ATTILA RESOURCES LIMITED

ABN 53 142 165 080

2014

ANNUAL REPORT

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Corporate Directory

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Mr Evan Cranston (Executive Director)
Mr Shaun Day (Non Executive Director)
Mr Bryn Hardcastle (Non Executive Director)
Mr Alan Thom (Non Executive Director)

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Chairman's Address

Dear Shareholders,

On behalf of the Directors, I am pleased to present to you Attila Resources Limited's Annual Report to shareholders for the year ended 30 June 2014.

There is no escaping the fact that FY 2014 has been a challenging year in the resources industry and in the metallurgical coal market in particular. We have seen further declines in coal prices from last year and a number of mine closures as a result, which will ultimately constrain the necessary supply of coal, resulting in better prices in the future we believe. The capital markets have also been constrained, and your Board recognises the shareholder support the Company received during the equity raise earlier this year enabling it to fund further progress on the Kodiak Project.

It is the Board's belief that Attila's strengths are the very favourable characteristics of our coal, excellent infrastructure in a first world country and our ability to move into production quickly. We continue to focus on completion of the feasibility study and engagement with potential offtakers.

The past 12 months has seen your Board and management change significantly. In March 2014, I joined the Board as non-executive Chairman, and bring extensive mine development and operational experience to the Company. We also welcomed the appointment of Scott Sullivan as CEO in April 2014. Scott has significant bulk commodities and coal experience at a senior executive level and mobilised quickly, awarding and commencing the key engineering, market and financial components of the Definitive Feasibility Study. With a strengthening and re-structuring of the Board and management, we have developed our budget, governance and reporting processes and most importantly, we are building organisational capability as we move towards development.

FY14 has also seen a heightened focus on cost reduction initiatives to reduce our fixed cost base whilst our project is in feasibility stage. Kodiak is a project capable of being an operating mine but until then, the existing infrastructure has to be secured and maintained, and statutory requirements have to be met, all of which requires funding. We have reduced costs and activity to what is essential for the current stage of studies. We have also protected and extended our options on attractive resources in the Seymour property and the Upper Thompson seam in the Gurnee property, whilst ensuring our prime focus is on developing the Coke and Atkins mine into production.

We look forward to an exciting year ahead and hopefully, a greatly anticipated recovery in the price of coking coal. I thank our Board, loyal staff and contractors, both in Australia and the US, for their dedication throughout the last year and I thank you, our shareholders, on behalf of the Board, for your continued support and belief in the Company.

Russell Clark
Non Executive Chairman

Review of Operations

HIGHLIGHTS

Kodiak Coking Coal Project: Gurnee Property

- Independent prefeasibility study (PFS) confirms the technical and economic feasibility of the Kodiak Project based solely on the Coke and Atkins coal seams on the Gurnee Property
  - PFS demonstrates the capacity to produce circa 2Mtpa based on maiden JORC coal reserves of 48.2Mt in Proven and Probable categories
  - PFS based on excellent quality hard coking coal with ultra-low ash, low sulphur, high FSI and superior fluidity values
  - Total upfront funding requirement of approximately $52M after leasing of equipment and machinery based on current coal prices with a staged development option reducing upfront funding requirement to US$27M
  - Projected all in cash costs of approximately US$90/t FOB for LOM including rail, port, taxes and royalties – in the lowest quartile for metallurgical coal producers
  - Existing logistics pathway to market and existing infrastructure, including wash plant, rail line and rail loading facilities
  - Operation permitted and licensed to commence operations on Attila owned land
  - Underpins the potential for a long life coking coal operation
- Definitive feasibility study (DFS) underway with appointment of Sedgman Limited and Norwest Corporation as independent engineers
- Re-entry into the historical Coke No. 1 Mine and bulk sampling program successfully conducted
- Gas desorption testing confirms low gas levels that will only require a conventional ventilation system

Kodiak Coking Coal Project: Seymour Property

- Maiden drill program of 2 diamond holes for approximately 1,500 metres of drilling
- JORC compliant inferred resource of 48.3Mt hard coking coal defined on Upper Thompson, Coke and Atkins seams
- Low ash and sulphur complements high quality hard coking coal at the Gurnee Property
- Only 3 miles from existing extensive infrastructure at the Gurnee Property
- Potential resource upside from Big Bone seam

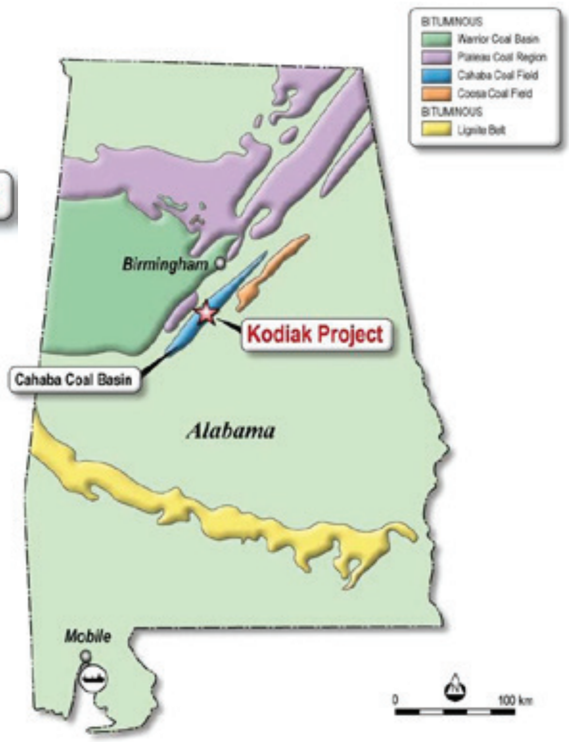
Kodiak Coking Coal Project (Attila Resources Limited 70%)

Project Overview

In June 2012, Attila successfully acquired a 70% interest in the Kodiak Coking Coal Project located in the Cahaba Coal Basin, Alabama, USA (Figures 1, 2 and 3). Following the initial acquisition of the Gurnee Property with mining leases over two coal seams, the Coke and Atkins seams, the Company has increased its presence in the area with three strategic acquisitions. In December 2012, the Company secured the mining rights for four coal seams located on the Seymour Property, approximately 3.5 kilometres to the south of the Gurnee Property and its associated infrastructure. In September 2013, the Company finalised mining leases over the Boothton Project, which encompasses sections of the Gholson and Clark seams on the Gurnee Property, and an option to lease a section of the Upper Thompson seam also on the Gurnee Property.

As a result of these agreements, the Company now has access to all of the major hard coking coal seams in the Cahaba Basin. In addition to expanding the Company's potential production profile, the acquisitions have provided critical access to coal seams in adjacent properties.

The Kodiak Coking Coal Project currently has a global resource of over 126 million tonnes of hard coking coal with an additional 45Mt exploration target for the Big Bone seam on the Seymour Property. This exploration target is not a mineral resource and is conceptual in nature. 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.



Figures 1 and 2. *Location of Kodiak Project, Alabama, USA.*

The Cahaba Coal Basin is the oldest coal mining district in Alabama dating back to the civil war era and containing 6 minable coal seams of metallurgical quality. Coal mining commenced at the Kodiak Project by drift mining where the coal outcrops and subsequently underground via continuous miners. Kodiak operated the Coke No. 1 Mine up until the end of 2008 when it was placed on care and maintenance.

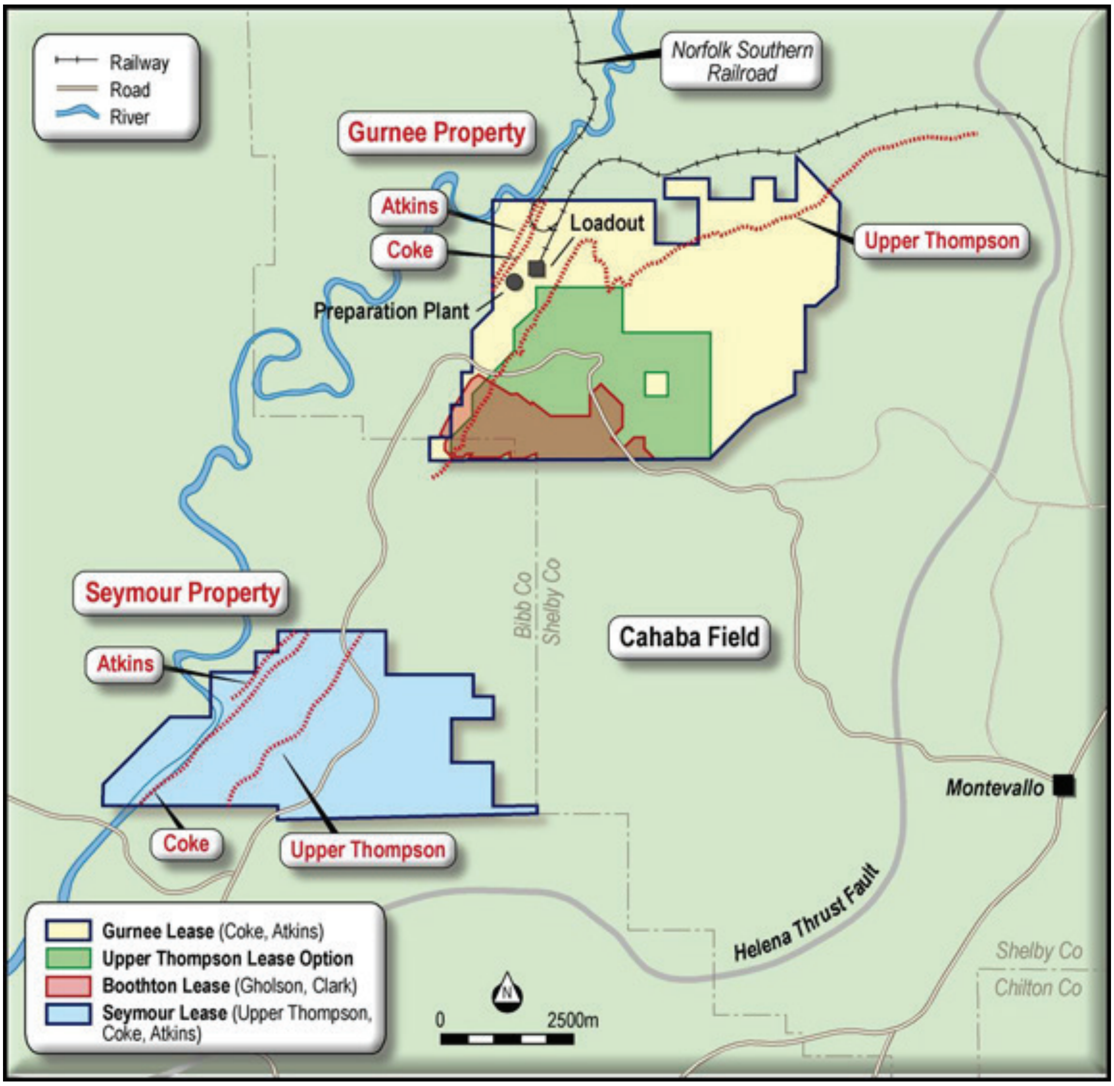


Figure 3. *Current footprint of the Kodiak Coking Coal Project over two properties and with access to six coal seams.*

As part of the initial acquisition of the Kodiak Project, the Company acquired all of the plant and equipment, surface rights and other infrastructure located on 42 hectares including a 400 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 and a rail spur infrastructure with loadout and locomotive

Figure 4. *ROM pad at Kodiak Project.*

Gurnee Property Resource and PFS: Coke and Atkins Seams

Attila received its independent pre-feasibility study on the Coke and Atkins Seams at the Gurnee Property in August 2013. Utilising the existing extensive infrastructure and logistics pathway, the PFS has 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. Importantly, the PFS does not consider the inclusion of the Upper Thompson, Gholson and Clark seams on the Gurnee Property or the four coal seams on the Company's 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 (Figure 5). 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 with discussions underway to secure access for the transport of Kodiak coking coal.

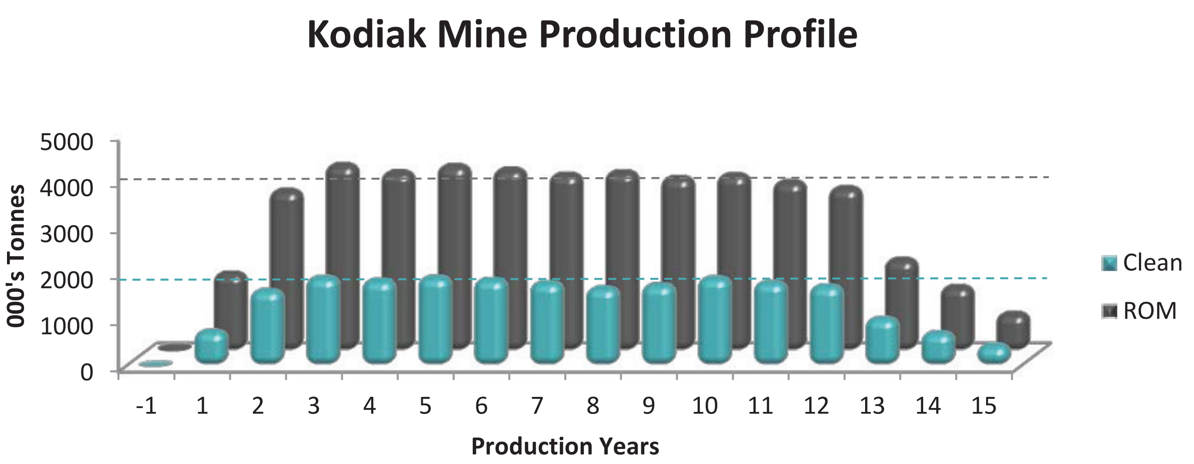


Figure 5. *2Mtpa Production Profile for the Coke and Atkins Coal Seams, Gurnee Property based on PFS.*

Financial Analysis

The Gurnee Property PFS 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. Quarterly and spot coal price of US$140 and previous quarterly benchmark price of US$172.50 which were current at the time of the preparation of the PFS.

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 Gurnee Property PFS 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
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 total cash costs of approximately $US90 places it in the lowest quartile 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 lower 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 Kodiak 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 quarterly benchmark and spot price of US$140-145 and the previous quarterly benchmark of US$172.50 which were current at the time of the preparation of the PFS.

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). 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, increasing fines recovery, plus the potential of a saleable middling’s fraction, both of which will be investigated as part of 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 (Figure 6). An expansion of the mine portal area and the development of additional mains are envisioned in the Mine Plan.

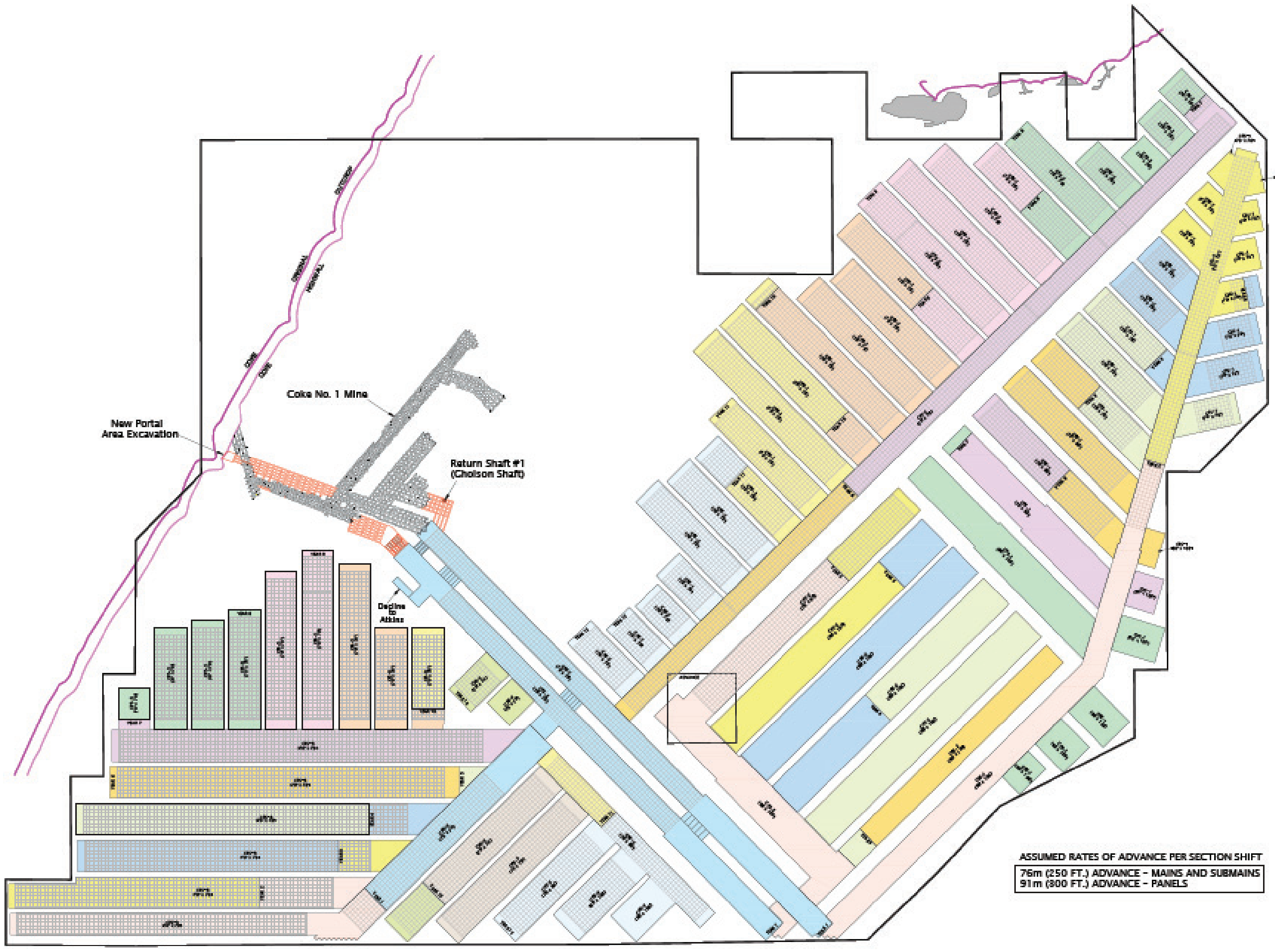


Figure 6. *PFS Mine Plan for Coke coal seam highlighting existing workings (black), new entries (red) and proposed new mine plan (coloured for production years). A similar mine plan has been developed for the Atkins coal seam.*

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 completed 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.

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 (Figure 5). Based on initial discussions with the rail provider there is currently 15-20Mtpa of available capacity.

A letter of intent has been received from the Alabama State Port Authority (**ASPA**) in respect of port capacity at the McDuffie Coal Terminal in Mobile, Alabama. The letter of intent confirms ASPA's commitment to supporting the development of the Kodiak Project by agreeing to provide access to Attila through their coal handling facilities. The letter contemplates that Attila and ASPA will enter into formal agreements on commercial rates.

McDuffie Coal Terminal is 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 5. *Extensive rail and river networks traversing Alabama.*

Attila also has the opportunity to investigate a number of transport alternatives, including barging down the Black Warrior / Tombigbee river systems, which is used by operating coal companies such as Walter Energy, Drummond and Cleveland Cliffs to ship over 6Mtpa, to the Port of Mobile. Attila can rail or barge to the Port of New Orleans where port capacity and trans-shipping is available.

Gas Desorption Testing

The Company receive the positive results of gas desorption testing undertaken on representative samples across both the Coke and Atkins coal seams at the Gurnee Property. The low levels provide comfort that methane gas can be effectively and safely managed with the use of a conventional ventilation system. With an average gas yield of 5.1m^3/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 6.5m^3/t across 17 samples tested. These results compare favourably with many of Attila's U.S. peers with mines currently operating in excess of 14.7m^3/t and it is not anticipated that pre-drainage will be required.

Definitive Feasibility Study

The Company has appointed leading engineering firms Sedgman Limited (Sedgman) and Norwest Corporation (Norwest) to complete the core mine, processing and infrastructure design for the definitive feasibility study (DFS) on the Kodiak Coking Coal Project.

Sedgman, which specialises in the design, construction and operation of coal handling and preparation plants (CHPPs), has been engaged by Attila to undertake all aspects of the DFS relating to the preparation and handling of the coal and surface infrastructure. Norwest, a leading US based natural resources consultancy with a global reputation, has been engaged by Attila to undertake all mining aspects of the DFS including mine planning and design, hydrology, geotechnical design and ventilation engineering.

Mine Re-entry and Bulk Sampling

Attila received approval from the district office of the Mine Safety and Health Administration (MSHA) in June 2014 to re-access the old Coke Mine No.1 workings to enable collection of a bulk sample for plant design, further coal analysis and marketing samples. Site works on the highwall and portals were undertaken and mine dewatering successfully lowered the water levels in the mine to the level required to carry out the bulk sampling.

A bulk sampling program has been completed with samples taken from 3 locations within the mine. Samples were taken for analysis of sizing and washability tests for plant design purposes.

Samples were extracted using Attila's re-conditioned mining equipment already on site, acquired as part of the original purchase.

Geotechnical Data

All geotechnical data has now been received from the Phase 1 drill program and reviewed by Norwest and their geotechnical specialists as well as Stagg Resources, Attila's consulting geologists and engineers. The review confirmed that both the Coke and the Atkins seams have competent roof and floors and will only require regulation bolting patterns.

An additional limited program of geotechnical work, incorporating one diamond drill hole and a wedging program was undertaken to characterize the coal strength parameters for both the Coke and Atkins seams. Results will be interpreted and incorporated into the DFS mine design work, specifically pillar design.

Seymour Property: Maiden Inferred Resource

Following its maiden 2-hole drill program on the Seymour Property, the Company announced a maiden JORC compliant inferred resource of 48.3 million tonnes on the Upper Thompson, Coke and Atkins Seams. The resource estimate was prepared by Attila's independent consultants, Stagg Resource Consultants Inc ("Stagg"). Alan Stagg, the firm's president and principal economic geologist, is a competent person as defined in the JORC Code and developed the resource estimates.

Coal Seam	Category	Tonnes ('000s)
Upper Thompson	*Inferred*	13,554
Coke	*Inferred*	17,295
Atkins	*Inferred*	17,425
TOTAL	***Inferred***	**48,273**

The resource estimate is based on the results of a two-hole diamond core drilling and sampling program conducted by Kodiak during 2013 (the "Phase 1 Drilling Program") and historic data obtained from the geophysical logs of approximately one hundred coal bed methane wells drilled over several decades and seven diamond core holes drilled in 1983. This program was designed and conducted for Kodiak by Stagg. The drilling program included gas desorption testing and comprehensive analysis on the recovered cores.

The dip of the coal beds across the Seymour Property generally ranges from 10 to 13 degrees on the outcrop down to 6 degrees (Figures 3 and 4). Although faulting is known in the region, no faults have been identified within the Seymour Property that interrupt the continuity of the Upper Thompson, Coke, and Atkins coal beds.

Upper Thompson Seam

In the Upper Thompson bed, the thickness of the potentially mineable unit of coal was observed to range from slightly less than 1 metre to around 2 metres. The potentially mineable unit in these two blocks consists of two primary benches of coal separated by a shale and/or clay parting. The thickness of the individual benches of coal and the parting is variable across the resource blocks. The Upper Thompson has been extensively mined in the region by both surface and underground mining methods, with underground mining having been conducted adjacent to the Seymour Property on both the north and the south but not on the existing license.

Coke Seam

The Coke coal bed was observed to typically range in thickness from around 0.75 metres to around 1.4 metres within the resource block. Local variations in thickness below and above this range were observed within the block. The Coke coal bed generally consists of a single bed of coal with no non-coal partings. The Coke coal bed is overlain by massive sandstone across portions of the Seymour Property, with the interval between the base of the sandstone and the top of the coal bed generally ranging from around 0.3 metres to more than 3.0 metres across the property, with the interval generally increasing to the south. Although surface mining has been conducted on the Seymour Property, there has been no underground mining.

Atkins Seam

The Atkins coal bed, which occurs approximately 55 metres below the base of the Coke coal bed, typically consists of a single bed that is essentially free of non-coal partings. Thickness is variable across the Seymour Property, typically ranging between 0.6 and 1.3 metres in the resource block. The bed is overlain by shale and siltstone and it is anticipated that roof control conditions will be favorable, with only modest out-of-bed dilution expected during mining. Although surface mining has been conducted on the Seymour Property, there has been no underground mining.

Analytical Results Indicate Hard Coking Coal

Following the completion of the 2 hole 1500m diamond core drill program (including wedges) at the Seymour property, Attila reports the following analytical data for the maiden JORC resource.

Seam	Ash (%)	Sulphur (%)	Volatile Matter (%)	Fixed Carbon (%)	Calorific Value (kcal/kg)	FSI
Upper Thompson	4-6	0.7-0.8	35-40	58-59	7940-8350	6-7
Coke	3-7	0.6-1.2	37-38	57-58	7900-8000	7
Atkins	4	0.7-0.9	37-38	58-59	8100-8200	8

Coal reported on a dry basis and washed at 1.5SG

Further drilling will be required to confirm the coal quality across the project area.

Big Bone Seam

The current drill program did not target the Big Bone coal seam which is expected to be explored in future drilling campaigns. As such an additional 45Mt exploration target remains in place for the Seymour Property. This exploration target is not a mineral resource and is conceptual in nature. 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.

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 Coke and Atkins Seams on the Gurnee Property at the Kodiak Coking Coal Project, 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 on 8 October 2012, 12 October 2012, 27 November 2012, 19 March 2013, 6 August 2013 and 14 November 2013. It has not been updated since to comply with the JORC 2012 on the basis that the information has not materially changed since first being reported.

The information in this report relating to Exploration Results and to JORC Compliant (Coal) Resources for the Seymour Property at the Kodiak Coking Coal Project, 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 2012 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 2012 on 25 March 2014 and has not materially changed since first being reported.

Qualification of Exploration Target – Big Bone Seam, 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 Seymour Property, 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 Big Bone seam has been extracted and used by Mr Stagg to quantify tonnage in this bed. 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 Big Bone coal bed 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 Boothton (Gholson and Clark) 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.

DIRECTORS' REPORT

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Attila Resources Limited (referred to hereafter as the 'Company') and the entities it controlled for the year ended 30 June 2014.

Directors

The names of Directors who held office during or since the end of the year and until the date of this report are set out below. Directors were in office for the entire period unless otherwise stated.

Russell Clark	Non Executive Chairman (appointed 11 March 2014)
Max Brunsdon	Executive Director
Evan Cranston	Executive Director
Shaun Day	Non Executive Director
Bryn Hardcastle	Non Executive Director
Alan Thom	Non Executive Director

Information on Directors

Russell Clark, Independent Non Executive Chairman

Mr Clark is a highly experienced and successful senior resources sector executive, and has more than 35 years' experience in technical roles, project management, general management and executive positions at projects in the USA, Africa, Papua New Guinea, and throughout Australia. Mr Clark is currently Managing Director of specialty metals exploration and development company, Wolf Minerals Limited (ASX: WLF, AIM: WLFE). Wolf Minerals is currently transitioning from the exploration and development phase of its evolution into mine construction, and eventual production, at its Hemerdon tungsten and tin project in Devon, England.

Mr Clark holds a Mining Engineering degree (BSc Hons) from the Royal School of Mines, London, UK and a Graduate Diploma from the Securities Institute of Australia.

Mr Clark was appointed to the Board on 11 March 2014 and is a member of the Remuneration Committee (from 31 March 2014).

Other current listed directorships

Wolf Minerals Ltd (from 16 October 2013)

Former listed directorships in last 3 years

Grange Resources Ltd (6 March 2008 – 6 July 2012)

Max Brunsdon, Executive Director

Max Brunsdon is Executive Director – Marketing for Attila Resources Ltd. He has over 30 years' experience in the coal industry having worked for BHP and Bathurst Resources Limited. Mr Brunsdon's particular areas of expertise are in the fields of sales, marketing and logistics.

Mr Brunsdon was appointed to the Board on 10 October 2012.

Other current listed directorships

Nil

Former listed directorships in last 3 years

Nil

Evan Cranston, Executive Director

Evan Cranston is a corporate lawyer with a broad experience in the areas of capital raising, IPOs, joint ventures, mergers and acquisitions, corporate governance and liaison with market analysts and potential investors. He holds both a Bachelor of Commerce and Bachelor of Laws.

Mr Cranston was appointed to the Board on 10 October 2012.

Other current listed directorships

- Boss Resources Ltd (from 2 May 2012)
- Carbine Resources Ltd (from 23 March 2010)
- Cradle Resources Ltd (from 28 June 2011)

Former listed directorships in last 3 years

- Ampella Mining Ltd (1 April 2009 – 2 April 2012)

Shaun Day, Independent Non Executive Director

Shaun Day has over 15 years' of professional experience in a range of multinational business and investment banking roles with particular focus on the mining sector. He has performed Chief Financial Officer and Treasury positions in ASX and SGX listed mining and telecommunications infrastructure companies, with in-depth exposure to a number of debt and equity market transactions and was formerly a director of TSX-V listed Goldminco Corporation.

Mr Day was appointed to the Board on 18 January 2013 and is Chairman of the Audit Committee and a member of the Remuneration Committee.

Other current listed directorships	***Former listed directorships in last 3 years***
Nil	Nil

Bryn Hardcastle, Non Executive Director

Bryn Hardcastle is a partner of Perth-based law firm, Bellanhouse Legal, specialising in corporate, commercial and securities law. He advises on equity capital markets, takeovers & schemes and corporate acquisitions, reconstructions and disposals predominantly in the energy and resources sector. Mr Hardcastle has previously worked in London, Melbourne and Dubai at Freehills and Allen & Overy and is a former partner of Perth boutique law firm, Hardy Bowen Lawyers.

Mr Hardcastle was appointed to the Board on 8 December 2011 and is Chairman of the Remuneration Committee and a member of the Audit Committee.

Other current listed directorships	***Former listed directorships in last 3 years***
Nil	Nil

Alan Thom, Independent Non Executive Director

Alan Thom is a mining engineer with extensive experience as a senior manager and executive director working in the UK, Africa, New Zealand, Bangladesh and Australia with a range of commodities including all types of coal. He has managed all aspects of resource projects from exploration to feasibility studies through to development and full operation.

Mr Thom was appointed to the Board on October 2012 and is a member of the Audit Committee and was a member of the Remuneration Committee until 31 March 2014.

Other current listed directorships	***Former listed directorships in last 3 years***
• Blackham Resources Ltd (from 5 August 2008)	Nil

Company Secretary

Oonagh Malone was appointed as Company Secretary on 10 October 2012 following the resignation of Mr Grant Mooney. Ms Malone is a principal of a corporate advisory firm which provides company secretarial and administrative services. She has over 5 years' experience in administrative and company secretarial roles for listed companies and is a member of the Governance Institute of Australia. She currently acts as company secretary for ASX-listed Boss Resources Ltd and Carbine Resources Ltd.

Directors' Meetings

During the financial year ended 30 June 2014, there were 8 meetings of the Board of Directors, 2 meetings of the Audit Committee and 4 meetings of the Remuneration Committee. Attendances by each Director during the period were as follows:

Director	Board of Directors		Audit Committee		Remuneration Committee	
	Number Attended	Number Eligible to Attend	Number Attended as Member	Number Eligible to Attend	Number Attended as Member	Number Eligible to Attend
Russell Clark	4	4	-	-	2	2
Max Brunsdon	8	8	-	-	-	-
Evan Cranston	8	8	-	-	-	-
Shaun Day	8	8	1	2	4	4
Bryn Hardcastle	6	8	2	2	4	4
Alan Thom	7	8	2	2	2	2

The Directors made and approved 5 circular resolutions during the financial period ended 30 June 2014.

Principal Activities

The principal activities of the Group are the review and development of mineral exploration projects. There were no significant changes in the nature of these activities during the year ended 30 June 2014.

Dividends

No dividend has been declared or paid by the Group during the financial year and the Directors do not at present recommend a dividend.

Operating Results

The consolidated comprehensive loss of the Group amounted to $6,949,697 (2013: Loss $13,391,232) after providing for income tax.

Review of Operations

Kodiak Coking Coal Project (Attila 70%)

During the period the Group focused on the exploration and development of the Kodiak Coking Coal Project located in the Cahaba Basin, Alabama USA. In August 2014 the Group released the results of a prefeasibility study for the Kodiak Coking Coal Project. The Group executed an option agreement to acquire the Upper Thompson coal seam (Gurnee Property) and a lease agreement on the Gholson and Clarke coal seams (Gurnee Property). The Group is currently undertaking a definitive feasibility study on the Project.

Significant Changes in the State of Affairs

The following significant changes in the state of affairs of the Group occurred during the year ended 30 June 2014:

- The Company issued the following ordinary shares:
    - 1,000,000 ordinary shares in settlement (without admission) of a legal dispute with Monomatapa Coal Limited
    - 11,500,000 ordinary shares at an issue price of $0.60 per share
    - 2,002,324 ordinary shares as an interest payment on convertible notes at $0.42 per share
    - 1,500,000 ordinary shares on conversion of unlisted options at $0.20 each
    - 538,698 ordinary shares on the conversion of listed options at $0.20 each
    - 3,079,776 ordinary shares as an interest payment on convertible notes at $0.27 per share
- The Company issued the following unlisted options:
    - 1,000,000 director options exercisable at $0.5888 each on or before 11 March 2017

- 500,000 director options exercisable at $0.7247 each on or before 11 March 2017 (vesting after 12 months continuous service)
- 1,000,000 employee options exercisable at $0.5251 each on or before 15 April 2017
- 500,000 employee options exercisable at $0.6463 each on or before 15 April 2017 (vesting after 12 months continuous service)

- On 25 June 2014, the Company issued 1,000,000 Performance Rights with vesting subject to performance criteria being achieved and expiring on 25 June 2019.
- On 23 September 2013, the Company announced it had entered into a lease agreement and an option agreement to acquire additional leases within the Gurnee Property at the Kodiak Coking Coal Project.
- The Company relinquished the following Australian tenements – E15/1120, E15/1227, E15/1228, E09/1564 and E09/1747.

Matters Subsequent to the End of the Financial Year

Other than the following, the Directors are not aware of any other significant events since the end of the reporting period:

- On 11 July 2014, 6,378,892 ordinary shares were issued on the conversion of listed options at $0.20 each
- On 8 August 2014, 1,000,000 fully paid ordinary shares were issued at an issue price of $0.20 each on conversion of 1,000,000 unlisted options

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the result of these operations, or the state of the affairs of the Group in future financial year.

Future Developments, Prospects and Business Strategies

Disclosure of further information regarding likely developments in the operations of the Group in future financial periods and the expected results of those operations is likely to result in unreasonable prejudice of those operations, or the state of affairs of the Group in future financial periods.

Share Options

At the date of this report, the Group had the following options over ordinary shares on issue:

Type of Options	Number of Options	Exercise Price	Expiry Date
Unlisted Director Options	1,500,000	$0.29	9 March 2015
Unlisted Options	4,000,000	$0.50	28 June 2015
Unlisted Employee Options	250,000	$1.25	9 November 2015
Unlisted Director Options	5,500,000	$1.36	30 November 2015
Unlisted Director Options	1,500,000	$1.02	28 March 2016
Unlisted Director Options vesting on 28 March 2014	1,000,000	$1.14	28 March 2016
Unlisted Director Options	1,000,000	$0.5888	11 March 2017
Unlisted Director Options vesting on 11 March 2015	500,000	$0.7247	11 March 2017
Unlisted Employee Options	1,000,000	$0.5251	15 April 2017
Unlisted Employee Options vesting on 1 April 2015	500,000	$0.6463	15 April 2017

At the date of this report, the total unissued ordinary shares of Attila Resources Limited under option are 16,750,000.

Directors' interests

The relevant interest of each Director in the share capital of the Group shown in the Register of Directors' shareholdings as at the date of this report is:

DIRECTOR	ORDINARY SHARES FULLY PAID		OPTIONS	
	Direct	Indirect	Direct	Indirect
Russell Clark	41,667	-	1,500,000	-
Max Brunsdon	-	3,805,639	-	4,000,000
Evan Cranston	-	-	-	5,000,000
Shaun Day	-	127,881	-	1,500,000
Bryn Hardcastle	90,000	-	-	500,000
Alan Thom	-	-	1,500,000	-
Total	**131,667**	**3,933,520**	**3,000,000**	**11,000,000**

Remuneration report

The Remuneration Report, which has been audited, outlines the Director and executive remuneration arrangements for the Group and the Company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Compensation of Key Management Personnel

Remuneration is referred to as compensation throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling activities of the Group, directly or indirectly, including directors of the Company and other key executives. Key management personnel comprises the Directors of the Company and the senior executives for the Group that are named in this report.

Compensation levels for key management personnel of the Group are competitively set to attract and retain appropriately qualified and experienced directors and executives. The Remuneration Committee assesses the appropriateness of compensation packages of the Group given trends in comparative companies and the objectives of the Group's compensation strategy.

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- the capability and experience of key management personnel
- the key management personnel's ability to control the relevant segment/s' performance
- the Group's performance including:
    - the Group's earnings;
    - the growth in share price and delivering constant returns of shareholder wealth; and
    - the amount of incentives within each key management person's compensation.

Compensation packages can include a mix of fixed and variable compensation, and short and long term performance based incentives.

Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis), as well as non-monetary benefits, leave entitlements and employer contributions to defined contribution superannuation funds.

Compensation levels are reviewed annually by the Remuneration Committee through a process that considers individual and overall performance of the Group. In addition, the Remuneration Committee may from time to time engage external consultants to provide analysis and advice to ensure the Directors' and senior executives' compensation is competitive in the market place.

Performance linked compensation

Performance linked compensation includes both short and long term incentives, and is designed to reward senior executives for meeting or exceeding their financial and personal objectives. The short term incentive (STI) is an "at risk" bonus provided in the form of cash. The long term incentive (LTI) can be issued in the form of options or performance rights.

Short term incentive bonus

The Remuneration Committee sets key performance indicators (KPIs) for relevant senior executives. The KPIs generally includes measures relating to the Group, the relevant segment, and the individual, and can include financial, people, strategy and risk measures. The measures are chosen as they directly align the individual's reward with the KPIs of the Group and with its strategy and performance.

At the end of the financial year, the Remuneration Committee assesses performance against the KPIs set at the beginning of the financial year. A percentage of the pre-determined maximum amount is awarded depending on results. The Remuneration Committee recommends the cash incentive to be paid for approval by the Board. The Board retains the discretion to vary the final cash incentive if performance if considered to be deserving of either a greater or lesser amount.

The short term incentive was not offered to any senior executives for the year ending 30 June 2014. KPIs for the year commencing 1 July 2014 have been set for the Chief Executive Officer and performance will be evaluated at the end of that financial year.

Long term incentive

The Company issues options to key management personnel in accordance with the Company's Employee Share Option Plan or in accordance with shareholder approval in the case of directors. Vesting conditions including length of service can be applied to these options. The Company views the exercise price being set at a premium to the share price at the time of issue as an incentive designed to drive Group performance.

Performance rights are issued in accordance with the Company's Performance Rights Plan (subject to shareholder approval). Performance rights convert to ordinary shares of the Company on a one-to-one basis depending on the achievement of performance hurdles. Performance rights were granted to the Chief Executive Officer during the year ending 30 June 2014 with a performance related vesting condition attached and an expiry date of five years from issue. The Board believes that the performance hurdle aligns the interests of the key management personnel with the interests of the Company's shareholders.

Rights that do not vest at the end of the five year period from issue will lapse, unless the Board in its discretion determines otherwise. Performance rights do not entitle holders to dividends that are declared during the vesting period.

Compensation of Key Management Personnel

2014	Short-Term Benefits Cash salary and fees $	Post Employment Benefits Superannuation $	Share-Based Payments Options and Performance Rights $	Total $	Proportion of remuneration performance related %
Non-Executive Directors:					
Russell Clark	14,025	1,297	158,804	174,126	91%
Shaun Day	36,613	3,387	75,946	115,946	66%
Bryn Hardcastle	40,000	-	-	40,000	-
Alan Thom	40,000	-	75,946	115,946	66%
Subtotal Non-Executive Directors	130,638	4,684	310,696	446,018	70%
Executive Directors:					
Max Brunsdon	217,500	-	-	217,500	-
Evan Cranston	270,000	-	-	270,000	-
Subtotal Executive Directors	487,500	-	-	487,500	-
Chief Executive Officer:					
Scott Sullivan	81,303	6,937	239,658	327,898	73%
Company Secretary:					
Oonagh Malone	30,000	-	-	30,000	-
Total	**729,441**	**11,621**	**550,354**	**1,291,416**	**43%**

The values of options as a proportion of remuneration are equal to the proportions of remuneration that are performance related, except for Mr Sullivan, for whom 61% of his remuneration consisted of options.

2013	Short-Term Benefits Cash salary and fees $	Post Employment Benefits Superannuation $	Share-Based Payments Options $	Total $	Proportion of remuneration performance related %
Non-Executive Directors:					
Shaun Day	16,376	1,474	249,304	267,154	93%
Bryn Hardcastle	36,350	-	-	36,350	-
Grant Mooney	8,306	748	-	9,054	-
Leigh Ryan	17,500	1,575	-	19,075	-
Alan Thom	27,000	-	311,104	338,104	92%
Zlad Sas	8,306	748	-	9,054	-
Subtotal Non-Executive Directors	113,838	4,545	560,408	678,791	83%
Executive Directors:					
Max Brunsdon	260,323	-	-	260,323	-
Evan Cranston	217,742	-	1,729,005	1,946,747	89%
Subtotal Executive Directors	478,065	-	1,729,005	2,207,070	78%
Company Secretary:					
Oonagh Malone	25,710	-	95,419	121,129	79%
Total	**617,613**	**4,545**	**2,384,832**	**3,006,990**	**79%**

Consulting fees paid to Director related entities are set out in Note 23 and have not been included in the above tables.

Compensation Options

There were a total of 3,000,000 (2013:8,250,000) compensation options issued to Directors and Key Management Personnel during the year.

Financial Year	Number of Options	Grant date	Vesting Date	Expiry date	Exercise price	Value per option at grant date	Amount paid / payable by recipient
2014	1,000,000	11 March 2014	11 March 2014	11 March 2017	$0.5888	$0.1405	$0.00
2014	500,000	11 March 2014	11 March 2015	11 March 2017	$0.7247	$0.1193	$0.00
2014	1,000,000	1 April 2014	1 April 2014	15 April 2017	$0.5251	$0.1243	$0.00
2014	500,000	1 April 2014	1 April 2015	15 April 2017	$0.6463	$0.1054	$0.00

Share Based Payment Compensations

Details of options over ordinary shares in the Company provided as remuneration to Directors and Key Management Personnel are set out below. When exercised, each option is convertible into one ordinary share of Attila Resources Limited.

2014	**Numbers of options granted during the year**	**Value of options at grant date* $**	**Numbers of options vested during the year**	**% vested during the year**	**Numbers of options lapsed during the year**	**Value at lapse date**
Non-Executive Directors						
Russell Clark	1,500,000	200,150	1,000,000	66.7%	-	-
Shaun Day	-	-	500,000	-	-	-
Bryn Hardcastle	-	-	-	-	-	-
Alan Thom	-	-	500,000	-	-	-
Executive Directors						
Max Brunsdon	-	-	-	-	-	-
Evan Cranston	-	-	-	-	-	-
Chief Executive Officer						
Scott Sullivan	1,500,000	177,000	1,000,000	66.7%	-	-
Company Secretary						
Oonagh Malone	-	-	-	-	-	-
Total	**3,000,000**	**377,150**	**3,000,000**	**66.7%**	**-**	**-**

2013	Numbers of options granted during the year	Value of options at grant date* $	Numbers of options vested during the year	% vested during the year	Numbers of options lapsed during the year	Value at lapse date
Non-Executive Directors						
Shaun Day	1,500,000	325,249	1,000,000	67%	-	-
Bryn Hardcastle	-	-	-	-	-	-
Leigh Ryan	-	-	-	-	-	-
Grant Mooney	-	-	-	-	-	-
Zlad Sas	-	-	-	-	-	-
Alan Thom	1,500,000	387,050	1,000,000	67%	-	-
Executive Directors						
Max Brunsdon	-	-	-	-	-	-
Evan Cranston	5,000,000	1,729,005	5,000,000	100%	-	-
Company Secretary						
Oonagh Malone	250,000	95,419	250,000	100%	-	-
Total	**8,250,000**	**2,536,723**	**7,250,000**	**87.9%**	**-**	**-**

* The value at grant date calculated in accordance with AASB 2 Share-based Payment of options granted during the year as part of remuneration. The dollar value of the percentage vested or paid during the year has been reflected in the table of Compensation for Key Management Personnel.

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the option and the liquidity of the share market. Refer to note 29.

Service Agreements

A summary of the current service agreements entered into with Executive Directors is set out below:

Executive Director	Term of Agreement	Base salary per annum including superannuation* (Non-performance based)	Termination Conditions	Proportion of elements of remuneration related to performance
Max Brunsdon	No specified term	$240,000	1 month notice period	-
Evan Cranston	No specified term	$240,000	3 month notice period	-

* Base salary quoted is the position as at 30 June 2014; salaries are reviewed annually.

On appointment to the Board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the office of director. The major provisions relating to remuneration are set out below.

Non-Executive Director	Term of Agreement	Base salary per annum including superannuation* (Non-performance based)	Termination Conditions	Proportion of elements of remuneration related to performance
Russell Clark	No specified term	$50,000	No notice required to terminate	-
Shaun Day	No specified term	$40,000	No notice required to terminate	-
Bryn Hardcastle	No specified term	$40,000	No notice require to terminate	-
Alan Thom	No specified term	$40,000	No notice required to terminate	-

* Base salary quoted is the position as at 30 June 2014; salaries are reviewed annually.

Chief Executive Officer

The Chief Executive Officer, Scott Sullivan, was appointed on 1 April 2014 with a base salary of $300,000 plus statutory superannuation and a short term bonus entitlement of up to a maximum of 30% subject to annual review and completion of set KPIs.

The Company or Mr Sullivan can terminate the contract on 3 months' notice and the Executive is entitled to a 12 month payment if made redundant.

Mr Sullivan has been issued with:

- 1,000,000 unlisted options to acquire fully paid shares in the capital of the Company with an exercise price of $0.5251 and expiring on 15 April 2017;
- 500,000 unlisted options vesting after 12 months of continuous service with the Company with an exercise price of $0.6463 and expiring on 15 April 2017; and
- 1,000,000 performance rights that are held in trust by the trustee of the Attila Resources Performance Rights Trust until the performance based vesting conditions are satisfied. On vesting, these performance rights convert into ordinary shares in the Company for no further consideration. These performance rights expire on 25 June 2019 if they have not previously vested. These performance rights have been valued for accounting purposes at $0.41 each, being the share price at the grant date of 1 April 2014 for a total value of $410,000. The performance rights are being expensed over the expected vesting period of one year from the grant date. $102,219 has been expensed for these performance rights during the year, based on the expected portion of the vesting period occurring during the year. These performance rights were issued to the trustee of the Attila Resources Performance Rights Trust on 25 June 2014.

Option holdings of Key Management Personnel

The number of options over ordinary shares of Attila Resources Limited held by each KMP of the Group during the year is as follows:

2014

Key Management Personnel	Balance at beginning of year*	Granted as remuneration during the year	Options exercised during the year	Other changes during the year	Balance at end of year**	Vested during the year	Vested and exercisable
Max Brunsdon	4,000,000	-	-	-	4,000,000	-	4,000,000
Russell Clark	-	1,500,000	-	-	1,500,000	1,000,000	1,000,000
Evan Cranston	5,000,000	-	-	-	5,000,000	-	5,000,000
Shaun Day	1,500,000	-	-	-	1,500,000	500,000	1,500,000
Bryn Hardcastle	530,000	-	30,000	-	500,000	-	500,000
Oonagh Malone	250,000	-	-	-	250,000	-	250,000
Scott Sullivan	-	1,500,000	-	-	1,500,000	1,000,000	1,000,000
Alan Thom	1,500,000	-	-	-	1,500,000	500,000	1,500,000
	15,625,000	**3,000,000**	**30,000**	**-**	**15,750,000**	**3,000,000**	**14,750,000**

2013

Key Management Personnel	Balance at beginning of year*	Granted as remuneration during the year	Options exercised during the year	Other changes during the year	Balance at end of year**	Vested during the year	Vested and exercisable
Max Brunsdon	4,000,000	-	-	-	4,000,000	-	4,000,000
Evan Cranston	-	5,000,000	-	-	5,000,000	5,000,000	5,000,000
Shaun Day	-	1,500,000	-	-	1,500,000	1,000,000	1,000,000
Bryn Hardcastle	500,000	-	-	30,000	530,000	-	530,000
Oonagh Malone	-	250,000	-	-	250,000	250,000	250,000
Grant Mooney	1,275,000	-	-	-	1,275,000	-	1,275,000
Leigh Ryan	1,000,000	-	-	-	1,000,000	-	1,000,000
Zlad Sas	570,000	-	-	-	570,000	-	570,000
Alan Thom	-	1,500,000	-	-	1,500,000	1,000,000	1,000,000
	7,345,000	**8,250,000**	**-**	**30,000**	**15,625,000**	**7,250,000**	**14,625,000**

* or date of appointment if post beginning of the year.
** or date of resignation if before year end.

Shareholdings of Key Management Personnel

The number of shares in Attila Resources Limited held by each KMP of the Group and their related parties during the financial year is as follows:

2014

Key Management Personnel	Balance at beginning of year*	Granted as remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at end of year**
Max Brunsdon	3,805,639	-	-	-	3,805,639
Russell Clark	41,667	-	-	-	41,667
Evan Cranston	-	-	-	-	-
Shaun Day	37,129	-	-	90,752	127,881
Bryn Hardcastle	60,000	-	-	-	60,000
Oonagh Malone	11,668	-	-	-	11,668
Scott Sullivan	-	-	-	-	-
Alan Thom	-	-	-	-	-
	3,956,103	**-**	**-**	**90,752**	**4,046,855**

2013

Key Management Personnel	Balance at beginning of year*	Granted as remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at end of year**
Max Brunsdon	3,805,639	-	-	-	3,805,639
Evan Cranston	-	-	-	-	-
Shaun Day	37,129	-	-	-	37,129
Bryn Hardcastle	-	-	-	60,000	60,000
Oonagh Malone	11,668	-	-	-	11,668
Grant Mooney	550,000	-	-	-	550,000
Leigh Ryan	-	-	-	-	-
Zlad Sas	140,000	-	-	-	140,000
Alan Thom	-	-	-	-	-
	4,544,436	**-**	**-**	**60,000**	**4,604,436**

* or date of appointment if post beginning of the year.
** or date of resignation if before year end.

End of audited remuneration report.

Indemnifying Officers or Auditor

The Company has paid premiums to insure all Directors and Officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity of director of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

Disclosure of the nature and the amount of the premium is prohibited by the confidentiality clause of the insurance contract.

No indemnities have been given or agreed to be given or insurance premiums paid or agreed to be paid, during or since the year ended 30 June 2014, to any person who is or has been an auditor of the Company.

Auditor

Maxim Audit has been appointed as auditor of the Group in accordance with section 327 of Corporations Act 2001.

Non-audit Services

There were no non-audit services provided by a related practice of the Group's auditor during the year ended 30 June 2014.

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

The Group was not a party to any such proceedings during the year.

Environmental Regulations

The Group is required to carry out its activities in accordance with the Mining Laws and regulations in the areas in which it undertakes its exploration activities. The Group is not aware of any matter which requires disclosure with respect to any significant environmental regulation in respect of its operating activities.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2014 has been received and can be found on page 16.

Made and signed in accordance with a resolution of the Directors.

Russell Clark
Non Executive Chairman

Signed at Perth this 30th day of September 2014

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MAXIMISE YOUR POTENTIAL

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

TO THE DIRECTORS OF ATTILA RESOURCES LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014 there has been no contraventions of:

(i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Maxim Audit

MAXIM AUDIT
Chartered Accountants

M A Lester

Perth, WA

Dated this 30th day of September 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Note	Consolidated 2014 $	Consolidated 2013 $
Revenue	4	**140,085**	**71,656**
Depreciation and amortisation expense	11	(13,475)	(10,032)
Exploration and evaluation expenditure	4	(2,832,577)	(7,945,100)
Employee benefits – share based payments	4	(550,354)	(2,384,832)
Employee benefits – other	4	(711,063)	(596,447)
Professional expenses	4	(389,671)	(752,405)
Foreign exchange gain/(loss)		4,706	(120,067)
Finance costs		(1,851,526)	(1,712,337)
Other expenses	4	(548,244)	(632,834)
Loss before income tax expense		**(6,752,119)**	**(14,082,398)**
Income tax expense	6	-	-
Loss for the year		**(6,752,119)**	**(14,082,398)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange (loss)/ gain on translation of foreign controlled entities, net of tax		(197,578)	691,166
Other comprehensive (loss)/ income for the year		(197,578)	691,166
Total comprehensive loss for the year		**(6,949,697)**	**(13,391,232)**
Loss for the year attributable to:			
Members of the parent entity		(6,752,119)	(14,082,398)
		(6,752,119)	**(14,082,398)**
Total comprehensive loss for the year attributable to:			
Members of the parent entity		(6,949,697)	(13,391,232)
		(6,949,697)	**(13,391,232)**
Earnings per share from continuing operations:		**Cents**	**Cents**
Basic loss per share	28	10.22	32.97
Diluted loss per share	28	10.22	32.97

The accompanying notes form part of these financial statements.

ATTILA RESOURCES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	Consolidated 2014 $	2013 $
Current Assets			
Cash and cash equivalents	7	5,982,970	2,782,895
Trade and other receivables	8	38,169	60,259
Other current assets	9	22,819	-
Total Current Assets		**6,043,958**	**2,843,154**
Non Current Assets			
Other financial assets	10	816,035	752,684
Property, plant and equipment	11	11,316,080	11,505,037
Deferred exploration, evaluation and development expenditure	5	1,321,656	1,239,892
Intangible assets	12	3,395	3,395
Total Non Current Assets		**13,457,166**	**13,501,008**
TOTAL ASSETS		**19,501,124**	**16,344,162**
Current Liabilities			
Trade and other payables	13	604,359	1,205,257
Provisions	15	6,303	-
Borrowings	14	12,521,233	-
Total Current Liabilities		**13,131,895**	**1,205,257**
Non Current Liabilities			
Provisions	15	757,035	690,046
Borrowings	14	1,063,120	13,181,901
Total Non Current Liabilities		**1,820,155**	**13,871,947**
TOTAL LIABILITIES		**14,952,050**	**15,077,204**
NET ASSETS		**4,549,074**	**1,266,958**
Equity			
Issued capital	16	23,125,607	13,444,148
Reserves	17	3,698,157	3,345,381
Accumulated losses		(22,274,690)	(15,522,571)
TOTAL EQUITY		**4,549,074**	**1,266,958**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR-ENDED 30 JUNE 2014

2014	Ordinary shares $	Listed Options $	Accumulated Losses $	Foreign Currency Translation Reserve $	Option Reserve $	Performance Rights Reserve	Total $
Consolidated							
Balance at 1 July 2013	**13,389,148**	**55,000**	**(15,522,571)**	**693,884**	**2,651,497**	**-**	**1,266,958**
Comprehensive Income							
Loss for the year	-	-	(6,752,119)	-	-	-	**(6,752,119)**
Other comprehensive income for the year							
Exchange differences on translation of controlled entities	-	-	-	(197,578)	-	-	**(197,578)**
Total comprehensive income for the year	**-**	**-**	**(6,752,119)**	**(197,578)**	**-**	**-**	**(6,949,697)**
Transactions with owners, in their capacity as owners, and other transfers							
Issue of shares/options	9,427,746	-	-	-	448,135	102,219	**9,978,100**
Conversion or Expiry of Listed Options	55,000	(55,000)	-	-	-	-	**-**
Issue of shares committed at 30 June 2014	1,183,816	-	-	-	-	-	**1,183,816**
Issue of shares committed at 30 June 2013	(440,000)	-	-	-	-	-	**(440,000)**
Costs arising from issues	(490,103)	-	-	-	-	-	**(490,103)**
Balance at 30 June 2014	**23,125,607**	**-**	**(22,274,690)**	**496,306**	**3,099,632**	**102,219**	**4,549,074**

ATTILA RESOURCES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR-ENDED 30 JUNE 2014

2013	Ordinary shares $	Listed Options $	Accumulated Losses $	Foreign Currency Translation Reserve $	Option Reserve $	Total $
Consolidated						
Previously reported balance at 30 June 2012	**3,496,423**	**55,000**	**(1,715,716)**	**2,718**	**262,665**	**2,101,090**
Adjustments to balances in accordance with AASB 108	-	-	275,543	-	-	275,543
Restated balance at 30 June 2012	**3,496,423**	**55,000**	**(1,440,173)**	**2,718**	**262,665**	**2,376,633**
Opening balance at 1 July 2012	**3,496,423**	**55,000**	**(1,440,173)**	**2,718**	**262,665**	**2,376,633**
Comprehensive Income						
Loss for the year	-	-	(14,288,893)	-	-	**(14,288,893)**
Adjustments to balances in accordance with AASB 108			206,495			**206,495**
Other comprehensive income for the year						
Exchange differences on translation of controlled entities	-	-	-	691,166	-	**691,166**
Total comprehensive income for the year	**-**	**-**	**(14,082,398)**	**691,166**	**-**	**(13,391,232)**
Transactions with owners, in their capacity as owners, and other transfers						
Issue of shares/options	9,551,114	-	-	-	2,388,832	**11,939,946**
Shares committed to be issued	440,000	-	-	-	-	**440,000**
Equity component of convertible notes issued	425,899	-	-	-	-	**425,899**
Adjustments to balances in accordance with AASB 108	(21,351)					**(21,351)**
Costs arising from issues	(502,937)	-	-	-	-	**(502,937)**
Balance at 30 June 2013	**13,389,148**	**55,000**	**(15,522,571)**	**693,884**	**2,651,497**	**1,266,958**

The accompanying notes form part of these financial statements.

ATTILA RESOURCES LIMITED

CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE YEAR-ENDED 30 JUNE 2014

	Note	Consolidated 2014 $	Consolidated 2013 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees (inclusive of GST)		(4,763,025)	(8,175,936)
Interest received		111,446	66,955
Financing charges		(72)	(90)
Net cash (outflow) inflow from operating activities	27	**(4,651,651)**	**(8,109,071)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for subsidiaries, net of cash acquired		-	(593,854)
Payments for mining lease interests		(103,407)	(812,105)
Payments for bonds and investments		(63,249)	(52,285)
Payments for property, plant and equipment		(1,312)	(71,376)
Net cash (outflow) inflow from investing activities		**(167,968)**	**(1,529,620)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issues		8,491,556	7,674,354
Share issue costs		(485,315)	(502,937)
Proceeds from issue of convertible notes		-	2,250,000
Convertible note transaction costs		-	(416,149)
Proceeds from issue of options		-	4,000
Net cash from financing activities		**8,006,241**	**9,009,268**
Net increase/ (decrease) in cash and cash equivalents		3,186,622	(629,423)
Cash and cash equivalents at the beginning of the financial year		2,782,895	3,433,071
Exchange difference on cash and cash equivalents		13,453	(20,753)
Cash and cash equivalents at the end of the financial year	7	**5,982,970**	**2,782,895**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

The consolidated financial statements and notes represent those of Attila Resources Limited and Controlled Entities (the "Group"). The separate financial statements of the parent entity, Attila Resources Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

The financial statements for the Group were authorised for issue in accordance with a resolution by the Board of Directors on 30th September 2014.

Note 1: Summary of Significant Accounting Policies

Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

a. Going concern

For the year ended 30 June 2014, the Group has incurred a loss of $6,752,119 and generated net cash outflows of $4,651,651 from operating activities, as disclosed in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows respectively. It also has a deficiency in working capital of $7,087,937 as at 30 June 2014 as disclosed in the consolidated statement of financial position.

The deficiency in working capital is principally due to the potential for convertible notes to be repaid in cash in June 2015 (refer to note 14).

As a result of the loss, cash outflows from operations and the deficiency in working capital, the Directors have assessed the Group's ability to continue as a going concern and to pay its debts as and when they fall due as follows.

The Directors of the Parent entity advise that the Group has sufficient cash reserves to fund up to the next 11 months of operations from balance date, including expected completion of the definitive feasibility study, to continue as a going concern and to pay its debts as and when they fall due. This estimation is based on active management of the current level of discretionary exploration expenditure in lines with the funds available.

The funding of the Group past this point and to continue as a going concern and to pay its debts as and when they fall due is dependent on the following:

- continued management of discretionary expenditure in line with the funds available to the Group; and
- the ability of the Group to secure additional funding through either the issue of further shares, debt or a combination of debt and equity. The form and value of such raisings is yet to be determined as they would depend on the results of the definitive feasibility study, along with metallurgical coal market considerations and capital market considerations.

Should the Group at any time be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should the Group be unable to continue as a going concern.

Note 1: Summary of Significant Accounting Policies (continued)

b. Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Attila Resources Limited) and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 25.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as “non-controlling interests”. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary’s net assets on liquidation at either fair value or at the non-controlling interests’ proportionate share of the subsidiary’s net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of profit or loss and other comprehensive income.

Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations are expensed to the statement of profit or loss and other comprehensive income.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

(i) the consideration transferred;

(ii) any non-controlling interest; and

(iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Note 1: Summary of Significant Accounting Policies (continued)

Fair value remeasurements in any pre-existing equity holdings are recognised in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value *(full goodwill method)* or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets *(proportionate interest method).* In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interests is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

c. Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

Note 1: Summary of Significant Accounting Policies (continued)

Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

d. Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

Group companies

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed of.

e. Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand and deposits held at call with financial institutions which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

f. Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Note 1: Summary of Significant Accounting Policies (continued)

Property, Plant and equipment

Property, plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of property, plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(j) for details of impairment).

The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Buildings	25 years
Furniture, fittings and equipment	3-8 years

Land is not depreciated. Buildings and mining plant are only depreciated when in use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

g. Intangibles other than goodwill

Trademarks, licences and logos are recognised at cost of acquisition. Trademark, licences and logos are carried at cost less any accumulated amortisation and any impairment losses. Amortisation is calculated and determined based on case by case basis.

h. Exploration, Evaluation and Development Expenditure

All exploration and evaluation expenditure is expensed to the statement of profit or loss and other comprehensive income.

Note 1: Summary of Significant Accounting Policies (continued)

Expenditure in relation to the acquisition of a defined resource including an option to enter a mining lease is capitalised in respect of each identifiable area of interest. These costs are only capitalised to the extent that they are expected to be recovered through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit or loss in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to capitalise costs in relation to that area of interest.

i. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows included in receipts from customers or payments to suppliers.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

j. Impairment of assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

k. Share based payments

Equity-settled share-based payments are measured at fair value at the date of grant. Fair value is measured by use of a Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest.

Note 1: Summary of Significant Accounting Policies (continued)

l. Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year ended 30 June 2014 which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

m. Contributed Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

n. Employee benefits

A provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled plus related on costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Equity-settled compensation

Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

o. Financial instruments

Recognition

The Group recognises financial assets and financial liabilities on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Classification and Subsequent Measurement

Financial instruments are subsequently valued at fair value amortised cost using the effective interest method, or cost.

Amortised Cost

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Note 1: Summary of Significant Accounting Policies (continued)

The Effective Interest Method

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

Fair value

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share - based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Valuation techniques

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

– *Market approach*: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
– *Income approach*: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
– *Cost approach*: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Note 1: Summary of Significant Accounting Policies (continued)

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

(i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or

(ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (ie transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

The Group has no assets or liabilities measured at fair value because, while assets acquired and liabilities assumed in business combinations have been measured at their acquisition date fair values, in accordance with paragraph 18 of AASB 3, these initial measurements have formed the costs of the assets acquired and liabilities assumed for the purpose of other accounting standards.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a “loss event”) having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

Note 1: Summary of Significant Accounting Policies (continued)

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Financial Liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

p. Revenue and Other Income

Interest revenue is recognised using the effective interest method.

q. Parent entity financial information

The financial information for the parent entity, Attila Resources Limited, disclosed in note 30 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of Attila Resources Limited.

Tax consolidation legislation

Attila Resources Limited and its wholly-owned Australian controlled entity have implemented the tax consolidation legislation. The Group has applied to become consolidated tax entity.

The head entity, Attila Resources Limited, and the controlled entity in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Attila Resources Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from the controlled entity in the tax consolidated group.

Note 1: Summary of Significant Accounting Policies (continued)

Attila Resources Limited will be responsible for any current tax payable, current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits of the wholly owned subsidiary, which are transferred to Attila Resources Limited under tax consolidation legislation.

The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising with the tax consolidated entity are recognised as current amounts receivable from or payable to other entity in the Group.

Any difference between the amounts assumed and amounts receivable or payable are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entity.

Share-based payments

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

r. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of the lease term or estimated useful lives.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

s. New and Amended Accounting Policies adopted by the Group

The Group has adopted the following new and revised Australian Accounting Standards from 1 July 2013 together with consequential amendments to other Standards:

- AASB 10: *Consolidated Financial Statements;*
- AASB 127: *Separate Financial Statements* (August 2011);
- AASB 11: *Joint Arrangements;*
- AASB 128: *Investments in Associates and Joint Ventures* (August 2011);
- AASB 12: *Disclosure of Interests in Other Entities;*
- AASB 2011–7*: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*;
- AASB 2012–10: *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments*; and
- AASB 13: *Fair Value Measurement*

Note 1: Summary of Significant Accounting Policies (continued)

These Standards became mandatorily applicable from 1 January 2013 and became applicable to the Group for the first time in the current year ending 30 June 2014. The Group has applied these Accounting Standards retrospectively in accordance with AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* and the specific transition requirements in AASB 10 and AASB 11. The effects of initial application of these Standards in the current reporting period are as follows:

Consolidated financial statements

AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. Revised AASB 127 facilitates the application of AASB 10 and prescribes requirements for separate financial statements of the parent entity. On adoption of AASB 10, any assets, liabilities and non-controlling interests related to investments in businesses that are now assessed as being controlled by the Group, and were therefore not previously consolidated, are measured as if the investee had been consolidated (and therefore applied acquisition accounting in accordance with AASB 3: *Business Combinations*) from the date when the Group obtained control of that investee on the basis of the requirements in AASB 10.

Upon the initial application of AASB 10, retrospective restatement of financial statement amounts of the year that immediately precedes the date of initial application (ie 2012–2013) is necessary. When control is considered to have been obtained earlier than the beginning of the immediately preceding year (ie pre-1 July 2012), any difference between the amount of assets, liabilities and non-controlling interests recognised and the previous carrying amount of the investment in that investee is recognised as an adjustment to equity as at 1 July 2012.

Although the first-time application of AASB 10 (together with the associated Standards) caused certain changes to the Group's accounting policy for consolidation and determining control, it did not result in any changes to the amounts reported in the Group's financial statements as the "controlled" status of the existing subsidiaries did not change, nor did it result in any new subsidiaries being included in the Group as a consequence of the revised definition. However, the revised wording of accounting policy for consolidation is set out in Note 1(b).

Joint arrangements

AASB 11 requires joint arrangements to be classified as either "joint operations" (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or "joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Revised AASB 128 facilitates the application of AASB 11 and incorporates guidance relating to the equity method of accounting. Joint ventures will generally be required to be accounted for using the equity method under AASB 11. The proportionate consolidation method is no longer permitted.

Disclosure of interest in other entities

AASB 12 is the Standard that addresses disclosure requirements of AASB 10, AASB 11, AASB 127 and AASB 128. New disclosures that are material to this financial report and associated with the Group's interests in subsidiaries and joint arrangements as prescribed by AASB 12 have been set out in Note 25. Further, as required by AASB 12, details of the significant judgments made in determining the controlled entity status of subsidiaries are disclosed in Note 1(b).

Fair value measurements and disclosures

The Group has adopted AASB 13: *Fair Value Measurement* and AASB 2011–8: *Amendments to Australian Accounting Standards arising from AASB 13* from 1 July 2013 together with consequential amendments to other Standards. These Standards became mandatorily applicable from 1 January 2013 and became applicable to the Group for the first time in the current year end 30 June 2014. AASB 13 sets out a comprehensive framework for measuring the fair value of assets and liabilities and prescribes enhanced disclosures regarding all assets and liabilities measured at fair value. Although these Standards do not significantly impact the fair value amounts reported in the Group's financial statements, the directors have determined that additional accounting policies providing a general description of fair value measurement and each level of the fair value hierarchy, as set out in Note 1(o), should be incorporated in these financial statements.

Note 1: Summary of Significant Accounting Policies (continued)

Other

Other new and amending Standards that became applicable to the Group for the first time during this half-year reporting period are as follows:

- AASB 2012–2: *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities* and AASB 2012–5: *Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle*.

These Standards make changes to presentation and disclosure requirements, but did not affect the Group's accounting policies or the amounts reported in the financial statements.

- AASB 119: *Employee Benefits (September 2011)* and AASB 2011–10: *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011).*

These Standards did not affect the Group's accounting policies or the amounts reported in the financial statements, mainly because the Group does not have defined benefit plan assets or obligations.

t. New Accounting Standards for Application in Future Periods.

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

- AASB 9: *Financial Instruments* and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).

  The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

  The key changes made to the Standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

  Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 2012–3: *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities* (applicable for annual reporting periods commencing on or after 1 January 2014).

  This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the Group's financial statements.

- Interpretation 21: *Levies* (applicable for annual reporting periods commencing on or after 1 January 2014).

  Interpretation 21 clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time. This Interpretation is not expected to significantly impact the Group's financial statements.

Note 1: Summary of Significant Accounting Policies (continued)

- AASB 2013–3: *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets* (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard amends the disclosure requirements in AASB 136: *Impairment of Assets* pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the Group's financial statements.

- AASB 2013–4: *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting* (applicable for annual reporting periods commencing on or after 1 January 2014).

AASB 2013–4 makes amendments to AASB 139: *Financial Instruments: Recognition and Measurement* to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. This Standard is not expected to significantly impact the Group's financial statements.

- AASB 2013–5: *Amendments to Australian Accounting Standards – Investment Entities* (applicable for annual reporting periods commencing on or after 1 January 2014).

AASB 2013–5 amends AASB 10: *Consolidated Financial Statements* to define an "investment entity" and requires, with limited exceptions, that the subsidiaries of such entities be accounted for at fair value through profit or loss in accordance with AASB 9 and not be consolidated. Additional disclosures are also required. As neither the parent nor its subsidiaries meet the definition of an investment entity, this Standard is not expected to significantly impact the Group's financial statements.

u. Comparatives

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group has retrospectively applied an accounting policy, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

Comparative balances have been restated in accordance with AASB 3, AASB 101 and AASB 108. This is to reflect the revisions to the accounting entries booked as at 30 June 2012 and 30 June 2013. These are disclosed in note 24.

v. Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

w. Stripping Costs of Surface Mining

The Group may incur costs to remove overburden and other waste materials in order to gain access to ore from which minerals can be extracted ("stripping costs"). Stripping costs incurred during the development phase of a mine (i.e. before production commences) are capitalised as part of the depreciable cost of developing and constructing the mine and are depreciated over the useful life using the units of production method, once production begins.

Stripping costs incurred during the production phase are recognised as:

- inventory in accordance with AASB 102: Inventories to the extent that benefits are realised in the form of inventory produced; and

Note 1: Summary of Significant Accounting Policies (continued)

- a non-current asset ("stripping activity asset") if, and only if, they generate a benefit of improved access to an identifiable component of the ore body, it is probable that the benefits will flow to the entity and the costs can be measured reliably. A stripping activity asset is accounted for as part of (as an enhancement to) an existing tangible or intangible asset.

At initial recognition, the stripping activity asset is measured at cost. After initial recognition, it is measured at either its cost or its revalued amount less depreciation and impairment losses, in the same way as the existing asset of which it is a part. The stripping activity asset is depreciated using the units of production method, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity.

Note 2. Critical accounting judgements, estimates and assumptions

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. Where the equity instruments granted are performance rights that are convertible with no further consideration other than meeting performance based vesting conditions, the fair value is equal to the value of the underlying share at the grant date.

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors' financial position.

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and definite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Business combinations – acquisition of controlled entities

Under AASB 3 Business Combinations, Directors make an assessment of fair value of net assets acquired at the date of acquisition compared to the consideration paid. Directors make this assessment based on the technical expertise of the Board, by reference to due diligence reports obtained, by reference to geological expert reports, appraisals and the arm's length negotiated amounts set out in the purchase contracts.

Note 3. Operating segments

a. Description of Segments

The Board of Directors, which is the chief operating decision maker, has determined the operating segments based on geographical location as it reviews internal reports based on this. The Group has two reportable segments; namely, Australia and the United States of America, which are the Group's strategic business units.

b. Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief operating decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Intersegment transactions

Intersegment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If intersegment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Segment liabilities include trade and other payables and certain direct borrowings.

Unallocated items

There are no items of revenue, expenses, assets and liabilities that are not allocated to operating segments.

Comparative information

Comparative information has been restated to conform to the requirements of this Standard.

c. Segment information

	Australia		United States of America		Elimination		Consolidated Group	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Revenue								
Interest Income	127,427	71,656	12,658	-	-	-	140,085	71,656
Total Revenue	**127,427**	**71,656**	**12,658**	**-**	**-**	**-**	**140,085**	**71,656**
Segment Result								
Loss after Income Tax	(7,664,463)	(13,401,930)	(5,123,527)	(7,112,790)	6,035,871	6,432,322	(6,752,119)	(14,082,398)
Assets								
Segment Assets	17,588,625	14,795,547	13,521,479	13,478,798	(11,608,690)	(11,930,183)	19,501,124	16,344,162
Liabilities								
Segment Liabilities	(13,754,318)	(13,528,589)	(12,818,179)	(10,221,900)	11,620,447	8,673,285	(14,952,050)	(15,077,204)
Other								
Depreciation and amortisation expense	-	(255)	(13,475)	(9,777)	-	-	(13,475)	(10,032)
Exploration and evaluation expenditure	(44,161)	(963,644)	(4,657,876)	(6,981,456)	1,869,460	-	(2,832,577)	(7,945,100)
Employee benefits – share based payments	(550,354)	(2,384,832)	-	-	-	-	(550,354)	(2,384,832)
Employee benefits – other	(711,063)	(596,447)	-	-	-	-	(711,063)	(596,447)
Professional expenses	(375,248)	(746,795)	(14,423)	(5,610)	-	-	(389,671)	(752,405)
Finance costs	(1,851,526)	(1,712,337)	-	-	-	-	(1,851,526)	(1,712,337)
Other expenses	(541,857)	(627,846)	(6,387)	(4,988)	-	-	(548,244)	(632,834)

Note 4. Loss Before Income Tax

	Consolidated	
	2014	**2013**
	$	**$**
a. Revenue from continuing operations		
Interest received	140,085	71,656
Total	**140,085**	**71,656**
b. Loss before income tax includes the following specific expenses:		
Employee benefit expenses		
Wages and salaries	699,441	591,903
Share based payments	550,354	2,384,832
Other employment expenses	11,622	4,544
	1,261,417	**2,981,279**
Other expenses		
Listing fees	32,215	58,458
Share registry expenses	13,838	16,383
Rent expenses	36,000	36,000
Travel expenses	55,634	47,783
Insurance	31,378	23,655
Administration fees	-	50,400
Convertible note transaction costs	231,005	231,005
Other administrative expenses	148,174	169,150
	548,244	**632,834**
Exploration and evaluation expenditure		
Drilling	43,293	2,281,015
Field services	572,534	2,237,956
Monomotapa Coal Limited settlement (without admission)	-	440,000
Other exploration and evaluation expenditure	2,216,750	2,986,129
	2,832,577	**7,945,100**
Professional expenses		
Legal fees	64,320	495,839
Auditor's Remuneration		
- audit or review of financial report	54,499	72,306
Other professional expenses	270,852	184,260
	389,671	**752,405**

Note 5. Deferred exploration and development expenditure

Opening balance	1,239,892	1,049,685
Net expenditure incurred during the year	2,832,577	7,945,100
Tenement acquisition costs during the year	103,407	97,363
Expenditure written off	(2,832,577)	(7,945,100)
Exchange differences	(21,643)	92,844
Total	**1,321,656**	**1,239,892**

The ultimate recoupment of the deferred exploration and development expenditure is dependent upon the successful development and commercial exploration or alternatively the sale of respective areas of interest.

Note 6. Income Tax Benefit

a. Tax expense

The components of tax (expense)/income comprise:	Consolidated	
	2014	**2013**
	$	**$**
Current tax	-	-
Deferred tax	-	-
Under/(over) provision in respect of prior years	-	-
	-	**-**

b. Numerical reconciliation of income tax benefit to prima facie tax payable

Loss from continuing operations before income tax expense	(6,752,119)	(14,082,398)
Tax at the Australian tax rate of 30% (2013: 30%) and U.S. tax rate of 40% (2013: 40%)	(2,493,590)	(4,904,230)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share based payments expensed during the year	165,106	715,450
Capital raising expenditure	(63,247)	(33,841)
Interest on convertible notes expensed during the year	555,436	513,674
Other non-allowable items	273,744	245,235
Other deductible items	(123,621)	(137,178)
Income tax benefits not recognised	1,686,172	3,600,890
Income tax expense	-	-

c. Unrecognised deferred tax assets – tax losses

Unused tax losses for which no deferred tax asset has been recognised	15,069,868	10,871,758
Potential tax benefit at the Australian tax rate of 30% (2013: 30%) and U.S. tax rate of 40%	**5,640,126**	**3,953,954**

The Group has Australian related tax losses for which no deferred tax asset is recognised of $3,878,213 and U.S. related revenue tax losses of $11,191,655 for which no deferred tax asset is recognised.

d. Unrecognised temporary differences

2014	**Opening balance $**	**Charged to Income $**	**Charged directly to equity $**	**Closing balance $**
Deferred tax assets	-	-	-	-
Exchange differences	65,856	-	(154,691)	(88,835)
Accrued expenses	(48,223)	33,636	-	(14,586)
Borrowing costs	(4,531)	2,462	-	(2,069)
Capital raising costs	(128,129)	-	(83,784)	(211,913)
Balance not recognised as at 30 June 2014	**(115,027)**	**36,098**	**(238,475)**	**(317,403)**

2013				
Deferred tax liabilities				
Prepayments	925	(925)	-	-
Exchange differences	-	-	65,856	65,856
Deferred tax assets				
Accrued expenses	(7,003)	(41,220)	-	(48,223)
Borrowing costs	-	(4,531)	-	(4,531)
Capital raising costs	(77,689)	-	(50,440)	(128,129)
Balance not recognised as at 30 June 2013	**(83,767)**	**(46,676)**	**15,416**	**(115,027)**

Note 6. Income Tax Benefit (continued)

The temporary differences have not been brought to account because the Directors do not believe it is appropriate to regard realisation of those deferred tax assets as being probable. The benefit of these deferred tax assets will only be obtained if:

(1) the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the temporary differences to be realised;

(2) the Group continues to comply with the conditions for deductibility imposed by tax legislation; and

(3) no changes in tax legislation adversely affect the entity in realising the benefit from the deductions for the temporary differences.

No franking credits are available.

Note 7. Current assets - cash and cash equivalents

	Consolidated	
	2014	**2013**
	$	**$**
Cash on hand	13	540
Cash at bank	2,582,957	2,782,355
Cash on deposit	3,400,000	-
	5,982,970	**2,782,895**

The effective interest rate on cash on deposit was 3.56% (2013: 5.50%).

An amount of $1,483,448 (2013: $37,530) was held in USD at balance date.

Note 8. Current assets - trade and other receivables

GST receivable	11,465	48,757
Other current receivable	26,704	11,502
	38,169	**60,259**

Note 9. Other current assets

Prepayments	22,819	-
	22,819	**-**

Note 10. Other financial assets

Non-current		
Deposits held as security guarantees	816,035	752,684
	816,035	**752,684**

Term deposits held as security guarantees are term deposits held for the benefit of other parties in guarantee of liabilities. They are valued at the face values of the term deposits.

Note 11. Non-current assets – property, plant and equipment

	Consolidated					
	Land $	Buildings $	Mining Plant $	Motor Vehicle $	Other Plant & Equipment	Total $
At 30 June 2014						
At cost	249,151	121,868	10,896,661	40,096	34,110	11,341,886
Accumulated depreciation	-	-	-	(13,365)	(12,441)	(25,806)
	249,151	121,868	10,896,661	26,731	21,669	11,316,080
Movements in carrying value						
Year ended 30 June 2014						
Balance 1 July 2013	253,046	123,774	11,067,013	35,293	25,911	11,505,037
Additions	-	-	-	-	1,312	1,312
Exchange differences	(3,895)	(1,906)	(170,352)	(340)	(301)	(176,794)
Depreciation expense for the year	-	-	-	(8,223)	(5,252)	(13,475)
Balance at 30 June 2014	**249,151**	**121,868**	**10,896,661**	**26,730**	**21,670**	**11,316,080**

	Consolidated					
	Land $	Buildings $	Mining Plant $	Motor Vehicle $	Other Plant & Equipment	Total $
At 30 June 2013						
At cost	253,046	123,774	11,067,013	40,196	32,790	11,516,819
Accumulated depreciation	-	-	-	(4,903)	(6,879)	(11,782)
	253,046	123,774	11,067,013	35,293	25,911	11,505,037
Movements in carrying value						
Year ended 30 June 2013						
Balance 1 July 2012	228,132	114,765	10,548,223	-	255	10,891,375
Additions	6,329	-	-	36,774	28,273	71,376
Exchange differences	18,585	9,009	518,790	3,422	2,512	552,318
Depreciation expense for the year	-	-	-	(4,903)	(5,129)	(10,032)
Balance at 30 June 2013	**253,046**	**123,774**	**11,067,013**	**35,293**	**25,911**	**11,505,037**

Note 12. Non-current assets – intangible assets

	Consolidated	
	2014	2013
	$	$
Logo at cost	3,395	3,395
Total intangible assets	**3,395**	**3,395**
Movements:		
Consolidated		
Balance at 1 July	3,395	3,395
Additions	-	-
Amortisation charge	-	-
Impairment losses	-	-
Balance at 30 June	**3,395**	**3,395**

Note 13. Current liabilities – trade and other payables

Unsecured liabilities:		
Trade payables	465,881	844,068
Amounts payable to related parties	-	200,907
Other payables and accrued expenses	138,478	160,282
Total	**604,359**	**1,205,257**

Note 14. Borrowings – convertible notes

The Convertible Notes (Notes) are presented in the Consolidated Statement of Financial Position as follows:

Secured liabilities:		
Face value of Notes on issue	14,000,000	14,250,000
Face value of Notes converted to equity	-	(250,000)
Transaction costs to be expensed in future periods	(229,682)	(482,038)
Equity component of convertible notes (note 16(e))	(404,548)	(404,548)
Accrued interest expense	218,583	68,487
Total carrying value of liability at 30 June	**13,584,353**	**13,181,901**
This liability is presented as:		
Current liability	12,521,233	-
Non-current liability	1,063,120	13,181,901
Total carrying value of liability at 30 June	**13,584,353**	**13,181,901**

On 27 June 2012, 52 12% Notes, including 15 issued to Kingslane Pty Ltd ("Kingslane"), were issued with a face value of $250,000 each, for a total face value of $13,000,000 including $3,750,000 issued to Kingslane, with convertibility subject to shareholder approval. As these Notes had not gained any conversion features at 30 June 2012, these were treated as secured debt with no equity component at 30 June 2012.

The conversion rate is 500,000 ordinary shares for each Note held, which is based on a conversion price of $0.50 per share, but subject to adjustments for reconstructions for equity. The Notes shall be fully repaid at the expiry after a 3 year term unless converted or repaid earlier.

Each shareholder of Attila US LLC has pledged their interest in that company which owns 100% of Kodiak as security to the noteholders. The security is held by Kingslane Pty Ltd as agent and security Trustee under the Convertible Note Agreement.

Note 14. Borrowings – convertible notes (continued)

Notes and future interest coupon payments are classified as current when the liabilities are due to be settled within 12 months of the balance date.

On 9 October 2012, shareholders approved the convertibility of 37 Convertible Notes which excluded those issued to Kingslane.

On 30 October 2012, 2 further Convertible Notes were issued to Kingslane with a face value of $250,000 each, with convertibility subject to shareholder approval.

On 30 November 2012, shareholders approved the convertibility of the 17 Convertible Notes issued to Kingslane.

A total of $715,000 of capitalised borrowing costs recognised for the year ended 30 June 2012 are being expensed over the term of the initial convertible notes.

On 19 December 2012, 2 Notes for a total of $500,000 were issued and convertible from the date of 19 December 2012.

On 18 January 2013, 1 additional Note was issued for $250,000 and convertible from 18 January 2013.

On 25 June 2013, 1 Note was converted to 500,000 ordinary shares.

The Notes were valued at initial recognition based on the difference between the face value of the Notes and the present value of the liability component at a market yield of 14% - the rate that could be earned on a similar debt instrument without the conversion feature. The value of the equity component is the residual difference between the liability component calculated without the conversion feature and the face value of the Notes.

The total amount borrowed using Convertible Notes was $14,250,000 (2013: $14,250,000). Notes amounting to $250,000 were converted to shares during 2013.

Note 15. Provisions

	Consolidated	
	2014	**2013**
	$	**$**
Current provision for annual leave		
Balance at 1 July	-	-
Movement for the year	6,303	-
Balance at 30 June	**6,303**	**-**
Non-current provision for mine site restoration:		
Balance at 1 July	690,046	650,163
Movement for the year	79,579	-
Exchange differences	(12,590)	39,883
Balance at 30 June	**757,035**	**690,046**

A provision has been recognised for the costs to be incurred for the restoration of the mining site at Kodiak Coking Coal Project, Alabama.

Note 16. Issued capital

	Consolidated 2014 $	Consolidated 2013 $
75,623,404 (2013: 56,002,606) fully paid ordinary shares	21,537,243	12,544,600
Listed share options	-	55,000
	21,537,243	12,599,600
5,919,080 (2013: 1,000,000) not fully paid ordinary shares to be issued	1,183,816	440,000
Other equity securities (note 16(e))	404,548	404,548
	23,125,607	**13,444,148**

a. Issue of ordinary shares and other equity instruments during the year

	Consolidated 2014 Number of shares	2014 $	2013 Number of shares	2013 $
Opening balance	56,002,606	13,444,148	27,000,001	3,551,423
Conversion of listed options to ordinary shares at $0.20 per listed option	538,698	107,740	736,774	147,355
Shares Issued on 15 October 2012 @ $0.001 per share	-	-	10,000,000	10,000
Shares Issued on 18 October 2012 @ $0.20 per share	-	-	5,000,000	1,000,000
Shares Issued on 19 December 2012 @ $0.80 per share	-	-	6,875,000	5,500,000
Shares Issued on 1 February 2013 @ $0.80 per share	-	-	1,250,000	1,000,000
Shares Issued on 25 June 2013 @ $0.50 per share on conversion of convertible note	-	-	500,000	250,000
Shares Issued on 28 June 2013 @ $0.3542 per share as interest on convertible notes	-	-	4,640,831	1,643,759
Equity portion of convertible notes	-	-	-	404,548
Shares Issued on 4 July 2013 @ $0.44 per share	1,000,000	-	-	440,000
Shares Issued on 15 October 2013 @ $0.60 per share	4,997,000	2,998,200	-	-
Shares Issued on 11 November 2013 @ $0.60 per share	6,503,000	3,901,800	-	-
Shares Issued on 31 December 2013 @ $0.4207 per share as interest on convertible notes	2,002,324	842,308	-	-
Shares Issued on 13 March 2014 @ $0.20 per share on exercise of unlisted options	1,500,000	300,000	-	-
Shares Issued on 29 June 2014 @ $0.2720 per share as interest on convertible notes	3,079,776	837,698	-	-
Shares committed to be issued at 30 June 2014 @ $0.20 per share on exercise of listed options. These shares were issued 11 July 2014	-	1,183,816	-	-
Costs arising of issue	-	(490,103)	-	(502,937)
	75,623,404	**23,125,607**	**56,002,606**	**13,444,148**

At 30 June 2013, the Group had committed to issue 1,000,000 ordinary shares at a deemed value of $0.44 per share for a total deemed value of $440,000 in settlement (without admission) of the dispute with Monomotapa Coal Limited. These shares were issued on 4 July 2013.

Note 16. Issued capital (continued)

Holders of ordinary shares have the right to receive dividends as declared and in the event of winding up the parent entity, to participate in the proceeds from the sale of all surplus assets in proportion to the number of shares held and the amount paid up.

At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

b. Options over ordinary shares

As at 30 June 2014, there were 17,750,000 (2013: 16,250,000) unlisted options over ordinary shares in the Company. The fair value of unlisted options granted for nil consideration during the year ended 30 June 2014 was $377,150 (2013: $2,384,832). The values were calculated as at the grant date using the Black Scholes option valuation method taking into accounts the terms and conditions upon which the options are granted.

As at 30 June 2014, there were nil (2013: 10,263,226) listed options over ordinary shares in the Company.

Unlisted Options	Expiry date	Number of options	Remaining contractual life	Exercise price $
Options issued 1 August 2010	1 August 2014	1,000,000	0.09	0.20
Options issued 9 March 2012	9 March 2015	1,500,000	0.69	0.29
Options issued 9 October 2012*	28 June 2015	4,000,000	0.99	0.50
Options issued 9 November 2012	9 November 2015	250,000	1.36	1.25
Options issued 30 November 2012	30 November 2015	5,500,000	1.42	1.36
Options issued 28 March 2013	28 March 2016	1,500,000	1.75	1.02
Options issued 28 March 2013**	28 March 2016	1,000,000	1.75	1.14
Options issued 11 March 2014	11 March 2017	1,000,000	2.70	0.5888
Options issued 11 March 2014***	11 March 2017	500,000	2.70	0.7247
Options issued 15 April 2014	15 April 2017	1,000,000	2.79	0.5251
Options issued 15 April 2014****	15 April 2017	500,000	2.79	0.6463
Average			**1.46**	**0.84**

* These options had an issue price of $0.001 for a total issue price of $4,000
** These options vest on 28 March 2014
*** These options vest on 11 March 2015
**** These options vest on 1 April 2015

Each option entitles the holder to subscribe for one share upon exercise of each option.

Total options on issue by the Company as at 30 June 2014 are 17,750,000 (2013: 26,513,226). The weighted average contractual life is 1.46 years (2013: 1.65 years). The weighted average exercise price is $0.84 (2013: $0.58).

c. Performance rights

As at 30 June 2014, there were 1,000,000 performance rights over ordinary shares on issue that expire on 25 June 2019 if they have not previously vested.

Performance rights convert to ordinary shares of the Company on a one-to-one basis depending on the achievement of performance based vesting conditions. Rights that do not vest at the end of a five year period from issue lapse unless the Board in its discretion determines otherwise. Performance rights do not entitle holders to dividends that are declared during the vesting period.

Note 16. Issued capital (continued)

On vesting, performance rights convert into ordinary shares in the Company for no further consideration. These performance rights have been valued for accounting purposes at $0.41 each, being the share price at the grant date of 1 April 2014 for a total value of $410,000. The performance rights are being expensed over the expected vesting period of one year from the grant date. $102,219 has been expensed for these performance rights during the year, based on the expected portion of the vesting period occurring during the year. These performance rights were issued to the trustee of the Attila Resources Performance Rights Trust on 25 June 2014.

d. Capital management

The Company's debt and capital includes ordinary share capital, and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

The Board effectively manages the Company's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels and share issues. The Board frequently review budgets and budget variance analyses that include cash flow projections and working capital projections, to ensure prudent management of capital budgeting requirements. There has been no change in the strategy adopted by the Board to control the capital of the Group since the prior year.

e. Other equity securities

	Consolidated	
	2014	**2013**
	$	**$**
Opening balance	404,548	-
Value of conversion rights relating to the 12% convertible notes (detailed in Note 14)	-	404,548
Total	**404,548**	**404,548**

Note 17. Reserves

Options reserve	3,099,632	2,651,497
Performance rights reserve	102,219	
Foreign currency translation	496,306	693,884
	3,698,157	**3,345,381**

Movements

Options reserve		
Opening balance	2,651,497	262,665
Options (unlisted) issued during the year	448,135	2,388,832
Balance as at 30 June	**3,099,632**	**2,651,497**

The share based payments reserve records items recognised as expenses on valuation of employee share options and options issued to the general public.

Note 17. Reserves (continued)

	Consolidated	
	2014	**2013**
	$	**$**
Performance rights reserve		
Opening balance	-	-
Performance rights issued during the year	102,219	-
Balance as at 30 June	**102,219**	**-**

The performance rights reserve records items recognised as expenses on valuation of performance rights.

Exchange differences on translation of foreign controlled entities		
Opening balance	693,884	2,718
Foreign currency translation	(197,578)	691,166
Balance as at 30 June	**496,306**	**693,884**

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries.

Note 18. Financial instruments

Financial Risk Management

The Group's principal financial instruments are cash, receivables and payables (including convertible notes).

Overview

The Group has exposure to the following risks from their use of financial instruments:

- financial risk
- liquidity risk
- credit risk
- Interest rate risk
- Foreign exchange risk

This note presents information about the Group's exposure to each of the above risks.

Financial Risk Management Policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established by the Board of Directors to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Financial Risk

The main risks the Group is exposed to through its financial instruments are interest rate risk, liquidity risk, credit risk and foreign exchange risk.

Note 18. Financial instruments (continued)

	Consolidated 2014 $	Consolidated 2013 $
Financial Assets		
Cash and cash equivalents	5,982,970	2,782,895
Trade and other receivables	38,169	60,259
Non current other financial assets	816,035	752,684
	6,837,174	**3,595,838**
Financial Liabilities		
Trade and other payables	604,359	1,205,257
Current convertible notes	12,521,233	-
Non current convertible notes	1,063,120	13,181,901
	14,188,712	**14,387,158**

Non current other financial assets of $816,035 (2013: $752,684) consist of security deposits of $59,000 (2013: $62,638) plus an environmental bond denominated in USD of $757,035 (2013: $690,046).

Liquidity Risk and Liquidity Risk Management

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure that it will have sufficient cash to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability if funding through an adequate amount of credit facilities or other fund raising initiatives.

The Board frequently reviews budget variance analyses that include working capital projections to monitor working capital requirements and optimise cash utilisation.

The Group has funding through convertible notes of $13,584,353 (2013: $13,181,901) at balance date. The Group continuously monitors forecast and actual cash flows and the maturity profiles of financial assets and financial liabilities to manage its liquidity risk.

The Group has access to a credit card facility totalling $40,000 (2013: $40,000). The credit card facility may be drawn at any time and may be terminated by the bank without notice.

The following are the contractual maturities of financial liabilities:

At 30 June 2014 Non derivative financial liabilities:	Carrying Amount	Under 6 Months	Consolidated 6 – 12 Months	1 - 2 years	2 – 5 years
Trade and other payables	604,359	604,359	-	-	-
Convertible notes	13,584,353	-	12,521,233	1,063,120	-
	14,188,712	**604,359**	**12,521,233**	**1,063,120**	**-**

At 30 June 2013 Non derivative financial liabilities:	Carrying Amount	Under 6 Months	Consolidated 6 – 12 Months	1 - 2 years	2 – 5 years
Trade and other payables	1,205,257	604,359	-	-	-
Convertible notes	13,181,901	-	-	12,185,662	996,239
	14,188,712	**604,359**	**-**	**12,185,662**	**996,239**

Note 18. Financial instruments (continued)

The conversion and conversion period of the Notes into ordinary shares of the parent entity were approved by the Company's shareholders at a General Meeting held on 9 October 2012.

Credit Risk

Credit risk refers to the risk that counterparties will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

Banks and financial institutions are chosen only if they are independently rated parties with a minimum rating of 'A'.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics other than the security provided to the convertible noteholders whereby each shareholder of Attila US LLC has pledged their interest in that company which owns 100% of Kodiak as security to the noteholders.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

Interest Rate Risk

Interest rate risk is managed with a mixture of fixed and floating rate debt. The Group's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out in the following table:

2014	**Weighted Average Interest Rate**	**Floating Interest Rate**	**Fixed Interest Maturing in 1 Year or Less**	**Fixed Interest Maturing in over 1 Year**	**Non-Interest Bearing**	**Total**
	%	**$**	**$**	**$**	**$**	**$**
Financial Asset						
Cash and cash equivalents	2.26	3,001,061	2,400,000	-	581,909	5,982,970
Trade and other receivables	-	-	-	-	38,169	38,169
Non current other financial assets	3.72	-	59,000	-	757,035	816,038
Financial Liabilities						
Trade and other payables	-	-	-	-	(604,359)	(604,359)
Convertible Notes	14.00	-	(12,521,233)	(1,063,120)	-	(13,584,353
Net Financial Assets		**3,001,061**	**(10,062,233)**	**(1,063,120)**	**772,754**	**7,351,538**

Note 18. Financial instruments (continued)

2013

	Weighted Average Interest Rate	Floating Interest Rate	Fixed Interest Maturing in 1 Year or Less	Fixed Interest Maturing in over 1 Year	Non-Interest Bearing	Total
	%	$	$	$	$	$
Financial Asset						
Cash and cash equivalents	2.50	2,708,053	-	-	74,842	2,782,895
Trade and other receivables	-	-	-	-	60,259	60,259
Non current other financial assets	0.33	-	59,000	-	693,684	752,684
Financial Liabilities						
Trade and other payables	-	-	-	-	(1,205,257)	(1,205,257)
Convertible Notes	14.00	-	-	(13,181,901)	-	(13,181,901)
Net Financial Assets		**2,708,053**	**(59,000)**	**(13,181,901)**	**(376,472)**	**(10,791,320)**

The following tables summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk:

2014

		-1%		+1%	
	Carrying Amount	Profit	Equity	Profit	Equity
	$	$	$	$	$
Cash and cash equivalents	5,892,970	(58,930)	(58,930)	58,930	58,930
Trade and other receivables	38,169	-	-	-	-
Non-current other financial assets	816,035	-	-	-	-
Trade and other payables	(604,359)	-	-	-	-
Convertible Notes	(13,584,353)	-	-	-	-
Total increase/(decrease)	**(7,351,538)**	**(58,930)**	**(58,930)**	**58,930**	**58,930**

2013

		-1%		+1%	
	Carrying Amount	Profit	Equity	Profit	Equity
	$	$	$	$	$
Cash and cash equivalents	2,782,895	(27,829)	(27,829)	27,829	27,829
Trade and other receivables	60,259	-	-	-	-
Non-current other financial assets	752,684	-	-	-	-
Trade and other payables	(1,205,257)	-	-	-	-
Convertible Notes	(13,181,901)	-	-	-	-
Total increase/(decrease)	**(10,791,320)**	**(27,829)**	**(27,829)**	**27,829**	**27,829**

Note 18. Financial instruments (continued)

Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

With instruments being held by overseas operations, fluctuations in the US dollar may impact on the Group's financial results unless those exposures are appropriately hedged. The Group does not currently have any foreign currency hedging facility in place.

The following table shows the foreign currency risk on the financial assets and liabilities of the Group's operations denominated in currencies other than the functional currency of the operations.

2014	**Net Financial Assets/(Liabilities) in AUD**		
	USD	**AUD**	**Total AUD**
Consolidated Group	1,081,557	-	1,081,557

2013	**Net Financial Assets/(Liabilities) in AUD**		
	USD	**AUD**	**Total AUD**
Consolidated Group	(124,700)	-	(124,700)

In respect of the above USD foreign currency risk exposure in existence at the balance sheet date a sensitivity of -10% lower and 10% higher has been applied. With all other variables held constant, post tax loss and equity would have been affected as follows:

AUD $108,156 loss; AUD $108,156 gain (2013: AUD $12,470 loss; AUD $12,470 gain).

Financial risk management objectives

The Group's and parent entity's activities expose them to a variety of financial risks: market risk (including price risk and interest rate risk), credit risk and liquidity risk. The Group's and parent entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group and parent entity use different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by the Board of Directors. These policies include identification and analysis of the risk exposure of the Group and parent entity and appropriate procedures, controls and risk limits.

Unrecognised Financial Instruments

The Group does not have any unrecognised financial instruments.

Fair Value Estimation

The net fair value of cash and non interest bearing monetary assets and financial liabilities of the Group approximates their carrying amount.

Note 19. Interests of Key Management Personnel

Refer to the remuneration report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2014.

The totals of remuneration paid to KMP of the Company and the Group during the year are as follows:

	Short-Term Benefits	Post Employment Benefits	Share-Based Payments	Total KMP Compensation
	$	$	$	$
2014 Total	729,441	11,621	550,354	1,291,416
2013 Total	617,613	4,545	2,384,832	3,006,990

Performance rights holdings of Key Management Personnel

Scott Sullivan was granted and issued 1,000,000 performance rights during the year ended 30 June 2014, that did not vest during the year and were held at year end. There were no other performance rights transactions or balances during the current or prior year.

Other KMP Transactions

There have been no other transactions with KMP or their related parties involving equity instruments other than those described in the tables above. For details of other transactions with KMP, refer to Note 23 Related Party Transactions and Balances.

Note 20. Remuneration of auditors

	Consolidated	
	2014	2013
	$	$
Remuneration of the auditors for:		
- Audit or review of the financial report	54,499	72,306
Total	**54,499**	**72,306**

Note 21. Contingent Liabilities and Contingent Assets

The Group has no outstanding contingent assets or contingent liabilities at 30 June 2014, other than a statement of claim received by the Group during the prior year filed at the Circuit Court of Shelby County, Alabama relating to an alleged unfair dismissal claim by Mr Don Brown. The claim is for approximately US$1,000,000. The Company intends to defend this matter and the Directors are of the opinion that the claim can be successfully defended. Accordingly, no liability has been recorded in relation to this matter.

Note 22. Commitments

Milestone Agreements

In December 2012, Attila entered into formal consultancy agreements with its project partner, TBL Metallurgical Resources, and its key personnel in relation to the Kodiak Coking Coal Project. In addition to the provision of key services to ensure the success of the Kodiak Coking Coal Project, the agreements provide for milestone payments of up to US$1 million each upon the achievement of key milestones linked to the Kodiak Coking Coal Project. The maximum outstanding amount payable for these milestones is US$3 million. The outstanding milestones include the Group releasing a definitive feasibility study, the commencement of mining and washing of coal from the Kodiak Project and also annualised production of 250,000 saleable tonnes of hard coking coal from the Seymour or Gurnee Properties.

Note 22. Commitments (continued)

Gurnee Property

In the year ended 30 June 2012, the Group acquired, through its 70% owned subsidiary, Kodiak Mining Company LLC, options over coal leases at the Gurnee Property.

The option agreement to lease the underground mining rights to Atkins and Coke coal beds created the following outstanding commitments:

- 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 a minimum monthly payment of US$30,000 per month commencing in July 2014. The minimum royalty payments will be offset against future Actual Production Royalty payments.

Seymour Property

On 20 December 2012, the Group announced that its 70% owned subsidiary, Kodiak Mining Company LLC, 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 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 RGGS 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.

The US$500,000 exploration expenditure requirement was met by July 2013.

Upper Thompson Seam (option to lease)

On 23 September 2013, the Group announced that its 70% owned subsidiary, Kodiak Mining Company LLC, had 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 Ltd LP (RGGS).

The key terms of the option agreement to lease the underground mining rights to the Upper Thompson coal seam on an approximate 2,760 acre property from RGGS 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.

Note 22. Commitments (continued)

Project X – Gholson and Clarke Coal Seams Lease

On 23 September 2013, the Group announced that its 70% owned subsidiary, Kodiak Mining Company LLC, had entered into a lease agreement with RGGS to mine the Gholson and Clarke coal seams at an area known as Project X, which is also located on the Company's Gurnee Property.

The key terms for the acquisition of Project X, which incorporates the Gholson and Clarke seams 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 in August 2014. The minimum royalty payments will be offset against future Actual Production Royalty payments.

Other commitments due within 1 year

	Consolidated	
	2014	**2013**
	$	**$**
Operating lease of office premises	21,185	21,235
Professional fees	$37,500	30,000
Executive fees	$162,125	90,000
US Consultants	118,365	120,216
Definitive feasibility study consultants	1,240,468	-
Total	**1,579,643**	**261,451**

Note 23. Related party transactions and balances

The Group's main related entities are key management personnel and Kingslane Pty Ltd (and its associated entities). Key management personnel are any people having authority and responsibility for planning, controlling and directing the activities of the entity, directly or indirectly, including any director (whether executive or otherwise). For further disclosures relating to key management personnel see note 19.

Kingslane Pty Ltd and associated entities (Kingslane) is a substantial shareholder in the Company and held 9,891,555 (2013: 8,348,778) ordinary shares in the Company at 30 June 2014. Entities controlled by Kingslane also:

- Held a 10% non-controlling interest in the Kodiak project and Kodiak Mining Company LLC through a non-controlling shareholding in 70% owned Attila Resources US LLC;
- held Notes with initial face values of $4,250,000 (2013: $4,250,000) convertible into 8,500,000 (2013: 8,500,000) shares, that were recognised as a current liability of $4,126,822 (2013: non current liability of $4,141,137) at 30 June 2014 with $218,444 recognised in equity to 30 June 2014. Interest of $510,000 (2013: $489,452) was paid on these Notes during the year through the issue of 1,542,777 (2013: 1,381,873) ordinary shares.
- Exercised 152,500 listed options prior to 30 June for $30,500. This balance was included in the balance of shares to be issued at 30 June 2014 with the shares issued on conversion of the options issued in July 2014.
- Received $36,000 (2013: $36,000) during the year for office rent.

Konkera Corporate, a related party of Kingslane, received $169,800 (2013: $50,400) during the year for administrative, bookkeeping and accounting services. The company secretarial fees of $30,000 (2013: 25,710) for Oonagh Malone and Executive director fees of $270,000 (2013: 217,742) for Evan Cranston were also payable to Konkera Corporate.

Note 23. Related party transactions and balances (continued)

Mr Bryn Hardcastle is a director of Bellanhouse Legal which provided legal services totalling $55,000 (2013: $30,000) in the financial year ended 30 June 2014.

Mr Alan Thom is a director of Aston Corporation Pty Ltd which provided mining consulting services totalling $6,900 (2013: 16,725) in the financial year ended 30 June 2014.

Prior to Mr Shaun Day's appointment as a director, a party related to Mr Shaun Day acquired a Note. Interest of $30,000 (2013: $13,151) was paid on this Note during the year through the issue of 90,752 (2013: 37,129) ordinary shares. This Note was recognised as a non current liability of $246,771 (2013: $243,598) at 30 June 2014, with $7,830 recognised in equity.

All related party transactions are on normal arms' length terms.

Note 24. Adjustments to balances in accordance with AASB 108

In the financial report for the year ended 30 June 2012, transaction costs of $277,500 were previously fully expensed in relation to $13,000,000 of Notes issued that became convertible notes during the year ended 30 June 2013. The previous treatment was not in accordance with AASB 139 and therefore the treatment of transaction costs has been adjusted in accordance with the effective interest method as defined in AASB 139. $437,500 of transaction costs that were previously recognised as transaction costs and fully expensed in the year ended 30 June 2013 have also been adjusted to be recognised as transaction costs that arose in the year ended 30 June 2012 and similarly treated in accordance with the effective interest method as defined in AASB 139.

$21,351 of these previously expensed transaction costs have been recognised as capital raising costs on the equity portion of the convertible notes.

The balance of accumulated losses at 30 June 2013 has been adjusted from ($16,004,609) to ($15,522,571) due to reversal of the $715,000 of transaction costs previously expensed immediately, followed by the recognition of ($232,962) expensed over the relevant period to 30 June 2013.

Whilst this adjustment is not material in the context of the current period accounts of the Group, for the purposes of accountability and transparency, comparative balances have been restated as follows in accordance with AASB108.

In the financial report for the year ended 30 June 2013, the liability for the amounts repayable on convertible notes was recognised as current on the basis that notes could be redeemed at any time for shares in the Company at the discretion of noteholders. The previous treatment was not in accordance with AASB 101 and therefore the current/non-current classification of convertible notes has been adjusted in accordance with the requirements of AASB 101. $13,181,901 of non-current borrowings that were previously recognised as current in the year ended 30 June 2013 have been adjusted to be recognised as non-current.

Note 24. Adjustments to balances in accordance with AASB 108 (continued)

Consolidated Statement of Profit or Loss and Other Comprehensive Income	Previous amounts recognised per audited accounts as at 30 June 2013 $	Adjustments to balances in accordance with AASB 108 $	Restated comparatives as at 30 June 2013 $
Other expenses	(839,329)	206,495	(632,834)
Loss before income tax expense	(14,288,893)	206,495	(14,082,398)
Loss for the period	(14,288,893)	206,495	(14,082,398)
Total comprehensive loss for the period	**(13,597,727)**	**206,495**	**(13,391,232)**
Loss for the period attributable to:			
Members of the parent entity	(14,288,893)	206,495	(14,082,398)
Total comprehensive loss for the period attributable to:			
Members of the parent entity	(13,597,727)	206,495	(13,391,232)

Earnings per share from continuing operations:	Previous amounts recognised per audited accounts as at 30 June 2013	Adjustments to balances in accordance with AASB 108	Restated comparatives as at 30 June 2013
Basic loss per share	33.45	(0.48)	32.97
Diluted loss per share	33.45	(0.48)	32.97

Consolidated Statement of Financial Position	Previous amounts recognised per audited accounts as at 30 June 2013 $	Adjustments to balances in accordance with AASB 108 $	Restated comparatives as at 30 June 2013 $
Current Liabilities			
Trade and other payables	1,205,257	-	1,205,257
Borrowings	13,642,588	(13,642,588)	-
Total Current Liabilities	**14,847,845**	**(13,642,588)**	**14,387,158**
Non Current Liabilities			
Provision for reclamation	690,046	-	690,046
Borrowings	-	13,181,901	13,181,901
Total Non Current Liabilities	**690,046**	**13,181,901**	**690,046**
Total Liabilities	**15,537,891**	**(460,687)**	**15,077,204**
Net Assets	**806,271**	**460,687**	**1,266,958**
Equity			
Issued capital	13,465,499	(21,351)	13,444,148
Reserves	3,345,381	-	3,345,381
Accumulated (Losses) in equity	(16,004,609)	482,038	(15,522,571)
Total Equity	**806,271**	**460,687**	**1,266,958**

Note 24. Adjustments to balances in accordance with AASB 108 (continued)

Consolidated Statement of Changes in equity for the year ended 30 June 2013	Previous amounts recognised per audited accounts as 30 June 2013 $	Adjustments to Balances in accordance with AASB 108 $	Restated Comparatives as at 30 June 2013 $
Ordinary Shares	**13,410,499**	(21,351)	**13,389,148**
Accumulated Losses	**(16,004,609)**	482,038	**(15,522,571)**
Total	**806,271**	460,687	**1,266,958**

Statement of Cashflows	Previous amounts recognised per audited accounts as 30 June 2013 $	Adjustments to Balances in accordance with AASB 108 $	Restated Comparatives as at 30 June 2013 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees (inclusive of GST)	(8,592,085)	416,149	(8,175,936)
Interest received	66,955	-	66,955
Financing charges	(90)	-	(90)
Net cash (outflow) inflow from operating activities	**(8,525,220)**	**416,149**	**(8,109,071)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issues	7,674,354	-	7,674,354
Share issue costs	(502,937)	-	(502,937)
Proceeds from issue of convertible notes	2,250,000	-	2,250,000
Convertible note transaction costs	-	(416,149)	(416,149)
Proceeds from issue of options	4,000	-	4,000
Net cash from financing activities	**9,425,417**	**(416,149)**	**9,009,268**

Note 25. Controlled entities

a. Information about Principal Subsidiaries

The information presented in this note is presented here in accordance with AASB 12.

Set out below are the Group's subsidiaries at 30 June 2014. The subsidiaries listed below have share capital consisting solely of ordinary shares, which are held directly by the Group, and the proportions of ownership interests held equals the voting rights held by the Group. Each subsidiary's country of incorporation or registration is also its principal place of business.

Name of Subsidiary	Principal Place of Business	Ownership Interest Held by the Group		Proportion of Non-controlling Interests	
		2014	2013	2014	2013
Attila Resources US Pty Ltd	Australia	100%	100%	-	-
Attila Resources Holding US Ltd	United States of America	100%*	100%*	-	-
Attila Resources US LLC	United States of America	70%*	70%*	30%	30%
Kodiak Mining Company LLC	United States of America	70%*	70%*	30%	30%

*Indirect Holdings

Note 25. Controlled entities (continued)

b. Summarised Financial Information of Subsidiaries with Material Non-controlling Interests

The 30% non-controlling interest in Kodiak Mining Company LLC (Kodiak) had nil value at the date of acquisition of the business combination because the value at the date of acquisition of the business combination was calculated by deducting the parent entity's convertible note liability from 30% of the fair value of the net assets of Kodiak. This is because the convertible note is secured by the members of Kodiak in proportion with each Members' Interest in the shares of Kodiak. The non-controlling interest is 30% of the issued capital of Attila Resources US LLC.

The non-controlling interest is free carried until a decision to mine is made at which time the parties will be required to contribute their respective share from bankable feasibility stage onwards. This may be done as a forfeit of profits derived. Although the non-controlling interest in Kodiak consequently has nil book value, the nature of the non-controlling interest is considered to make this non-controlling interest qualitatively material.Subsidiaries' financial statements used in the preparation of these consolidated financial statements have been prepared as at the same reporting date as the Group's financial statements.

Set out below is the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group.

	Kodiak	
Summarised Financial Position before intra-group eliminations	**2014**	**2013**
	$	**$**
Current assets	84,239	39,483
Non-current assets	13,394,771	13,481,613
Current liabilities	(13,542,401)	(9,718,999)
Non-current liabilities	(757,035)	(690,046)
Net Assets	**(820,426)**	**3,069,049**
Carrying amount of non-controlling interests	**-**	**-**

The non-current assets and non-current liabilities of Kodiak include a secured deposit of $757,035 (30 June 2013: $690,046) that is security against a non-current reclamation liability of $757,035 (30 June 2013: $690,046). The nature of this non-current reclamation liability significantly restricts the Group's ability to access the secured deposit for the purpose of meeting other liabilities of the Group.

The current liabilities of Kodiak also include intra-group loan balances totaling $13,095,599, (30 June 2013: $8,860,430). These intra-group loan balances are unsecured and at call, so consequently considered current despite the current nature of operations.

Although the functional currency of Kodiak is United States dollars and the presentation currency of the Group is Australian dollars, there are no foreign currency translation reserve movements recognised in other comprehensive income of Kodiak as foreign currency translation reserve movements only arise on consolidation.

	Kodiak	
Summarised Financial Performance before intra-group eliminations	**2014**	**2013**
	$	**$**
Revenue	-	-
Loss before income tax	(4,661,380)	(6,950,261)
Income tax expense/income	-	-
Post-tax loss from continuing operations	(4,661,380)	(6,950,261)
Post-tax loss from discontinued operations	-	-
Other comprehensive income	-	-
Total comprehensive income	**(4,661,380)**	**(6,950,261)**
Profit/(loss) attributable to non-controlling interests	-	-
Distributions paid to non-controlling interests	-	-

Note 25. Controlled entities (continued)

Summarised Cash Flow Information before intra-group eliminations	2014	2013
	$	$
Net cash from/(used in) operating activities	(5,162,670)	(6,171,499)
Net cash from/(used in) investing activities	(167,967)	(1,480,620)
Net cash from/(used in) financing activities	5,289,713	7,675,102
Cash and Cash Equivalents at End of Year	**71,901**	**32,459**

Kodiak's net cash from financing activities for both 2014 and 2013 solely comprised movements in intra-group loan account balances.

Note 26. Events occurring after reporting period

Other than the following, the Directors are not aware of any other significant events since the end of the reporting period:

- On 11 July 2014, 6,378,892 ordinary shares were issued on the conversion of listed options at $0.20 each
- On 8 August 2014, 1,000,000 fully paid ordinary shares were issued at an issue price of $0.20 each on conversion of 1,000,000 unlisted options.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the result of these operations, or the state of the affairs of the Group in future financial year.

Note 27. Cash-flow information

a. Reconciliation of cashflow from operations with loss after income tax

	Consolidated	
	2014	2013
	$	$
Loss after income tax	(6,752,119)	(14,082,398)
Non-cashflows in loss:		
Depreciation and amortisation	13,475	10,032
Share-based payments	550,354	2,384,832
Interest on convertible notes paid in equity instruments	1,680,006	1,643,759
Exploration and evaluation expenditure paid in equity instruments	-	440,000
Changes in assets and liabilities net of effects of purchase of subsidiaries:		
Decrease/ (increase) in trade and other receivables	22,090	998,161
Decrease/ (increase) in prepayments	(22,819)	3,083
Decrease in trade and other payables	(596,110)	(132,682)
Increase in borrowings due to accrued interest payable and expensing of capitalised borrowing costs	402,452	278,141
Increase in provisions	73,292	-
Exchange differences	(22,272)	348,001
Net cash used in operating activities	**(4,651,651)**	**(8,109,071)**

Note 27. Cash-flow information (continued)

b. Acquisition of subsidiaries

No subsidiary or business combination was acquired in 2014 or 2013. Payments for subsidiaries of $593,854 in 2013 were due to the Kodiak acquisition in 2012.

c. Non cash financing and investing activities

The Group did not have any non-cash financing and investing activities during the year ended 30 June 2014.

Note 28. Earnings per share

The following reflects the income used in the basic and diluted earnings per share computations:

	Consolidated	
	2014	2013
	$	$
Basic / dilutive earnings per share		
Basic loss per share (cents per share)	10.22	32.97
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share	66,092,793	42,711,297
Net loss used in the calculation of basic earnings per share	**(6,752,119)**	**(14,082,398)**

Share options are not considered dilutive as the conversion of options will result in a decrease in the net loss per share. The weighted average number of shares has no dilutive effect to the diluted earnings per share.

Due to the Group being in a loss position, it is considered counter dilutive and therefore earnings per share are not diluted.

Note 29. Share Based Payments

Options

Options granted to key management personnel in 2014 or 2013 are as follows:

Grant Date	9 November 2012	30 November 2012	28 March 2013
Vesting Date	9 November 2012	30 November 2012	28 March 2013
Expiry Date	9 November 2015	30 November 2015	28 March 2016
Exercise price ($)	1.25	1.36	1.02
Underlying share price ($)	0.97	0.95	0.70
Expected share price volatility	84%	82%	73%
Risk free interest rate	2.61%	2.62%	2.87%
Discount for illiquidity	20%	20%	20%
Value per option ($)	0.3817	0.3458	0.2222
Number of options granted	250,000	5,500,000	1,500,000
Value of Tranche ($)	95,419	1,901,905	333,300
Amount expensed in 2013 ($)	95,419	1,901,905	333,300
Amount expensed in 2014 ($)	-	-	-

Note 29. Share Based Payments (continued)

Grant Date	28 March 2013	11 March 2014	11 March 2014
Vesting Date	28 March 2014	11 March 2014	11 March 2015
Expiry Date	28 March 2016	11 March 2017	11 March 2017
Exercise price ($)	1.14	0.5888	0.7247
Underlying share price ($)	0.70	0.46	0.46
Expected share price volatility	73%	65%	65%
Risk free interest rate	2.87%	2.96%	2.96%
Discount for illiquidity	20%	20%	20%
Value per option ($)	0.2061	0.1405	0.1193
Number of options granted	1,000,000	1,000,000	500,000
Value of Tranche ($)	206,099	140,500	59,650
Amount expensed in 2013 ($)	54,208	-	-
Amount expensed in 2014 ($)	151,892	140,500	18,304

Grant Date	1 April 2014	1 April 2014
Vesting Date	1 April 2014	1 April 2015
Expiry Date	15 April 2017	15 April 2017
Exercise price ($)	0.5251	0.6463
Underlying share price ($)	0.41	0.41
Expected share price volatility	64%	64%
Risk free interest rate	3.06%	3.06%
Discount for illiquidity	20%	20%
Value per option ($)	0.1243	0.1054
Number of options granted	1,000,000	500,000
Value of Tranche ($)	124,300	52,700
Amount expensed in 2013 ($)	-	-
Amount expensed in 2014 ($)	124,300	13,139

Valuations of options granted to Key Management Personnel in 2014 and 2013 were performed using a Black – Scholes option pricing model applying the above parameters. Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender which may not eventuate in the future.

The options hold no voting or dividend rights. Further details of these options are provided in the Director's Report. During the financial year, 3,000,000 options vested (2013: 7,250,000).

The total share based payment expense for options issued during the year ended 30 June 2014 was $296,243 (2013: $2,384,832).

The Company established an Employee Share Option Plan on 6 December 2010 as a long-term incentive to recognise talent and motivate employees and consultant to strive for Group performance. The options are granted at the sole discretion of the Board for no consideration and carry no entitlements to voting rights or dividends of the Group. The Board, in its discretion, determine the strike price of the options and may apply vesting conditions. On resignation from the Group, the optionholder has 30 days to exercise or forfeit the options. On termination without cause, the optionholder has six months to exercise or forfeit the options.

Note 29. Share Based Payments (continued)

A summary of the movements of options issued as share-based payments is as follows:

	Number	Weighted Average Exercise Price
Options outstanding as at 30 June 2012	4,000,000	0.2338
Granted	8,250,000	1.2682
Forfeited	-	-
Exercised	-	-
Expired	-	-
Options outstanding as at 30 June 2013	12,250,000	0.9304
Granted	3,000,000	0.6001
Forfeited	-	-
Exercised	(1,500,000)	0.2000
Expired	-	-
Options outstanding as at 30 June 2014	13,750,000	0.9380
Options exercisable as at 30 June 2014	12,750,000	0.9578
Options exercisable as at 30 June 2013	11,250,000	0.9118

The weighted average remaining contractual life of options outstanding at year end was 1.59 years.

The fair value of options granted to employees is deemed to represent the value of the employee services received over the vesting period.

The weighted average fair value of options granted during the year was $0.1257 (2012: $0.3075)

Performance Rights

Performance rights granted to key management personnel are detailed in note 16(c).

Shares

1,000,000 shares were agreed to be issued to Monomotapa Coal Limited in 2013 and issued in 2014 as a result of the settlement of a legal dispute (without admission). These shares were valued at the fair value of the equity interests granted determined by reference to market price on the grant date of $0.44 per share. The expense of $440,000 was included under Exploration and Evaluation expenditure in the Statement of Profit or Loss and Other Comprehensive Income in 2013.

Note 30. Parent entity

The following information has been extracted from the books and records of the parent entity and has been prepared in accordance with Accounting Standards.

Statement of Financial Position	Parent entity	
	2014	2013
	$	$
Assets		
Current assets	5,917,461	2,802,969
Non current assets	11,671,164	11,992,578
Total Assets	**17,588,625**	**14,795,547**
Liabilities		
Current liabilities	12,691,198	346,688
Non current liabilities	1,063,120	13,181,901
Total Liabilities	**13,754,318**	**13,528,589**
Net Assets	**3,834,307**	**1,266,958**
Equity		
Issued capital	23,125,607	13,444,148
Reserves	3,201,851	2,651,497
Retained earnings	(22,493,151)	(14,828,687)
Total Equity	**3,834,307**	**1,266,958**
Statement of Profit or Loss and Comprehensive Income		
Total loss	(7,664,464)	(13,401,930)
Total comprehensive loss	**(7,664,464)**	**(13,401,930)**

Guarantees

There are no guarantees entered into by the parent entity in the financial year ended 30 June 2014 in relation to the debt of a subsidiary.

Contingent Liabilities

The Company has been named as a part of a group that 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. As detailed in Note 21, the Company intends to defend this matter.

Contractual commitments

At 30 June 2014, Attila Resources Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment (2013: nil).

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 17 to 64 are in accordance with the *Corporations Act 2001* and:

    a. comply with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and

    b. give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the company and consolidated group;

2. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2014.

This declaration is made in accordance with a resolution of the Board of Directors.

Russell Clark
Non Executive Chairman

Dated this 30th day of September 2014

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ATTILA RESOURCES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Attila Resources Limited which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Attila Resources Limited, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In our opinion:

(a) the financial report of Attila Resources Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1(a) in the financial report, which indicates that the group incurred a consolidated net loss of $6,949,697 and generated consolidated net cash outflows of $4,651,651 from operating activities during the year ended 30 June 2014 and, as of that date the group's current liabilities exceeded its current assets by $7,087,937. These conditions, along with other matters as set forth in Note 1(a), indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the remuneration report included in pages 7 to 14 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the remuneration report of Attila Resources Limited for the year ended 30 June 2014 complies with s 300A of the *Corporations Act 2001*.

Maxim Audit

MAXIM AUDIT

Chartered Accountants

M A Lester

Perth W.A.

Dated this 30th day of September 2014

Corporate Governance

Unless disclosed below, the Company has applied all of the Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council for the entire financial year ended 30 June 2014.

Board of Directors

The skills, expertise and experience relevant to the position of each Director who is in office at the date of the Financial Report and their term of office are detailed in the Directors' Report.

The Directors are responsible for overseeing the Company's business operations and its management for the benefit of Shareholders, employees and other stakeholders and to enhance Shareholder value. The Board is responsible for the overall corporate governance of the Company and its subsidiaries.

Responsibilities and Functions of the Board

Under the Board charter, the Board's responsibilities include:

- setting the strategic direction of the Company and monitoring management's performance within that framework;
- ensuring there are adequate resources available to meet the Company's objectives;
- appointing and removing Executive Directors and overseeing succession plans for the senior executive team;
- evaluating the performance of the Board and its Directors on an annual basis and determining remuneration levels of Directors;
- approving and monitoring financial reporting, capital management and the progress of business objectives;
- ensuring that adequate risk management procedures exist and are being used;
- ensuring that the Company has appropriate corporate governance structures in place, including standards of ethical behaviour and a culture of corporate and social responsibility; and
- ensuring that the Board is and remains appropriately skilled to meet the changing needs of the Company.

Responsibilities of Executive Management

The role of senior executives within the organisation is to:

- develop with the Board, implement and monitor the strategic and financial plans for the Company;
- plan, develop and implement the annual budgets and business plans and continuously monitor all capital expenditure, capital management and all major corporate transactions, including the issue of any securities of the Company;
- develop all financial reports, and all other material reporting and external communications by the Company, including material announcements and disclosures, in accordance with the Company's external communications policy;
- manage the appointment of the chief financial officer, the general counsel and company secretary and any other specific senior management positions;
- develop, implement and monitor the Company's risk management framework;

- keep the Board fully informed of all material matters which may be relevant to the Board, in their capacity as directors of the Company;
- provide effective management of the Company in order to:
  - encourage cooperation and teamwork;
  - build and maintain staff morale at a high level;
  - build and maintain a strong sense of staff identity with, and a sense of allegiance to the Company;
- ensure a safe workplace for all personnel;
- ensure that the Company has regard to the interests of employees and customers of the company and the community and environment in which the company operates; and
- otherwise carry out the day-to-day management of the Company.

Composition of the Board

The Board consists of two executive Directors and four non-executive Directors, the details of whom are set out in the Directors' Report.

The Constitution requires a minimum number of three directors. The maximum number of Directors is fixed by the Board but may not be more than 10, unless the members of the Company in general meeting resolve otherwise. The relevant provisions in the Company's Constitution and the Corporations Act determine the terms and conditions relating to the appointment and termination of Directors. All non-executive Directors, are appointed for a fixed term and are subject to re-election by rotation every three years.

Identification of potential Board candidates includes consideration of the skills, experience, personal attributes and capability to devote the necessary time and commitment to the role. Details of the Company's policy in relation to the nomination and appointment of new directors is available on the Company's website.

The Company's Directors believe that the current composition of the Board has the necessary skills and motivation to ensure that the Company can perform strongly.

Any changes to Directorships will, for the foreseeable future, be considered by the full Board subject to any applicable laws. Accordingly, a nominations committee has not been established.

Director Independence

Three of the six Directors satisfy the criteria for independence as outlined in recommendation 2.1 of the ASX Corporate Governance. Although this does not comprise a majority as outlined in this recommendation, the Board considers that each Director is capable of bringing to bear independent judgement when considering matters before the Board.

Conflicts of Interest

In accordance with the Corporations Act and the Company's Constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes a significant conflict exists, the Director concerned does not receive the relevant papers and is not present at the Board meeting whilst the matter is being considered.

Independent professional advice

In fulfilling their duties, each Director dealing with corporate governance matters may obtain independent professional advice at the Company's expense, subject to prior approval of the Board, whose approval will not be unreasonably withheld.

Board committees

The Board currently maintains two committees – an Audit Committee and a Remuneration Committee. Details of the members of these committees are set out in the Directors' Report.

The Board of Directors considers that the Company is not currently of a size, or its affairs of such complexity, to justify the establishment of separate nomination committee. Accordingly, all matters that may be capable of delegation to this committee will be dealt with by the full Board.

Corporate governance policies

The Board has adopted the following corporate governance policies:

Continuous Disclosure

The Board places a high priority on communication with Shareholders and is aware of the obligations it has under the Corporations Act and ASX Listing Rules to keep the market fully informed of information which is not generally available and which may have a material effect on the price or value of the Company's securities.

Communication to Shareholders

The Board recognises the importance of communicating regularly with Shareholders and aims to have transparent and effective communications. The Company will post all reports, ASX and media releases and copies of significant business presentations and speeches on the Company's website at www.attilaresources.com. Shareholders will be encouraged to attend and participate in General Meetings.

Share Trading

The Company has in place a share trading policy which restricts all Directors, employees or consultants of the Company from dealing in shares of the Company whilst in possession of price sensitive information or similarly passing information to other parties to buy or sell the Company's Shares.

In addition to insider trading prohibitions arising from the Corporations Act, Directors, executive officers and senior management are prohibited from trading as follows:

- No Director or executive officer should buy or sell Shares without the prior approval of the Board;
- No senior manager should buy or sell Shares without the prior approval of the Board;
- Unless there are unusual circumstances, trades in Shares by Directors and members of senior management are limited to stipulated periods;
- Directors and senior management are generally prohibited from trading Shares for a short term gain.

Before trading in the Company's Shares, Directors, employees and consultants must request in writing authorisation to trade in the Company's securities from their relevant authorising officer.

Confidentiality

In addition to obligations under the Corporations Act in relation to inside information, all Directors, employees and consultants also have a duty of confidentiality to the Company in relation to confidential information they possess.

Matters for Approval by the Board of Directors

The Board has adopted a list of matters required to be brought before the Board of Directors for approval. This provides an important means of dividing responsibility between the Board and management, assisting those affected by corporate decisions to better understand the respective accountabilities and contributions of the Board and the Senior Executives.

Evaluation of Board and Senior Executives

The Board of Attila considers the evaluation of its own and senior executive performance as fundamental to establishing a culture of performance and accountability. The Board also considers the ongoing development and improvement of its own performance as critical input to effective governance. The Board undertakes an annual evaluation of its effectiveness as a whole.

The basis of the review is on goals that have been set for the Company based on corporate requirements and any areas for improvement identified in previous reviews. The Board does not endorse the reappointment of a director who is not satisfactorily performing the role.

All senior executives of the Company are subject to an annual performance evaluation. Each year, senior executives establish a set of performance targets with her or his superior. These targets are aligned to overall business goals and requirements of the position.

An informal assessment of progress is carried out each half year. A full evaluation of the executive's performance against the agreed targets takes place once a year. This will normally occur in conjunction with goal setting for the coming year. Since the Company is committed to continuous improvement and the development of its people, the results of the evaluation form the basis of the executive's development plan.

The Company is also committed to continuing development of its directors and executives. Any director wishing to undertake either specific directional training or personal development courses is expected to approach the Board for approval of the proposed course.

External Auditor Selection Process

Should there be a vacancy for the position of external auditor, Attila, through the Audit Committee and the Board, conducts a formal tendering process, either a general or selective tender. Tenders are evaluated in accordance with the criteria, as appropriate from time to time, provided to tenderers. Tenders are not assessed solely on the basis of price, but on a number of issues such as:

- skills and knowledge of the team proposed to do the work;
- quality of work;
- independence of the audit firm;
- lead signing partner and independent review partner rotation and succession planning;
- value for money;
- ethical behaviour and fair dealing; and
- independence from Attila.

The Board identifies and recommends an appropriate external auditor for appointment, in conjunction with senior management and/or Attila in general meeting. The appointment is made in writing.

The external auditor is required to rotate its audit partners so that no partner of the external auditor is in a position of responsibility in relation to Attila's accounts for a period of more than five consecutive years. Further, once rotated off Attila's accounts no partner of the external auditor may assume any responsibility in relation to Attila's accounts for a period of five consecutive years. This requires succession planning on the part of the external auditor, a process in which Attila is involved.

Risk Management Policy

Risk recognition and management are viewed by Attila as integral to the Company's objectives of creating and maintaining shareholder value, and the successful execution of the Company's mineral exploration and development. The Board as a whole is responsible for oversight of the processes by which risk is considered for both ongoing operations and prospective actions.

Management is responsible for establishing procedures which provide assurance that major business risks are identified, consistently assessed and appropriately addressed.

Not all aspects of risk management can be formalised and Attila places considerable reliance on the skill, experience and judgement of its people to take risk managed decisions within the policy framework, and to communicate openly on all risk related matters.

There are a range of specific risks that have the potential to have an adverse impact on Attila's business. The Company has developed a framework for a risk management policy and internal compliance and control system which covers organisational, financial and operational aspects of the Company's affairs.

Key elements of the framework for the management of risk by Attila are:

- oversight of the Company's financial affairs by the Directors;
- the formulation of programmes for exploration and development;
- regular reporting against established targets;

- approval guidelines for exploration and capital expenditure;
- regulatory compliance programmes and reporting in key areas such as safety and environment;
- management of capital and financial risk;
- an annual insurance program;
- oversight of the conduct of contractors.

In assessing and managing identified risks:

- risks are assessed in terms of potential consequences and likelihood;
- risks are ranked in accordance with their likely impact;
- the acceptability of each identified risk is assessed;
- proposed actions to eliminate, reduce or manage each material risk are considered and agreed;
- responsibilities for the management of each risk are assigned.

Diversity Policy

The Company recognises that a diverse and talented workforce is a competitive advantage and that the Company's success is the result of the quality and skills of our people. Our policy is to recruit and manage on the basis of qualification for the position and performance, regardless of gender, age, nationality, race, religious beliefs, cultural background, sexuality or physical ability. It is essential that the Company employs the appropriate person for each job and that each person strives for a high level of performance.

The Company's strategies are to:

1. recruit and manage on the basis of an individual's competence, qualification and performance;
2. create a culture that embraces diversity and that rewards people to act in accordance with this policy;
3. appreciate and respect the unique aspects that individual brings to the workplace;
4. foster an inclusive and supportive culture to enable people to develop to their full potential;
5. identify factors to be taken into account in the employee selection process to ensure we have the right person for the right job;
6. take action to prevent and stop discrimination, bullying and harassment; and
7. recognise that employees at all levels of the Company may have domestic responsibilities.

The Board is accountable for ensuring this policy is effectively implemented. Each employee has a responsibility to ensure that these objectives are achieved.

ASX Best Practice Recommendations

Item	ASX Best Practice Recommendation	Comment
1	**Lay Solid Foundations for Management and Oversight**	
1.1	Formalise and disclose the functions reserved to the board and those delegated to management.	The Company complies with this recommendation. The Corporate Governance Policy includes a Board Charter which discloses the specific responsibilities of the Board and provides that the Board shall delegate day-to-day operations and administration of the Company to the executive Directors and senior management of the Company. A copy of the Board Charter is available on the Company's website.
1.2	Disclose the process for evaluating the performance of senior executives	The Company complies with this recommendation. The Company has a policy for the evaluation of the Board and Senior Executives which is available on the Company's website.
2	**Structure the Board to Add Value**	
2.1	A majority of the board should be independent directors.	The Company does not comply with this recommendation as only 3 of the 6 Directors are considered to be independent. The Board considers, however, that with an independent non-executive Chairman and two independent non-executive directors, the Board can bring to bear independence in the decision-making process.
2.2	The chair should be an independent director.	The Company complies with this recommendation following the appointment of Russell Clark as Non-Executive Chairman in March 2014. Prior to that, the Company did not have a chair and was actively seeking to appoint a chair with the skills and experience appropriate to a company transitioning from an exploration company into a producing coal company.
2.3	The roles of the chair and chief executive officer should not be exercised by the same individual.	The Company complies with this recommendation.
2.4	The board should establish a nomination committee.	The Company does not comply with this recommendation. Given the Company's size, it is not considered necessary to have a separate Nomination Committee. The Board, in consultation with external advisers where required, undertakes this role.
2.5	Process for evaluating the performance of the board, its committees and individual directors.	The Company complies with this recommendation. The Company has a policy for the evaluation of the Board and Senior Executives which is available on the Company's website.
3	**Promote ethical and responsible decision-making**	
3.1	Establish a code of conduct as to: (a) the practices necessary to maintain confidence in the company's integrity; (b) the practices necessary to take into account legal obligations and the reasonable expectations of their stakeholders; and (c) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	The Company complies with this recommendation. The Corporate Governance Policy includes a Code of Conduct which provides a framework. A copy is available on the Company's website.
3.2	Establish a policy concerning diversity.	The Company complies with this recommendation and a summary of this policy is noted above.

Item	ASX Best Practice Recommendation	Comment
3.3	Disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	The Company looks for relevant industry experience when identifying candidates for key positions and employs the best and most suitable people regardless of gender, colour, religion or otherwise.
3.4	Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	During the period, the Company employed three women (out of a total workforce of ten), one of whom acts in a senior executive role. There are no women on the Board.
4	**Safeguard integrity in financial reporting**	
4.1	The board should establish an audit committee.	The Company complies with this recommendation. An Audit Committee has been established.
4.2	Structure the audit committee so that it consists of: (a) only non-executive directors; (b) a majority of independent directors; (c) an independent chairperson, who is not chairperson of the board; and (d) at least three members.	The Company complies with this recommendation. The Audit Committee comprises three non-executive Directors, two of whom are considered independent. The Chair of the Audit Committee is an independent non-executive director who is not chair of the Board.
4.3	The audit committee should have a formal charter.	The Company complies with this recommendation. The formal charter for the Audit Committee is available on the Company's website.
5	**Make timely and balanced disclosure**	
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	The Company complies with this recommendation. The Company has in place a Continuous Disclosure Policy designed to ensure the factual presentation of the Company's position at all times. A copy of this policy is available on the Company's website.
6	**Respect the rights of shareholders**	
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	The Company complies with this recommendation. The Company has a Shareholders Communication Policy in place which sets out the procedures to provide shareholders with relevant information which include matters which may have a material effect on the price of the Company's securities, notifying them to ASX, posting them on the Company's website and issuing media releases where required. Further, the Company encourages participation at general meetings by providing for proxy votes to be returned electronically as well as by post and fax. A copy of the policy is available on the Company's website.
7	**Recognise and manage risk**	
7.1	Establish policies on risk oversight and management of material business risk.	The Company complies with this recommendation. The Company's Corporate Governance Policy includes a Risk Management Policy. Under this policy the Board determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategies and policies for internal compliance and control. A copy of this policy is available on the Company's website.
7.2	The board should require management to design and implement the risk management and internal control system to manager the company's material risks and report to the board on whether those risks are being managed effectively.	The Company complies with this recommendation. Management implements and monitors business risk for the Company and reports to the Board on a monthly basis.

Item	ASX Best Practice Recommendation	Comment
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risk.	The Company complies with this recommendation.
8	**Remunerate fairly and responsibly**	
8.1	The board should establish a remuneration committee.	The Company complies with this recommendation. A Remuneration Committee has been established.
8.2	Structure the audit committee so that it: (a) consists of a majority of independent directors; (b) is chaired by an independent chair; and (c) has at least three members.	The Company complies with this recommendation. The Remuneration Committee consists of the three non-executive Directors all of whom are considered independent.
8.3	Companies should clearly distinguish the structure of the non-executive directors' remuneration from that of executives.	The Company complies with this recommendation. The Company has separate policies regarding the remuneration of non-executive directors and executive directors. These policies provide a basis for distinguishing the type of remuneration which is suitable for the two classes.

Additional Information

Shareholder Information

The following information is based on share registry information processed up to 20 October 2014.

Distribution of Fully Paid Ordinary Shares

The number of holders, by size of holding, for fully paid ordinary shares in the Company is:

Securities Spread of Holders	Ordinary Fully Paid Shares Number of Holders
1 – 1,000	49
1,001 – 5,000	131
5,001 – 10,000	140
10,001 – 100,000	439
100,001 and over	135
Total	**894**

There are 68 holders of unmarketable parcels comprising a total of 49,406 ordinary shares.

Twenty Largest Holders of Shares in Attila Resources Ltd (Unmerged)

	Shareholder	Number Held	% of Issued Shares
1	Kingslane Pty Ltd	9,326,218	11.22%
2	Auscorp Network Pty Ltd	3,705,639	4.46%
3	National Nominees Limited	3,274,414	3.94%
4	Goldplex Corp Pty Ltd	2,400,000	2.89%
5	Malekula Projects Pty Ltd	1,800,000	2.17%
6	Colbern Fiduciary Nominees Pty Ltd	1,687,500	2..03%
7	Citicorp Nominees Pty Limited	1,565,932	1.88%
8	Mark John and Margaret Patricia Bahen	1,545,000	1.86%
9	Westyle Pty Ltd	1,250,000	1.50%
10	BNP Paribas Nominees Pty Ltd	1,214,774	1.46%
11	Grant Jonathan Mooney	1,000,000	1.20%
12	Shrewsbury Ltd	900,000	1.08%
13	Ablett Pty Ltd	844,684	1.02%
14	DTQ Corporatin Pty Ltd	825,500	0.99%
15	J C O'Sullivan Pty Ltd	800,000	0.96%
16	Stuart Lloyd Phillips & Fiona Jane Phillips	780,000	0.94%
17	Thomas Clement Bahen	765,000	0.92%
18	Blu Bone Pty Ltd	757,500	0.91%
19	Stuart Lloyd Phillips	752,492	0.91%
20	Kaye Welch	750,000	0.90%
Total		**35,944,653**	**41.21%**

There are 83,135,164 ordinary fully paid shares currently listed and trading on the Australian Securities Exchange.

Voting Rights - Fully Paid Ordinary Shares

Every shareholder present in person or by proxy, attorney or representative has one vote on a show of hands, and on a poll, one vote for each fully paid share.

Unquoted Equity Securities

Quantity	Terms	Holders
1,500,000	Unlisted options exercisable at $0.20 on or before 11 March 2014	2
1,000,000	Unlisted options exercisable at $0.20 on or before 1 August 2014	1
1,500,000	Unlisted options exercisable at $0.29 on or before 9 March 2015	2
4,000,000	Unlisted options exercisable at $0.50 on or before 28 June 2015	1
51	Convertible notes with a face value of $250,000 each and convertible to 500,000 at $0.50 per share. The coupon is 12% per annum calculated on the face value of the note.	18
250,000	Unlisted options exercisable at $1.25 on or before 9 November 2015	1
5,500,000	Unlisted options exercisable at $1.36 on or before 30 November 2015	2
1,500,000	Unlisted options exercisable at $1.02 on or before 28 March 2015	2
1,000,000	Unlisted options exercisable at $1.14 on or before 28 March 2015	2
1,000,000	Unlisted options exercisable at $0.5888 on or before 11 March 2017	1
500,000	Unlisted options vesting on 11 March 2015 exercisable at $0.7427 on or before 11 March 2017	1
1,000,000	Unlisted options exercisable at $0.5251 on or before 15 April 2017	1
500,000	Unlisted options vesting on 15 April 2015 exercisable at $0.6463 on or before 15 April 2017	1
1,000,000	Performance rights with vesting subject to performance criteria being achieved and expiring on 25 June 2019	1

Holders of Unquoted Securities (holding more than 20% of each equity security class)

Holder	Class of Securities	Exercise / Conversion Price	Expiry Date	No. Securities
Ms Sandra Kay Ryan	Option	$0.29	9 March 2015	1,000,000
Brynmor Hardcastle	Option	$0.29	9 March 2015	500,000
Auscorp Network Pty Ltd	Option	$0.50	28 June 2015	4,000,000
Kingslane Pty Ltd	Convertible Note	$0.50	27 June 2015	15
Malone & O'Driscoll Pty Ltd	Option	$1.25	9 November 2015	250,000
Konkera Pty Ltd	Option	$1.36	30 November 2015	5,000,000
Helen Wilcox	Option	$1.02	28 March 2016	1,000,000
Alan Thom	Option	$1.02	28 March 2016	500,000
Helen Wilcox	Option	$1.14	28 March 2016	500,000
Alan Thom	Option	$1.14	28 March 2016	500,000
Russell Clark	Option	$0.5888	11 March 2017	1,000,000
Russell Clark	Option	$0.7427	11 March 2017	500,000
Scott Sullivan	Option	$0.5251	15 April 2017	1,000,000
Scott Sullivan	Option	$0.6463	15 April 2017	500,000
Scott Sullivan	Performance Right	Nil	25 June 2019	1,000,000

Schedule of Mining Tenements

Project	Location	Status	Interest
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%

Company Secretary
Ms Oonagh Malone

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Security Transfer Registrars
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