



ASX / MEDIA ANNOUNCEMENT

22 May 2012

## ATTILA SIGNS OPTION TO ACQUIRE 70% INTEREST IN HARD COKING COAL MINE

### HIGHLIGHTS

- Option to acquire 70% interest in hard coking coal mining operation in Alabama, USA
- Exploration target of 80-100MT of hard coking coal based on 118 historically drilled coal bed methane wells and diamond core holes on 7770 acre property\*
- Excellent hard coking coal quality – low ash and sulphur, very high fixed carbon
- Operation fully permitted and licenced on private land
- Full infrastructure already in place to recommence operations including wash plant and rail infrastructure
- Experienced management team as JV partner
- JORC compliant resource drilling to commence on exercise of option
- Option subject to technical, legal and environmental due diligence by Attila and completion of legal documentation

Attila Resources Limited (ASX: AYA, AYAO) is pleased to announce that it has entered in to a binding heads of agreement to acquire a 70% interest in Kodiak Mining Company LLC (Kodiak). Kodiak operated an underground high-volatile hard coking coal mine known as the Coke No.1 Mine (Figure 3) in the Cahaba coal basin in Shelby County, Alabama, USA (Kodiak Project).

### Overview

The Kodiak Project is located in the Cahaba coal basin in Shelby County, Alabama, USA (Figure 1). 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 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.

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## Exploration Potential

Under this agreement, Attila has the option to secure the mining rights to 2 coal seams which are found throughout the Kodiak Project. The Atkins and Coke coal seams underlie a major portion of the Kodiak Project with their outcrop occurring on the western edge of the property. The 2 beds dip to the southeast from their outcrop 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 4). The geophysical logs from the historical wells provide extremely useful information when assessing the thickness of the individual coal seams, however, further diamond hole core drilling will have to be undertaken in order to estimate a JORC compliant resource.

The Coke and Atkins coal seams range in thickness between 0.9m to 3.0m and average approximately 1.33m to 1.6m. 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\*. Stagg estimate an initial JORC compliant resource can be estimated from an initial 3800m diamond drill hole program of 9 holes at a cost of approximately \$625,000.

## Exploration Target

Stagg have determined that the Kodiak Project contains an exploration target of 80-100MT of hard coking coal\*.

Stagg have determined the quality of the washed coal on a dry basis is anticipated to be in the range of 3 to 6 percent ash, 0.6 to 1.0 percent sulfur, 32 to 36 percent volatile matter, 56 to 62 percent fixed carbon, 8,000 to 8,300 kcal/kg heat content, and with a Free Swelling Index in the range of 7 to 9. This information is based on analysis from the Kodiak Project to be leased and from adjoining properties.

Further information on the exploration target is contained in the box titled "Further information on the Exploration Target" in this announcement.

## 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:

	Ash (%)	Sulphur (%)	Volatile Matter (%)	Fixed Carbon (%)	Heat Content (kcal/kg)	Free Swelling Index
<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 will acquire all of the plant and equipment, surface rights and other infrastructure owned by Kodiak (Figure 5). This includes:

- 5 parcels of surface land (42 hectares) on which the existing infrastructure is located (Figure 2).
- 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 intends to enter into a management services agreement with TBL for management services in connection with the operation and development of the Kodiak Project.

## Acquisition Terms

Attila has entered into a binding heads of agreement with TBL to acquire a 70% interest in the Kodiak Project.

TBL holds an option to purchase the membership interest in Kodiak from American coal producer, Walter Minerals Inc. Kodiak 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.

TBL 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 RGGS Land & Minerals Ltd LP who previously leased the underground mining rights to Kodiak when it operated the Coke No 1. Mine (Figure 3).

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Attila can secure its 70% interest in the Kodiak Project by paying approximately US\$11.15 million to acquire the following:

- 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).

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 other joint venture parties that may include Konkera 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 plans to fund this acquisition via its existing 15% placement capacity and also via convertible note, debt or a combination of both. The acquisition cost equates to approximately \$0.12/tonne of hard coking coal assuming a resource of 100MT can be established via future exploration programs.

Attila has paid a refundable deposit to TBL of \$150,000 to secure the option to acquire the Project by 22 June 2012 unless extended.

Attila has also engaged Stagg Resource Consultants who have over 35 years' experience in the American coal industry. Stagg will be responsible for all technical and environmental due diligence carried out on the property and future exploration programs. In addition to Stagg, the Company has engaged various consultants to complete legal and other technical due diligence. This due diligence is underway and is expected to be completed in the next few weeks.

Attila is in the process of finalising the appropriate legal documentation reflecting the acquisition terms.

### **Placement to raise up to \$2 million**

Attila has entered into discussions with several stock broking firms to raise up to \$2 million via the placement of 10 million shares at \$0.20 in accordance with the placement capacity granted by shareholders on 9 March 2012. The cash raised will also be used to fund due diligence expenses on the Project, continue exploration at Attila's Talisker North Project and for general working capital.

### **Shareholder Approval and Further Details on the Transaction**

Attila intends to seek shareholder approval for any capital raising required to fund the acquisition. This will include the conversion of any convertible notes into shares. Attila will also seek shareholder approval for any transaction facilitation fee and capital raising fee.

Full details of the transaction and an update on the status of due diligence will be included in the Notice of Meeting and any other subsequent announcements.

### **Corporate Advisor**

Attila has also engaged Konkera Corporate as a corporate advisor to assist with the due diligence review of the Kodiak Project and the proposed capital raisings.

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## Talisker North Project

Attila shall continue with the exploration of its existing coal project located at Talisker North and intends to provide an update on future drilling programmes shortly.

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

**Grant Mooney, Chairman**

Phone: (08) 6142 0989

**Evan Cranston, Konkera Corporate**

Phone: 0408 865 838

Competent Person Statement

*The information in this report that relates to exploration results 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.*

Further information on the Exploration Target

*This exploration target is based primarily on information gained during exploration drilling for coalbed 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 90 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.*

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Figure 1 - Overview of Cahaba Coal Basin

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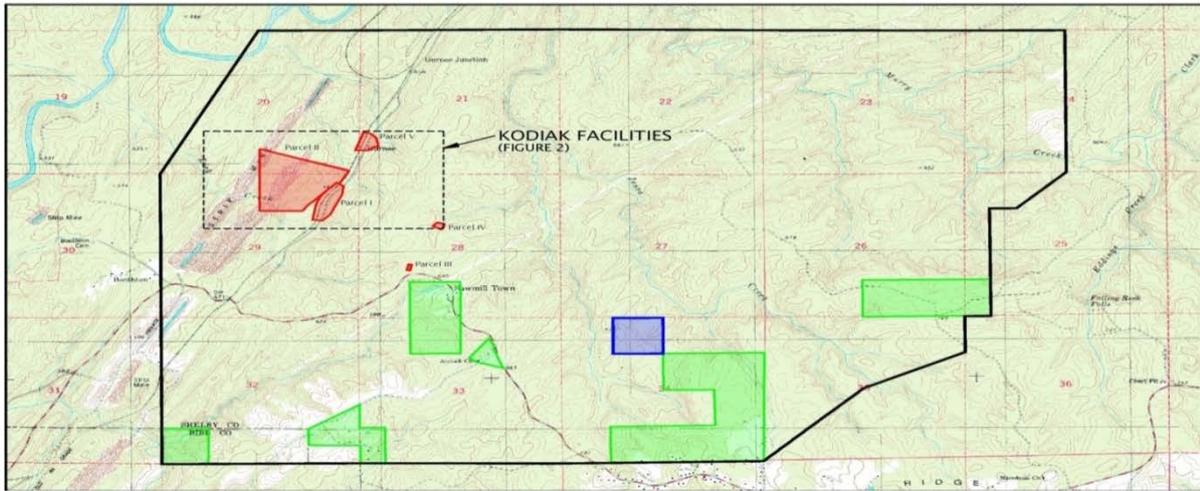


Figure 2: outline of Kodiak project. Areas in red are the surface rights to be acquired by Attila. Areas in black are the 7770 acre area lease by Attila for coal rights to the Atkins and Coke coal seams. Area's in green and blue are the other surface rights owned by 3rd parties in the district.



Figure 3: Satellite imagery of Kodiak Project and surface infrastructure

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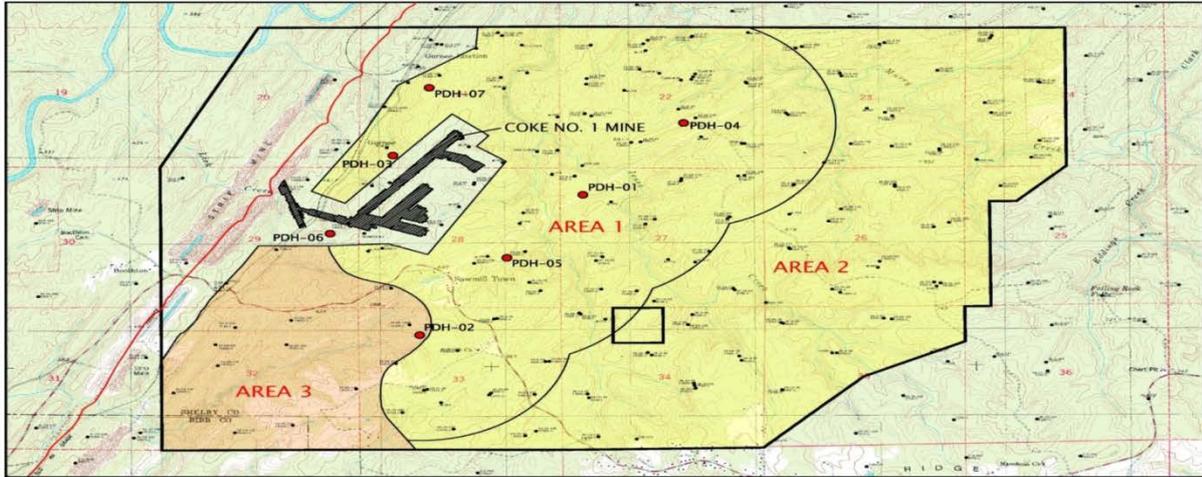


Figure 4: Kodiak Project with previous drilling. Red dots are historical diamond core holes and black dots are over 90 historical coal bed methane holes drilled on the property.



Figure 5: 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.

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