further, RTA had a deficiency of net assets of approximately A$4.8 million as at 31 December 2014. Accordingly, this methodology is not suitable to assess the fair market value of RTA.

Selected valuation methodologies

Grant Thornton Corporate Finance has selected the quoted price of listed securities with an adjustment for control as the primary approach to assess the fair market value of RTA Shares. Whilst this methodology presents certain limitations, in particular in relation to the low level of liquidity in the share trading, given the limitations discussed above in relation to the other valuation methodologies, we believe it is appropriate to have regard to the trading prices in our fairness assessment.

As a cross check to our primary valuation methodology, given the main asset of RTA is its interest in the BBJV, and in particular the BBI Project, we have estimated the see-through value implied in the selected share price range of RTA's interest in the BBI Project, and compared that with the following:

- A range of possible value outcomes of the BBI Project based on the DCF approach. Whilst as discussed above, we do not believe it is appropriate to adopt the DCF approach as the primary valuation methodology, in our cross-check, we have adopted a range of possible assumptions for the key value drivers in the future cash flows in order to estimate a number of value scenarios to test whether or not the see-through value of the BBI Project is reasonable.

- The cost to replicate all expenses incurred by RTA over the last 2.5 years to undertake all the research, analysis and preparation work for the future development of the BBI Project. The cost incurred by RTA in today's dollars does represent the minimum value of the BBJV that would be paid by a pool of potential purchasers.

Given that our primary methodology is based on the trading prices of RTA Shares on the ASX, we have not appointed a geologist to assist us in the valuation of the exploration assets or a specialised infrastructure company to review the BBI Project.

6 Valuation assessment of RTA Shares

In our assessment of the fair market value of RTA Shares on a control basis, we have had regard to the trading prices of the listed securities quoted on the ASX with an adjustment for control.

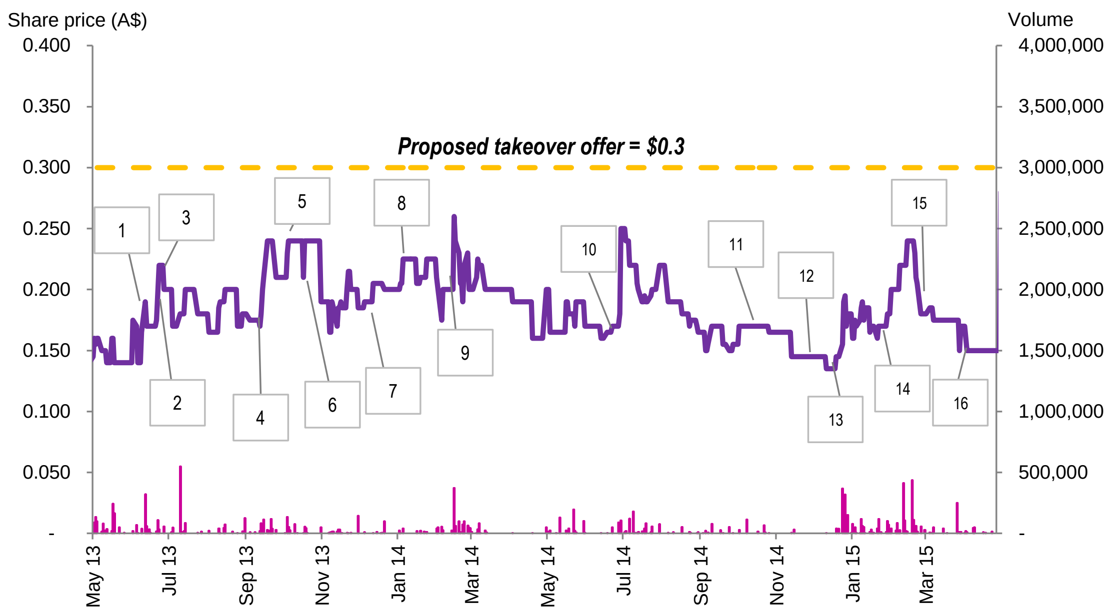
The quoted price of listed securities method is based on the Efficient Market Hypothesis which states that the share price at any point in time reflects all publicly available information and will change when new information becomes publicly available. With regards to this, we note that RTA complies with the full disclosure regime required by the ASX. As a result, the market is fully informed about the performance of RTA.

In accordance with the guidance in RG111, we have considered the depth of the market for the listed security, the spread of shareholders, volatility of the market price, and whether or not the market value is likely to represent the underlying value of RTA.

6.1 Quoted securities

6.1.1 Share price and market analysis

Our analysis of the daily movements in RTA's listed share price and volumes for the two year period between May 2013 and May 2015 (before the announcement of the Takeover Offer) is set out below:



Source: Capital IQ and GTCF analysis

In this period, the share price traded in the range of between 13.5 cents (December 2014) and 27.0 cents per share (July 2014) at a time when iron ore prices were about US$68.8 and US$96.0 per tonne, respectively.

Key events that occurred during the abovementioned period are summarised below:

No.	Date	Comments
1	24 Jun 2013	Survey results released in respect of the Eucla West Project that were positive for the prospective nature of the project. The share price closed at A$0.19.
2	4 Jul 2013	FRG secured a funding package of $8.5 million with Todd through a part sell down of a 7% interest in the BBJV (for consideration of $7 million) and a commitment to assist with Eucla West Project funding. The share price closed at A$0.20.
3	8 Jul 2013	FRG announced positive results from drilling at the Bristol Target within the Eucla West Project. The share price closed at A$0.22.
4	25 Sep 2013	FRG changed its name to Rutila Resources Limited (ASX:RTA). The share price closed at A$0.18.
5	23 Oct 2013	Todd completed the acquisition of an additional 7% stake in the BBJV. The share price closed at A$0.24.
6	29 Oct 2013	RTA released its earnings results for the year ended 30 June 2013. The share price closed at A$0.24.
7	19 Dec 2013	RTA announced they had entered into a native title agreement with the Ngarluma Aboriginal Corporation under the Native Title Act resulting in the Ngarluma Aboriginal Corporation becoming a shareholder in the Port Facility. The share price closed at A$0.19.
8	17 Jan 2014	RTA announced that Miscellaneous License has been granted by the Government of Western Australia – Department of Mines and Petroleum for the BBM Project and the BBI Project. The share price closed at A$0.23.
9	26 Feb 2014	RTA, Flinders Mines and Todd signed an Alliance Agreement. RTA announced an expected $10 million funding from Todd. The share price closed at A$0.20.
10	4 Jul 2014	RTA announced that it had completed the 2014 Funding Package (including 18 month loan extension, $1.5 million sale proceeds in relation to the Eucla West Project and $10 million Facility B Loan). The share price closed at A$0.17.
11	27 Oct 2014	RTA announced that Todd converted the first tranche of Facility B Loan into ownership in RTA. The conversion implied that RTA issued a total of 39,944,863 fully paid RTA ordinary shares in satisfaction of the first tranche of Facility B Loan ($5 million). After the conversion, Todd owned approximately 46% of RTA. The share price closed at A$0.17.
12	3 Dec 2014	RTA announced that it received the second tranche of the Facility B Loan. The share price closed at A$0.15.
13	30 Dec 2014	RTA announced that it had received approval from the Premier of Western Australia and Minister for State Development to negotiate on behalf of the BBJV for a State Agreement. The State Agreement would enable the commencement of the construction of a private railway line to service potential iron ore mines in Pilbara and deliver ore through the Balla Balla Port. The share price closed at A$0.14.
14	28 Jan 2015	RTA received approval from the Environmental Protection Authority (EPA) for the expansion of capacity at the proposed Balla Balla Port. The share price closed at A$0.17.
15	6 Mar 2015	RTA announced that Todd elected to convert Tranche 2 of the Facility B Loan. The second conversion implied that RTA will issue additional ordinary shares totalling $5 million (plus outstanding interest). The share price closed at A$0.21.
16	14 Apr 2015	RTA announced that it had finalised a number of native title agreements with the Ngarluma Aboriginal Corporation authorising the development of the Port Facility and part of the Pilbara Railway. The share price closed at A$0.16.

Source: RTA's ASX announcements

Based on a review of the above announcements, we are of the opinion that the trading prices of RTA after 30 December 2014 better reflect the on-going fair market value of RTA due to the announcement of RTA being invited to negotiate the State Agreement, and the EPA's approval to allow the expansion of capacity at the BB Port, which mitigate some of the uncertainties in relation to the BBI Project obtaining the required regulatory approvals.

Detailed below is the trading volume of RTA Shares as a percentage of the total number of shares outstanding and as a percentage of free float shares[18]:

[18] Being those shares held by investors other than the Company's employees, individual insiders, related parties and other strategic investors (mostly Todd and Nyco).

Month end	Volume traded ('000)	Monthly VWAP ($)	Total value of shares traded ($'000)	Volume traded as % of total shares	Volume traded as % of free float shares
May 2014	290	0.1760	51	0.36%	1.62%
Jun 2014	341	0.1852	63	0.42%	1.90%
Jul 2014	775	0.2080	161	0.96%	4.33%
Aug 2014	212	0.1961	42	0.26%	1.18%
Sep 2014	170	0.1637	28	0.21%	0.94%
Oct 2014	215	0.1623	35	0.26%	1.18%
Nov 2014	116	0.1626	19	0.10%	0.43%
Dec 2014	46	0.1429	7	0.04%	0.17%
Jan 2015	1,589	0.1751	278	1.31%	5.89%
Feb 2015	1,119	0.2005	224	0.92%	4.14%
Mar 2015	840	0.2238	188	0.69%	3.11%
Apr 2015	423	0.1661	70	0.35%	1.57%
May 2015	15	0.1500	2	0.01%	0.06%
Low				**0.01%**	**0.06%**
Average				**0.45%**	**2.04%**
Median				**0.35%**	**1.57%**
High				**1.31%**	**5.89%**

Note: May 2015 figures include data available up to 8 May 2015
Source: Capital IQ and GTCF calculations

With regards to the above analysis, we note that:

- Overall the volume of RTA Shares traded is low with no more than 1.3% of total shares traded in any one month.

- The level of free float shares is approximately 23%. As previously mentioned, the majority of RTA's shareholding is held by Todd (approximately 46%) and Nyco (approximately 23%). Over the last 12 months, approximately 26% of RTA's free float shares were traded, primarily from January 2015 onwards[19].

- The volume of RTA's free float shares trading fluctuated throughout the 12-month period with monthly volume reaching as high as approximately 1.6 million or 5.9% of free float shares during January 2015 which was most likely a result of market sentiment around the progress of the BBI Project given the receipt of the EPA approvals and the invitation to negotiate the State Agreement.

Whilst the level of liquidity of RTA Shares is limited, we have relied on the trading prices in our fairness assessment due to the following:

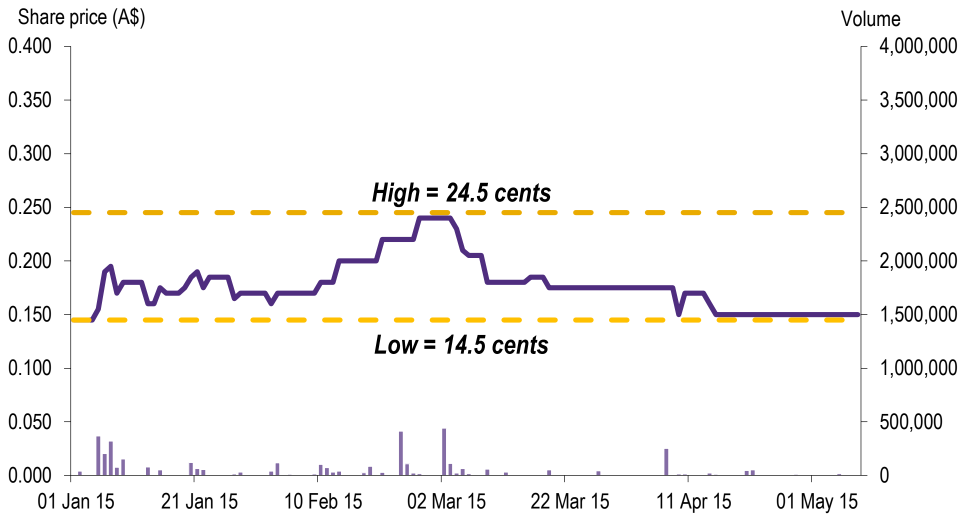
- RTA complies with the full disclosure regime required by the ASX. As a result, the market is fully informed about the performance of RTA.

- In the absence of a takeover or other share offers, the trading share price represents the value at which minority shareholders could sell their shares if they wanted to exit their investment.

- The trading volumes increased in the first quarter of 2015.

[19] As May 2015 is only for one week of trading, limited reliance is placed on that month's trading when assessing volume.

As noted above, we have put greater emphasis on the RTA share trading in 2015 as outlined below.



Source: Capital IQ and GTCF analysis

Rutila Resources Limited	Share Price				Average
	High	Low	Close	Monthly VWAP	weekly volume
	$	$	$	$	000'
Jan 2015	0.210	0.145	0.170	0.1751	378
Feb 2015	0.245	0.160	0.240	0.2005	280
Mar 2015	0.240	0.175	0.175	0.2238	191
Apr 2015	0.175	0.150	0.150	0.1661	96
To 8/05/2015	0.150	0.150	0.150	-	15

Source: Capital IQ and GTCF calculations

Based on the above chart and table, we note that in the five months' period between January 2015 and May 2015, RTA Shares traded in a range of between 14.5 cents per share (January 2015) and 24.5 cents per share (February 2015) with an average share price of approximately 18 cents per share.

We note that the share price materially decreased at the beginning of March 2015 when it reduced from 24 cents per share on 3 March 2015 to 15 cents per share on 15 April 2015 (about 37.5% decrease). In our opinion, this large share price reduction was due to the following:

- Dilution following the election made by Todd to convert Tranche 2 of the Facility B Loan into RTA shares at a discount of 20% to the 30 days VWAP before the conversion notice. We note that Todd has until 31 December 2015 to actually convert the loan.

- The half year accounts released by the Company on 11 March 2015 included an emphasis of matter in relation to the ability of the Company to continue as a going concern. In particular, we note the following in relation to the half year accounts:

  – Current liabilities exceed current assets by about A$42 million.

  - The net asset position of the Company deteriorated significantly from negative net assets of A$0.6 million as at 30 June 2014 to negative net assets of A$4.8 million as at 31 December 2014.

- On 30 April 2015, RTA released the quarterly activity and cash flows report which show that the net cash balance of the Company had reduced from A$4.3 million on 1 January 2015 to A$1.1 million on 31 March 2015.

Based on the above factors, it is our opinion that the trading prices of RTA since March 2015 may have been impacted by the reliance by the Company on Todd for its funding. Accordingly, the trading prices may not necessarily be consistent with our assessment under the fair market value concept. For this reason, in our valuation assessment adopting the trading prices, we have put limited reliance on the trading prices after March 2015.

6.1.2 Conclusions on the share price

Based on the analysis above, we have assessed the trading price between $0.175 and $0.225 as representative of the fair market value of RTA Shares on a minority basis. The selection of the trading prices valuation range is mainly based on the monthly VWAP between January 2015 and March 2015 when volumes traded were higher than historically and the trading prices appeared to be less affected by speculation in relation to the ability of the Company to continue as a going concern.

To calculate the value of RTA Shares on a control basis we have applied a premium for control of 40%.

Evidence from studies indicates that premiums for control on successful takeovers have frequently been in the range of 20% to 40%. The premium is applicable when the acquisition of control of a company or business would give rise to benefits such as:

- The ability to realise basic synergistic benefits.
- Access to cash flows.
- Access to tax benefits.
- Control of the board of directors of the company.

In our assessment of RTA on a control basis, we have applied a premium for control at the high-end of the range typically applied due to the following:

- The strategic nature of the BBI Project held by RTA.
- The trading prices may incorporate an element of financial distress given the negative sentiment in the share price since the release of the announcements in relation to the half year accounts which contained an emphasis of matter in relation to the ability of the Company to continue as a going concern.

- Todd's shareholding in the Company represents an impediment to RTA receiving a takeover offer (without Todd's consent). Generally speaking, all other things being equal, listed companies with a large controlling shareholder tend to trade at a lower valuation than peers with a diverse shareholder base which have a greater takeover contestability.

The table below summarises our assessment of the fair market value of RTA Shares on a control basis:

Assessment of fair market value		
RTA Shares	Low	High
Value on a minority basis	0.175	0.225
Premium for control	40.0%	40.0%
Value on a control basis	**0.245**	**0.315**

Source: GTCF calculations

6.2 Cross-check valuation assessment

As discussed in section 5.3, in our cross-check valuation assessment, we have determined the BBI Project see-through value implied in the share prices, and we have compared that with the following:

- A number of sensitivities based on the DCF approach in conjunction with a range of scenarios for the key value drivers of the BBI Project.
- The cost incurred by BBJV to develop the BBI Project to the current stage (replacement cost approach).

6.2.1 See-through value of the BBI Project

Based on the selected value range of RTA on a control basis set out in section 6.1.2, we have assessed the see-through value of the RTA's interest in the BBJV between A\$60.8 million and A\$73.5 million as set out below.

RTA See-through Valuation		Section reference	Low	High
Fair market value per share (control basis)	**(A\$)**	**6.1**	**0.245**	**0.315**
Number of RTA Shares	(million)	4.4	121.4	121.4
Equity value (control basis)	**(A\$m)**		**29.7**	**38.2**
Net debt	(A\$m)	Note 1	45.4	45.4
Enterprise Value	**(A\$m)**		**75.2**	**83.7**
Less: Value of interest in BBM Project	(A\$m)	Note 2	(13.9)	(9.7)
Less: Value of interest in Eucla West Project	(A\$m)	Note 3	(1.5)	(1.5)
Less: Value of interest in Various NSW Tenements	(A\$m)	Note 4	(0.2)	(0.2)
Add: Value of RTA Options	(A\$m)	Note 5	1.2	1.2
See-through value of BBI Project	**(A\$m)**		**60.8**	**73.5**

Source: GTCF calculations

Note 1 – We have added back to the equity value, the net debt as at 31 March 2015 in order to estimate the fair market value of the enterprise value.

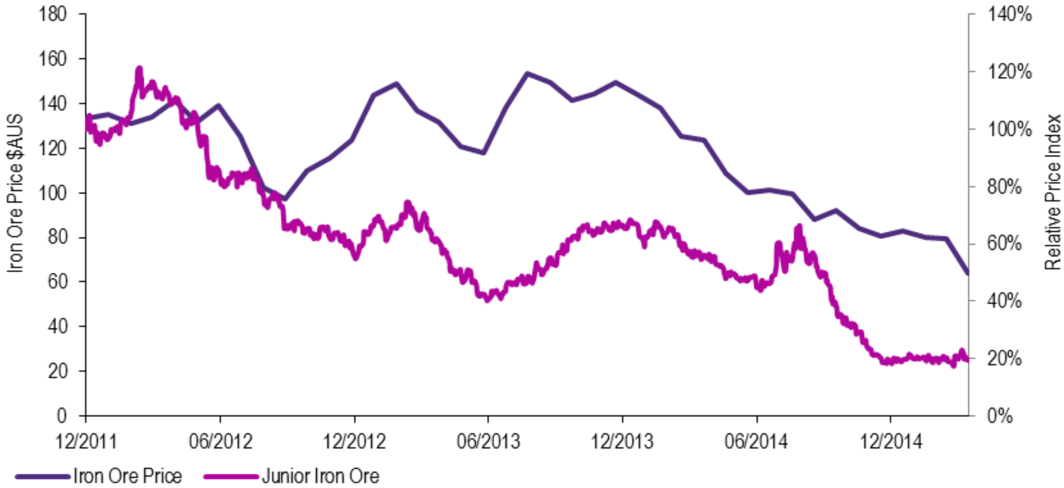
Note 2 – We have assessed the fair market value of the BBM Project between A$9.7 million and A$13.9 million based on the resource multiples of comparable companies and comparable transaction (refer to Appendix C for the full details).

Our valuation assessment of the BBM Project is at a significant discount to the purchase price of about A$39.5 million paid by RTA in December 2011. We do not believe this level of discount to be unreasonable due to the following:

- The iron ore price has reduced from approximately US$137 per tonne at the end of December 2011 to US$57 per tonne on 1 June 2015.

- We have compiled an iron index of the junior iron ore companies listed on the ASX ("Junior Iron Ore Index)[20]. The Junior Iron Ore Index has declined by approximately 81% between December 2011 and the date of this report.

Comparison of iron ore prices and iron junior index



Source: CapitalIQ historical prices, 2015.

- The trading prices of junior iron ore explorers with low grade magnetite iron ore flagship projects have reduced more than proportionally compared with companies with greater quality assets (eg haematite iron ore projects).

- The carrying value of the BBM Project exploration assets acquired was approximately A$31.8 million as at 31 December 2104. We understand that a detailed impairment review will be undertaken in conjunction with the 30 June 2015 audit.

- As discussed in Appendix C, we are of the opinion that PIOP and Flinders are relatively the most comparable to the BBM Project. The resource multiple adopted in our valuation assessment between 0.07x and 0.10x is at a discount to the midpoint resource multiple implied in

[20] It includes Mount Gibson Iron Limited, Atlas Iron Limited, BC Iron Limited, Flinders Mines Limited, Gindalbie Metals Limited, Red Hill Iron Limited, Yellow Rock Resources Limited and Australasian Resources Limited.

the PIOP Acquisition[21] and Flinders trading prices. We are of the opinion that this is reasonable due to the following:

- PIOP's average iron ore grade of 55.6% Fe is materially higher than 44% Fe for the BBM Project. PIOP is a haematite iron ore project with ore quality comparable to existing Pilbara fines products whereas the BBM Project is a magnetite iron ore project with limited development capability in the current market and based on current and consensus iron ore prices.

- Based on the DFS for the BBM Project, the capital costs have been estimated at A$631 million (6 Mtpa throughput). Management of RTA has indicated that in current market conditions, the BBM Project is not economically viable and is highly unlikely it will be developed in the near term. However, if the BBI Project is built, the capital costs for the BBM Project will reduce by about two-thirds, thus greatly enhancing the prospect for future development. We have not considered this special value for the owner of the BBI Project, rather we have adopted the fair market value for a pool of potential purchasers and accordingly, special value has not been considered in our valuation assessment.

- In our opinion, the consideration paid by Todd for the PIOP Acquisition may incorporate a proportion of special value arising from the combination of RTA and PIOP under a common ownership.

Note 3 – RTA holds a 25% interest in the Eucla West Project. RTA sold a 25% interest in the project to Todd in June 2014 for A$1.5 million. We have adopted this sell-down transaction as comparable for the purpose of our valuation assessment and accordingly, we have assessed the fair market value of RTA's 25% interest in the Eucla West Project at A$1.5 million. Whilst this transaction is between related parties, the sell-down was considered fair and reasonable by an Independent Expert.

We are of the opinion that the transaction value back in June 2014 is still representative of fair market value due to the following:

- Activities relating to the Eucla West Project have focussed on exploration activities since 2014 with no material developments since this date.

- Iluka Resources Limited ("Iluka") is an ASX listed company and one of the major participants in the global mineral sands industry. Whilst mineral sands prices are not publicly traded and predominately determined by direct producers to customer arrangements, the current share price of Iluka has remained substantially unchanged compared with the trading prices in June 2014.

Note 4 – The fair market value of the other exploration assets has been assessed at A$0.2 million based on the expected sale proceeds for one of the New South Wales tenements. The other tenements have not been attributed any value given that the mining licences are expected to shortly expire.

[21] Refer to Appendix C for details.

Note 5 – The fair market value of the RTA Options has been assessed at A$1.2 million. Refer to Appendix E.

Based on the above, we have assessed the see-through value of the BBI Project at between A$60.8 million and A$73.5 million.

6.2.2 DCF value scenarios

As discussed in section 5.3, we have crossed-checked the BBI Project see-through value with regard to a DCF assessment under a range of scenarios for the key value drivers. Our scenario analysis is only in relation to the BBI Project on a stand-alone basis and not combined with PIOP.

The BBI Project cash flows projections used in the scenario analysis are based on a 15-year financial model prepared by Management of the BBJV and sensitised by Grant Thornton Corporate Finance in relation to the infrastructure tariff, forecast exchange rate and iron ore prices. We note that the BBI Project projections involve significant elements of subjective judgement and there are a large number of variables which are outside the control of BBJV. The BBI Project projections do not satisfy the requirements for presentation in a disclosure document and actual results are likely to be different from those adopted in our cross-check DCF scenarios.

Set out below are the key assumptions adopted in the DCF scenarios analysis:

- The BBI Project is developed in accordance with the current design and specifications as set out in section 4 of this report.

- Timetable – both the BBI Project and PIOP reached final investment decision at the end of 2016 with procurement and construction commencing shortly after.

- Total capital expenditure of A$2 billion for 100% of the BBI Project.

- PIOP is transitioned into construction and then production in accordance with the resource, mine planning, plant design and approvals developed so far which will represent the base of the DFS currently being undertaken. PIOP's estimated capital cost is about A$0.8 billion.

- Iron ore prices and exchange rates based on consensus forecast as outlined in the tables on the following page.

Iron Ore price assumptions	2015	2016	2017	2018	2019	2020
US$/t (nominal terms)						
Low	52	52	63	63	68	80
Median	59	60	75	75	78	82
High	75	80	85	85	85	85

USD/AUD exchange rate assumptions	2015	2016	2017	2018	2019	2020
USD/AUD (nominal terms)						
Low	0.72	0.64	0.71	0.83	0.84	0.88
Median	0.76	0.74	0.79	0.85	0.86	0.88
High	0.85	0.81	0.82	0.86	0.88	0.88

Source: GTCF calculations

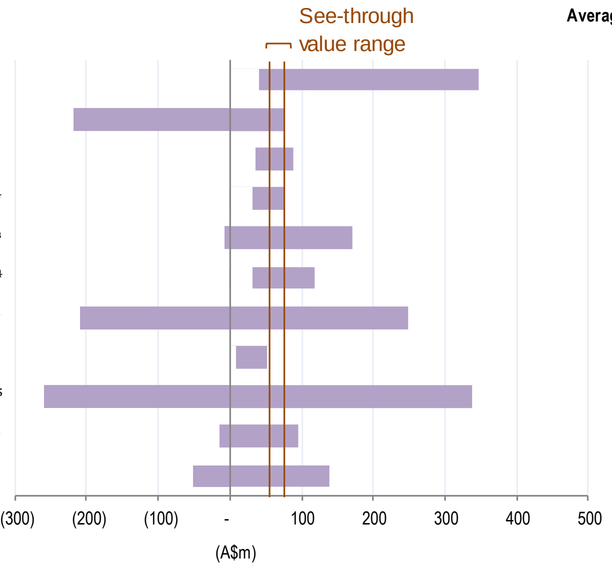
- Based on the current terms of the Alliance Agreement, PIOP has a break-even iron ore price of US$70 per tonne which makes the development not economically viable in the current market. Flinders has estimated that to pay back capital and interest and generate a suitable return for shareholders, a long term iron price greater than US$85/t is required which is not foreseen in the medium term. Accordingly, in our DCF value scenarios, we have sensitised the infrastructure tariff (currently approximately a net amount of A$20/t[22] before price participation) payable to the BBJV to a level more sustainable for the development of PIOP in the current market conditions and corporate structure.

- A discount rate based on a cost of equity of between 14.9% and 15.5%. In accordance with the requirements of RG111 and the assumptions that would be adopted by a pool of potential purchasers, our assessment of the discount rate takes into account the unfunded nature of the BBI Project, the dilution for RTA Shareholders and the risks attached to the BBI Project, including approval and regulatory risks.

A summary of our DCF value scenarios plotted against the see-through value of the BBI Project is outlined on the next page.

[22] The headline rate is A$25/t and the BBJV will pay a A$5/tonne rebate for the first 20mtpa commitment with a further rebate (commercial in confidence) applied for ore transported in excess of 20mtpa up to an agreed cap

BBI Project on a stand-alone basis (i.e. not combined with PIOP)



	Average Net Tariff/Tonne[6] Low	High
Headline Access Charge, before rebates ($22/t to $25/t)[1]	25.0	28.9
Headline Access Charge, before rebates ($22/t to $25/t)[2]	20.8	24.8
USD/AUD Exchange Rate (Low to High)[3]	25.0	25.0
USD/AUD Exchange Rate (Low to High)[4]	24.8	24.8
Iron Ore Price (Low to High)[3]	24.4	26.2
Iron Ore Price (Low to High)[4]	24.8	25.4
Volume (-20% to +20%)[5]	23.0	26.2
Construction Start Date (-12Mths to +12Mths)[5]	23.9	25.3
Capex (-20% to +20%)[5]	24.6	24.6
Gearing % (-5% to +5%)[5]	24.6	24.6
Discount rate (-1% to +1%)[5]	24.6	24.6

[1]Using Price Participation of $60/t
[2]Using Price participation of $72/t
[3]Using Price Participation $60/t and Access Charge $22/t
[4]Using Price Participation $72/t and Access Charge $25/t
[5]Using Price Participation $66/t and Access Charge $23.5/t

[6] Being the average total of the net access charge (after rebates) and price participation over the forecast period

Source: GTCF analysis

As set out in the graph above, the fair market value of the BBI Project on a stand-alone basis (i.e. not combined with PIOP) is extremely sensitive to small changes in some of the key underlying assumptions with the value varying between negative A$260 million and positive A$350 million. It is important to note that under certain scenarios (for example, using a high access charge and low price participation rate), it is unlikely that both the BBI Project and PIOP would be earning a sufficient return for the respective companies and hence may not be developed on a stand-alone basis.

Whilst it is difficult to draw a definitive conclusion based on the DCF value scenarios outlined above, we are of the opinion that the see-through value appears to be broadly supported in most of the scenarios and in particular in conjunction with assumptions that would make both the PIOP and the BBI Project economically viable on a stand-alone basis. Accordingly, we believe the see-through value to be reasonable.

6.2.3 Replacement cost

As discussed in other sections of this report, the development of the BBI Project is subject to a large number of uncertainties, including obtaining the necessary approvals, both the BBI Project and PIOP reaching FID, raising the required capital (about A$2.0 billion for the BBI Project and about A$815 million for PIOP), favourable market conditions and potentially renegotiating the terms of the Alliance Agreement. Accordingly, there are significant uncertainties as to whether or not future economic benefits can be extracted from the BBI Project in the form of positive future cash flows.

Based on the above, we believe it is appropriate to also cross-check our valuation assessment of the BBI Project, based on costs incurred by BBJV so far to develop the BBI Project. Cost approach methods are sometimes considered in addition to fair value measurement under the income or the market approach, as a means of validating the other estimate. In the circumstances of our valuation assessment, we consider that the cost to replace or reproduce the BBI Project should be considered as a minimum value, as it does not take into account the strategic nature of the BBI Project. However, we note that the strategic value of the BBI Project may be limited based on the current and separate ownership structure of PIOP and BBJV.

In the assessment of the BBI Project based on the replacement cost, we have assumed that the costs incurred by RTA are consistent with what a typical market participant would pay for the asset, and there are no sunk costs and ineffective expenditure.

Management of the Company has estimated that the total costs incurred by the BBJV to develop the BBI Project to the current status have been about A$25.3 million, which is equivalent to A$25.6 million in today's dollars. The costs incurred include rail/port access and approvals, engineering work, consultant fees, and a portion of corporate overheads that relate only to the BBI Project as distinct from the BBM Project.

The replacement cost is materially below the see-through value implied in the share price. We believe that this is reasonable as the replacement cost should be considered a minimum value given that it does not take into account the strategic nature of the BBI Project as well as the price paid for the purchase of the BBM Project from Atlas Iron being A$39.5 million from which the proposed development of the BB Port emanated. The replacement cost approach provides support that the see-through value implied in the trading prices is not overly conservative.

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7 Sources of information, disclaimer and consents

7.1 Sources of information

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- RTA's Target's Statement dated on or around the date of this report.
- Todd's Bidders Statement.
- RTA Quarterly Cash Flow Statement for the quarter ended 30 March 2015.
- Annual reports of RTA for FY12, FY13 and FY14.
- Releases and announcements by RTA on the ASX.
- Other information provided by RTA.
- IBISWorld Industry Report.
- Other publicly available information.
- S&P CapitalIQ.
- Consensus Economics Forecast.
- Various broker reports.
- Discussions with Management.

7.2 Qualifications and independence

Grant Thornton Corporate Finance Pty Ltd holds Australian Financial Service Licence number 247140 under the Corporations Act and its authorised representatives are qualified to provide this report.

Grant Thornton Corporate Finance provides a full range of corporate finance services and has advised on numerous takeovers, corporate valuations, acquisitions and restructures. Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to RTA and all other parties involved in the Takeover Offer with reference to the ASIC Regulatory Guide 112 "Independence of experts" and APES 110 "Code of Ethics for Professional Accountants" issued by the Accounting Professional and Ethical Standard Board. We have concluded that there are no conflicts of interest with respect to RTA, its shareholders and all other parties involved in the Takeover Offer.

Grant Thornton Corporate Finance and its related entities do not have, at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with RTA or its associated entities that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Takeover Offer.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Takeover Offer, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Takeover Offer. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

7.3 Limitations and reliance on information

This report and opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by RTA and other publicly available sources. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by RTA through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of RTA.

This report has been prepared to assist the Board of RTA in advising the RTA Shareholders in relation to the Takeover Offer. This report should not be used for any other purpose. In particular, it is not intended that this report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the Takeover Offer is fair and reasonable to the RTA Shareholders.

RTA has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided, which RTA knew or should have known to be false and/or reliance on information, which was material information RTA had in its possession and which RTA knew or should have known to be material and which RTA did not provide to Grant Thornton Corporate Finance. RTA will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

7.4 Consents

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Target Statement to be sent to the RTA Shareholders. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.

Appendix A – Glossary

Term	Description
Alliance Agreement	BBJV alliance agreement with Flinders
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BBJV	Balla Balla Joint Venture
BB Port	Balla Balla Port
BB Railway	Balla Balla Railway
BBI Project	Balla Balla Infrastructure project
BBM Project	Balla Balla Mine Project
BFS	Bankable feasibility study
BIA	Bid Implementation Agreement
CAPM	Capital Asset Pricing Model
Company	Rutila Resources Limited
Cooperation Agreement	A cooperation agreement Todd has entered into with Nyco
DCF	Discounted cash flow
DFS	Definitive Feasibility Study
DSO	Direct shipping iron
EPA	Environmental Protection Authority
EST	Employee Share Trust
Eucla	The Eucla West Project
Facility A Loan	Original loan facility
Facility B Loan	Second tranche of an additional loan facility
FIRB	Foreign Investment Review Board
Flinders or FML	Flinders Mines Limited
FSG	Financial Services Guide
FYXX	Financial year ended 30 June 20XX
Grant Thornton Corporate Finance	Grant Thornton Corporate Finance Pty Ltd
HYXX	Half year ended 31 December 20XX
Iluka	Iluka Resources Limited
Management	Management of RTA
MGX	Mount Gibson Iron Ltd
Mr Curtis	Mr Nicholas Curtis
Non-Associated Shareholders	RTA Shareholders that are not associated with Todd and Nyco
Nyco	NYCO Pty Limited

Term	Description
Offer Price	A$0.30 per share
PIOP	Flinders' Pilbara Iron Ore Project
PIOP Option	Flinders option agreement with Todd, allowing Todd to purchase PIOP for consideration of A$65 million
PPA	Pilbara Port Authority
Resources	JORC defined ore resources
RG 111	ASIC Regulatory Guide 111 "Content of expert reports"
RG 112	ASIC Regulatory Guide 112 "Independence of expert"
RTA	Rutila Resources Limited
RTA Options	28.9 million options
RTA Shares	RTA shares that are not owned by Todd
Shareholders Agreement	Todd's shareholder agreement with Nyco
Takeover Offer	A$0.30 per share in cash
Todd	TIO (NZ) Limited
Todd Corporation	Todd Corporation Limited
Todd Loan	RTA's A$47.6 million loan payable to a subsidiary of Todd
TSV	Transhipment Shuttle Vessel

Appendix B – Valuation methodologies

Discounted future cash flows

An analysis of the net present value of forecast cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model.

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

Capitalisation of future maintainable earnings

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses.

This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

Comparable market transactions

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction.

Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company. The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.

Orderly realisation of assets

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

Market value of quoted securities

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

Appendix C – Valuation of BBM Project – Resource Multiple

We have calculated the value of the BBM Project using a resources multiple approach. As the BBM Project is not economically viable based on the current and consensus iron ore price, we have not undertaken a valuation assessment based on the DCF approach. In addition, Management of RTA has not prepared a cash flow forecast for the BBM Project in isolation or in conjunction with the BBI Project.

The resource multiple approach calculates a value based on resources multiples of listed comparable companies in the iron ore mining industry in Australia. This method only provides an indicative market value of the BBM Project as resource multiples may vary significantly between the different listed comparable companies due to size of the deposit, grade, availability of infrastructure, cost structure and level of development.

In our selection of comparable companies, we have had regard to the following factors:

- Companies with flagship projects focused on iron ore in Western Australia.
- Size of the company, including market capitalisation.
- Resource and grade estimates.

Set out below are the broadly comparable companies engaged in iron ore mining at different development stages that we have considered and key information concerning each company and their resources. Refer to Appendix D for further details on these companies.

Company	Stage of development	Ownership[1] %	Fe Cut-off grade %	Total Attributable Resources Mt	Average Iron ore grade %	Average Vanadium grade %	Average Titanium grade %	Average Silicon grade %	Average Aluminium grade %	Average Phosphate grade %
Rutila Resources Limited	DFS	68%	> 50%	310	44.7%	0.6%	13.7%	-	-	-
Mount Gibson Iron Limited	Production	100%	50% - 55%	82	61.9%	-	-	8.2%	1.1%	0.0%
Atlas Iron Limited	Production	100%	48.5% - 53%	1,201	56.2%	-	-	6.8%	3.3%	0.1%
BC Iron Limited	Production	97%	50% - 54%	615	56.8%	-	-	6.7%	3.1%	0.1%
Flinders Mines Limited.	DFS	100%	> 50%	1,258	50.4%	0.5%	5.0%	12.5%	6.3%	0.1%
Gindalbie Metals Ltd.	Production	77%	0% - 57%	2,663	31.1%	-	-	44.5%	3.5%	0.1%
Red Hill Iron Limited	PFS	53%	52%	299	56.2%	-	-	6.5%	4.0%	0.1%
Yellow Rock Resources Ltd.	Scoping Study	100%	Nil[2]	126	32.6%	0.7%	8.6%	21.3%	13.1%	-
Australasian Resources Ltd	BFS	50%	Nil[3]	803	69.0%	-	-	3.9%	0.1%	0.0%
Low				126	31.1%	-	-	3.9%	0.1%	-
Average				995	50.3%	0.2%	1.9%	14.6%	4.8%	0.1%
Median				803	56.2%	-	-	6.8%	3.5%	0.1%
High				2,663	69.0%	0.7%	8.6%	44.5%	13.1%	0.1%

Note (1): Ownership represents the weighted ownership based on resources volume of all flagship projects as at 19 May 2015
Note (2) At a cut-off grade of 0.3% Vanadium for Low Grade and 0.7% Vanadium for High Grade
Note (3) At a cut-off grade of 15% Magnetically Separable Iron (MagFe)

In addition, the resource multiples of the abovementioned comparable companies are set out in the following table:

Company	Market capitalisation A$m	EV[1] with CP A$m	Attributable iron ore resource M+I+I[2] Mt	Resource Multiple (EV/metal ratio) (M+I+I)
Rutila Resources Limited	18	67	139	0.485x
Mount Gibson Iron Limited	229	NM	51	NM
Atlas Iron Limited	NM	NM	675	NM
BC Iron Limited	75	36	350	0.102x
Flinders Mines Limited.	55	66	634	0.105x
Gindalbie Metals Ltd.	37	7	830	NM
Red Hill Iron Limited	30	38	236	0.161x
Yellow Rock Resources Ltd.	8	8	41	0.186x
Australasian Resources Ltd	3	6	443	0.015x
Low			41	0.015x
Average			407	0.114x
Median			396	0.105x
High			830	0.186x

Note (1): Enterprise value was calculated based on market capitalisation as at 3 June 2015 except for RTA (we have calculated RTA's enterprise value as at 8 May 2015 to exclude potential distortion on RTA Shares' price due to market sentiment around the Takeover Offer) and latest net debt balance available. Premium for control is assumed to be at 30% and has been incorporated into the enterprise value
Note (2): The sum of Measured, Indicated and Inferred resources on an iron ore equivalent basis (note we have assumed the contained resources as disclosed by each company in latest available resource estimate as at 13 May 2015). We note that this estimation calculation is for the purposes of our valuation and does not attempt to estimate or reflect a reported iron equivalent under JORC Code 2012
Source: ASX announcements, company websites and GTCF calculations

In relation to the above resource multiples we note that:

- The trading resource multiples have been calculated based on the market price for portfolio share holdings and include a premium for control at 30%.

- For the purpose of our valuation, we have calculated the attributable resources of each company based on their ownership interest of each respective mineral asset.

Notwithstanding the selection and assessment criteria set out above, the level of comparability of the selected companies is limited given difference in grades, recoveries, construction and operating costs compared with the BBM Project.

We believe that the most comparable company, relatively speaking, is Flinders due to the following:

- Similarly to the BBM Project, PIOP requires the development of the BBI Project in order to be economically viable.

- It is in a similar location, even though the BBM Project is materially closer to the BB Port.

- Flinders expects to complete the DFS for PIOP in November 2015.

However, we also note some key differences in relation to the size of the resources and the materially higher iron ore grade of PIOP (55.6% compared to 44%) which greatly enhance the likelihood of development in the current economic environment compared with the BBM Project.

As set out in the table above, Flinders' trading prices reflect a resource multiple of 0.10x per tonne of iron on a control basis.

In addition to the trading multiples, we note that Flinders recently announced that it had entered into the PIOP Option for the potential sale of PIOP to Todd for a total cash consideration of A$65 million plus a royalty entitlement (refer to Section 4.2.5 of this Report for further detail).

We have calculated the implied transaction multiple in the PIOP Option in the table below:

Implied transaction multiple for Flinders' PIOP		Value
Option cost	A$m	10.0
Exercise price of Option	A$m	55.0
Total cost to acquire Flinders' PIOP (excluding royalties)	**A$m**	**65.0**
Total Iron Ore at Flinders' PIOP (55.6% grade)[1]	Mt	579.2
Implied transaction multiple	**x**	**0.11**

Note (1): Calculated based on the following formula: Resources x Percentage of Ownership x Iron Ore Grade.
Source: GTCF calculations

We have assessed the resource multiple of about 0.11x per tonne of iron. However, we note that in our calculation above, given the limited publicly available information, we have not taken into account the potential fair market value of the royalty stream. Flinders has estimated that the potential total consideration to be received by shareholders in relation to the PIOP Option to be materially higher than A$65 million if PIOP is developed due to the expected royalty payments. Accordingly, our assessed resource multiple for the PIOP Acquisition is likely to be conservative, given that it does not attribute any value to the royalty stream. On the flip side, we note that there is uncertainty on whether or not Todd will eventually exercise the PIOP Option and whether PIOP will be developed. Although as noted earlier in this report, a subsidiary of Todd has entered into a conditional agreement with a major Chinese steel mill for long term off-take of iron ore, which may include PIOP. In addition, RTA's ASX announcement on 13 May 2015 and Flinders' ASX announcement on 29 May 2015 both emphasise the intention to develop the BBI Project and PIOP.

Based on the above we have assessed a resource multiple for RTA's BBM Project to be between 0.07x and 0.10x on a control basis which implies a valuation assessment for the BBM Project between A$9.7 million and A$13.9 million as set out below.

Attributable value of BBM Project Using resource multiples	Low	High
BBM Project's attributable resources (Mt)[1]	138.6	138.6
Resource multiples (x)	0.07x	0.10x
Attributable value of BBM Project (A$m)	**9.7**	**13.9**

Note (1): Calculated based on the following formula: Resources x Percentage of Ownership x Iron Ore Grade.
Source: GTCF calculations

Appendix D – Description of comparable companies

Company	Description
"Big 4" Iron Ore Producers	
BHP Billiton Limited	BHP Billiton engages in the discovery, acquisition, development, and marketing of natural resources worldwide. It produces iron ore, metallurgical and energy coal, conventional and unconventional oil and gas, copper, aluminum, manganese, uranium, nickel, and silver deposits. The company also explores, develops, produces, and markets petroleum with operating assets located in the deep water Gulf of Mexico, onshore U.S., and Australia, as well as in the United Kingdom, Trinidad and Tobago, and Pakistan; and holds potash exploration rights to approximately 14,500 km^2 of prospective ground in the Saskatchewan potash basin in Canada.
Rio Tinto Limited	Rio Tinto engages in the mining and processing of mineral resources. Its primary products include aluminum, copper, diamonds, gold, molybdenum, nickel, bauxite, potash, iron ore, mineral sands, thermal and metallurgical coal, and uranium, as well as borates, titanium dioxide, and salt. It has operations primarily in Australia, North America, South America, Asia, Europe, and Africa.
Fortescue Metals Group Limited	Fortescue Metals Group produces and sells iron ore in Australia. The company holds various tenements covering the Chichester and Solomon hubs located throughout the Pilbara region of Western Australia. It supplies iron ore to customers in China and South East Asia.
Vale S.A.	Vale engages in the research, production, and sale of iron ore and pellets, nickel, fertilizer, copper, coal, manganese, ferroalloys, cobalt, platinum group metals, and precious metals in Brazil and internationally. It produces and extracts iron ore and pellet and also involved in the production and extraction of manganese, ferroalloys, and others ferrous products and services; and extraction of coal, as well as in the provision of railroad, port, and terminal logistics services. Vale also produces and extracts non-ferrous minerals, including nickel and copper. It also provides a group of nutrients, such as potash, phosphates, and nitrogen.
Other Iron Ore Companies	
Mount Gibson Iron Limited	Mount Gibson Iron is engaged in the mining, exploration, and development of hematite iron ore deposits in Australia. The company operates the Tallering Peak mine located in the Mid-West region of Western Australia; the Koolan Island hematite mine situated in the northern Kimberley coast of Western Australia; and the Extension Hill hematite project located in the Mt Gibson range, southeast of Geraldton. It also owns the Shine hematite project located east of Geraldton in the Mid-West region of Western Australia.
Atlas Iron Limited	Atlas Iron is engaged in the exploration, development, mining, and sale of iron ore in the northern Pilbara region of Western Australia in Australia. The company primarily operates the Wodgina, Abydos, and Mt Webber DSO mines. It is also focused on the development and feasibility of its Horizon 2 projects, which include McPhee Creek.
BC Iron Limited	BC Iron explores for, develops, and produces iron ore deposits. It primarily focuses on the Nullagine iron ore project located in the Pilbara region of Western Australia. The company was founded in 2006 and is based in West Perth, Australia.
Flinders Mines Limited.	Flinders Mines is engaged in the exploration and development of mineral resources properties in Australia. The company primarily explores for iron ore, gold, and base metals. It focuses on developing a 100% owned flagship project, the Pilbara Iron Ore Project, located in the Pilbara region of Western Australia.
Gindalbie Metals Limited.	Gindalbie Metals explores for, evaluates, and develops iron ore projects in Australia. The company primarily holds interest in the Karara Project located in the east of Geraldton in Western Australia. The company is based in Perth, Australia.
Red Hill Iron Limited	Red Hill Iron is engaged in the iron ore exploration activities in Australia. The company is focused on the development of its Pannawonica channel iron deposits and rock quarrying opportunities in the Western Pilbara region of Western Australia. Red Hill Iron Limited was founded in 2005 and is based in West Perth, Australia.
Yellow Rock Resources Limited	Yellow Rock Resources engages in the mineral exploration activities in Australia. It primarily explores for vanadium/titanium, uranium, copper, gold, iron, base metals, and other economic resources. The company primarily owns a 100% interest in Gabanintha tenements located in the mid-west of Western Australia; and Arunta Region and West Arnhem tenements located in Northern Territory.
Australasian Resources Limited	Australasian Resources explores for mineral properties in Australia. It explores for iron ore, nickel, and uranium. The company's flagship project includes the Balmoral South iron Ore project, which is located in the Pilbara region of Western Australia.

Source: S&P Capital IQ and GTCF analysis

Appendix E – Discount rate

Required rate of return on equity capital

The Capital Asset Pricing Model ("CAPM") assumes that an investor holds a large portfolio comprising risk-free and risky investments. The total risk of an investment comprises systematic risk and specific risk. Systematic risk is the variability in an investment's expected return that relates to general movements in capital markets (such as the share market) while specific risk is the variability that relates to matters that are specific to the investment being valued.

The CAPM assumes that specific risk can be avoided by holding investments as part of a large and well-diversified portfolio and that the investor will only require a rate of return sufficient to compensate for the additional, non-diversifiable systematic risk that the investment brings to the portfolio. Accordingly, investors will seek to be compensated for the non-diversifiable systematic risk by way of a risk premium on the expected return. The extent of this compensation depends on the extent to which the company's returns are correlated with the market as a whole. The greater the systematic risk faced by investors, the larger the required return on capital will be demanded by investors.

The systematic risk is measured by the investment's equity beta. The equity beta is a measure of the co-variance of the expected returns of the investment with the expected returns on a hypothetical portfolio comprising all investments in the market - it is a measure of the investment's relative risk.

A risk-free investment has a beta of zero and the market portfolio has a beta of one. The greater the non-diversifiable risk of an investment, the higher the beta of the investment.

The CAPM assumes that the return required by an investor in respect of an investment will be a combination of the risk-free rate of return and a premium for systematic and firm specific risk, which is measured by multiplying the total beta of the investment by the return earned on the market portfolio in excess of the risk-free rate.

Under the CAPM, the required nominal rate of return on equity (R_e) is estimated as follows:

$$R_e = R_f + \beta_t (R_m - R_f)$$

Where:

R_f = risk free rate
B_t = expected total beta of the investment
($R_m - R_f$) = market risk premium

Risk free rate

In the absence of an official risk free rate, the yield on the Government Bonds (in an appropriate jurisdiction) is commonly used as a proxy. We have observed the yield on the 10-year Australian Commonwealth Government Bond for various periods as at 2 June 2015 as set out in the table below:

Australia Government Debt - 10 Year as at 2 June 2015		Range		Daily average
Previous 5 trading days	2.79%	-	2.93%	2.87%
Previous 10 trading days	2.79%	-	2.98%	2.90%
Previous 20 trading days	2.70%	-	3.05%	2.90%
Previous 30 trading days	2.29%	-	3.05%	2.58%
Previous 60 trading days	2.29%	-	3.17%	2.64%
Previous 1 year trading	2.29%	-	3.86%	3.06%
Previous 2 years trading	2.29%	-	4.44%	3.53%
Previous 3 years trading	2.29%	-	4.44%	3.42%
Previous 5 years trading	2.29%	-	5.76%	4.07%
Previous 10 years trading	2.29%	-	6.79%	4.92%

Source: Capital IQ and GT calculations

Given the noises nature around the existing short-term risk free rate, we have placed more emphasis on the risk free rate observed over a longer period of time. Based on the above, we have adopted the risk free rate of 4.07%, which is based on the 5 year average yield on the 10 year Australian Government Bond.

Market risk premium

The market risk premium represents the additional return an investor expects to receive to compensate for additional risk associated with investing in equities as opposed to assets on which a risk free rate of return is earned.

Empirical studies of the historical risk premium in Australia over periods of up to 100 years suggest the premium is between 6% and 8%. For the purpose of the valuation, Grant Thornton Corporate Finance has adopted a market risk premium of 6%.

We note that our adopted premium is consistent with the market risk premium used by regulatory authorities in Australia (such as the Australian Competition and Consumer Commission and all other state based regulators).

Beta

The beta measures the expected relative risk of the equity in a company. The choice of the beta requires judgement and necessarily involves subjective assessment as it is subject to measurement issues and a high degree of variation.

An equity beta includes the effect of gearing on equity returns and reflects the riskiness of returns to equity holders. However, an asset beta excludes the impact of gearing and reflects the riskiness of returns on the asset, rather than returns to equity holders. Asset betas can be compared across asset classes independent of the impact of the financial structure adopted by the owners of the business.

Equity betas are typically calculated from historical data. These are then used as a proxy for the future which assumes that the relative risk of the past will continue into the future. Therefore, there is no right equity beta and it is important not to simply apply historical equity betas when calculating the cost of equity.

For the purpose of this Report, we have had regard to the observed betas (equity betas) of comparable companies operating in the iron ore mining industry. Summarised below are the equity betas of the comparable companies based on one year of daily observations[23].

Company Beta analysis	Country	Market Cap $'million	Equity Beta[1]	Ungeared Beta	Regeared Beta @50%	Regeared Beta @55%
"Big 4" Iron Ore Producers						
BHP Billiton Limited	Australia	165,125	1.59	1.44	2.44	2.66
Rio Tinto Limited	Australia	105,707	1.35	1.25	2.12	2.32
Fortescue Metals Group Limited	Australia	6,103	1.97	1.06	1.81	1.97
Vale S.A.	Brazil	87,552	0.73	0.43	0.73	0.80
Average			**1.41**	**1.04**	**1.78**	**1.94**
Median			**1.47**	**1.16**	**1.96**	**2.14**
Other Iron Ore Companies						
Mount Gibson Iron Limited	Australia	240	1.67	1.67	2.84	3.10
Atlas Iron Limited	Australia	119	1.82	0.96	1.63	1.77
BC Iron Limited	Australia	73	2.45	2.45	4.16	4.54
Flinders Mines Limited.	Australia	47	0.42	0.42	0.71	0.77
Gindalbie Metals Ltd.	Australia	34	0.84	0.84	1.43	1.56
Red Hill Iron Limited	Australia	30	0.14	0.14	0.24	0.26
Yellow Rock Resources Ltd.	Australia	8	NM	NM	NM	NM
Australasian Resources Ltd	Australia	5	NM	NM	NM	NM
Average			**1.22**	**1.08**	**1.83**	**2.00**
Median			**1.26**	**0.90**	**1.53**	**1.67**

Note (1): Equity betas are calculated using data provided by Capital IQ. The betas are based on a one-year period with daily observations and have been degeared based on the historical gearing ratios of comparable companies.

Grant Thornton has observed the betas of the comparable companies by reference to the local index of the comparable company.

The asset betas of the selected company are calculated by adjusting the equity betas for the effect of gearing to obtain an estimate of the business risk of the comparables, a process commonly referred as degearing. We have then recalculated the equity beta based on an assumed 'optimal' capital structure deemed appropriate for the business (regearing). This is a subjective exercise, which carries a significant possibility of estimation error.

We used the following formula to undertake the degearing and regearing exercise, and adjust for inclusion of firm specific risk to calculate total beta:

$$\beta_t = \beta_a\left[1 + \frac{D}{E} \times (1-t)\right] \text{ x R}$$

[23] As a result of a significant drop in iron ore prices since early 2015, we have calculated our betas using observations within an one-year window in order to capture the impacts of current economic environment.

Where:

βt = total beta
βa = Asset beta
t = corporate tax rate
R = correlation with market

The betas are de-geared using the average gearing[24] level over the period in which the betas were observed and then re-geared using a gearing ratio of between 50% debt (and 50% equity) and 55% debt (and 45% equity) based on the average historical gearing ratios of the abovementioned comparable companies.

It should be noted that the above betas are drawn from the actual and observed historical relationship between risk and returns. From these actual results, the expected relationship is estimated generally on the basis of extrapolating past results. Despite the arbitrary nature of the calculations it is important to assess their commercial reasonableness. That is, to assess how closely the observed relationship is likely to deviate from the expected relationship.

Consequently, while measured total betas of the listed comparable companies provide useful benchmarks, the selection of a total equity beta requires a level of judgement. Further, in our assessment of betas, we have placed more reliance on the betas of Fortescue Metals Group Limited (with a range of regeared beta between 1.81[25] and 1.97[26]) and Atlas Iron Limited for the period prior to its trading suspension status in April 2015 (with a range of regeared beta between 1.63[27] and 1.77[28]) due to these companies' similar levels of gearing compared to the proposed gearing ratio of the BBI Project in order to reflect in our valuation assessment future funding requirements.

For the purposes of this valuation, we have selected a total beta range of between 1.80 and 1.90 to calculate the required rate of return on equity capital for RTA.

Discount rate summary

The assumptions described above can be summarised as follows:

Discount rate calculation	Low	High
Cost of equity		
Risk free rate	4.1%	4.1%
Beta	1.80	1.90
Market risk premium	6.0%	6.0%
Cost of equity	**14.9%**	**15.5%**

Source: S&P Capital IQ and GTCF calculations

[24] Gearing ratio represents Net debt/Market capitalisation
[25] For a debt level of 50%
[26] For a debt level of 55%
[27] For a debt level of 50%
[28] For a debt level of 55%