

ASX / Media Release

ASX: AYA
30 January 2015

Quarterly Activities Report December 2014

HIGHLIGHTS

- Offer received to purchase Attila's 70% interest in the Kodiak Project
- US\$55.3m (~A\$68m) cash purchase price (pre-tax) represents a significant premium to Attila's current market capitalisation
- Cash offer confirms the robust nature and fundamental value of the Kodiak Project
- Completion of the Transaction, which is subject to certain conditions, including finance, is expected to occur in Q1 2015 and will leave Attila debt free and holding a strong cash position

Kodiak Coking Coal Project, Alabama USA (Attila Resources 70%)

Attila Resources Limited ("Attila" or the "Company") (ASX:AYA) entered into a binding Membership Interests Purchase Agreement (the "Agreement") through its wholly-owned subsidiary, Attila Resources US Holding Ltd to sell its 70% interest in Attila Resources US LLC ("Attila US") which holds a 100% interest in Kodiak Mining Company LLC ("Kodiak") to Magni Resources, LLC ("Magni Resources"), a US limited liability company ("Transaction").

Background to the Transaction

In July 2014 Attila received a confidential, unsolicited expression of interest from Magni Resources indicating Magni Resources' desire to acquire the Kodiak Coking Coal Project ("Kodiak Project"). Subsequent to this approach, Magni Resources has conducted extensive due diligence on the Kodiak Project, which was completed prior to entering into the Agreement.

Under the Agreement, Attila will sell its 70% interest in Attila US for US\$55.3 million (~A\$71 million based on current exchange rates). Following completion of the Transaction, Magni Resources will also replace the bonds lodged by Attila with Kodiak Mining Company, returning an additional ~A\$1,020,000 (based on current exchange rates) to Attila.

The Agreement is not subject to due diligence, with an extensive due diligence process having been completed by Magni Resources prior to the terms of the Agreement being finalised.

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Fast Facts

Total Shares on Issue	86.9m
Convertible Notes (\$0.50)	28m
Cash at 31 Dec 2014	\$2.7m
Market Capitalisation at \$0.26 (undiluted)	\$22.6m

Directors

Mr Russell Clark
Mr Max Brunson
Mr Evan Cranston
Mr Shaun Day
Mr Bryn Hardcastle
Mr Alan Thom

Kodiak Coking Coal Project, Alabama

- 11,700 acre Project area over 2 properties
- PFS on Coke and Atkins seams on Gurnee Property completed:
 - 2Mtpa circa production based on 48.2Mt Proven and Probable JORC Reserves
 - Total upfront funding requirement of \$52.1Mt after leasing equipment and machinery – staged development could almost halve costs
 - All in cash costs of US\$90/t FOB for LOM including rail, port, taxes and royalties
- Fully owned infrastructure on private land
- Fully permitted to commence mining at Gurnee
- Recent strategic acquisitions of additional seams at Gurnee – not included in PFS
- Maiden inferred resource at Seymour Property of 48.2Mt coking coal – not included in PFS

The Agreement is subject to:

- Magni Resources securing financing to complete the Transaction;
- Approval of Attila shareholders at a general meeting of Attila shareholders to be held in early 2015;
- There being no material adverse effect occurring following the date of the Agreement; and
- Any requisite governmental and third party consents being provided.

For a summary of the additional conditions precedent and other material terms of the Agreement please refer to Appendix A of the Company's announcement lodged with ASX on 24 November 2014.

Attila has also executed a Facilitation Deed with Magni, which imposes certain obligations of exclusivity on Attila, including "no shop" and "no talk" prohibitions, which are considered standard for a transaction of this nature. These exclusivity obligations, which will continue to apply until completion of the Agreement or the earlier of 31 March 2015 or termination of the Agreement, are summarised in further detail in Appendix A of the Company's announcement lodged with ASX on 24 November 2014.

The major shareholder of Attila, Kingslane Pty Ltd ("**Kingslane**") has executed an Option Deed with Magni, which provides Magni Resources with an option to acquire Kingslane's 11.9% interest in Attila in the event of a third party making a "superior proposal" to the Transaction, and Magni Resources matching that superior proposal. Full terms of the Option Deed will be attached to the notice of initial substantial holder to be lodged by Magni Resources.

Attila Executive Director, Mr Evan Cranston said "We are pleased to have reached agreement on a Transaction that we believe will generate strong value for Attila shareholders in light of the current market conditions. The price offered to Attila represents a significant premium to the value of our interest in the Kodiak Project implied by our share price and will leave the Company with a strong cash position, significantly greater than our current market capitalisation, and debt free."

"The strong premium offered by Magni, combined with the extensive due diligence process undertaken by the group, provides strong third party validation of the quality of the Kodiak Project and its ability to generate significant cash flow over the initial life of mine."

"Whilst the transaction remains conditional on financing being secured, the pedigree of the executives at Magni Resources and their relationships provides confidence that this condition will be met. The team behind Magni Resources are US mining experts, having constructed and operated a number of coal and natural resource mines in the US in the past."

Magni Resources is a metals and mining company formed for the purpose of acquiring, developing and mining of underground natural resources. Under the leadership of mining veterans Kevin Loughrey and Donald Brown, Magni Resources plans to use Kodiak as the cornerstone asset in Magni's acquisition strategy.

Kevin Loughrey, Chairman of Magni Resources, commented "The acquisition of the Kodiak mine is a significant first step in our strategy and provides us with a foothold into the attractive Cahaba metallurgical coal basin. Magni Resources is committed to seeking financing for the transaction and the development of the Kodiak Mine, this financing being a condition precedent to completion. We are confident that this financing can be obtained in a timely manner."

The Magni Resources management team has over 200 years of collective metals and mining experience including expertise in mine development, mergers and acquisitions and raising funds in capital markets.

Mr Kevin Loughrey has over 35 years of mining industry experience, including 30 years as a mining lawyer and executive, and was most recently the Chairman and CEO of Thompson Creek Metals Company. Under his leadership, Thompson Creek Metals raised over \$2 billion in debt and equity financing. Mr Loughrey led the successful transition of Thompson Creek Metals from a private to a public company and fostered relationships with dozens of global investment banks. In 2006 Mr Loughrey negotiated a merger between Thompson Creek Metals Company and Blue Pearl Mining Ltd., and was responsible for raising \$625 million in debt and equity to complete

the transaction. In 2010 Mr Loughrey negotiated the acquisition of Terrane Metals Corp., and its primary asset the Mt. Milligan copper and gold mine, by Thompson Creek Metals Company. During his term Mr Loughrey was responsible for managing the engineering, construction and commissioning of the Mt. Milligan copper and gold mine, from early development to a successful startup, at a total cost of \$1.5 billion.

Mr Donald Brown, President and CEO of Magni Resources, has over 40 years of coal mining experience. Mr Brown has worked for companies including Cyprus Minerals Company, Cyprus Amax Coal Company, Addington Resources, Inc., and Horizon Natural Resources. During his 9 year tenure as President of Cyprus Coal Company Mr Brown oversaw the Cyprus/Amax merger and subsequent integration. As President of Addington Resources, the company raised over \$1 billion in debt and equity (including project financing) for mergers and acquisitions and project development. In addition, Don is a highly skilled operator and will lead the team that will reopen the Kodiak mine and future development projects.

The transaction has unanimously received all necessary corporate approvals of Magni Resources.

Transaction Timetable

Magni Resources must use its commercially reasonable efforts to secure the finance required to complete the acquisition of Attila US and fund the development of the Kodiak Project. This process is expected to be completed in Q1 2015. Magni has informed Attila that it has a reasonable basis for believing that it will be able to secure the financing within 60 business days of executing the Agreement.

Attila intends to seek shareholder approval for the Transaction at a general meeting to be held in Q1 2015. Each of Attila's Board members intends to vote their shareholdings in favour of the Transaction and recommend that shareholders vote in favour of the Transaction, in the absence of a superior proposal.

Investors are cautioned that there is no certainty if and when the conditions precedent to the Transaction will be satisfied. Completion is anticipated to occur approximately 14 days following receipt of shareholder approval and all other approvals and conditions being satisfied.

Tax

Attila notes that US state and federal taxes will be payable on capital gains realised upon completion of the Transaction at a rate of 39%. High level tax advice has been received by Attila however definitive tax advice is yet to be received. Full details will be set out in the notice of meeting to be sent to shareholders prior to shareholders voting on the Transaction.

Cash Return and Future Strategy

Following completion of the Transaction, payment of the necessary taxes and repayment of the outstanding convertible notes, Attila will retain a significant cash balance. Attila will consider using a portion of this cash to pay a special dividend and/or undertake a capital return to shareholders.

The strategic decision has been made to suspend work on the definitive feasibility study for the duration of the transaction period. As the completion of the DFS will not be recognised in an increase in the transaction offer, this enables Attila to preserve the cash, which would have been used for the DFS, for future use.

For further information please contact:

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Appendix 1

The following information is provided pursuant to Listing Rule 5.3.3 for the quarter ended 31 December 2014:

Project	Location	Status	Interest
Kodiak Coking Coal Project	Alabama, USA		
Coke Seam, Gurnee Property	Shelby & Bibb Counties	Lease	70%
Atkins Seam, Gurnee Property	Shelby & Bibb Counties	Lease	70%
Gholson Seam, Gurnee Property	Shelby & Bibb Counties	Lease	70%
Clark Seam, Gurnee Property	Shelby & Bibb Counties	Lease	70%
Upper Thompson Seam, Gurnee Property	Shelby & Bibb Counties	Option to lease	70%
Coke Seam, Seymour Property	Bibb County	Option to lease	70%
Atkins Seam, Seymour Property	Bibb County	Option to lease	70%
Upper Thompson Seam, Seymour Property	Bibb County	Option to lease	70%
Big Bone Seam, Seymour Property	Bibb County	Option to lease	70%

There were no mining tenements or interests in farm-in/farm-out agreements acquired or disposed of during the quarter.

Competent Person Statement

The information in this report relating to Exploration Results and to JORC Compliant (Coal) Resources and Reserves for the Gurnee Property of the Kodiak Coking Coal Project in Shelby County, Alabama, USA has been reviewed and is based on information compiled by Mr Alan Stagg of Stagg Resource Consultants Inc. Mr Stagg is a Registered Member of the Society of Mining, Metallurgy, and Exploration, Inc. (SME), registration number 3063550RM, and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australian Code for Reporting of Mineral Resources and Ore Reserves". Mr Stagg consents to the inclusion in the report on the matters on this information in the form and context in which it appears. The information in this report was first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The results were initially reported to the ASX on 6 August 2013.

The information in this report that relates to the JORC Compliant (Coal) Resource for the Seymour Property of the Kodiak Coking Coal Project in Shelby County, Alabama, USA has been reviewed and is based on information compiled by Mr Alan Stagg of Stagg Resource Consultants Inc. Mr Stagg is a member of SME Registered Member of the Society of Mining, Metallurgy, and Exploration, Inc., registration number 3063550RM. and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australian Code for Reporting of Mineral Resources and Ore Reserves". Mr Stagg consents to the inclusion in the report on the matters on this information in the form and context in which it appears. The resource was initially reported to the ASX on 25 March 2014 and has not been updated since.