

## ACTIVITIES REPORT FOR THE QUARTER ENDED 30 JUNE 2012

### Highlights

#### KODIAK COKING COAL PROJECT (Attila 70%)

- Acquisition of Kodiak Coal Project following a capital raising to fund acquisition and working capital
- Exploration target of 80-100MT of hard coking coal based on 118 historically drilled coal bed methane wells and diamond core holes on 7,770 acre property\*
- Excellent hard coking coal quality – low ash and sulphur, very high fixed carbon
- Operation fully permitted and licensed on private land
- Full infrastructure already in place to recommence operations including wash plant and rail infrastructure
- Experienced management team
- JORC compliant resource drilling to commenced subsequent to end of quarter

#### TALISKER NORTH COAL PROJECT (Attila 100%)

- Aircore drilling completed at Northern coal targets at Talisker North with thin coal seams intersected
- Drilling of key target at Talisker North to commence in August

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

During the quarter, **Attila Resources Limited** successfully acquired a 70% interest in the Kodiak Coking Coal Project located in Shelby County, Alabama, USA.

#### Overview

The Kodiak Project is located in the Cahaba coal basin in Shelby County, Alabama, USA (Figure 4). The Cahaba coal basin is the oldest coal mining district in Alabama and dates back to the civil war era. The Cahaba basin contains 6 minable coal seams of metallurgical quality. Coal mining commenced at the Kodiak Project by drift mining where the coal outcrops and was subsequently mined underground via continuous miners. Kodiak operated the Coke No. 1 Mine up until the end of 2008 when it was placed on care and maintenance. Attila understands that the reasons for this decision were due to underperformance by the mining contractors and ventilation issues due to inadequate mine planning and funding.

*\* This exploration target is not a Mineral Resource. The potential quality and grade is conceptual in nature and there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource.*

#### Fast Facts

Total Shares on Issue	27m
Convertible Notes (\$0.50)	26m
Options on Issue	15m
Market Capitalisation (undiluted)	\$17m
Cash at 30 June 2012	\$3.4m

#### Directors

Mr Grant Mooney  
Mr Zlad Sas  
Mr Bryn Hardcastle  
Mr Leigh Ryan

#### Kodiak Coking Coal, Alabama

- 7,770 acre property
- 80-100MT Exploration Target\*
- Fully owned infrastructure on private land
- Fully permitted to commence mining
- Resource drilling underway

#### Talisker North Coal, WA

- New coal discovery
- 1,922km<sup>2</sup> of granted tenure
- Under explored coal basin
- Coal intersected in maiden program
- 4m of coal @ 50m

#### Cotter's Run Gold, WA

- 3 block Exploration Licences within St Ives – Junction structural corridor
- Prospective for gold

#### Lefroy Gold, WA

- 2 ELA's covering over 50km<sup>2</sup> Eastern Gold Fields
- Prospective for gold and nickel

#### Head Office

Suite 23, 513 Hay Street, Subiaco WA 6008  
PO Box 1311, Subiaco WA 6904  
Phone +61 (8) 6142 0989  
Fax +61 (8) 9388 8824  
ACN 143 992 143

## Exploration Potential

Attila has secured the mining rights to 2 coal seams (Atkins and Coke seams) which outcrop on the western edge of the property and underlie the remainder of the Kodiak Project. The 2 beds dip shallowly to the southeast into the Lolley Basin. Both seams have previously been surface mined along much of their outcrop with the resultant highwalls providing sites for the development of underground entries.

Approximately 100 historical coal bed methane wells and 10 core holes have been drilled on the Kodiak Project from 1980 through to 2007 (Figure 6). The geophysical logs from the historical wells provide extremely useful information when assessing the thickness of the individual coal seams, however, further diamond core drilling is now underway in order to estimate a JORC compliant resource.

The Coke and Atkins coal seams range in thickness between 0.9m to 1.8m and average approximately 1.4m. Based on the historical drilling done to date on the Project, Stagg Resource Consultants Inc (Stagg) (independent geological consultants engaged by Attila) have determined that the Project contains an exploration target of 80-100MT of hard coking coal\*.

## Coal Quality

The coal appears to be of extremely high quality as determined from historical drilling and previous production from the Coke No. 1 Mine. The coal has a low ash and sulphur content, very high fixed carbon and is ideal for export metallurgical markets or blending for domestic markets.

The following table below contains the specifications for the Atkins and Coke seams on a clean dry basis:

	<b>Ash (%)</b>	<b>Sulphur (%)</b>	<b>Volatile Matter (%)</b>	<b>Fixed Carbon (%)</b>	<b>Heat Content (kcal/kg)</b>	<b>Free Swelling Index</b>
<b>Atkins Seam</b>	4.13	0.57	34.97	60.74	8228	7.5-9.0
<b>Coke Seam</b>	5.8	0.84	35.42	58.78	8095	8.0-9.0

Further metallurgical test work will be undertaken by Attila to confirm the historical results.

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## Infrastructure

As part of the acquisition, Attila has acquired all of the plant and equipment, surface rights and other infrastructure owned by Kodiak (Figure 7). This includes:

- 5 parcels of surface land (42 hectares) on which the existing infrastructure is located (Figure 4).
- Water storage and associated infrastructure.
- Coke No. 1 Mine with power grid, mine substation, mine office, maintenance shed, storage shed and Joy mine fan.
- 300 tonne per hour preparation and wash plant with heavy media circuit, 2 radial stackers, rotary breaker and structure with 3m x 6m double deck screen.
- A warehouse with inventory from Joy manufacturing, Long – Airdox, Fairchild and Fletcher etc.
- Various underground mining equipment including roof bolters, continuous miners, battery scoops, personnel carriers and pick up trucks.
- Office and bath house complex.
- 10,000kva substation.
- Workshop with 23 tonne crane and other miscellaneous parts and tools.
- Rail spur infrastructure with 55 car loadout and locomotive.
- All mining permits required to recommence mining operations owned by Kodiak.

## Major Joint Venture Partner

Attila's major joint venture partner, TBL Metallurgical Resources LLC (TBL) is led by Donald Brown. Mr Brown has over 40 years' experience in open cast and underground coal mining operations in the USA and Australia and was the former president of Cyprus Amax Coal Company. During his time at Cyprus, Mr Brown expanded its operations from 10 Mtpa to in excess of 80 Mtpa through greenfield development of new mines and acquisition of other mining companies and managed over 5000 employees.

Attila has agreed "in principle" terms, paving the way for a management services agreement with TBL for management services in connection with the operation and development of the Kodiak Project.

## Acquisition Terms

The 70% interest in the Kodiak Project has been acquired from American coal producer, Walter Minerals Inc. Attila owns all of the permits and licences to recommence mining operations, the infrastructure described above and the surface land rights on which the infrastructure is located.

Attila has also entered into an agreement to lease the underground mining rights to the Atkins and Coke coal seams on an approximate 7770 acre property from RGGGS Land & Minerals Ltd LP who previously leased the underground mining rights to Kodiak when it operated the Coke No 1. Mine (Figure 5).

The purchase consideration (excluding lease payments and cost reimbursements) of approximately US\$11.15 million is applied as follows:

- All mining licences and permits to recommence mining operations, existing infrastructure and surface rights to the Kodiak Project;
- Replacing environmental bonds; and
- The mining rights lease (plus an 8% royalty to be paid on all coal produced).

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In addition to this, Attila will reimburse past expenses incurred on the Project of up to \$1 million.

TBL will retain a 20% interest in the Kodiak Project and the remaining 10% will be held by KC Coal Pty Ltd. These minority interests will be free carried to a decision to mine at which time the parties will be required to contribute their respective share.

Attila has funded acquisition via the issue of 5,000,000 shares at \$0.20 and via convertible note instruments to the value of \$13 million.

The total acquisition cost of \$13 million has been raised via the issue of 26 million convertible notes. The terms of the notes are as follows:

- 3 year term
- Conversion price: \$0.50
- Coupon 12% per annum in arrears paid annually for the first year and then half yearly thereafter.
- Conversion subject to shareholder approval. No conversion for the first 6 months.

### **Diamond Drill Program**

Subsequent to the end of the quarter, Boart Longyear has commenced drilling with 2 diamond core drill rigs currently on site with a third rig expected in early August 2012. A total of approximately 12,400m of drilling has been planned over 26 drill holes.

The drilling program aims to achieve the following objectives:

- Delineate the mineable bodies of coal in the Atkins and Coke coal beds.
- Convert the 80-100Mt Exploration Target\* into a JORC Code Compliant Resource.
- Establish coal quality, with an emphasis on the metallurgical qualities of coal from the two beds.
- Gain knowledge regarding geologic conditions for use in mine planning and development.
- Provide basis for preparation of a detailed feasibility study to follow after completion of JORC Code Compliant Resource. Gas desorption testing will be done on the Atkins and Coke coal cores to assist in designing the ventilation systems for the planned mines.

The drilling program will be conducted in sequential phases and it is estimated this will take up to 6 months to complete. The programs of work will be supervised by geological consulting firm Stagg Resource Consultants.

Detailed analytic work to be conducted on the coal will include sink-float testing for use in modifying the preparation plant and optimizing preparation yields; analyses of the chemical properties of the coal; and petrographic and rheologic studies to establish key coking coal characteristics.

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## Talisker North Thermal Coal Project, Western Australia (Attila 100%)

Additional drilling was completed during the quarter on coal prospects along the Bogardie Syncline at Talisker North.

This drill program followed the coal discovery made last year at its Talisker North Coal Project where a 4m seam was intersected at a depth of 50 metres (drill hole Tal-006). The drill program focused on coal prospects along the synclinal structure.

Drilling intersected several thin coal seams of widths between 10cm to 40cm in thickness at depths between 38m and 77m (ASX: 28 May 2012).

This second stage drilling program was to test coal prospects on tenement E09/1747 some 30 kilometres north-north-east of last year's discovery hole TAL-006 (refer to Figure 1).

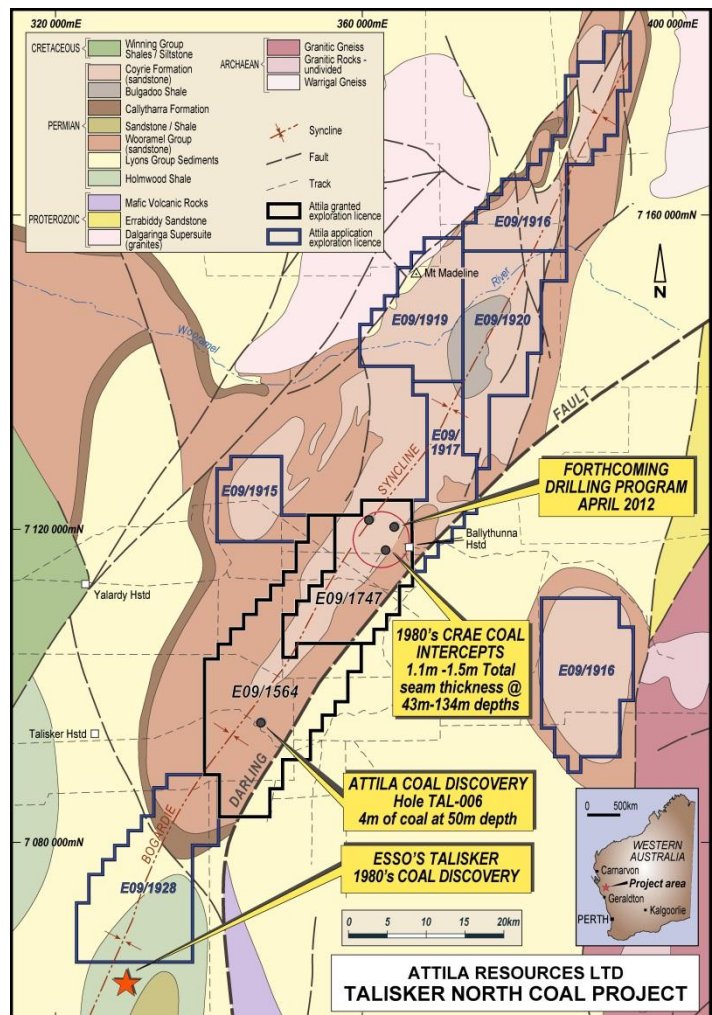
In this second stage drilling program, Attila completed 20 aircore holes (TND001 - TND020) for a total of 1,554 metres drilling to a maximum depth of 80 metres. Most drill holes were spaced 1km apart along four station roads that traverse the prospective Bogardie Syncline (refer to Figure 1). The total holes drilled by Attila to date at the Talisker North coal project now stands at 36 aircore holes for a total of 2,606m drilled.

The Talisker North coal project is located in the Byro sub-Basin on the eastern flank of the Carnarvon Basin, approximately 650 kilometres north of Perth.

The project is located approximately 45 kilometres north of Esso's 1980's Talisker coal discovery in the northern Perth Basin.

Previous exploration in the Talisker-Byro region in the 1970's and 1980's by companies such as BHP, CRA and Griffin Coal, intersected Permian coal seams up to 2 metres thick similar in age and quality to coal measures in the southern basins of western Australia (eg Collie and Irwin River). Historical reports suggest that these companies were targeting shallow (<100m vertical) coal seam(s) approximately 5 metres in thickness but failed in their objectives. The drilling was targeting coal seams hosted by sediments of the Permian Wooramel Group which have been interpreted to be stratigraphically equivalent to the Collie and Irwin River coal measures.

The thermal coal recovered from the discovery hole Tal-006 at Talisker North compares favourably in quality to the sub-bituminous coal found at Collie which is suitable for power generation. Attila has established a \*50-100 million tonne exploration target of sub-bituminous coal at Talisker North. (\*See qualification at the end of this release).



**Figure 1: Talisker North Coal Project**

*\*This exploration target is not a Mineral Resource. The potential quality and grade is conceptual in nature and there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource.*



Attila will now focus on a third drilling campaign scheduled for August 2012 centred around the 2011 discovery hole Tal-006. This third phase is expected to comprise up to 55 aircore holes to 80m depth totalling approximately 4,400 metres of drilling and the clearing of up to 20 line kilometres of drill line traverses. The drilling will be along lines spaced 200 metres apart with holes drilled every 200 metres. All holes of interest will be logged with down-hole geophysical tools. A larger sample of the coal intersected at Tal-006 will also be obtained for further metallurgical and washability testing to assist in determining the export quality of the coal at Talisker North.

In 1980, CRA Exploration intersected sub-bituminous coal seams totalling 1.1m - 1.5m in seam thickness at between 43m - 134m depth in 3 regionally spaced drill holes on tenement E09/1747. Drilling of these northern targets commenced on 23 April 2012.

The thermal coal recovered from the discovery hole Tal-006 at Talisker North compares favourably in quality to the sub-bituminous coal found at Collie which is suitable for power generation. Attila has established a \*50-100 million tonne exploration target of sub-bituminous coal at Talisker North. (See qualification at the end of this Quarterly Report).



**Figure 2: Location map of regional infrastructure**

The Company has also undertaken a preliminary evaluation of infrastructure in the area, for the purposes of assessing the potential for shipping to end users should a commercial operation be established at Talisker North.

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Key findings from the review are:

- Potential exists to export product through existing Geraldton port or the proposed Oakajee port in the future. The establishment of a port at Carnarvon in the future would also be an option.
- The project is ideally located within close proximity to gas through the Dampier to Bunbury pipeline adjacent to the project site.
- Upgrading of existing unsealed roads to a 100 kilometre long haul road would provide access to existing road systems in the region.
- Project is approximately 200 kilometres from proposed railway servicing regional iron ore projects.

## **Cotters Run Project**

The Cotters Run Project comprises a three-block exploration licence E15/1120 that cover a known gold occurrence within the structural corridor of the strongly-mineralised St Ives-Junction Gold Belt (>8moz endowment). Previous exploration at Cotters Run by Billiton Australia and Acacia Resources during the period 1989 to 2003 delineated an area of Au soil anomalism at the Le Mans Prospect.

No significant work was undertaken during the quarter.

## **Lefroy Project**

The Lefroy project comprises two exploration licence applications in an area 80 kilometres southeast of Kalgoorlie jointly known as the Lefroy Project. E15/1227 is an eight-block (23 square kilometres) licence covering a segment of greenstone terrain within the prospective Hogans Find structural zone located 19 kilometres east of Kambalda. E15/1228 is a 9 block (26 square kilometres) application a further 8 kilometres to the east that contains magnetic chert/BIF stratigraphy within the Mt Belches sedimentary sequence.

No significant work was undertaken during the quarter.

## **Corporate**

### **Capital Raisings**

During the quarter, the Company raised a total of \$15 million (before costs) via the following:

- 5 million share placement at \$0.20 to raise \$1 million;
- \$13 million via the placement of 26 million convertible notes; and
- \$1 million via the issue of 5 million shares (still subject to shareholder approval).

### **Cash at Bank**

Cash at bank 30 June 2012 was \$3.4 million.

### **Notice of Meeting**

The Company is in the process of preparing a Notice of General Meeting to approve, amongst other things, the conversion of the convertible notes and the issue of 5,000,000 shares at \$0.20 to convertible note holders. The Company expects to release the Notice of General Meeting shortly.

### **Litigation**

The Company was served with a writ of summons filed at the Supreme Court on 25 July 2012 relating to an alleged contract with Monomatapa Coal Limited for a fee in respect of the acquisition of the Kodiak Coal Project. The Company intends to file a notice of appearance.

For further information please see [www.attilaresources.com](http://www.attilaresources.com) or contact:

**For further information please contact:**

Grant Mooney, Chairman, +61 (8) 6142 0989

Evan Cranston, Konkera Corporate, +61 (0) 408 865 838

Competent Person Statement

The information for this announcement referring to the Talisker North Project is based on information compiled by Mr Zlad Sas BSc (Hons) who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Sas is a Director of Attila Resources Limited, 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 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Sas consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

Competent Person Statement

The information in this report that relates to exploration results specific to the Kodiak Coal Project in Alabama, USA is based on information compiled by Mr Leigh Ryan, a director of the Company, who is a member of the Australian Institute of Geoscientists. Mr Ryan has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and ore Reserves". Mr Ryan consents to the inclusion in the report of the matters based on information in the form and context in which it appears.

Qualification of Exploration Target – Kodiak Coal Project

The exploration target referred to at the Kodiak Coal Project is based primarily on information gained during exploration drilling for coal bed methane beginning in the late 1980's and continuing on an intermittent basis to the present. Although none of these programs were intended to define exploration targets and to quantify Mineral (Coal) Resources and Reserves related to the mining of coal, the geophysical logs of these holes provide a wealth of information in this regard. Approximately 118 such wells have been drilled on or proximate to the property to be leased, with the geophysical logs from all wells having been reviewed and coal beds correlated by Stagg Resource Consultants, Inc. ("STAGG"). Additionally, information regarding the thickness and general bed composition of the Atkins and Coke coal beds has been extracted and used by STAGG to conduct geologic modeling in order to quantify tonnage in the two beds. The information gathered in this fashion has been supplemented with the results of ten diamond core drill holes at various locations on the property. Accordingly, the exploration target has been well defined, with the lateral continuity and geometry of the Atkins and Coke coal beds being well established. Because no quality data can be derived from the geophysical logging and because visual observations of the target coal beds and the strata lying above and below cannot be made, the tonnage estimated does not qualify as a Mineral (Coal) Resource.

Qualification of Exploration Target – Talisker

This exploration target is based on recent exploration drilling by Attila, and previous programs by Griffin Coal and CRAE at the Talisker North Project. The exploration target at Talisker Range is conceptual in nature, not a Mineral Resource pursuant to the JORC Code and may never become a resource. There has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource. \* 50-100Mt exploration target of sub-bituminous coal ranging in quality from 7-20% moisture, 14-28% ash, 22-39% volatile matter, 35-41% fixed carbon, 0.7-1.71% sulphur, and a calorific range of 4061-4300 kcal/kg ("analysis on an air dried basis") based on recent exploration drilling by Attila, and previous programs by Griffin Coal and CRAE at the Talisker North Project.

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Figure 3 Overview of Cahaba Coal Basin





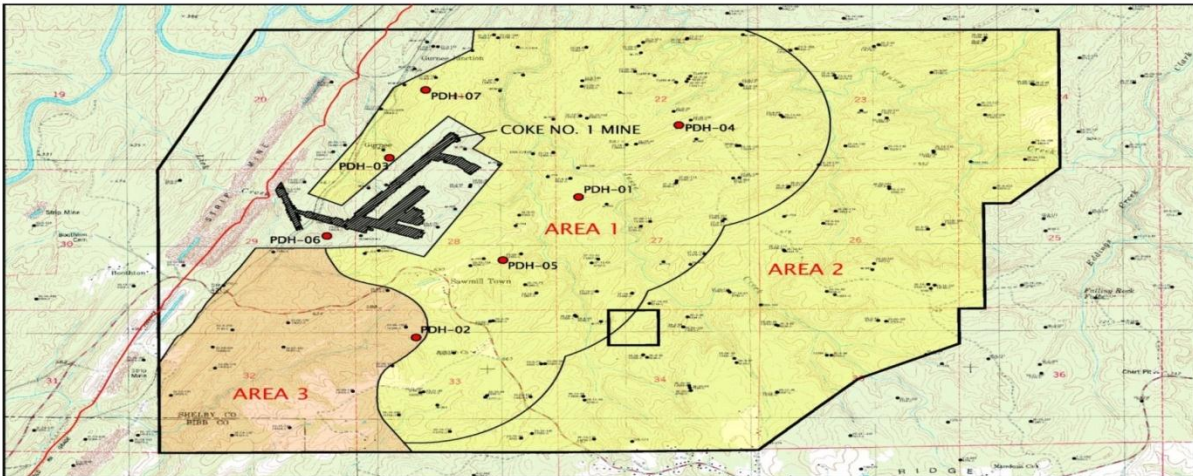


Figure 6 Kodiak Project with previous drilling. Red dots are historical diamond core holes and black dots are over 90 historical coal bed methane holes drilled on the property.



Figure 7 Sample of infrastructure owned by Kodiak; top left - 300tph wash plant, top right - the rail load out facility, bottom left - mine portal and mains power, bottom right – rail spur and locomotive.