ASX / Media Release

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Quarterly Activities Report September 2013

HIGHLIGHTS

Kodiak Coking Coal Project – Gurnee Property

- **Independent PFS confirmed the technical and economic feasibility of the Kodiak Project based solely on the Coke and Atkins seams on the Gurnee Property**
- **PFS demonstrated the capacity to produce circa 2Mtpa based on maiden JORC coal reserves of 48.2Mt in Proven and Probable categories**
- **Total upfront funding requirement of only $52.1M after leasing of equipment and machinery based on current coal prices**
- **Comprehensive all in cash costs of US$90/t FOB for LOM including rail, port, taxes and royalties – in the lowest 10% for metallurgical coal producers**
- **Staged development option reduces upfront requirement to US$27M**
- **Study based on excellent quality hard coking coal with ultra-low ash, low sulphur, high FSI and superior fluidity values**
- **Low-cost and quick start-up potential driven by utilisation of existing logistics pathway to market and the existing infrastructure, including wash plant, rail line and rail loading facilities**
- **Strategic acquisitions during the quarter with option agreement executed for Upper Thompson coal seam and lease agreement executed for Gholson and Clark coal seams**

Kodiak Coking Coal Project – Seymour Property

- **Maiden drill program of 2 diamond holes for approximately 1500m of drilling completed**
- **Aim define JORC compliant resource**
- **Program will assess coal quality, gas desorption testing and geotechnical data for mine planning**

Corporate

- **$7 million (before costs) raised through overbid placement of 11.7 million shares at $0.60 per share with Tranche 1 completed**

Fast Facts

Total Shares on Issue	62m
Convertible Notes ($0.50)	28m
Listed Options on Issue	10.3m
Market Capitalisation (undiluted at $0.64)	$39.7m
Current Cash	$3.8m

Directors

Mr Max Brunsdon
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 drilling completed on Seymour Property

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EXPLORATION ACTIVITIES

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

Gurnee Property Prefeasibilty Study

During the quarter, Attila received its independent pre-feasibility study on the Coke and Atkins Seams at the Gurnee Property at the 70% owned Kodiak Coking Coal Project, Alabama (ASX: 6 August 2013) (Fig. 1). Utilising the existing extensive infrastructure and logistics pathway, the PFS confirmed the technical and economic viability of the Kodiak Project, which is capable of producing significant free cash flow, even at current low coking coal prices and based solely on the Coke and Atkins seams on the Company's Gurnee Property (excluding Upper Thompson, Gholson and Clark seams on the Gurnee Property and the nearby Seymour Property). The PFS was prepared by independent consultant geologists, Stagg Resource Consultants (Stagg).

The PFS contemplates mining of the Coke and Atkins coal seams via underground room and pillar mining methods. Coal mined is to be processed through the Company's existing wash plant, which has the capacity to produce in the order of 2Mtpa of saleable coal (Fig. 2). Coal is proposed to be transported by rail to the port of Mobile. Both the rail network and the port of Mobile have significant existing excess capacity.

Financial Analysis

The Kodiak Project financial analysis has been undertaken at the American subsidiary level (Kodiak Mining Company LLC, which owns 100% of the Kodiak Project) and uses the following parameters:

1. An after tax real discount rate of 8%.
2. Effective Federal income tax rate of 30% and Alabama state income tax rate of 6.5%.
3. Depreciation allowances were computed using the Modified Accelerated Cost Recovery System and the 200% declining balance switching to straight line method.
4. Current quarterly and spot coal price of US$140 and previous quarterly benchmark price of US$172.50.

Coal Price US$/t	NPV* (US$M)	IRR %	Payback Period (Years)
140.00	237.5	48%	2.7
172.50	493.2	100%	1.6

* Assumes 100% ownership

Attila currently owns 70% of Kodiak Mining Company LLC. Attila can acquire the remaining 30% via a call option at an independently determined value post the completion of the BFS.

Key Inputs and Cost Parameters

The key life of mine (LOM) physicals and cost parameters of the Kodiak Project are summarised below in US$:

Description	Outcome
Physicals	
Life of Mine ROM Production	48.2Mt
ROM Production Rate	4Mtpa
LOM Preparation Yield	48%
Marketable Coal Production	23.4Mt
Annual Marketable Coal	1.8-2.0Mtpa

Description	Outcome
Operating Costs (LOM)	
Mining Operating Costs	US$23.48/t
Labor Costs	US$24.17/t
Preparation and Handling	US$9.32/t
Administration	US$1.90/t
Other	US$0.61/t
Taxes	US$1.73/t
Transport and Handling FOB (Mobile)	US$18.02/t
Total (ex Royalties)	**US$79.23/t**
Royalties (assuming US$140 FOB)	US$11.41/t
Total all in cost LOM	**US$90.64/t**

A royalty of 8% of the sales price at mine gate is payable to mineral rights owner, RGGS Land & Mineral LLP, and Tacoa Minerals has a royalty of US$1.65/t of product payable on the first 3.5 million tonnes.

Cash mining costs were forecast using MineCost, a mine-costing software developed by Stagg that forecasts annual production costs based on detailed input regarding all aspects of the mining process.

According to internationally recognised research and consulting firm Wood Mackenzie, Kodiak's all in cash costs of approximately $US90 places it in the lowest 10% of all metallurgical coal producers worldwide using 2013 data.

Capital Expenditures

Development costs and initial capital expenditures are presented in summary fashion for the first three model years in the following table:

Description	Amount US$M
Construction and General Operations (permitting/ site development/ vehicles)	2
Coal Handling, Processing and Loading (overland conveyors and preparation plant upgrades)	11.5
Outside Mine Support (facility repairs ROM conveyor, surface mobile equipment, boreholes, transformer)	4.5
Underground Mine Development (ventilation shafts, hoists, fans, decline to Atkins, electrical installation)	31
Underground Mine Support (outby equipment, safety and communications, safety engineering)	24.3
Mining Equipment (conveyor systems and installation, miner sections x 6)	108
Total	**181.3**

All costs are denominated in real 2013 US dollars. At the end of the third year, the mine is forecast to be operating at designed capacity and capital expenditures going forward is considered to be sustaining capital.

The total CAPEX for the first three model years is US$181.3 million. Importantly, Attila's up-front funding requirement is significantly with the benefit of development coal production and leasing as described below. The key driver of low capex is the utilisation of the significant infrastructure already in place at Attila's Kodiak Project, including wash plant and heavy media circuit, power substation, a heavy gauge rail line running through the property and a loadout facility on site, a warehouse with inventory, workshop, office facilities, and water storage and associated infrastructure. This infrastructure is located on private land 100% owned by Kodiak.

Strategies to Reduce Attila's Funding Requirement

The ability to lease the majority of the equipment and machinery, coupled with the fact that the Company will be producing coal almost immediately and at a steady state after year 2, has resulted in the funding requirement for the development being substantially less than the CAPEX required.

The maximum cash exposure, or maximum cumulative negative cash flow, represents the lowest point in a project's cumulative outflows of cash during start-up. The maximum cash exposure for the Kodiak Project is summarized in the following table:

Selling Price of Coal US$/t	Maximum Cash Exposure US$M	Year
140.00	52.1	1
172.50	31.1	-1

The indicative prices of coal are based on the current quarterly benchmark and spot price of US$140-145 and the previous quarterly benchmark of US$172.50.

Lease of Equipment and Machinery

The Company has the option to lease certain machinery and equipment. In forecasting capital leasing costs, it was assumed that essentially all machinery and equipment throughout the mine complex, including underground equipment, conveyor systems, and surface facilities, would be acquired through capital leases. Typical leasing terms include an initial down payment of 20%, lease repayments at 7.5% nominal interest (5.5% real interest) over a 5 year term with a 20% end of lease purchase option.

Staged Funding Scenario

Given the current financial climate for funding mining operations, Stagg also considered a staged ramp-up of production whereby Attila could stagger its production profile prior to commencing full production at a rate of 4Mtpa ROM coal. Stagg concluded that a 3 section mine could operate in the Coke seam for a period of 5 years before beginning development in the Atkins seam. Such a scenario would alleviate the need for costly ventilation shafts and declines whilst still taking advantage of the established infrastructure and development already in place and maintaining lowest quartile cash costs.

Approximately 5 million clean tonnes of coal would be produced over the 5 years (0.8 – 1.04Mtpa) at an all in cash cost of approximately US$90/t (assuming US$140/t sales price). Cashflow from mining at the Coke seam would be utilised to commence mining at the Atkins seam and increase production to the full production at a rate of 4Mtpa ROM coal.

Using the same assumptions for equipment and machinery leasing and development coal sales described above, the maximum cash exposure under the staged funding scenario is illustrated in the following table:

Selling Price of Coal US$/t	Maximum Cash Exposure US$m	Year
140.00	27.4	-1
172.50	25.9	-1

Coal Resources and Calculation of Maiden Coal Reserve

The PFS incorporates the Coke and Atkins coal seams, which are estimated to contain approximately 34.7 and 38.2 million tons (“tonnes”) of coal, respectively, in the combined JORC classifications of Measured and Indicated coal resources respectively (JORC code 2004 edition) (ASX: 19 March 2013). As a result of the analysis conducted in the PFS, tonnage classifiable as Proven and Probable Coal Reserves has been estimated and are presented in two categories as follows:

Coal Seam	Proven (Mt)	Probable (Mt)	Total (Mt)	Marketable (Mt)
Coke	26.264	0.259	26.523	12.693
Atkins	21.141	0.522	21.662	10.730
TOTAL	**47.405**	**0.780**	**48.185**	**23.424**

The marketable coal reserves are based on a LOM preparation yield of 48% with the following characteristics

Ash (%)	Sulphur (%)	Volatile Matter (%)	Fixed Carbon (%)	Fluidity (ddpm)	Calorific Value (kcal/kg)	FSI
4-5	0.6-0.7	33-35	60-63	10,000 -30,000+	8,000-8,400	8-9

Coal reported on a dry basis and washed at 1.5SG

Potential upside exists to improve the yield (and hence saleable coal) by producing a higher ash product and also the production of a middling’s fraction, and this will be contemplated in the BFS.

Underground Mining Operations and Mine Plan

Access to both the Coke and Atkins coal seams in the PFS mine plan is to be achieved using the existing portals and a portion of the underground workings in the Coke No. 1 Mine, which was closed in December 2008 with the portals subsequently sealed (Fig. 3). An expansion of the mine portal area and the development of additional mains are envisioned in the Mine Plan. The pre-production phase is to consist of the rehabilitation of existing entries and the development of new entries to the point at which the original southeast mains in the Coke No. 1 Mine advanced. From this point, two sets of parallel main entries are to be developed to the southeast boundary of the Gurnee Property, from which sub-mains and development panels would be developed across the seams. Access to the Atkins coal seam is proposed to be accomplished by driving a decline from the Coke coal seam and then developing two sets of parallel main entries that are congruent with the overlying Coke mains, also from which sub-mains and development panels would be developed across the seams. Retreat mining is incorporated in the Mine Plan for those areas of the two coal seams having less than 610 metres of cover. Three shafts are also included in the Mine Plan, two of which would be return shafts and the third of which would be a combined intake and a man and material shaft. The additional shafts have been incorporated to ensure that the mine is more than adequately ventilated.

The Mine Plan was developed to take into account the dip of the Coke and Atkins coal seams. The dip of the two coal seams is steepest along the northwest margin of the lease and along the far northeast margin, typically on the order of 16 to 18 degrees for a distance of less than a kilometre. The dip then decreases to the southeast, being in the range of 8 to 10 degrees across an area ranging from one to three kilometres in width, beyond which dip decreases further to the point that the seams are essentially horizontal. At the bottom of the existing workings the dip is relatively flat at approximately 6 degrees, which results in practically flat mining conditions for the continuous miners.

Three dual-miner sections are proposed for operation in each of the Coke and Atkins coal seams, with each section consisting of two continuous miners, three haulage cars, two roof bolters, and the requisite support equipment. Run-of-mine coal is to be transported from the mine portal to the preparation plant by a relatively short overland conveyor system. Similarly, clean coal from the preparation plant is to be transported by overland conveyor system to the existing rail load out. Coarse refuse from the preparation plant will be disposed of in an existing refuse disposal site on the Coke strip bench in close proximity to the preparation plant. Fine coal slurry will be injected in the mine workings in the abandoned underground mine in the Gholson coal seam (above the Coke seam).

Permitting

Kodiak holds the following licenses and permits by which it has acquired regulatory authority for the development and operation of the Coke Mine.

- U.S. Department of Labor, Mine Health and Safety Administration (MSHA)
  1. Coke Underground Mine Identification No. 01-03217
  2. Coal Preparation Plant Identification No. 01-03360
- Alabama Surface Mining Commission
  3. Mining & Reclamation Permit P-3887
- Alabama Department of Environmental Management, Water Division
  4. National Pollutant Discharge Elimination System (NPDES) Permit AL0078221
  5. Underground Injection Control (UIC) Permit ALSI9959861

In order to activate the Coke Mine (the original Coke Mine No. 1), application for a new MSHA identification number will be required, which will entail the submittal of a ground control plan, ventilation plan, and roof control plan. Given that detailed rock mechanics testing and coal bed methane gas desorption testing will have been conducted on cores from the Phase 1 Drilling Program, the preparation of ground control, ventilation, and roof control plans should be efficient and the resulting plans well supported. Approval of these plans and issuance of an identification number is considered likely to be accomplished in less than 90 days from submittal. The initial phases of this process have been initiated with MSHA.

Additionally, the status of the Kodiak preparation plant under MSHA Identification Number 01-03360 will require changing from temporarily idled status to active status, a process which is generally accomplished in several days, given that no significant issues have been identified nor are any anticipated.

Logistics

The PFS has assumed that the coal would be transported via Attila's existing rail load out facility located at Gurnee Junction to the Port of Mobile, approximately 368 kilometres south, where it can be loaded into Panamax and mini Cape-sized vessels (Fig. 4). Based on initial discussions with the rail provider there is currently 15-20Mtpa of available capacity. Attila is also in discussions with three terminal operators at the Port of Mobile, all of which have ample capacity.

During the quarter, relevant port and rail authorities conducted site visits to continue discussion on securing access and capacity.

Attila is fortunate to have the option to investigate a number of transport alternatives, including barging down the Black Warrior / Tombigbee river systems, via which operating coal companies such as Walter Energy, Drummond and Cleveland Cliffs ship over 6Mtpa, to either the Port of Mobile or New Orleans where port capacity or trans-shipping is an option, as well as rail transport to New Orleans.

Next steps

With the completion of the PFS, Attila will now focus on moving the Kodiak Coking Coal Project through the Bankable Feasibility Stage with particular focus being on improving the preparation yields and gaining the ability to sell a middling's fraction. Improvements in both of these areas have the potential to substantially reduce the already low operating costs and improve revenues. In addition, upside potential exists integrating the recently acquired Upper Thompson, Gholson and Clark seams (located on the Gurnee Property) and Attila's nearby Seymour Property for increased scale, either on start-up or once Gurnee is in production.

Attila's Kodiak Project remains off-take free, ensuring maximum financial flexibility. Attila has commenced a program to identify funding sources for the project. The Company has engaged with a number of potential capital providers including strategic investment partners, off take partners and other debt providing financial institutions. Significant interest from multiple off-take partners and potential debt financiers has already been received by Attila. Given the low capital required to recommence production, Attila will assess all financing alternatives available, including off-take financing, to ensure maximum shareholder value is maintained in these depressed equity markets.

Gurnee Property – Strategic Acquisitions

During the quarter, the Company announced the acquisition of Project X (comprising the Gholson and Clark coal seams) and an option over the Upper Thompson lease at the Gurnee Property (ASX: 23 September 2013) (Fig. 5). In addition to expanding the Company's potential production profile, the acquisitions provide critical access to coal seams in adjacent properties, previously considered sterilised. The Company now has access to all of the major hard coking coal seams in the Cahaba Basin. Attila is progressing discussions with other lease holders in the area with a view to further expanding its footprint and increasing its share of the 500Mt of coal estimated to remain in the Basin.

Upper Thompson Seam (option to lease)

Attila has entered into an option agreement to lease the Upper Thompson coal seam within its Gurnee Property, from the existing mineral rights holder RGGS Land and Minerals LP (RGGS).

Attila's independent geological consultant, Stagg Resource Consultants, has provided an initial exploration target of approximately 11 – 13 Mt of hard coking coal from an area of approximately 2,760 acres under the Upper Thompson lease. 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.

The lease contains the former Upper Thompson No. 1 Mine which was mined by the principals of Attila's joint venture partners, TBL Metallurgical Resources LLC, from 2008 to 2010 when a change of management redirected resources to another operation within the basin.

Attila has already drilled eight diamond core holes within the Upper Thompson lease as part of its previously completed diamond drill program, which was the largest single drill program conducted by a coal company within the Cahaba Coal Basin. The data obtained from this drill program gives Attila a material advantage over its predecessors when developing mine plans and coal marketing plans for the export market.

Previous drilling indicates that the Upper Thompson seam is typically in the range of 0.8m to 1.0m thick, with the thicker portions being targeted for any future mining.

Historical and current drilling indicates coal from the Upper Thompson seam is a high quality coking coal, with washed coal having a low ash and sulphur content and a high fixed carbon content, making it suitable for export metallurgical markets or in blending for domestic markets.

Project X – Gholson and Clark Coal Seams Lease

In addition to the option to lease the Upper Thompson seam, Attila has entered into a lease agreement with RGGS to mine the Gholson and Clark coal seams at an area known as Project X, which is also located on the Company's Gurnee Property). Project X is strategically located within 2.5 kilometres from Attila's existing coal preparation plant and associated infrastructure.

Project X has an exploration target of 2-3Mt, as determined by Stagg, based on Attila's existing phase 1 drill program which drilled through the Gholson and Clark coal seams. 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.

Coal qualities are similar to that of Attila's existing high quality hard coking coal resources and reserves found in Attila's Coke and Atkins coal seams. The coal seams typically range between 0.8m and 1.6m in thickness.

Whilst the exploration target is only modest in size, the acquisition of Project X provides Attila with key access to what was previously thought to be sterilized coal resources on adjacent properties. Project X contains the historic Boothton coal mine which was mined in the 1920's. The historical mains and associated barrier pillars contain the main access into the basin which contains a vast amount of coal resources as derived from historical coal bed methane wells.

The proximity of Project X to Attila's existing infrastructure places Attila in a unique position to commence production from the Gholson and Clark coal seams, providing a 3rd potential coal mine to increase Attila's production profile.

Acquisition Terms

The key acquisition terms for the option agreement to lease the underground mining rights to the Upper Thompson coal seam on an approximate 2,760 acre property are as follows:

- Upfront option fee of US$70,000;
- Option term 1 year from date of signing;
- Exercise price of option for a further US$305,000;
- Term of the lease is 18 years or until exhaustion of any discovered coal reserves, subject to certain minimum production milestones; and
- Royalty of 8% on net coal sales at mine gate with a minimum monthly royalty of $8,000 commencing 6 months from date of exercising the option.

The key terms for the acquisition of Project X, which incorporates the Gholson and Clark seams on an approximate 420 acre property, are as follows:

- Upfront leasing fee of US$25,000;
- Term of the lease is 18 years or until exhaustion of any discovered coal reserves subject to certain minimum production milestones; and
- Royalty of 8% on net coal sales at mine gate with a minimum monthly royalty of $3,000 commencing 12 months from date of signing.

Seymour Property Maiden Drill Program

The Seymour Property currently has an exploration target of 87-93Mt of coal across 4 seams. Based on the existing database of over 75 historical drill holes and 2 holes drilled by the Company in its maiden drill program on Seymour, Attila has a high degree of confidence that this exploration target will convert into a JORC compliant resource with the expectation that coal qualities will be similar to that of the coal found approximately 3.5km away on the Gurnee Property. 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.

The Atkins, Coke and Upper Thompson coal seams typically range in thickness between 0.75 metres to 2.1 metres on the Seymour Property, with averages in the range of 1.0 metres to 1.6 metres; these are slightly thicker than the same seams on the Gurnee Property. Based on the historical drilling that is available from the Seymour

Property, and from adjacent properties, Stagg Resource Consultants has determined that the Seymour Property contains an exploration target across these 3 seams in the combined range of 42 to 48 million tonnes of hard coking coal. 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.

Additionally, based on the historical drilling that is available, Stagg has determined that the Seymour Property contains an exploration target in the Big Bone seam of the order of up to 45 million tonnes. This seam, which has a slightly higher ash content than the typical ash content of the Gurnee seams (in the order of 6%) is considered to have longer term potential for use as a blend in a hard coking coal product. This seam typically ranges in thickness between 2 and 3 metres. 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. The Big Bone seam has yet to be drilled by the Company and future drill programs will be designed to test the exploration potential of this seam in due course.

Talisker North Coal Project, WA (Attila Resources 100%)

No further exploration work was undertaken during the quarter at the Talisker North Thermal Coal Project. Given the current downturn in thermal coal markets, the Company made the strategic decision to surrender tenements E09/1564. This decision enables the Company to reduce annual rent payments and minimum expenditure commitments thereby preserving cash reserves.

Corporate Activities

Following the end of the quarter, the Company announced a successful capital raising of $7 million (before costs) though the issue of up to approximately 11.67 million shares at $0.60 per share to institutional and sophisticated investors. The capital raising received strong interest from institutional and sophisticated investors, and was overbid. Hartleys Limited acted as Broker to the Placement.

Funds raised pursuant to the capital raising will be applied primarily towards the completion of a Bankable Feasibility Study (BFS) on Attila's Gurnee Property at the Kodiak Coking Coal Project, completion of JORC resources on the Company’s Seymour Project, Upper Thompson and Project X and general working capital purposes.

The capital raising will be completed in two tranches, with tranche one completed on 14 October raising $2,998,200 (before costs) pursuant to the Company’s capacity under ASX Listing Rules 7.1 and 7.1A. Tranche 2 for the balance of up to approximately 6.67 million shares to raise $4,001,800 (before costs) is subject to shareholder approval at a General Meeting to be held on 5 November 2013.

As stated in the December 2012 Quarterly Activities Report, the Company received a statement of claim filed at the Circuit Court of Shelby County, Alabama relating to an alleged unfair dismissal claim by Mr Don Brown. The Company intends to defend this matter.

Current cash at bank is $3.8 million (excluding Tranche 2 of the capital raising which will raise a further $4 million (before costs).

For further information please contact:

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Stagg Resource Consultants Inc

Stagg Resource Consultants, Inc. ("Stagg") provides a full range of professional services to the natural resource industry throughout the U.S. and internationally. The firm routinely works in the coal, petroleum, metals, and industrial mineral sectors. Stagg's professional services are divided into seven basic areas being geology, mining, appraisal, environmental, acquisitions and divestitures, expert testimony, and mineral economics and market research. In particular, Stagg's relevant experience covers:

- *Geology – a comprehensive range of services is provided, from pre-project field reconnaissance through the development and implementation of major exploration programs. Stagg has extensive experience in evaluating coal deposits at all levels of investigation, ranging from preliminary assessments of reserve potential to detailed reserve studies conforming to public reporting requirements. Additionally, Stagg is experienced in assessing the impact of geologic conditions on mining in both pre-development stages and during the course of mining. The firm has worked in every coal basin of any significance in the U.S. as well as in a number of other countries, with Alan Stagg, the lead professional, having more than 40 years' experience in coal. Stagg is a registered or licensed geologist in thirteen states in the U.S., is a Registered Member of the Society of Mining, Metallurgy, and Exploration (SME), and is qualified as a Competent Person under the reporting requirements of Australia's JORC Code and as a Qualified Person under Canada's National Instrument 43-101.*
- *Mining – Stagg provides a broad spectrum of operation-related services to the mining industry, ranging from involvement in the preparation of mining-related permits through road design and layout, mine layout and design, processing plant evaluation and design, and operational analysis. Members of this service group routinely prepare detailed forecasts of mining costs during the evaluation of both proposed and existing mines using Stagg's spreadsheet-based MineCost models. These services have been provided for surface and underground coal mines throughout the Appalachian Region, the Eastern Interior Region (Illinois Basin), the Powder River Region, and the Rocky Mountain Region of the U.S., as well as internationally. With regard to underground coal mines, both room-and-pillar and longwall operations have been evaluated.*
- *Mineral Economics and Market Research – Stagg is experienced in the preparation of detailed mine costing studies, the economic analysis of proposed and operating mines, and the financial analysis and appraisal of mining enterprises. In conducting mine costing studies, Stagg utilizes MineCost, a proprietary mine-costing spreadsheet program developed by the firm for both surface and underground coal mines. This mine costing program is routinely used in due diligence investigations conducted in the course of proposed acquisitions, in operational analyses conducted for mine operators, and in the formal appraisal of mines and mining enterprises. This software is also used routinely in the preparation of expert reports and testimony in the course of litigation and arbitration matters.*

For further information on Stagg Resource Consultants visit www.staggconsultants.com

Competent Person Statement

The information in this report relating to Exploration Results and to JORC Compliant (Coal) Resources and Reserves for 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.

Qualification of Exploration Target – Seymour Property

This exploration target 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 a hundred such wells have been drilled on or in close proximity to the property to be leased, with the geophysical logs from all wells on the property having been reviewed and coal beds correlated by Mr Stagg. Additionally, information regarding the thickness and general bed composition of the Upper Thompson, Coke, Atkins, and Big Bone has been extracted and used by Mr Stagg to quantify tonnage in these beds. The information gathered in this fashion has been supplemented with the results of nine diamond core drill holes at various locations on the property and with data from prospect pits along the beds' outcrops. Accordingly, the lateral continuity and geometry of the Upper Thompson, Coke, Atkins, and Big Bone coal beds is 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 – Upper Thompson, Gholson and Clark seams on Gurnee Property

The exploration targets are 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 the coal bed methane drilling programs was 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 a hundred such wells have been drilled on or in close proximity to the Gurnee Property, within which the Upper Thompson optioned acreage and the Project X leased acreage lie. The geophysical logs from all wells on the property have been reviewed and the coal beds correlated by Mr. Stagg, and information regarding the thickness and general bed composition of the Upper Thompson, Gholson, and Clark coal beds has been extracted and used by Mr. Stagg to quantify tonnage in these beds. The information gathered in this fashion has been supplemented with the results of ten diamond core holes drilled by Attila at various locations on the property and with data from underground mine works in the Upper Thompson coal bed. As a result, the lateral continuity and geometry of the Upper Thompson, Gholson, and Clark coal beds is well established. Limited quality data are available from the drilling conducted by Attila.

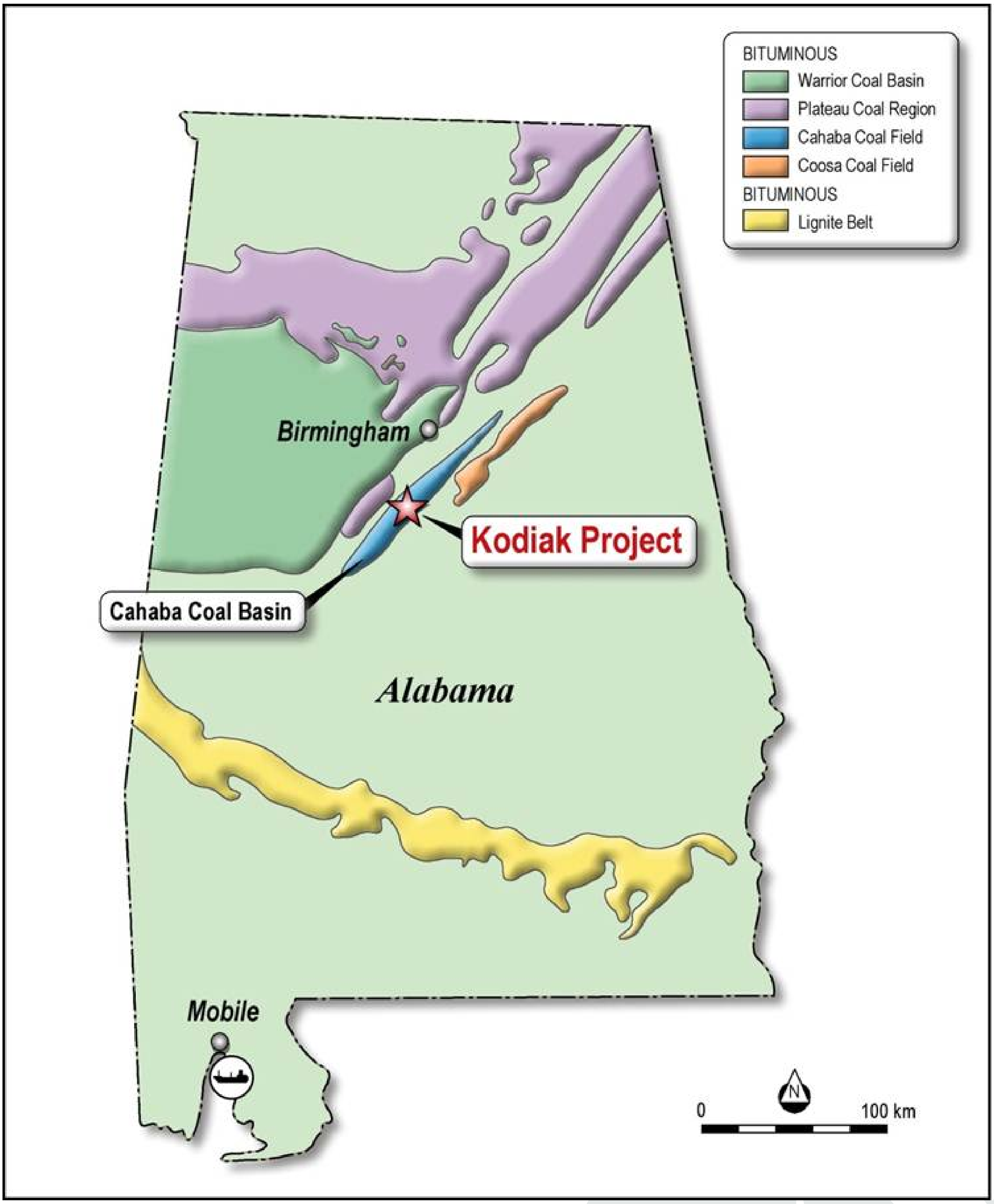

Fig. 1. Kodiak Coking Coal Project, Shelby County, Alabama.

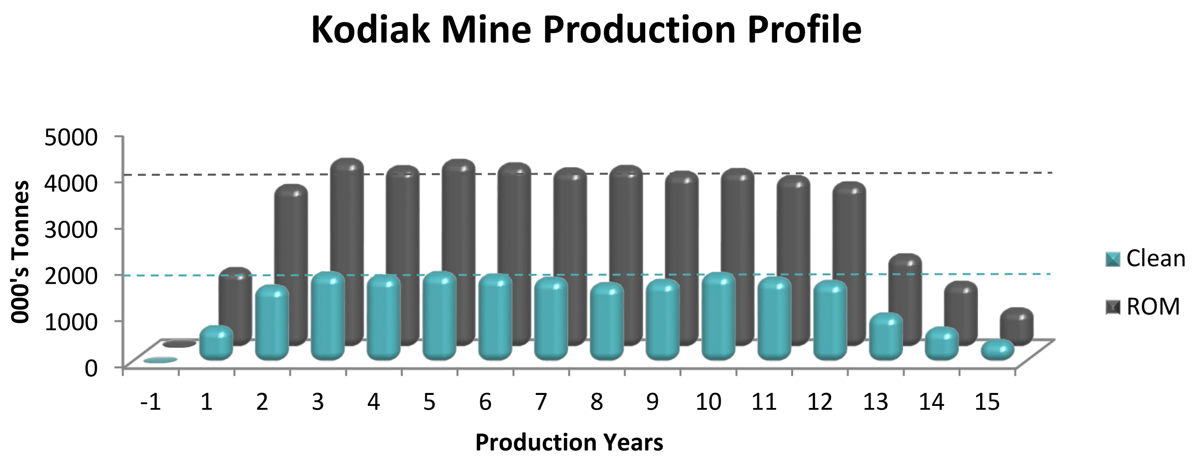

Fig. 2. 2Mtpa Production Profile for the Coke and Atkins Coal Seams, Gurnee Property based on PFS.

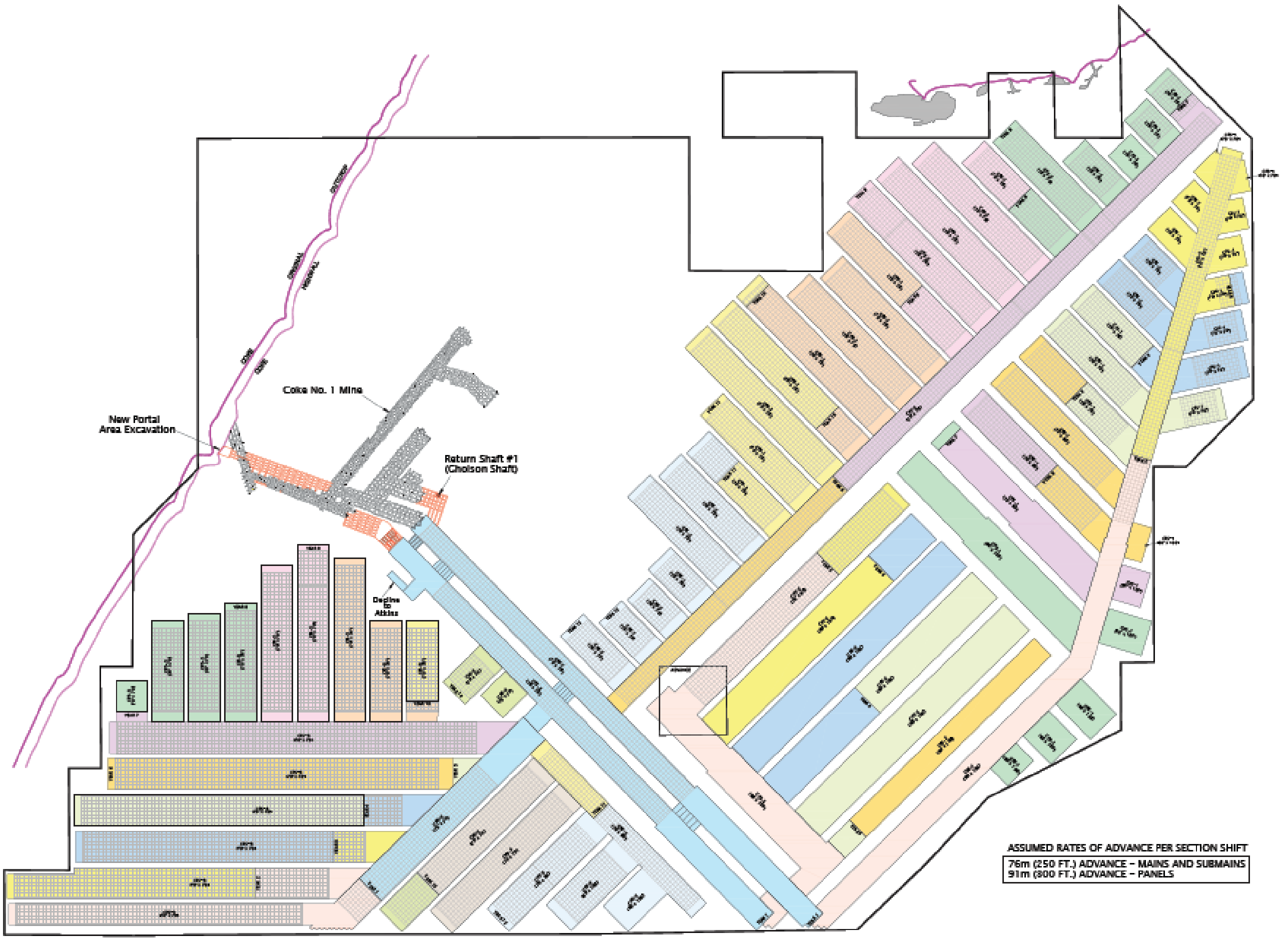

Fig. 3. PFS Mine Plan for Coke coal seam highlighting existing workings (black), new entries (red) and proposed new mine plan (coloured for production years). A similar mine plan has been developed for the Atkins coal seam.

Fig. 4. Extensive rail and river systems traversing Alabama providing multiple logistical options for consideration.

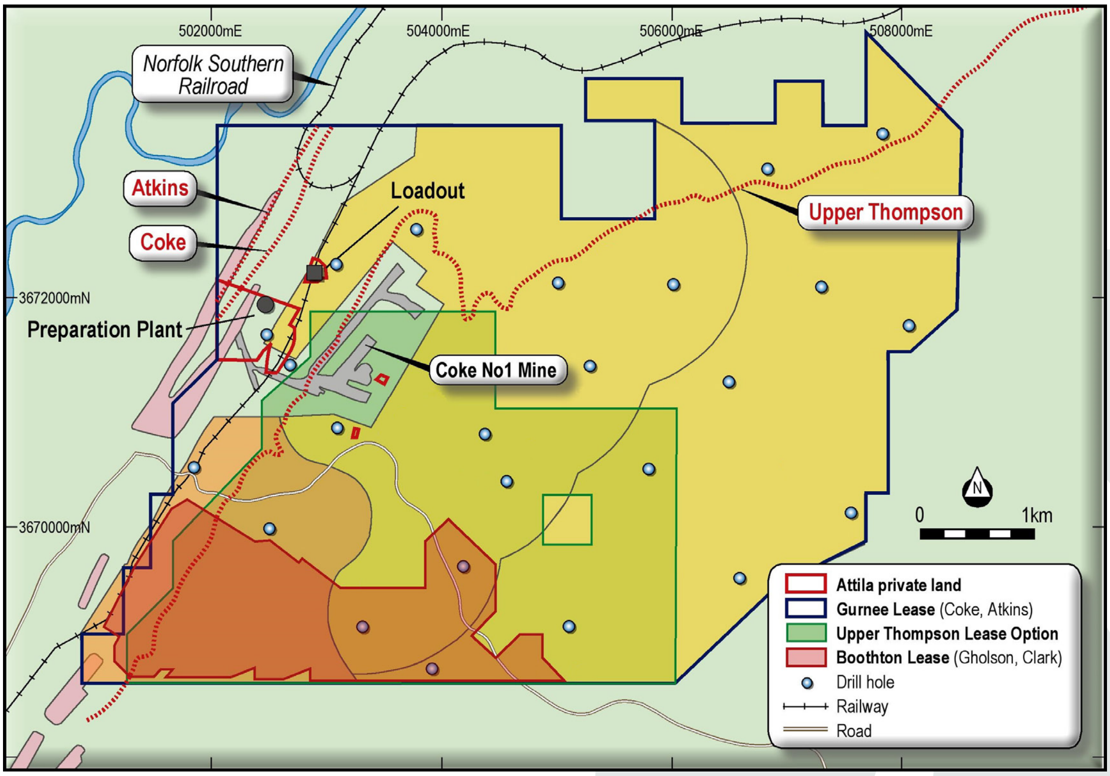

Fig. 5. Gurnee Property highlighting recent strategic acquisitions and existing drill holes.