

ASX / Media Release

Quarterly Activities Report December 2013

HIGHLIGHTS

Kodiak Coking Coal Project

- Gas desorption testing confirms low gas levels at Attila's Coke and Atkins Seams that require a conventional ventilation system
- Results compare favourably with U.S. peers being less than half the gas levels in other major coal basins currently in production. Results average 5.1m³/t for Coke Seam and 6.5m³/t on Atkins Seam
- Attila receives LOI for access to McDuffie Island Coal terminal - Alabama's premier coal exporting terminal (3rd largest in USA)
- Ability to ship Panamax and Mini-Cape sized vessels reducing freight costs to key coking coal markets
- Ongoing discussions with multi user rail and barge providers for transportation of coal to McDuffie Island
- Maiden Resources imminent for Seymour, Upper Thompson Projects and Project X

Corporate

- Meetings with potential offtakers, debt providers and logistics/freight companies at the 21st International Coal, Coke and Carbon Forum in Budapest
- Site visits from financiers and offtakers
- Capital raising of \$7 million to fully fund BFS completed during the quarter
- Contango Asset Management becomes substantial shareholder holding 6.57% of the issued capital of Attila

ASX: AYA, AYAO
31 January 2014

Fast Facts

Total Shares on Issue	70.5m
Convertible Notes (\$0.50)	28m
Listed Options on Issue	10.3m
Market Capitalisation (undiluted at \$0.64)	\$33.1m
Cash at 31 Dec 2013	\$6.5m

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

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
Email admin@attilaresources.com
ABN 53 142 165 080

www.attilaresources.com

EXPLORATION ACTIVITIES

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

Gurnee Property – Gas Desorption Testing

The Company announced the positive results of gas desorption testing undertaken on representative samples across both the Coke and Atkins coal seams within the Gurnee Property during the quarter (ASX: 14 November 2013). The low level results provide comfort that methane gas can be effectively and safely managed with the use of a conventional ventilation system. A detailed design and costing for an appropriate ventilation system will be incorporated into the bankable feasibility study.

With an average gas yield of 5.1m³/t across the 15 samples tested for the Coke Seam, the results confirm that the Coke Seam falls into the category of mildly to moderately gassy. The Atkins seam is classified as moderately gassy with an average gas yield of 6.5m³/t across 17 samples tested. These results compare favourably with many of Attila's U.S. peers with mines currently operating in excess of 14.7m³/t (refer Table 2).

Core from 17 of the 24 holes drilled in the phase 1 drilling program was tested in the gas desorption study, providing a comprehensive representation of both the Coke and Atkins coal seams, which comprise Attila's proven and probable reserve of 48.2mt of high quality hard coking coal. The results confirm the Coke Seam as only mildly to moderately gassy and the Atkins Seam as moderately gassy (refer Table 1). Stagg noted the levels of gas in the Coke and Atkins seams are very comfortably within a range that can be managed with a simple, well designed ventilation system, generally capable of managing gas levels of up to 31m³/t of specific methane emission, avoiding the need for a more capital intensive methane drainage program that can be required for more gassy mines.

Table 1 : Gas yields and depth – Coke and Atkins Seam

Drill Hole	Coke Seam		Atkins Seam	
	Depth (m)	Gas Yield (m ³ /mt)	Depth (m)	Gas Yield (m ³ /mt)
KOD-04			153	2.4
KOD-16	259	0.7	307	10.5
KOD-18	295	3.5	348	6.1
KOD-10	315	4.8	368	5.5
KOD-14	348	8	400	7.3
KOD-11	377	2.6	428	6.7
KOD-02	480	1.9	531	6
KOD-19	483	8	533	6.9
KOD-03	509	6	560	2.2
KOD-15	523	6.1	574	7.3
KOD-23			616	9.7
KOD-17	569	6.5	622	5.5
KOD-06	607	3.8	658	6.6
KOD-21	612	1.1	664	6.5
KOD-20	632	10.4	685	6.7
KOD-13	697	4.4	747	8
KOD-05	733	8.8	781	5.9
Average	496	5.1	528	6.5

The results from Attila's gas desorption testing have been compared with the published data from coal beds of a similar specification (refer Table 2). This analysis highlights that the Coke and Atkins seams compare very favourably with coal beds in other basins in the USA where gas levels in excess of 11m³/t are commonplace. The relatively low levels of gas detected has been attributed to the partial degasification of both the Coke and Atkins seams that has occurred as a result of the commercial coal bed methane production from wells drilled across Attila's licence area.

Table 2 : Comparison of gas yields and depth across selected USA coal beds

Coal Bed (State)	Number of Samples	Range of Depths (m)	Average Depth (m)	Average Gas Yield (m ³ /t)
Mary Lee (Alabama)	103	91-859	498	11.0
Hartshorne (Oklahoma)	20	53-439	194	12.0
Pittsburgh (Pennsylvania)	50	149-390	233	5.8
Pocahontas (Virginia)	24	401-674	534	14.7
Attila's Gurnee Property				
Coke Seam	15	259-733	496	5.1
Atkins Seam	17	153-781	528	6.5

Source: U.S. Bureau of Mines Information Circular 9067

Logistics Update

During the quarter, the Company was pleased to confirm it has received Letter of Intent ("LOI") from the Alabama State Port Authority ("ASPA") in respect of port capacity at the McDuffie Coal Terminal in Mobile, Alabama (ASX: 29 November 2013). The LOI from ASPA confirms their commitment to supporting the development of the Kodiak Project by agreeing to provide access to Attila through their coal handling facilities. The LOI contemplates that Attila and ASPA will enter into formal agreements on commercial rates with an anticipated timeframe to complete negotiations in 2014.

McDuffie Coal Terminal ("McDuffie") is a Alabama's premier coal terminal and is the largest of 3 terminals which comprise the coal exporting facilities of the third largest coal port in USA. The terminal is approximately 242 miles south of the Kodiak Project and located at the southern end of the Mobile River (Figure 1). McDuffie is approximately 556 acres in size with 2.3Mt storage space and an annual throughput capacity of 30Mt. In 2012 approximately 13.9Mt of coal was shipped from McDuffie. It has 6 reclaimer stackers and 3 berths that can accommodate Panamax and Mini-Cape sized vessels with a draft of 45 feet.

McDuffie can be accessed by both rail and barge providers. Attila's existing rail siding is connected to multi-user / common carrier rail infrastructure and Attila has received confirmation that there is sufficient capacity on the multi-user rail network to handle its planned production.

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 the possibility of 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. Maiden JORC resources will be released imminently converting the exploration target of 55-65Mt into measured, indicated and inferred JORC resources. This exploration target is not currently defined as a Mineral Resource and the potential quality and grade is conceptual in nature as there has been insufficient analysis of exploration results to define a Mineral Resource. Consequently it is uncertain if further exploration and analysis will result in the determination of a Mineral Resource.

Marketing and Financing Initiatives

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.

In November, Attila was invited to and attended the 21st International Coal Coke and Carbon Forum held in Budapest, Hungary. The invitation-only ICCF Forum is attended by all the major international coal buyers and steel mills, coal producers and major coal miners. At the Forum, meetings were held with potential offtakers (including steel mills from Europe, Brazil and Asia, traders and other major coal companies), debt providers and logistics and freight companies. Management was extremely encouraged by the response received from the meetings. Arising from these meetings a number of site visits have taken place and we are currently arranging more visits by potential financiers and offtakers interested in the Kodiak Coking Coal Project.

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

No further exploration work was undertaken during the quarter on the remaining tenement at the Talisker North Thermal Coal Project.

Corporate Activities

During the quarter, the Company announced a successful capital raising of \$7 million (before costs) through 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. The placement was completed in 2 tranches. As a result of the placement Contango Asset Management became a substantial shareholder holding 6.57% of the issued capital of the Company.

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.

A general meeting of the Company was held on 5 November 2013 to ratify the placement of tranche 1 of the \$7 million placement and to approve the placement of tranche 2 of the placement. Both resolutions were passed on a show of hands.

The annual general meeting of the Company was held on 29 November 2013 with all proposed resolutions passed on a show of hands.

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.

For further information please contact:

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

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. 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.

Further information on the Exploration Target

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

Appendix 1

The following information is provided pursuant to Listing Rule 5.3.3 for the quarter ended 31 December 2013:

Project	Location	Status	Interest
Talisker North	Western Australia		
E09/1747		Granted	100%
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.