ATTILA RESOURCES LIMITED

AND CONTROLLED ENTITIES

ABN 53 142 165 080

INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2014

TABLE OF CONTENTS

CORPORATE DIRECTORY

DIRECTORS

Mr Russell Clark (Non Executive Chairman)
Mr Max Brunsdon (Executive Director)
Mr Evan Cranston (Executive Director)
Mr Shaun Day (Non Executive Director)
Mr Brynmor Hardcastle (Non Executive Director)
Mr Alan Thom (Non Executive Director)

COMPANY SECRETARY

Ms Oonagh Malone

CHIEF EXECUTIVE OFFICER

Mr Scott Sullivan

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ASX CODES

AYA

COUNTRY OF INCORPORATION AND DOMICILE

Australia

DIRECTORS' REPORT

The Directors present their report, together with the condensed consolidated financial statements, of the consolidated entity (the 'Group') consisting of Attila Resources Limited (the 'Company') and the entities it controlled for the half-year ended 31 December 2014.

Directors

The names of Directors who held office at any time during or since the end of the half-year are set out below. Directors were in office for the entire period.

Max Brunsdon

Russell Clark

Evan Cranston

Shaun Day

Brynmor Hardcastle

Alan Thom

Review of Operations

The operating loss of the Group for the six months after providing for income tax amounted to $4,229,776 (2014: $2,884,106).

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

During the period from 1 July 2014, the Company progressed work on the definitive feasibility study for the Gurnee Property at the Kodiak Project. This included opening the existing Coke No 1 Mine workings to take bulk samples, engineering and design work and testing.

In November 2014, the Company announced that it had received an offer from Magni Resources, a US limited liability company, to purchase its 70% interest in the Kodiak Project for US$55.3 million. Via its wholly owned subsidiary, Attila Resources US Holding Ltd, Attila has entered into an agreement to sell its interest in the Project. Extensive technical due diligence has been completed by Magni Resources and the transaction is now subject to the following:

- Magni Resources securing financing to complete the transaction;
- Approval of Attila shareholders at a general meeting of Attila shareholders;
- There being no material adverse effect occurring following the date of the agreement; and
- Any requisite governmental and third party consents being provided.

A strategic decision has been made to suspend work on the definitive feasibility study for the duration of the transaction period. As the completion of the DFS will not be recognised in an increase in the transaction offer, this enables Attila to preserve the cash, which would have been used for the DFS, for future use.

Capital Raising

During the period, the Group raised capital (before costs) through the following:

- Conversion of 592,680 listed options at 20 cents each to raise $118,536

- Conversion of 1,000,000 unlisted options at 20 cents each to raise $200,000

Events Subsequent to the Reporting Date

The Directors are not aware of any significant events since the end of the interim period.

Dividends

No dividends have been paid or declared since the start of the financial period and the Directors do not recommend the payment of a dividend in respect of the financial half year ended 31 December 2014.

Auditor's Independence Declaration

The lead auditor's independence declaration under s.307C of the Corporation Act 2001 for the half-year ended 31 December 2014 is set out on page 6.

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

Russell Clark
Non-Executive Chairman

Signed at Perth this 13th day of March 2015

Lead 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, in relation to the review for the half-year ended 31 December 2014 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Graham Hogg

Partner

Perth

13 March 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Half year ended 31 December 2014 $	Half year ended 31 December 2013 $
Other income	59,771	60,022
Depreciation and amortisation expense	(6,989)	(6,579)
Exploration and evaluation expenditure	(2,188,370)	(1,250,706)
Employee benefits – share based payments	(263,322)	(103,897)
Employee benefits – other	(493,512)	(285,046)
Professional expenses	(241,712)	(180,643)
Foreign exchange gains	94,815	82,495
Finance costs	(940,335)	(1,047,051)
Other expenses	(250,122)	(152,701)
Loss before income tax expense	**(4,229,776)**	**(2,884,106)**
Income tax expense	-	-
Loss for the period	**(4,229,776)**	**(2,884,106)**
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss when specific conditions are met:		
Exchange gain on translating foreign operations, net of tax	1,900,988	374,248
Other comprehensive income/ (loss) for the period	**1,900,988**	**374,248**
Total comprehensive loss for the period	**(2,328,788)**	**(2,509,858)**
Loss for the period attributable to:		
Members of the parent entity	(4,229,776)	(2,884,106)
	(4,229,776)	**(2,884,106)**
Total comprehensive loss for the period attributable to:		
Members of the parent entity	(2,328,788)	(2,509,858)
	(2,328,788)	**(2,509,858)**
Earnings per share from continuing operations:	**Cents**	**Cents**
Basic loss per share	(5.12)	(4.73)
Diluted loss per share	(5.12)	(4.73)

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Note	As at 31 December 2014 $	As at 30 June 2014 $
Current Assets			
Cash and cash equivalents		2,665,100	5,982,970
Trade and other receivables		39,580	38,169
Other current assets		20,352	22,819
Total Current Assets		**2,725,032**	**6,043,958**
Non Current Assets			
Other financial assets		1,013,570	816,035
Property, plant and equipment	3	13,008,511	11,316,080
Deferred exploration and evaluation expenditure	4	1,904,330	1,321,656
Intangible assets		3,395	3,395
Total Non Current Assets		**15,929,806**	**13,457,166**
Total Assets		**18,654,838**	**19,501,124**
Current Liabilities			
Trade and other payables		257,420	604,359
Provisions		13,898	6,303
Borrowings	6	13,567,873	12,521,233
Total Current Liabilities		**13,839,191**	**13,131,895**
Non Current Liabilities			
Provisions		946,887	757,035
Borrowings	6	230,959	1,063,120
Total Non Current Liabilities		**1,177,846**	**1,820,155**
Total Liabilities		**15,017,037**	**14,952,050**
Net Assets		**3,637,801**	**4,549,074**
Equity			
Issued capital	5	24,279,800	23,125,607
Reserves		5,862,467	3,698,157
Accumulated losses		(26,504,466)	(22,274,690)
Total Equity		**3,637,801**	**4,549,074**

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

Condensed consolidated statement of changes in equity for the half year ended 31 December 2014	**Ordinary Shares $**	**Accumulated Losses $**	**Foreign Currency Translation Reserve $**	**Option Reserve $**	**Performance Rights Reserve $**	**Total Equity $**
Opening balance at 1 July 2014	**23,125,607**	**(22,274,690)**	**496,306**	**3,099,632**	**102,219**	**4,549,074**
Comprehensive Income						
Loss for the period	-	(4,229,776)	-	-	-	(4,229,776)
Other comprehensive income for the period		-			-	
Exchange gain on translation of controlled entities	-		1,900,988	-		1,900,988
Total comprehensive income/ (loss) for the period	**-**	**(4,229,776)**	**1,900,988**	**-**	**-**	**(2,328,788)**
Transactions with owners, in their capacity as owners, and other transfers						
Shares/Options issued/vested during the period	1,160,837	-	-	56,637	206,685	1,424,159
Shares committed to be issued	-	-	-	-	-	-
Costs arising from issue of shares	(6,644)	-	-	-	-	(6,644)
Balance at 31 December 2014	**24,279,800**	**(26,504,466)**	**2,397,294**	**3,156,269**	**308,904**	**3,637,801**

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

Condensed consolidated statement of changes in equity for the half year ended 31 December 2013	**Ordinary Shares $**	**Listed Options $**	**Accumulated Losses $**	**Foreign Currency Translation Reserve $**	**Option Reserve $**	**Performance Rights Reserve $**	**Total Equity $**
Opening 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 period	-	-	(2,884,106)	-	-	-	(2, 884,106)
Other comprehensive income for the period						-	
Exchange gain on translation of controlled entities	-	-	-	374,248	-		374,248
Total comprehensive income/ (loss) for the period	**-**	**-**	**(2, 884,106)**	**374,248**	**-**	**-**	**(2,509,858)**
Transactions with owners, in their capacity as owners, and other transfers							
Shares/Options issued/vested during the period	7,742,308	-	-	-	103,897	-	7,846,205
Shares committed to be issued	1,500	-	-	-	-	-	1,500
Costs arising from issue of shares	(480,631)	-	-	-	-	-	(480,631)
Balance at 31 December 2013	**20,652,325**	**55,000**	**(18,406,677)**	**1,068,132**	**2,755,394**	**-**	**6,124,174**

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Half year ended 31 December 2014 $	Half year ended 31 December 2013 $
Cash Flows From Operating Activities		
Payments to suppliers and employees (inclusive of GST)	(3,337,496)	(2,610,701)
Interest received	56,919	21,882
Financing charges	(8)	(15)
Net cash outflow from operating activities	**(3,280,585)**	**(2,588,834)**
Cash Flows From Investing Activities		
Payments for mining lease interests	(355,504)	(102,981)
Payments for bonds and investments	(78,140)	(63,082)
Payments for property, plant, equipment	(18,019)	-
Net cash outflow from investing activities	**(451,663)**	**(166,063)**
Cash Flows From Financing Activities		
Proceeds from share issues	318,536	6,901,500
Share issue costs	(7,066)	(480,631)
Net cash inflow from financing activities	**311,470**	**6,420,869**
Net (decrease)/ increase in cash and cash equivalents	(3,420,778)	3,665,972
Cash and cash equivalents at the beginning of the half-year	5,982,970	2,782,895
Exchange difference on cash and cash equivalents	102,908	88,412
Cash and cash equivalents at the end of the half-year	**2,665,100**	**6,537,279**

The accompanying notes form part of these financial statements.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

Note 1: Summary of significant accounting policies

Basis of Preparation

These condensed interim consolidated financial statements for half-year reporting period ended 31 December 2014 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Attila Resources Limited and its controlled entities (referred to as the “Group”). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2014, together with any public announcements made during the following half-year.

Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except in relation to the matters discussed below.

Critical Accounting Estimates and Judgments

The critical estimates and judgments are consistent with those applied and disclosed in the June 2014 annual report.

Going Concern

For the half year ended 31 December 2014, the Group has incurred a loss of $4,229,776 and incurred net cash outflows of $3,280,585 from operating activities. It also has a deficiency in working capital of $11,114,159 as at 31 December 2014 as disclosed in the consolidated statement of financial position. This deficiency principally arises from the convertible notes falling due for repayment within the next 12 months.

As a result of the current financial situation, the Directors have assessed the Group’s ability to continue as a going concern and conclude that a material uncertainty exists based on the following:

- The ability of the company to satisfy the convertible notes liability at due dates is subject to completion of sale of the Company’s main asset, as detailed in note 9 for $US55.3 million ($AUD67.4 million at 31 December 2014); and

- Should the forecast sale not eventuate as expected, the ability of the Group to continue as a going concern will depend on the ability to secure additional funding through disposal of the main asset to other potential buyers, the issue of further shares, debt and / or a refinancing of current convertible notes for a period beyond 12 months from the date of this report. The form, value and timing of such transactions is yet to be determined and will depend on the investment markets, commodity prices and planned exploration and development activities.

Notwithstanding the material uncertainty discussed above, the Board believes that the Group will be able to raise funds through one of the alternatives available. If necessary, the Group will delay discretionary exploration costs and institute cost saving measures to further reduce corporate and administration costs. 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 this financial report.

Note 1: Summary of significant accounting policies (continued)

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.

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. The functional currency of all US subsidiaries is US dollars.

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.

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.

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.

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.

Note 1: Summary of significant accounting policies (continued)

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.

Exploration and Evaluation Expenditure

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

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.

Borrowings

The component of convertible notes that exhibits characteristics of a borrowing is recognised as a liability in the Statement of Financial Position, net of transaction costs. On issue of convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible note and this amount is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds is allocated to the equity component and is recognised in shareholders' equity. The carrying amount of the equity component is not remeasured in subsequent years.

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.

Note 2. Operating segments

(i) Segment performance

	Australia		United States		Eliminations		Consolidated Group	
	Half year ended 31 December		Half year ended 31 December		Half year ended 31 December		Half year ended 31 December	
	2014	2013	2014	2013	2014	2013	2014	2013
	$	$	$	$	$	$	$	$
Other income								
Interest Income	59,603	47,767	168	12,255	-	-	59,771	60,022
Total Income	**59,603**	**47,767**	**168**	**12,255**	**-**	**-**	**59,771**	**60,022**
Segment Result								
Loss after Income Tax	(2,052,047)	(2,509,858)	(2,465,891)	(1,264,089)	288,162	889,841	(4,229,776)	(2,884,106)

(ii) Segment assets

	As at 31 Dec 2014	As at 30 June 2014	As at 31 Dec 2014	As at 30 June 2014	As at 31 Dec 2014	As at 30 June 2014	As at 31 Dec 2014	As at 30 June 2014
	$	$	$	$	$	$	$	$
Assets								
Segment assets	17,149,081	17,588,625	15,820,024	13,521,479	(14,314,267)	(11,608,690)	18,654,838	19,501,124

Note 3: Property, plant and equipment

	Consolidated	
	Half-Year ended 31 December 2014	Year ended 30 June 2014
	$	$
Opening balance	11,316,080	11,505,037
Additions	18,019	1,312
Exchange Differences	1,681,401	(176,794)
Depreciation for the period	(6,989)	(13,475)
Closing balance	**13,008,511**	**11,316,080**

Note 4: Deferred exploration and evaluation expenditure

	Consolidated	
	Half-Year ended 31 December 2014	Year ended 30 June 2014
	$	$
Opening balance	1,321,656	1,239,892
Tenement acquisition costs	355,504	103,407
Exchange Differences	227,170	(21,643)
Total	**1,904,330**	**1,321,656**

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

Note 5: Issued Capital

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

	Half-Year ended 31 December 2014		Year ended 30 June 2014	
	Number of shares	**$**	**Number of shares**	**$**
Opening balance	75,623,404	23,125,607	56,002,606	13,444,148
Conversion of listed options to ordinary shares at $0.20 per listed option			538,698	107,740
Shares Issued on 4 July 2013 @ $0.44 per share	-	-	1,000,000	-
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	5,919,080	-	-	1,183,816
Shares Issued on 11 July 2014 @ $0.20 per share on exercise of listed options	592,680	118,536	-	-
Shares Issued on 8 August 2014 @ $0.20 per share on exercise of unlisted options	1,000,000	200,000	-	-
Shares Issued on 31 December 2014 @ $0.4207 per share as interest on convertible notes	3,799,634	842,301	-	-
Less:				
Costs arising from issue	-	(6,644)	-	(480,631)
	86,934,798	**24,279,800**	**75,623,404**	**23,125,607**

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

Type of option	Number	Exercise price	Exercise date
Unlisted options	1,500,000	$0.29	9 March 2015
Unlisted options	4,000,000	$0.50	28 June 2015
Unlisted options	250,000	$1.25	9 November 2015
Unlisted options	5,500,000	$1.36	30 November 2015
Unlisted options	1,500,000	$1.02	28 March 2016
Unlisted options	1,000,000	$1.14	28 March 2016
Unlisted options	1,000,000	$0.5888	11 March 2017
Unlisted options	500,000	$0.7247	11 March 2017
Unlisted options	1,000,000	$0.5251	15 April 2017
Unlisted options	500,000	$0.6463	15 April 2017
	16,750,000		

Note 5: Issued Capital (Continued)

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

There were no options issued during the half-year ended 31 December 2014.

Total options issued by the Company as at 31 December 2014 are 16,750,000 (30 June 2014: 17,750,000). There are no remaining listed options over ordinary shares since previous unconverted listed options lapsed on expiry in the prior year.

c. Performance rights

As at 31 December 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.

On vesting, performance rights convert into ordinary shares in the Company for no further consideration. These performance rights were 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. $206,685 has been expensed for these performance rights during the half 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. Other equity securities

	Consolidated	
	Half-Year ended 31 December 2014	**Year ended 30 June 2014**
	$	**$**
Value of conversion rights relating to the 12% convertible notes (detailed in Note 6)	404,548	404,548
Total	**404,548**	**404,548**

Note 6: Convertible Notes

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

	Consolidated	
	Half-Year ended 31 December 2014	**Year ended 30 June 2014**
	$	**$**
Secured		
Face value of notes on issue	14,000,000	14,000,000
Transaction costs to be expensed in future periods	(113,230)	(229,682)
Equity portion of convertible notes (note 5(d))	(404,548)	(404,548)
Accrued interest expense	316,610	218,583
	13,798,832	**13,584,353**
This liability is presented as:		
Current liability	13,567,873	12,521,233
Non-current liability	230,959	1,063,120
Total carrying value of liability at 30 June	**13,798,832**	**13,584,353**

No convertible notes were issued or converted during the period ended 31 December 2014.

Note 7: Contingent assets and liabilities

The Group had no contingent assets or liabilities as at 31 December 2014, other than a statement of claim received by the Group in October 2012 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.

The Group has engaged a corporate finance adviser to assist with corporate transactions whereby a third party may acquire an interest in the assets or issued capital of Attila. The corporate finance adviser is to be paid a fee of $500,000 plus 2% of the value ascribed to Attila in excess of $50,000,000 on completion of a successful transaction.

Note 8: Events subsequent to reporting date

The Directors are not aware of any significant events since the end of the interim period.

Note 9: 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 9: Commitments (Continued)

Gurnee Property

In the year ended 30 June 2012, the Group acquired, through its 70% owned subsidiary, Kodiak Mining Company, 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 December 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, 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 (RGGS) 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. This option has been extended to 9 December 2015 with a further extension of the option to 9 December 2016 available for $50,000.

Upper Thompson Seam (option to lease)

On 23 September 2013, the Group announced that its 70% owned subsidiary, Kodiak Mining Company, had entered into an option agreement to lease the Upper Thompson coal seam within its Gurnee Property, from the existing mineral rights holder 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 9: Commitments (Continued)

This option has been extended to 21 August 2015 with a further extension of the option to 21 August 2016 available for $70,000.

Project X – Gholson and Clark Coal Seams Lease

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

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.

Agreement to sell 70% interest in the Kodiak Coking Coal Project for $US55.3 Million

On 24 November 2014, the Group announced that its wholly-owned subsidiary, Attila Resources US Holding Ltd. has entered into a binding Membership Interests Purchase Agreement (Agreement) to sell its 70% interest in Attila Resources US LLC (Attila US) which holds a 100% interest in Kodiak Mining Company LLC (Kodiak) to Magni Resources LLC (Magni Resources), a US limited liability company (Transaction).

Under the Agreement, Attila will sell its 70% interest in Attila US for US$55.3 million. Following completion of the Transaction, Magni Resources will also replace the bonds lodged by Attila with Kodiak.

The Agreement is not subject to due diligence, with a due diligence process having been completed by Magni Resources prior to the terms of the Agreement being finalised. The Agreement is subject to:

- Magni Resources securing financing to complete the Transaction;
- Approval of Attila shareholders at a general meeting of Attila shareholders;
- There being no material adverse effect occurring following the date of the Agreement; and
- Any requisite governmental and third party consents being provided.

Based on information available as at the end of the reporting period date, this potential transaction did not meet the requirements for recognition of assets held for sale in accordance with AASB 5 Non current assets held for sale and discontinued operations.

Note 10: Related Party Transactions and Balances

Kingslane Pty Ltd and associated entities (Kingslane) is a substantial shareholder in the Company and held 11,045,015 ordinary shares in the Company at 31 December 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 convertible notes with initial face values of $4,250,000 convertible into 8,500,000 shares, which were recognised as a liability of $4,256,010 at 31 December 2014 with $218,444 recognised in equity to 31 December 2014. Interest of $255,699 was paid on these Notes during the half year through the issue of 1,153,459 ordinary shares; and
- received $18,000 during the half year for office rent.

Konkera Corporate, a related party of Kingslane Pty Ltd, received $75,000 for company secretarial and administrative services for the half year. Kingslane and Konkera Corporate are related parties of Evan Cranston.

Bellanhouse Legal, a related party of Brynmor Hardcastle, received $25,000 for legal services for the half year.

A party related to Shaun Day held a convertible note with an initial face value of $250,000 convertible into 500,000 shares, which were recognised as a liability of $246,721 at 31 December 2014 with $7,830 recognised in equity to 31 December 2014. Interest of $15,041 was paid on these Notes during the half year through the issue of 67,851 ordinary shares.

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

Note 11: Interest in subsidiaries

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 31 December 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	
		As at 31 December 2014	As at 30 June 2014	As at 31 December 2014	As at 30 June 2014
Attila Resources US Pty Ltd	Australia	100%	100%	-	-
Attila Resources Holding US Ltd	United States of America	100%	100%	-	-
Attila Resources Holding US LLC	United States of America	100%	100%	30%	30%
Kodiak Mining Company LLC	United States of America	70%	70%	30%	30%

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.

Note 11: Interest in subsidiaries (Continued)

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

Set out below is the summarised financial information for each material subsidiary that has a material non-controlling interest.

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.

	Kodiak	
Summarised Financial Position before intra-group eliminations	**As at 31 December 2014**	**As at 30 June 2014**
	$000	**$000**
Current assets	32,785	84,239
Non-current assets	15,867,411	13,394,771
Current liabilities	(18,259,759)	(13,542,401)
Non-current liabilities	(946,887)	(757,035)
Net Liabilities	**(3,306,450)**	**(820,426)**
Carrying amount of non-controlling interests	**-**	**-**

The non-current assets and non-current liabilities of Kodiak include a secured deposit of $946,887 (30 June 2014: $757,035) that is security against a non-current reclamation liability of $946,887 (30 June 2014: $757,035). 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 $18,128,603 (30 June 2014: $13,095,599). These intra-group loan balances are unsecured and at call, so consequently considered current despite the current nature of operations.

	Kodiak	
Summarised Financial Performance before intra-group eliminations	**Half-year Ended 31 December 2014**	**Half-year Ended 31 December 2013**
	$000	**$000**
Other income	168	12,255
Profit/(loss) before income tax	(2,163,932)	(1,247,537)
Income tax expense/income	-	-
Post-tax profit/(loss) from continuing operations	(2,163,932)	(1,247,537)
Post-tax profit/(loss) from discontinued operations	-	-
Other comprehensive income	-	-
Total comprehensive income	**(2,163,932)**	**(1,247,537)**
Profit/(loss) attributable to non-controlling interests	-	-
Distributions paid to non-controlling interests	-	-

Summarised Cash Flow Information before intra-group eliminations	**Kodiak** Half-year Ended 31 December 2014 $000	**Kodiak** Half-year Ended 31 December 2013 $000
Net cash from/(used in) operating activities	(2,324,396)	(1,736,868)
Net cash from/(used in) investing activities	(451,663)	(166,063)
Net cash from/(used in) financing activities	2,841,308	1,911,638
Cash and Cash Equivalents at End of Period	**11,657**	**42,621**

Kodiak's net cash from financing activities for both the current and comparative half-years solely comprised movements in intra-group loan account balances.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 7 to 24 are in accordance with the *Corporations Act 2001* including:

   a. complying with Accounting Standards AASB 134: Interim Financial Reporting; and

   b. giving a true and fair view of the financial position as at 31 December 2014 and of the performance for the half-year ended on that date of the 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 is made in accordance with a resolution of the Board of Directors.

Russell Clark
Non Executive Chairman

Dated this 13th day of March 2015

Independent auditor's review report to the members of Attila Resources Limited

Report on the financial report

We have reviewed the accompanying interim financial report of Attila Resources Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2014, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes 1 to 11 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the interim financial report

The directors of the Company are responsible for the preparation of the interim 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 interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Attila Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Attila Resources limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter – Going Concern

Without modifying our conclusion expressed above, we draw attention to the following matter. As a result of the facts set out in Note 1, there is a material uncertainty which may cast doubt regarding the ability of the Group to continue as a going concern and therefore whether it will be able to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

KPMG

KPMG

Graham Hogg
Partner

Perth

13 March 2015