

ASX / Media Release

Quarterly Activities Report December 2012

HIGHLIGHTS

Kodiak Coking Coal Project, Alabama USA

- Maiden Inferred JORC Compliant Resource of 81Mt of premium hard coking coal on Gurnee Property announced during the quarter
- Phase 1 drilling completed in January 2013 and upgrade of JORC Resource to measured and indicated categories imminent
- Testing results to date indicate extremely low ash, low sulphur hard coking coal with superior fluidity
- Underpins the potential for a long life coking coal operation
- Successful expansion of the Kodiak Project via completion of option to acquire nearby Seymour Property with exploration target of 87-93Mt of coal

Talisker North Coal Project, WA

- Attila confirms latest WA coal discovery at Talisker North
- Verona coal seam intersected in 13 drill holes
- Range of thickness between 3.5 metres and 4.3 metres
- Shallow dipping seam at approximately 3 degrees
- 100kg sample obtained for metallurgical and washability testing

Corporate

- \$6.5 million capital raising (before costs)
- Max Brunsdon and Evan Cranston appointed as executive directors
- Alan Thom and Shaun Day appointed as non-executive directors

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ASX: AYA, AYAO
31 January 2013

Fast Facts

Total Shares on Issue	49.4m
Convertible Notes (\$0.50)	28.5m
Listed Options on Issue	10.4m
Market Capitalisation (undiluted at \$0.75)	\$37m
Cash at 31 Dec 2012	\$4.9m

Directors

Mr Max Brunsdon
 Mr Evan Cranston
 Mr Shaun Day
 Mr Bryn Hardcastle
 Mr Alan Thom

Kodiak Coking Coal, Alabama

- 11,700 acre Project area over 2 properties
- 81Mt Maiden Inferred Coal Resource at Gurnee
- Fully owned infrastructure on private land
- Fully permitted to commence mining at Gurnee
- Maiden drilling due to commence on Seymour Property

Talisker North Coal, WA

- New coal discovery
- 1,922km² land package
- Under explored coal basin
- Coal intersected in maiden program
- 4m of coal from 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 50km² Eastern Gold Fields
- Prospective for gold and nickel

Exploration Activities

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

Gurnee Property – Phase 1 Drill Program and JORC Resource

Following the acquisition of the Kodiak Coking Coal Project in Shelby County, Alabama (Figure 1), the Company commenced a 12,400 metre diamond core drill program in July 2012 with the initial aim of converting the 80-100Mt exploration target into a JORC Compliant Resource. In October 2012, the Company was pleased to announce that a maiden JORC Compliant Inferred Resource of 81Mt had been defined as follows:

Coal Seam	Category	Tonnes
Coke	<i>Inferred</i>	40,001,000
Atkins	<i>Inferred</i>	40,952,000
TOTAL	<i>Inferred</i>	80,953,000

The Inferred Resource has been defined by Attila's independent consultants, Stagg Resource Consultants Inc. and is based on data collected by the Company from the first eleven holes from its Phase 1 diamond core drilling and sampling program and from historic data acquired from the property owner and from prior operators.

On 16 January 2013, the Company announced the completion of Phase 1 drilling which was extended to 23 continuously cored diamond drill holes, producing 13,500 metres of core, with holes ranging in depth between 168 and 798 metres. The program was designed to acquire coal bed thickness and coal quality data across the approximate 7,770 acre Gurnee Property. Having already provided the defined JORC Compliant Inferred Resource in the first half of the program, Stagg Resource Consultants are now in the process of assessing the subsequent results and preparing estimates of resource tonnage in the measured and indicated categories. It is anticipated that this resource upgrade will be completed within 4 to 6 weeks.

To aid in mine design and planning, desorption testing of coal bed methane content is being conducted on the coal cores and physical testing of rock strength and related characteristics is being conducted on selected roof and floor cores of the two coal beds. This data will be part of the work program used as part of the Bankable Feasibility Study which is expected to formally commence shortly.

Coal seams outcrop along the western margin of the property and generally dip to the southeast to a depth of around 780 metres at the deepest point on the Atkins seam, with 75 percent of the resource lying at depths of less than 600 metres. The drilling results to date indicate that the coal seams are continuous with no apparent offsetting or faulting.

Gurnee Property – Coal Quality

The results used to define the 81Mt Inferred Resource indicate that the coal found at the Gurnee Property is a premium hard coking coal with the following important characteristics over the major portion of the property:

Dry Basis						
Ash (%)	Sulphur (%)	Volatile Matter (%)	Fixed Carbon (%)	Calorific Value (kcal/kg)	FSI	Max Fluidity (DDPM)
2-5	0.5-0.8	32-36	59-69	7,950-8,400	8-9	+20,000

Seymour Property – Acquisition

On 20 December 2012, the Company announced that its 70% owned subsidiary, Kodiak Mining Company, had finalised the formal documentation for the option to acquire additional coal leases at the Seymour Property as originally announced on 3 December 2012.

The Seymour Property is located approximately 3.5 kilometres south of Attila's existing infrastructure and 81MT Inferred JORC Compliant Resource on its Gurnee Property (Figure 2) with the two properties collectively forming the Kodiak Hard Coking Coal Project. The Resource at the Gurnee Property is based on the Atkins and Coke coal seams which continue along strike and outcrop on the Seymour Property. The close proximity to the existing infrastructure, including a wash plant and rail load out facility, on the Gurnee Property will significantly reduce future capital requirements for any potential development on the Seymour Property.

The key terms of the option agreement to lease the underground mining rights to the Atkins, Coke, Upper Thompson and Big Bone coal seams on an approximately 4,000 acre property from RGGGS Land & Minerals Ltd LP are as follows:

- Upfront option fee of US\$100,000;
- 2 year option to complete a minimum of US\$500,000 worth of exploration in first year;
- Exercise of option at US\$300,000;
- Term of the lease: 3 year rolling terms until exhaustion of any discovered coal reserves subject to certain minimum production milestones per 3 year term; and
- Royalty of 8% on net coal sales with an upfront payment of US\$25,000 and minimum monthly payment of US\$5,000 per month for each coal seam leased.

Pursuant to the Option, the Company has secured the mining rights to up to 4 coal seams which are found throughout the Seymour Property. The uppermost of these, the Upper Thompson, underlies the central and eastern portion of the property, with the next lowest, the Coke and Atkins seams, underlying the major portion of the property. The stratigraphically lowest seam, the Big Bone, underlies the entire property. All beds dip to the southeast into the Daily Basin, a sub-unit of the larger Cahaba

Basin within which the property lies. All beds with the exception of the Big Bone seam have been surface mined along the majority of their outcrop with the resultant highwalls providing sites for the development of potential low cost underground mines.

Approximately 75 coal bed methane (CBM) wells and 9 diamond core holes are located on the Seymour Property. Additionally, data exists from historic prospecting and sampling along the seams' outcrops. Although the geophysical logs from the historic CBM wells and the geologic logs of the historic diamond core drill logs provide extremely useful information when assessing the thickness of the individual coal seams, further diamond hole core drilling will have to be undertaken in order to estimate a JORC compliant resource.

The coal appears to be of a high quality as determined from historic drilling and prospecting, with washed coal having a low ash and sulphur content and high fixed carbon content, making it suitable for export metallurgical markets or in blending for domestic markets.

Seymour Property – Exploration Target

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 Inc has determined that the Seymour Property contains an exploration target in these 3 seams in the combined range of 42 to 48 million tonnes of hard coking coal¹.

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 tonnes¹. This seam, which has a slightly higher ash content than the typical ash content of the Gurnee seams of about 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. A detailed drilling program will be undertaken to further assess the quality of the coal and define a resource to JORC standards.

Further information on the exploration targets is detail at the end of this announcement.

Seymour Property – Coal Quality

Stagg has determined that the quality of washed coal on a dry basis from the Atkins, Coke and Upper Thompson coal seams is likely to be in the range of 3 to 8 percent ash, 0.3 to 0.9 percent sulphur, 33 to 37 percent volatile matter, 55 to 61 percent fixed carbon and 7,900 to 8,100 kcal/kg heat content. Although there is extremely limited data regarding the Free Swelling Index (FSI) and fluidities of coal from these three seams, it is Stagg's opinion, based on knowledge from surrounding areas, that FSI's

¹ **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.*

in the range of 6 to 9 are likely to be typical, with fluidities likely to be in the range of 15,000 to 30,000 DDPM over much of the property.

The quality of the washed coal from the Big Bone seam is also very good based on the limited data available. Detailed studies of the Big Bone coal quality and washability will be undertaken to establish its market niches.

The following table contains anticipated typical specifications for washed coal (1.5 SG) for the three primary target coal seams, presented on a dry basis:

Seam	Ash (%)	Sulphur (%)	Volatile Matter (%)	Fixed Carbon (%)	Heat Content (kcal/kg)	Free Swelling Index	Fluidity (DDPM)
Atkins	3 – 5	0.3 – 0.6	33 – 36	59 – 61	8,100±	7 – 9	15,000 – 30,000
Coke	4 – 6	0.4 – 0.8	34 – 36	57 – 59	8,100±	6 – 9	15,000 – 30,000
Upper Thompson	6 – 8	0.5 – 0.9	35 – 37	55 – 58	7,900±	7 – 9	15,000 – 30,000

Further drilling and testing will be undertaken to confirm the chemical and petrographic characteristics of the target seams as indicated by the historical results.

Based on the results of two diamond core drill holes from a drilling program conducted on the property in 1983, the following qualities are suggested for coal from the Big Bone seam at yields of 30 percent or less, presented on a dry basis:

Seam	Ash (%)	Sulphur (%)	Volatile Matter (%)	Fixed Carbon (%)	Heat Content (kcal/kg)	Free Swelling Index	Fluidity (DDPM)
Big Bone	10±	0.8±	35±	58±	7,000±	n/a	20,000±

Kodiak Project – Logistics

The Kodiak Project is ideally located to take advantage of existing rail and port infrastructure that can cater to both the domestic and export markets (Figure 3). With a heavy gauge rail line running through the Kodiak property and a loadout facility on site, there is immediate access to the extensive rail network traversing the United States and from there, 2 nearby major coal handling ports. There is also the possibility of barging coal along the Black Warrior and Tombigbee Rivers which will be investigated as part a study on the export market potential. Importantly, it is envisaged that there will no major CAPEX requirements necessary for either domestic or export sales.

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

In September 2012, the Company completed a step-out drill program at its Talisker North Thermal Coal Project (Figure 4) which intersected the same coal seam (named the Verona seam) in 13 holes. This program followed the coal discovery made by Attila Resources last year where a 4 metre seam was intersected at a depth of 50 metres in drill hole Tal-006. 21 aircore holes for a total of 1,459 metres were drilled on grid spacings of 200 metres or 400 metres stepping out from drill hole Tal-006 (Figure 5) with 8 holes failing to reach target depth due to adverse drilling conditions. The intercepts range between 3.5 metres to 4.3 metres in thickness at depths of between 47 metres to 91 metres over an area of approximately 50 hectares.

All holes of interest were logged with down-hole geophysical tools. The Verona coal seam is consistent in thickness and depth trending in a south-westerly and north-easterly direction of drill hole Tal-006, parallel with the axis of the syncline. However, traversing the syncline in a north-westerly direction, the seam appears to be deepening approximately 20m to 25m for every 400m of horizontal step-out. This equates to a 3 degrees dip for the coal seam.

The drill program also involved re-entering and drilling deeper hole Tal-005 which is approximately 800m to the north-west of discovery hole Tal-006. A 3.6 metre interval of the Verona coal seam was intersected at 91m depth in hole Tal-005 suggesting that further to the north-west of hole Tal-005, the seam may be deepening further.

With this in mind, the Company is considering another drill program (subject to heritage survey clearance) along a line extending 10 kilometres to the south-west of drill hole Tal-006, parallel with the axis of the syncline and stepping out to the north-west. Using this approach, Attila will be refining its exploration target at Talisker North of *50 to 100 million tonnes of sub-bituminous coal (see qualification at end of report).

A 100kg sample of the coal was obtained in the recent drilling program for metallurgical and washability testing to assist in determining the export quality of the coal at Talisker North. The thermal coal recovered previously from 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.

Cotters Run Gold Project, WA (Attila Resources Limited 100%)

The Cotters Run Project comprises a three-block exploration license E15/1120 that covers 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 gold soil anomalism at the Le Mans Prospect.

The regional structural location, a local anticlinal closure immediately to the west of the Boulder-Lefroy Fault, indicates strong prospectivity in this structural environment. The greater St Ives-Junction area is well-recognised for the development of 'blind' gold lodes associated with flat-lying thrusts, and any near-surface gold occurrence within the Boulder-Lefroy corridor warrants detailed evaluation.

No significant work was conducted on the Project during the quarter.

Lefroy Gold Project, WA (Attila Resources Limited 100%)

The Lefroy Project comprises two exploration license applications in an area 80 kilometres southeast of Kalgoorlie. E15/1227 is an eight-block (23km²) license 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 (26km²) application a further 8 kilometres to the east that contains magnetic chert/BIF stratigraphy within the Mt Belches sedimentary sequence.

A review of previous exploration available from The Department of Mines and Petroleum Open File reports shows that the tenement areas are lightly explored with partial surface geochemical coverage and no reported drilling on E15/1227 or E15/1228.

No significant work was conducted on the Project during the quarter.

Corporate Activities

Capital Raising

On 6 December 2012 the Company announced that it had secured \$6.5 million (before costs) of funding by way of an oversubscribed capital raising to accelerate the development of its Kodiak Coking Coal Project. The capital raising comprised a placement of 8.125 million fully paid ordinary shares at an issue price of \$0.80 per share. The shares were issued in accordance with the Company's placement capacity under Listing Rule 7.1 and 7.1A. The capital raising was lead by Investor First Securities and Patersons Securities Limited. The final tranche of \$1 million was received in January and does not form part of the end of quarter cash balance.

Shareholder Meetings

The Company held a general meeting of shareholders on 9 October 2012 to approve the conversion of 52 convertible notes, the issue of 5,000,000 shares at \$0.20 to convertible note holders, the issue of shares to facilitators, the ratification of the share placement and the issue of options to a consultant. All resolutions were passed on a show of hands. The June 2012 raising via convertible notes was oversubscribed and, subsequent to the general meeting, the Company agreed to issue a further five convertible notes raising \$1,250,000 (before costs) with the conversion subject to shareholder approval.

The Company's Annual General Meeting was held on 30 November 2012 to adopt the remuneration report, re-elect directors, approve an additional 10% placement facility, grant authority to issue shares on conversion of a convertible note, grant authority to grant security to security trustee of the convertible notes and the issue of options to directors. All resolutions were passed on a show of hands.

Board Restructure

On 10 October 2012, the Company announced the restructure of the Board to assist in the transition from coal explorer to near-term producer. Max Brunsdon and Evan Cranston were appointed to the Board as Executive Directors. Grant Mooney and Zlad Sas stepped down from the Board.

On 30 October 2012, the Company announced the appointment of Alan Thom as a Non-Executive Director and on 18 January 2013, Shaun Day was appointed as a Non-Executive Director. Alan and Shaun have extensive experience in the areas of mining engineering and commercial finance respectively. Leigh Ryan stepped down from the Board.

The addition of Max, Evan, Alan and Shaun to the Board is invaluable to the Company as it enters the exciting next phase of development. The Company would like to thank Grant, Zlad and Leigh for their contributions to the successful growth of Attila.

Cash at bank at quarter end was \$4.9 million. This figure does not include the final tranche of the capital raising \$1 million which was received in January 2013.

During the quarter the Company entered into formal consultancy and milestone agreements with its joint venture partner, TBL Metallurgical Resources, and its key personnel in relation to the Kodiak Coking Coal Project (ASX: 3 December 2012).

As stated in the June 2012 Quarterly Activities Report (ASX: 31 July 2012), the Company received a statement of claim filed at the Supreme Court relating to an alleged contract with Monomatapa Coal Limited for a fee in respect of the acquisition of the Kodiak Coal Project. The Company has filed a defence and the matter is proceeding to trial.

During the quarter, 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.

For further information please contact:

Evan Cranston – Executive Director: +61 (0) 408 865 838

Competent Person Statements and Qualifications of Exploration Targets

The information in this report that relates to the JORC Compliant (Coal) Resource for the Kodiak Coking Coal Project in Shelby County, Alabama, USA has been reviewed and is based on information compiled by Mr Alan Stagg, a consultant to the Company through 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 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.

The information in this report that relates to exploration results on the Talisker North Project is based on information compiled by Mr. Leigh Ryan, a consultant to 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 – Talisker North

*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.*

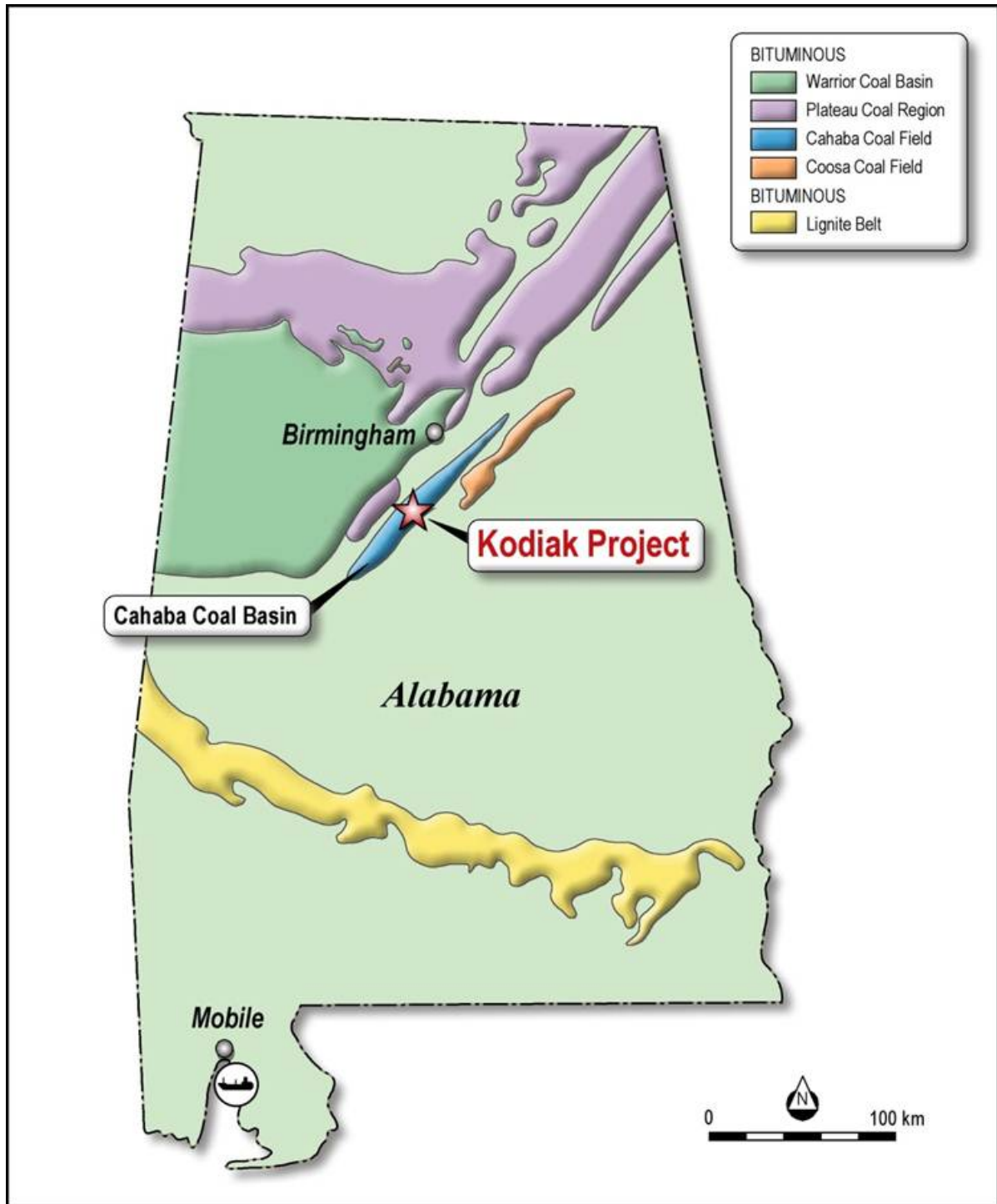


Figure 1. Kodiak Coking Coal Project, Shelby County, Alabama.

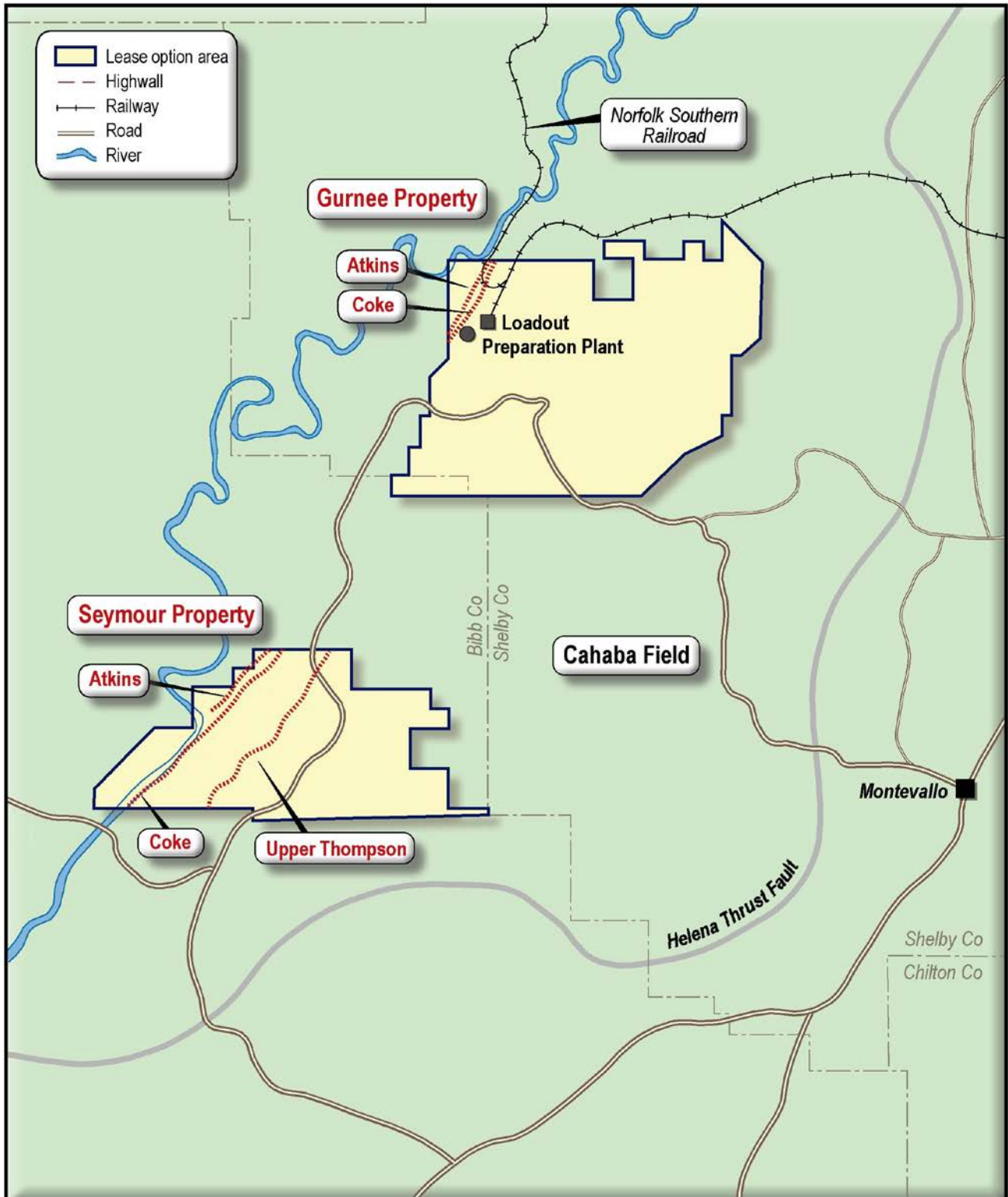


Figure 2. Kodiak Coking Coal Project – Gurnee and Seymour Properties



Figure 3. Extensive rail and river systems traversing Alabama.

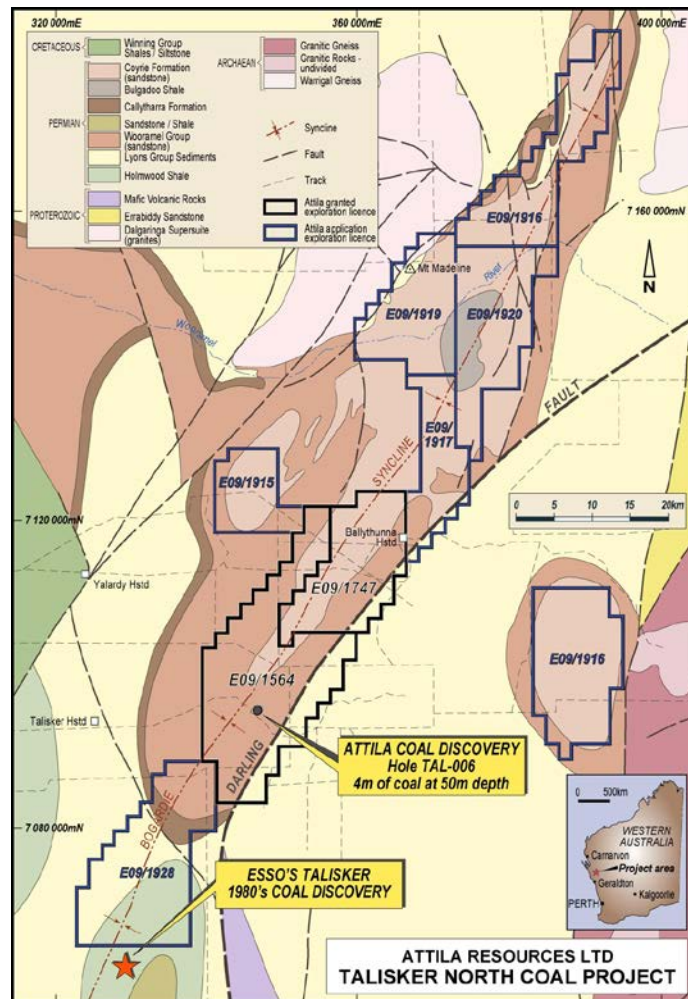


Figure 4. Location of Talisker North coal discovery hole, Tal-006.

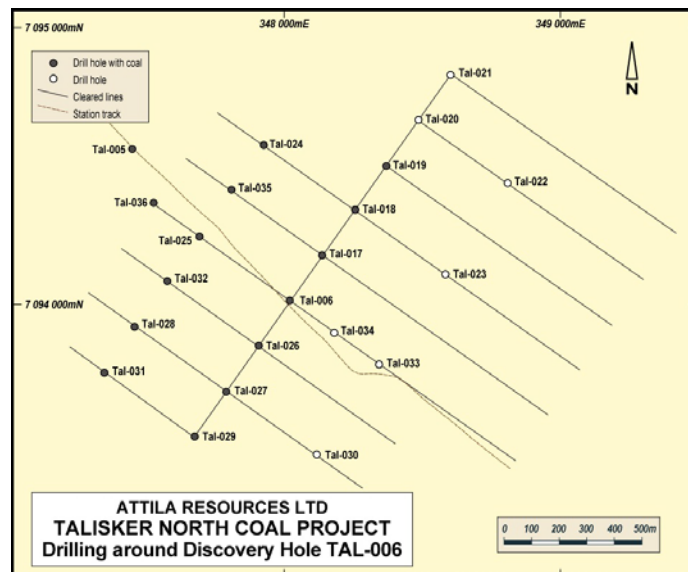


Figure 5. Step-out drill program around TAL-006.