ATTILA RESOURCES LIMITED

AND CONTROLLED ENTITIES

ABN 53 142 165 080

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 June 2016

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CORPORATE DIRECTORY

Directors

Mr Evan Cranston (Non-Executive Director)
Mr Bryn Hardcastle (Non-Executive Director)
Ms Oonagh Malone (Non-Executive Director)

Company Secretary

Ms Oonagh Malone

Stock Exchange

ASX Codes: AYA
Home Office: Perth

Country of Incorporation and Domicile

Australia

Registered and Business Address

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Auditors

KPMG
235 St Georges Terrace
Perth WA 6000

Share Registry

Security Transfer Registrars Pty Ltd
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Applecross WA 6153
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Solicitors

Bellanhouse Legal
Ground Floor, 11 Ventnor Ave
West Perth WA 6005

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 2016.

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.

Evan Cranston	Non-Executive Director
Bryn Hardcastle	Non-Executive Director
Oonagh Malone	Non-Executive Director *(appointed 4 June 2016)*
Max Brunsdon	Executive Director *(resigned 4 June 2016)*

Information on Directors

Evan Cranston, Non-Executive Director (age 34)

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 as an Executive Director. In April 2015, Mr Cranston transitioned to a non-executive director role.

Other current listed directorships	***Former listed directorships in last 3 years***
Boss Resources Ltd (from 2 May 2012)	Cradle Resources Ltd
Carbine Resources Ltd (from 23 March 2010)	
Clancy Resources Ltd (from 23 October 2014)	
Primary Gold Limited (from 8 March 2016)	

Bryn Hardcastle, Non-Executive Director (age 38)

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.

Other current listed directorships	***Former listed directorships in last 3 years***
Cre8tek Limited (from 6 November 2015)	Nil

Oonagh Malone, Non-Executive Director and Company Secretary (age 41)

Oonagh Malone was appointed as Company Secretary on 10 October 2012. Ms Malone is a principal of a corporate advisory firm which provides company secretarial and administrative services. She has over 7 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, Carbine Resources Ltd, Primary Gold Limited and ZYL Limited.

Ms Malone was appointed as a Director on 4 June 2016.

Other current listed directorships

ZYL Limited (from 19 February 2015)

Former listed directorships in last 3 years

Boss Resources Ltd

Max Brunsdon, Executive Director (age 66)

Max Brunsdon was Executive Director – Marketing for Attila Resources Ltd until his resignation on 4 June 2016. 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 and resigned on 4 June 2016.

Other current listed directorships

Nil

Former listed directorships in last 3 years

Nil

Directors' Meetings

During the financial year ended 30 June 2016, there were 4 meetings of the Board of Directors. The Board acts as Audit and Remuneration Committees. Attendances by each Director during the period were as follows:

	Board of Directors	
Director	**Number Attended**	**Number Eligible to Attend**
Max Brunsdon	3	4
Evan Cranston	4	4
Bryn Hardcastle	4	4
Oonagh Malone	0	0

The Directors made and approved 3 circular resolutions during the financial period ended 30 June 2016.

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 2016. The Group continues discussions with SecurET Pty Ltd regarding a cyber security technology company. The Group cautions investors that the Group is not party to a legally binding acquisition agreement. There is no certainty that any agreement will be reached.

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 $3,172,076 (2015: Loss $3,524,057) after providing for income tax.

Review of Operations

Kodiak Coking Coal Project (Attila 70%)

During the period the Group continued to maintain the Kodiak Coking Coal Project located in the Cahaba Basin, Alabama USA in care and maintenance mode.

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 2016:

- The Company issued the following ordinary shares:
    - 86,934,798 shares following a 1:1 rights issue at $0.02 each to raise $1,738,696;
    - 10,000,000 shares following a placement at $0.02 each to raise $200,000; and
    - 2,649,590 shares on conversion of 2 convertible notes.
- 9,750,000 unlisted options in the Company expired unexercised or were forfeited without vesting during the year.

Matters Subsequent to the End of the Financial Year

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

No 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 (vested on 11 March 2014)	1,000,000	$0.5888	11 March 2017
Unlisted Director Options (vested on 11 March 2015)	500,000	$0.7247	11 March 2017

These Director Options were all held by former Director Russell Clark who was no longer a director during the year.

At the date of this report, the total unissued ordinary shares of Attila Resources Limited under option are 1,500,000.

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
Evan Cranston	-	-	-	-
Bryn Hardcastle	180,000	-	-	-
Oonagh Malone	23,336	-	-	-
Total	**203,336**	**-**	**-**	**-**

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, while at the same time being cognisant of the Company's financial position and activities. The Remuneration Committee, which at the date of this report comprises the full Board, 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 segments' 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 Board through a process that considers individual and overall performance of the Group. In addition, the Board 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. Short term incentives (STIs) are 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 Board 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 Board assesses performance against any KPIs set at the beginning of the financial year. A percentage of the pre-determined maximum amount is awarded depending on results. The Board 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.

KPIs for the year commencing 1 July 2014 were set for the Chief Executive Officer and performance was evaluated at the end of that financial year. On 25 June 2015 the Group committed to pay a short term bonus payment to the Chief Executive Officer of $36,000. This amount was payable by the Company at the CEO's election as either:

(a) cash, subject to the Company completing a fundraising of no less than $2,000,000; or

(b) shares, with the deemed issue price being equal to the issue price of the most recent capital raising undertaken by the Company.

Although the Group expected to settle this $36,000 liability through the issue of shares, this liability was extinguished by a payment in November 2015 of $20,000 to the previous CEO. This agreement to replace the shares to be issued with a $20,000 cash payment has been treated as a forfeiture of $36,000 of previously recognised shares to be issued, followed by recognition of a $20,000 cash termination benefit. The previously recognised $36,000 of shares to be issued has been reversed, and the remaining $16,000 has been kept in the share based payment reserve as it had already vested but was not taken up.

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.

Long term incentives are used to ensure that remuneration of key management personnel reflects the Group's financial performance, with particular emphasis on the Group's earnings and the consequence of the Group's performance on shareholder wealth.

Additional information for consideration of shareholder wealth

This table summarises the earnings of the consolidated entity and other factors that are considered to affect shareholder wealth for the five years to 30 June 2016. Comparative basic losses per share differ from those in previous financial reports because they have been updated to reflect the January 2016 rights issue and the March 2016 placements, in accordance with Australian Accounting Standards.

	2016	**2015**	**2014**	**2013**	**2012**
Loss after income tax attributable to shareholders ($)	(3,722,417)	(6,530,288)	(6,752,119)	(14,082,398)	(942,237)
Share price at financial year end ($)	0.195	0.16	0.38	0.44	0.50
Movement in share price for the year ($)	0.035	(0.22)	(0.06)	(0.06)	0.15
Total dividends declared (cents per share)	-	-	-	-	-
Returns of capital (cents per share)	-	-	-	-	-
Basic loss per share (cents per share)	(2.27)	(4.20)	(5.57)	(17.95)	(2.30)

Compensation of Key Management Personnel

2016	Short-Term Benefits Cash salary and fees $	Post Employment Benefits Superannuation $	Termination benefit	Share-Based Payment - Reversal of shares to be issued $	Total $	Proportion of remuneration performance related %
Non-Executive Directors:						
Evan Cranston	24,000	-		-	24,000	-
Bryn Hardcastle	24,000	-		-	24,000	-
Subtotal Non-Executive Directors	48,000	-		-	48,000	-
Executive Directors:						
Max Brunsdon (i)	22,267	-		-	22,267	-
Subtotal Executive Directors	22,267	-		-	22,267	-
Chief Executive Officer:						
Scott Sullivan (iii)	28,327	6,352	20,000	(20,000)	34,679	-
Company Secretary:						
Oonagh Malone (ii)	30,000	-		-	30,000	-
Total	**128,594**	**6,352**	**20,000**	**(20,000)**	**134,946**	**-**

(i) Resigned 4 June 2016.
(ii) Appointed a director on 4 June 2016 but Company Secretary for full year. No further remuneration paid for Directorship.
(iii) Employment ceased 26 September 2015. $20,000 of previously recognised share based payment was replaced with a termination benefit of $20,000, as detailed on page 11.

2015	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 (i)	45,662	4,338	41,359	91,359	45%
Shaun Day (ii)	28,006	2,661	-	30,667	-
Bryn Hardcastle	40,000	-	-	40,000	-
Alan Thom (ii)	30,667	-	-	30,667	-
Subtotal Non-Executive Directors	144,335	6,998	41,359	192,692	21%
Executive Directors:					
Max Brunsdon	190,000	-	-	190,000	-
Evan Cranston	200,000	`	-	200,000	-
Subtotal Executive Directors	390,000	-	-	390,000	-
Chief Executive Officer:					
Scott Sullivan	262,228	23,750	(26,674)	259,304	-
Company Secretary:					
Oonagh Malone	30,000	-	-	30,000	-
Total	**826,563**	**30,748**	**14,685**	**871,996**	**5%**

(i) Resigned 26 June 2015.
(ii) Resigned 6 April 2015

No expense was recognised for options issued in 2016. The values of options expensed in 2015 as a proportion of remuneration were equal to the proportions of remuneration that are performance related, except for Mr Sullivan, for whom 15% of his 2015 remuneration consisted of options.

Evan Cranston is a director of Konkera Corporate. Konkera Corporate received $120,000 (2015: $120,000) during the year for administrative, bookkeeping and accounting services. The company secretarial fees of $30,000 (2015: $30,000) for Oonagh Malone and Director fees of $24,000 (2015: $200,000) for Evan Cranston were also payable to Konkera Corporate. $24,000 was outstanding to Konkera for director fees at 30 June 2016.

Mr Bryn Hardcastle is a director of Bellanhouse Legal which provided legal services totalling $72,000 (2015: $205,000) in the financial year ended 30 June 2016. $165,000 is outstanding to Bellanhouse Legal at 30 June 2016 (2015: $165,000) for legal services provided in 2015.

No amounts have been recognised for long service leave.

Compensation Options

There were no (2015: nil) compensation options issued to Directors and Key Management Personnel during the year. 7,250,000 options previously granted to Directors and management expired during the year on the expiry dates of the options. 1,000,000 share options with an exercise price on $0.5251 and an expiry date of 15 April 2017, along with 500,000 share options with an exercise price of $0.6463 and an expiry date of 15 April 2017, lapsed on 17 November 2015 following cessation of employment.

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.

2016	**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**
Non-Executive Directors					
Bryn Hardcastle	-	-	-	-	-
Evan Cranston	-	-	-	-	-
Oonagh Malone	-	-	-	-	-
Executive Directors					
Max Brunsdon	-	-	-	-	-
Chief Executive Officer					
Scott Sullivan	-	-	-	-	1,500,000
Total	**-**	**-**	**-**	**-**	**1,500,000**

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 28.

Service Agreements

There were no Executive Directors at 30 June 2016. Before 1 April 2015, Mr Brunsdon and Mr Cranston were on annual base salaries of $240,000 per annum. From 1 April 2015, Mr Brunsdon and Mr Cranston were on annual base salaries of $120,000 per annum. During May and June 2015, Mr Brunsdon's fees were temporarily reduced to $60,000 per annum. From 1 July 2015, all director fees were deferred until the Company became adequately funded. All Director fees were reset to $24,000 per annum on 10 February 2016, with the effect backdated to 1 July 2015. Fees for Mr Cranston since 1 July 2015 have remained unpaid with $24,000 owed at 30 June 2016.

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. The Company Secretary, Ms Malone, is paid fees of $30,000 per annum with no termination period required and no remuneration related to performance. She is not paid any additional fee for her directorship.

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
Evan Cranston	No specified term	$24,000	1 month notice period	-
Bryn Hardcastle	No specified term	$24,000	No notice required to terminate	-

* Base salary quoted is the position as at 30 June 2016; salaries are reviewed at least annually.

Chief Executive Officer

Scott Sullivan was appointed as Chief Executive Officer on 1 April 2014 and Mr Sullivan's employment ceased on 26 September 2015 in accordance with the notice given to him on 25 June 2015.

Mr Sullivan was initially employed 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 could terminate the contract on 3 months' notice and the Executive is entitled to a 12 month payment if made redundant.

In 2014, Mr Sullivan was 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, that lapsed on 17 November 2015 following cessation of employment;
- 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, that lapsed on 17 November 2015 following cessation of employment; 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 could have converted 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 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 were expensed over the expected vesting period of one year from the grant date. $102,219 was expensed for these performance rights during 2014, based on the then expected portion of the vesting period occurring during the year. No amount was expensed for 2015 as the probability of meeting non market vesting conditions was nil. These performance rights were issued to the trustee of the Attila Resources Performance Rights Trust on 25 June 2014.

Effective 1 March 2015, the executive service agreement with Mr Sullivan was amended to reduce his annual base salary to $150,000 per annum plus statutory superannuation.

On 25 June 2015, the original executive service agreement with Mr Sullivan was terminated with the following modifications to the terms of Mr Sullivan's appointment:

- His 3 months termination notice period commenced on that date, but with an option for Mr Sullivan's services to continue beyond the notice period on a monthly basis.
- The Group committed to pay a short term bonus payment to the Mr Sullivan of $36,000. This amount was payable by the Company at Mr Sullivan''s election as either:
  (a) cash, subject to the Company completing a fundraising of no less than $2,000,000; or
  (b) shares, with the deemed issue price being equal to the issue price of the most recent capital raising undertaken by the Company.
  - The Group expected to settle the Short Term Bonus liability through the issue of shares. As the liability was not extinguished by the subsequent termination of the CEO's employment, this was recognised as a commitment to issue shares at 30 June 2015.
  - Subsequently, this short term bonus was renegotiated to be a $20,000 cash payment that was paid during the half year. Consequently the previously recognised $36,000 of shares to be issued has been reversed, and the remaining $16,000 has been kept in the share based payment reserve as it had already vested but was not taken up.
- The vesting period for the 1,000,000 performance rights issued to Mr Sullivan was extended to 25 June 2019 on 25 June 2015. The amount of $102,219 recognised over the expected vesting period in 2014 was reversed at 30 June 2015 as, at 30 June 2015, the probability of meeting the non market vesting conditions was determined to be nil. The subsequent termination of Mr Sullivan's employment made vesting impossible.

Performance rights holdings of Key Management Personnel

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

2016

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
Scott Sullivan	1,000,000	-	-	(1,000,000)	-	-	-

* or date of resignation if before year end.

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:

2016

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	-	-	-	-	-	-	-
Evan Cranston	5,000,000	-	-	(5,000,000)	-	-	-
Bryn Hardcastle	-	-	-	-	-	-	-
Oonagh Malone	250,000	-	-	(250,000)	-	-	-
Scott Sullivan	1,500,000	-	-	-	1,500,000	-	-
	6,750,000	**-**	**-**	**(5,250,000)**	**1,500,000**	**-**	**-**

* or date of appointment if post beginning of the year.
** or date of resignation if before year end. Mr Sullivan's options lapsed in November 2015 following his cessation of employment.

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:

2016

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	-	-	-	-	-
Bryn Hardcastle	90,000	-	-	90,000	180,000
Oonagh Malone	11,668	-	-	11,668	23,336
Scott Sullivan	-	-	-	-	-
	3,907,307	**-**	**-**	**191,668**	**4,008,975**

* 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 2016, to any person who is or has been an auditor of the Company.

Auditor

KPMG 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 2016.

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 2016 has been received and can be found on page 14.

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

Evan Cranston
Non Executive Director

Signed at Perth this 29th day of September 2016

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 audit for the financial year ended 30 June 2016 there have been:

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

(ii) No contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Derek Meates
Partner

Perth

29 September 2016

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Profession Standards Legislation.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	Note	Consolidated 2016 $	Consolidated 2015 $
Finance Income	4	**21,446**	**86,378**
Depreciation and amortisation expense	11	(17,361)	(17,609)
Exploration and evaluation expenditure	4	(815,106)	(2,971,416)
Employee benefits – share based payments	4	-	(14,685)
Employee benefits – other	4	(104,945)	(823,978)
Loss on disposal of property, plant and equipment		(15,080)	
Professional expenses	4	(345,329)	(569,032)
Foreign exchange gain/(loss)		(1,155)	95,002
Impairment of exploration interests	5	(398,188)	-
Finance costs	4	(1,868,409)	(1,888,737)
Other expenses	4	(178,290)	(426,211)
Loss before income tax expense		**(3,722,417)**	**(6,530,288)**
Income tax expense	6	**-**	**-**
Loss for the year		**(3,722,417)**	**(6,530,288)**
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		550,341	3,006,231
Other comprehensive (loss)/ income for the year		550,341	3,006,231
Total comprehensive loss for the year		**(3,172,076)**	**(3,524,057)**
Loss for the year attributable to:			
Members of the parent entity		(3,722,417)	(6,530,288)
		(3,722,417)	**(6,530,288)**
Total comprehensive loss for the year attributable to:			
Members of the parent entity		(3,172,076)	(3,524,057)
		(3,172,076)	**(3,524,057)**
Earnings per share from continuing operations:		**Cents**	**Cents**
Basic loss per share	27	(2.27)	(4.20)
Diluted loss per share	27	(2.27)	(4.20)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Note	Consolidated 2016 $	Consolidated 2015 $
Current Assets			
Cash and cash equivalents	7	1,325,655	1,169,552
Trade and other receivables	8	114,106	35,874
Other current assets	9	4,243	8,718
Total Current Assets		**1,444,004**	**1,214,144**
Non Current Assets			
Other financial assets	10	1,091,196	1,060,027
Property, plant and equipment	11	14,323,361	13,881,582
Deferred exploration, evaluation and development expenditure	5	3,053,375	2,291,577
Intangible assets		3,395	3,395
Total Non Current Assets		**18,471,327**	**17,236,581**
TOTAL ASSETS		**19,915,331**	**18,450,725**
Current Liabilities			
Trade and other payables	12	436,604	366,673
Provisions	14	-	18,531
Borrowings	13	16,198,805	14,860,380
Total Current Liabilities		**16,635,409**	**15,245,584**
Non Current Liabilities			
Other payables	15	796,566	-
Provisions	14	1,045,835	1,011,246
Total Non Current Liabilities		**1,842,401**	**1,011,246**
TOTAL LIABILITIES		**18,477,810**	**16,256,830**
NET ASSETS		**1,437,521**	**2,193,895**
Equity			
Issued capital	16	26,715,502	24,315,800
Reserves	17	7,249,414	6,683,073
Accumulated losses		(32,527,395)	(28,804,978)
TOTAL EQUITY		**1,437,521**	**2,193,895**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR-ENDED 30 JUNE 2016

2016	Ordinary shares $	Accumu-lated Losses $	Foreign Currency Translation Reserve $	Option Reserve $	Perform-ance Rights Reserve $	Total $
Consolidated						
Balance at 1 July 2015	**24,315,800**	**(28,804,978)**	**3,502,537**	**3,180,536**	**-**	**2,193,895**
Comprehensive Income						
Loss for the year	-	(3,722,417)	-	-	-	**(3,722,417)**
Other comprehensive income for the year						
Exchange differences on translation of controlled entities	-	-	550,341	-	-	**550,341**
Total comprehensive income for the year	-	(3,722,417)	550,341	-	-	**3,172,076**
Transactions with owners, in their capacity as owners, and other transfers						
Issue of shares/options	2,468,614	-	-	-	-	**2,468,614**
Payment in cash for previously recognised shares to be issued	(36,000)	-	-	**16,000**	-	**(20,000)**
Costs arising from issues	(32,915)	-	-		-	**(32,915)**
Balance at 30 June 2016	**26,715,502**	**(32,527,395)**	**4,052,878**	**3,196,536**	**-**	**1,437,521**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR-ENDED 30 JUNE 2016

2015	Ordinary shares $	Accumu-lated Losses $	Foreign Currency Translation Reserve $	Option Reserve $	Perform-ance Rights Reserve	Total $
Consolidated						
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 year	-	(6,530,288)	-	-	-	**(6,530,288)**
Other comprehensive income for the year						
Exchange differences on translation of controlled entities	-	-	3,006,231	-	-	**3,006,231**
Total comprehensive income for the year	-	**(6,530,288)**	**3,006,231**	-	-	**(3,524,057)**
Transactions with owners, in their capacity as owners, and other transfers						
Issue of shares/options	1,160,837	-	-	80,904	(102,219)	**1,139,522**
Issue of shares committed at 30 June 2015	36,000	-	-	-	-	**36,000**
Costs arising from issues	(6,644)	-	-	-	-	**(6,644)**
Balance at 30 June 2015	**24,315,800**	**(28,804,978)**	**3,502,537**	**3,180,536**	-	**2,193,895**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE YEAR-ENDED 30 JUNE 2016

	Note	Consolidated 2016 $	2015 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees (inclusive of GST)		(1,497,449)	(4,638,921)
Interest received		21,494	98,613
Financing charges		(66)	(92)
Net cash (outflow) from operating activities	26	**(1,476,021)**	**(4,540,400)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for mining lease interests		(275,951)	(614,477)
Refund of bonds		4,495	-
Payments for bonds and investments		-	(64,129)
Payments for property, plant and equipment		(2,197)	(19,169)
Net cash (outflow) from investing activities		**(273,653)**	**(697,775)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issues		1,938,696	318,536
Share issue costs		(32,912)	(7,066)
Net cash from financing activities		**1,905,784**	**311,470**
Net increase/ (decrease) in cash and cash equivalents		156,110	(4,926,705)
Cash and cash equivalents at the beginning of the financial year		1,169,552	5,982,970
Exchange difference on cash and cash equivalents		(7)	113,287
Cash and cash equivalents at the end of the financial year	7	**1,325,655**	**1,169,552**

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 29th September 2016.

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 2016, the Group has incurred a loss of $3,722,417 (2015: $6,530,288) and generated net cash outflows of $1,476,021 (2015: $4,540,400) 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 $15,191,405 (2015: $14,031,440) as at 30 June 2016 as disclosed in the consolidated statement of financial position.

The deficiency in working capital is primarily due to the convertible notes being due for repayment in cash by 26 June 2017 (refer to note 13).

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.

Based on their assessment, the Directors believe it is appropriate to adopt the going concern basis of preparation for the financial statements and that the Group has the ability to discharge its debts as and when they fall due. This assessment that the Group has the ability to continue as a going concern is dependent on the following:

- Convertible noteholders agreeing to either convert their notes at $0.20 per share, extend the term of their notes (as has occurred previously), or take a direct interest in the Kodiak project in satisfaction of amounts owing;
- Convertible noteholders being repaid from sale of the Kodiak project as the security is specifically against this project;
- continued management of discretionary expenditure and deferral of amounts due to related parties in line with the funds available to the Group;
- capital raising required for new opportunities that arise, including any capital raising required for the Veroguard project; and
- the issue of further shares, debt or a combination of debt and equity.

Notwithstanding the material uncertainty discussed above, the Board believes that the Group will be able to raise funds through one of the alternatives available and/or manage and curtail discretionary expenditure. The company is currently under a voluntary trading suspension and the form and value of potential transactions is yet to be determined but the directors are confident that adequate funding can be put in place for those potential transactions. These potential transactions are not committed.

Note 1: Summary of Significant Accounting Policies (continued)

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.

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 24.

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.

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.

Note 1: Summary of Significant Accounting Policies (continued)

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.

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 in profit or loss. 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 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

Fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated commencing from the time the asset is 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.

Mining plant that was acquired with the acquisition of the Kodiak project is depreciated on a units of production basis. Other plant & equipment and buildings are depreciated on a straight-line basis over the asset's useful life.

Land is not depreciated.

Buildings	25 years	Mining plant	units of production
Motor vehicles	5 years	Other plant and equipment	3-8 years

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.

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) and other indirect taxes

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. 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 is 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 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 wholly within one year have been measured at the amounts expected to be paid when the liability is settled plus related on costs. Employee benefits not expected to be wholly settled within 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 high quality corporate 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 on grant dates 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 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.

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 29 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 on a straight line basis over the lease term.

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

s. Convertible notes

Compound financial instruments issued by the Group comprise convertible notes denominated in Australian dollars that can be converted to ordinary shares at any time before maturity at the option of the holder, where the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognised in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognised.

Note 1: Summary of Significant Accounting Policies (continued)

t. Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution, and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity accounted investee is no longer equity accounted.

u. New and Amended Accounting Policies adopted by the Group

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

v. 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 2018).*

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, it is impracticable at this stage to provide a reasonable estimate of such impact.

- *AASB 15: Revenue from Contracts with Customers and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).*

The Standard establishes a comprehensive framework for determining whether, how much and when revenue is recognised. The potential financial impact of the adoption of AASB 15 on the Group is not yet possible to determine.

Note 1: Summary of Significant Accounting Policies (continued)

- *AASB 16 Leases (applicable for annual reporting periods commencing on or after 1 January 2019).*

This standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the consolidated entity.

The Group has decided against early adoption of these standards and interpretations.

w. 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. 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.

Going concern basis

For the reasons detailed in note 1(a), the financial report is prepared on a going concern basis.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Impairment

The Group assesses each asset or cash generating unit (CGU) (excluding goodwill, which is assessed annually regardless of indicators) at each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, operating costs, future capital requirements, exploration potential, resources and reserves and operating performance. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs.

Given the decline in coal price forecasts during the year ended 30 June 2016, the Directors considered whether an impairment of assets relating to the Kodiak project was required. After considering various factors including sensitivities, the Directors concluded that no impairment was required on the Kodiak assets as the recoverable amount exceeded the carrying value of US $12,903,964 or $AUD17,376,736 at 30 June 2016.

Treatment of convertible notes

The change in terms of the convertible notes (Notes) in 2015 detailed in note 13 were sufficient for the extended Notes to be treated as a new convertible note and not an extension of the previous convertible notes. This leads to the face value of the Notes on issue at 26 June 2015 being increased to include the interest capitalised to that date.

The new notes were valued and classified as a current liability based on the Directors' best expectation that they would be repaid within one year with a 15% redemption premium payable.

In 2016, when the Notes were extended to 26 June 2017, this was in accordance with the terms of the Notes, so the Notes have been valued on the same basis with no additional amounts recognised in equity.

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 non-market performance based vesting conditions, the fair value is equal to the value of the underlying share at the grant date.

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.

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.

c. Segment information

	Australia		United States of America		Elimination		Consolidated Group	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Finance Income								
Interest Income	20,743	85,672	703	706	-	-	21,446	86,378
Total Finance Income	**20,743**	**85,672**	**703**	**706**	**-**	**-**	**21,446**	**86,378**
Segment Result								
Loss after Income Tax	(2,264,383)	(3,683,165)	(1,256,909)	(4,322,256)	(201,125)	1,475,133	(3,722,417)	(6,530,288)
Assets								
Segment Assets	17,933,679	16,451,022	18,573,891	17,161,547	(16,592,239)	(15,161,844)	19,915,331	18,450,725
Liabilities								
Segment Liabilities	(16,462,339)	(15,131,001)	(21,130,768)	(19,684,606)	19,115,297	18,558,777	(18,477,810)	(16,256,830)
Other								
Depreciation and amortisation expense	-	-	(17,361)	(17,609)	-	-	(17,361)	(17,609)
Exploration and evaluation expenditure	-	(37,156)	(815,106)	(2,934,260)	-	-	(815,106)	(2,971,416)
Employee benefits – share based payments	-	(14,685)	-	-	-	-	-	14,685
Employee benefits – other	(104,945)	(823,978)	-	-	-	-	(104,945)	(823,978)
Professional expenses	(345,329)	(569,032)	-	-	-	-	(345,329)	(569,032)
Finance costs	(1,868,409)	(1,888,737)	-	-	-	-	(1,868,409)	(1,888,737)
Other expenses	(178,290)	(425,551)	-	(670)	-	-	(178,290)	(426,211)

Note 4. Loss Before Income Tax

	Consolidated	
	2016	**2015**
	$	**$**
a. Finance Income		
Interest received	21,446	86,378
Total	**21,446**	**86,378**
b. Loss before income tax includes the following specific expenses:		
Employee benefit expenses		
Wages and salaries	98,594	793,229
Share based payments	-	14,685
Other employment expenses	6,351	30,749
	104,945	**838,663**
Other expenses		
Listing fees	32,319	30,777
Share registry expenses	9,570	9,787
Rent expenses	41,376	39,960
Travel expenses	27,378	14,321
Insurance	20,560	29,921
Convertible note transaction costs	-	229,682
Other administrative expenses	47,087	71,673
	178,290	**426,211**
Exploration and evaluation expenditure		
Drilling	-	48,808
Field services	-	211,111
Definitive feasibility study costs	1,236	1,016,953
Other exploration and evaluation expenditure	813,890	1,694,545
	815,106	**2,971,416**
Finance costs		
Interest on convertible notes	1,868,343	1,888,645
Other interest expense	66	92
	1,868,409	**1,888,737**
Professional expenses		
Legal fees	73,307	205,000
Auditor's Remuneration		
- audit or review of financial report	53,428	42,889
Other professional expenses	218,594	321,143
	345,329	**569,032**

Note 5. Deferred exploration and development expenditure

	2016	2015
Opening balance	2,291,577	1,321,656
Tenement acquisition costs during the year (note 22)	1,095,022	614,477
Impairment of relinquished exploration interests	(398,188)	-
Exchange differences	64,964	355,444
Total	**3,053,375**	**2,291,577**

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.

Capitalised acquisition costs are impaired on relinquishment of options or leases over the mineral exploration interest.

Note 6. Income Tax Benefit

a. Tax expense

The components of tax (expense)/income comprise:

	Consolidated 2016 $	Consolidated 2015 $
Current tax	-	-
Deferred tax	-	-
Under/(over) provision in respect of prior years	-	-
	-	**-**

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

	2016 $	2015 $
Loss from continuing operations before income tax expense	3,722,417	(6,530,288)
Tax at the Australian tax rate of 30% (2015: 30%)	(1,116,725)	(1,959,086)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Tax effect of different tax rate of overseas subsidiaries	(145,803)	(384,294)
Share based payments expensed during the year	-	4,406
Capital raising expenditure	(77,925)	(63,646)
Interest on convertible notes expensed during the year	560,503	566,594
Other non-assessable items	215,600	316,638
Other non-deductible items	17,527	(40,560)
Income tax benefits not recognised	546,823	1,559,949
Income tax expense	**-**	**-**

c. Unrecognised deferred tax assets – tax losses

	2016 $	2015 $
Unused tax losses for which no deferred tax asset has been recognised	25,132,337	19,180,345
Potential tax benefit at the Australian tax rate of 30% (2015: 30%) and U.S. tax rate of 40% (2015: 40%)	**9,555,137**	**7,200,075**

The Group has Australian related tax losses for which no deferred tax asset is recognised of $4,977,975 and U.S. related revenue tax losses of $20,154,362 for which no deferred tax asset is recognised. Other than $8,093 of US tax losses that expire in 2021, these US tax losses expire between 2027 and 2036.

d. Unrecognised temporary differences

2016	**Opening balance $**	**Charged to Income $**	**Charged directly to equity $**	**Closing balance $**
Deferred tax assets				
Exchange differences	(356,955)		88,706	(268,249)
Accrued expenses	(16,388)	(34,778)		(51,166)
Capital raising costs	(150,260)		(2,138)	(152,398)
Balance not recognised as at 30 June 2016	**(523,603)**	**(34,778)**	**86,568**	**(471,813)**

2015	**Opening balance $**	**Charged to Income $**	**Charged directly to equity $**	**Closing balance $**
Deferred tax assets				
Exchange differences	(88,835)	-	(268,120)	(356,955)
Accrued expenses	(14,586)	(1,802)	-	(16,388)
Borrowing costs	(2,069)	2069	-	-
Capital raising costs	(211,913)	-	61,653	(150,260)
Balance not recognised as at 30 June 2015	**(317,403)**	**267**	**(206,467)**	**(523,603)**

Note 6. Income Tax Benefit (continued)

The temporary differences and tax losses 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	
	2016	**2015**
	$	**$**
Cash on hand	116	115
Cash at bank	425,539	269,437
Cash on deposit	900,000	900,000
	1,325,655	**1,169,552**

The effective interest rate on cash on deposit was 2.54% (2015: 2.67%).

An amount of $140,619 (2015: $38,518) was held in USD at balance date.

Note 8. Current assets - trade and other receivables

GST receivable	9,395	19,603
Other current receivable	104,711	16,271
	114,106	**35,874**

Note 9. Other current assets

Prepayments	4,243	8,718
	4,243	**8,718**

Note 10. Other financial assets

Non-current		
Deposits held as security guarantees	1,091,196	1,060,027
	1,091,196	**1,060,027**

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 2016						
At cost	316,052	154,592	13,844,221	53,017	6,349	14,374,231
Accumulated depreciation	-	-	(8,388)	(37,479)	(5,003)	(50,870)
	316,052	154,592	13,835,833	15,538	1,346	14,323,361
Movements in carrying value						
Year ended 30 June 2016						
Balance 1 July 2015	305,599	149,479	13,383,364	22,951	20,189	13,881,582
Additions	-	-	-	2,197	-	2,197
Disposals	-	-	-	-	(18,972)	(18,972)
Exchange differences	10,453	5,113	457,871	945	1,533	475,915
Depreciation expense for the year	-	-	(5,402)	(10,555)	(1,404)	(17,361)
Balance at 30 June 2016	**316,052**	**154,592**	**13,835,833**	**15,538**	**1,346**	**14,323,361**

	Land $	Buildings $	Mining Plant $	Motor Vehicle $	Other Plant & Equipment $	Total $
At 30 June 2015						
At cost	305,599	149,479	13,386,352	49,180	41,385	13,931,995
Accumulated depreciation	-	-	(2,988)	(26,229)	(21,196)	(50,413)
	305,599	149,479	13,383,364	22,951	20,189	13,881,582
Movements in carrying value						
Year ended 30 June 2015						
Balance 1 July 2014	249,151	121,868	10,896,661	26,730	21,670	11,316,080
Additions	-	-	19,169	-	-	19,169
Exchange differences	56,448	27,611	2,470,272	5,235	4,376	2,563,942
Depreciation expense for the year	-	-	(2,738)	(9,014)	(5,857)	(17,609)
Balance at 30 June 2015	**305,599**	**149,479**	**13,383,364**	**22,951**	**20,189**	**13,881,582**

Note 12. Current liabilities – trade and other payables

	Consolidated	
	2016 $	2015 $
Unsecured liabilities:		
Trade payables	217,604	296,596
Amounts payable to related party	189,000	10,000
Other payables and accrued expenses	30,000	60,077
Total	**436,604**	**366,673**

Note 13. Borrowings – convertible notes

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

	Consolidated	
	2016	**2015**
	$	**$**
Secured liabilities:		
Face value of Notes on issue	14,307,781	14,837,699
Accrued interest expense	1,891,024	22,681
Total carrying value of liability at 30 June	**16,198,805**	**14,860,380**
This liability is presented as:		
Current liability	16,198,805	14,860,360
Non-current liability	-	-
Total carrying value of liability at 30 June	**16,198,805**	**14,860,380**

Issue of notes

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 contained any conversion features at 30 June 2012, these were treated as secured debt with no equity component at 30 June 2012.

Security

The Notes are secured by a security interest over all assets of the Group's US subsidiaries. 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.

Approval of convertibility

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

On 30 October 2012, 2 further 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 were 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.

Initial recognition

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. (note 16(c))

Extension of term

On 26 June 2015, remaining noteholders agreed to extend the term of the Notes for up to two years with the expiry date now 26 June 2016, or 26 June 2017 at the election of the Company. Payment of interest on the notes is deferred until redemption. Interest expense to 26 June 2015 of $837,699 was capitalised and included in the face value of the notes.

Note 13. Borrowings – convertible notes (continued)

In place of interest, a "Redemption Premium" is payable as follows:

(a) during the period from 26 June 2015 to 26 June 2016: 15% of the total amount owing under each note; or

(b) during the period from 26 June 2016 to 26 June 2017 (if the Company elects to extend the Maturity Date): 30% of the total amount owing under each note.

If the notes are not converted into shares on or before the Maturity Date, the Redemption Premium must be paid by the Company: 50% in cash and 50% in shares (at a share price of 85% of the volume weighted average price of shares in the Company on ASX over the 20 trading days immediately preceding the payment date).

If the Notes are converted on or before the Maturity Date, at the noteholders' option, the Redemption Premium will convert into shares at the Conversion Price. The conversion price was adjusted to $0.20 per share following shareholder approval on 30 November 2015.

The change in terms of the Notes on 26 June 2015 was sufficient to constitute new Notes, for accounting purposes, with the terms detailed. The face value of the new Notes of $14,837,699 is the original $14,000,000 subscription amount for the previous Notes plus $837,699 of capitalised interest that would have been payable on 26 June 2015 on the previous Notes. The new Notes were valued and classified as a current liability based on the Directors' best expectation that they would be repaid within one year with a 15% redemption premium payable. Unamortised capitalised transaction costs of $229,682 were expensed at 26 June 2015.

The new 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 15% - the rate that could be earned on a similar debt instrument without the conversion feature. The nil value of the equity component was calculated as the residual difference between the liability component calculated without the conversion feature and the face value of the Notes.

During 2016, 2 Notes with a total face value of $529,918 were converted to a total 2,649,590 shares at the conversion price of $0.20 per share.

In 2016, the Company elected to extend the Maturity Date of remaining notes to 26 June 2017. To reflect this extension in maturity date, the notes are valued at 30 June 2016 as the present value of the expected $18,600,115 payable on redemption of the remaining notes on 26 June 2016, including the 30% redemption premium, discounted back at a discount rate of 15% to calculated the present value at 30 June 2016.

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.

Note 14. Provisions

	Consolidated	
	2016	**2015**
	$	**$**
Current provision for annual leave		
Balance at 1 July	18,531	6,303
Movement for the year	(18,531)	12,228
Balance at 30 June	**-**	**18,531**
Non-current provision for mine site restoration:		
Balance at 1 July	1,011,246	757,035
Movement for the year	-	83,025
Exchange differences	34,589	171,186
Balance at 30 June	**1,045,835**	**1,011,246**

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 15. Other payables

	Consolidated	
	2016	**2015**
	$	**$**
		-
Present value of expected amount payable for Gurnee lease	796,566	-
	796,566	**-**

As detailed in note 22, the Group has agreed to pay $US750,000 (AUD$1,009,965) on 26 December 2018 or earlier in the event of:

- Sale of coal mined from the area of the Gurnee lease;
- Sale, transfer or assignment of the lease; or
- Sale, transfer or assignment of Kodiak Mining Company LLC, the subsidiary of the Group that is the party to the lease.

This has been recognised as a non-current liability of the group and valued at the future amount payable of $US750,000 (AUD$1,009,965), discounted at a market interest rate of 10%pa from the expected payment date of 26 December 2018 back to the year end date of 30 June 2016.

Note 16. Issued capital

	Consolidated	
	2016	**2015**
	$	**$**
186,519,186 (2015: 86,934,798) fully paid ordinary shares	26,310,954	23,875,252
	26,310,954	23,875,252
Nil (2015: 5,919,080) fully paid ordinary shares to be issued		-
Shares to be issued recognised as a share based payment	-	36,000
Other equity securities (note 16(c))	404,548	404,548
	26,715,502	**24,315,800**

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.

Note 16. Issued capital (continued)

Issue of ordinary shares and other equity instruments during the year

	Consolidated			
	2016		2015	
	Number of shares	$	Number of shares	$
Opening balance	**86,934,798**	**24,315,800**	**75,623,404**	**23,125,607**
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	-
Shares issued 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 @ $0.2217 per share as interest on convertible notes			3,799,634	842,301
Shares expected to be issued due to short term bonus payment that was committed to on 25 June 2015, but reversed in 2016		(36,000)	-	36,000
Shares issued 7 January 2016 @ $0.02 per share following a rights issue	41,455,622	829,112		
Shares issued 3 February 2016 @ $0.20 per share on conversion of convertible note	1,324,795	264,959		
Shares issued 24 February 2016 @ $0.20 per share on conversion of convertible note	1,324,795	264,959		
Shares issued 1 March 2016 @ $0.02 for shortfall of rights issue	45,479,176	909,584		
Shares issued 1 March 2016 @ $0.02 in placement	10,000,000	200,000		
Costs arising of issue	-	(32,912)	-	(6,644)
	186,519,186	**26,715,502**	**86,934,798**	**24,315,800**

On 25 June 2015 the Group committed to pay a short term bonus payment to the Chief Executive Officer (CEO) of $36,000. This amount is payable by the Company at the CEO’s election as either:

(a) cash, subject to the Company completing a fundraising of no less than $2,000,000; or

(b) shares, with the deemed issue price being equal to the issue price of the most recent capital raising undertaken by the Company.

The Group expected to settle this liability through the issue of shares. Subsequent to 30 June 2015, the former CEO agreed to receive a cash payment of $20,000 in lieu of the previously agreed $36,000 in shares. Consequently, the previously recognised $36,000 of shares to be issued has been reversed at 30 June 2016.

Note 16. Issued capital (continued)

Options over ordinary shares

As at 30 June 2016, there were 1,500,000 (2015: 11,250,000) unlisted options over ordinary shares in the Company. The fair value of unlisted options granted for nil consideration during the year ended 30 June 2016 was nil (2015: NIL).

As at 30 June 2016, there were nil (2015: nil) listed options over ordinary shares in the Company.

Unlisted Options	Expiry date	Number of options	Remaining contractual life	Exercise price $
Options issued 11 March 2014	11 March 2017	1,000,000	0.70	0.5888
Options issued 11 March 2014*	11 March 2017	500,000	0.70	0.7247
Average			**0.70**	**0.6341**

* These options vested on 11 March 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 2016 are 1,500,000 (2015: 11,250,000). The weighted average contractual life is 0.70 years (2015: 0.84 years). The weighted average exercise price is $0.63 (2015: $0.84).

a. Performance rights

As at 30 June 2016, there were nil (2015: 1,000,000) performance rights over ordinary shares on issue.

Performance rights were to 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 were to 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 were expensed over the expected vesting period of one year from the grant date. In 2015 $102,219 was reversed for these performance rights, because the probability of meeting non market vesting conditions was nil. These performance rights were issued to the trustee of the Attila Resources Performance Rights Trust on 25 June 2014.

Following the termination of the CEO's employment subsequent to 30 June 2015, the performance rights became incapable of vesting, leading to the reversal of all amounts previously recognised over the vesting period for these performance rights. At 30 June 2015 the probability of meeting the non market vesting conditions was determined to be nil.

b. 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.

Note 16. Issued capital (continued)

c. Other equity securities

	Consolidated	
	2016	**2015**
	$	**$**
Opening balance (value of equity component of convertible notes – refer to note 13)	404,548	404,548
Total	**404,548**	**404,548**

Note 17. Reserves

Options reserve	3,196,536	3,180,536
Performance rights reserve	-	-
Foreign currency translation	4,052,878	3,502,537
	7,249,414	**6,683,073**

Movements

Options reserve		
Opening balance	3,180,536	3,099,632
Share based payment reclassified from shares to be issued on renegotiation of bonus payment for CEO from $36,000 in shares to be issued, to $20,000 in cash.	16,000	-
Options (unlisted) issued during the year	-	80,904
Balance as at 30 June	**3,196,536**	**3,180,536**

The Options reserve records items recognised as expenses on valuation of employee share options and options issued to external parties.

	Consolidated	
	2016	**2015**
	$	**$**
Performance rights reserve		
Opening balance	-	102,219
Performance rights issued during the year	-	-
Reversal of amount previously recognised over vesting period	-	(102,219)
Balance as at 30 June	**-**	**-**

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

Exchange differences on translation of foreign controlled entities		
Opening balance	3,502,537	496,306
Foreign currency translation	550,341	3,006,231
Balance as at 30 June	**4,052,878**	**3,502,537**

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

Note 17. Reserves (continued)

All US subsidiaries have a functional currency of $US. At 30 June 2016, the US subsidiaries had net assets, exclusive of intragroup balances, of $US12,296,283 or $AUD16,558,420 (2015: $US12,374,642 or $AUD16,112,815) at the 2016 year end AUD:USD foreign exchange rate of 0.7426 (2015: 0.7680). In 2016, the net assets of US subsidiaries excluding intragroup balances increased by $AUD445,605 (2015: $AUD3,789,281) after functional currency translation. Without functional currency translation, this would have been a decrease of $US78,359 or $AUD107,592 at the average AUD:USD foreign exchange rate for the year of 0.7283 (2015: increase of $US765,873 or $AUD913,929 at the average AUD:USD foreign exchange rate for the year of 0.8380). Other movements in the foreign currency translation reserve are due to revenue and expense balances being translated at the average exchange rate for the year while equity items are never revalued after initial recognition.

Note 18. Financial instruments

Financial Risk Management

The Group's principal financial instruments are cash, receivables, deposits held as security guarantees, and payables (including convertible notes).

Overview

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

- 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.

	Consolidated	
	2016	**2015**
	$	**$**
Financial Assets		
Cash and cash equivalents	1,325,655	1,169,552
Trade and other receivables	114,106	35,874
Non current other financial assets	1,091,196	1,060,027
	2,530,957	**2,265,453**
Financial Liabilities		
Trade and other payables	436,604	366,673
Current convertible notes	16,198,805	14,860,380
Other payables	796,566	-
	17,431,975	**15,227,053**

Note 18. Financial instruments (continued)

Non current other financial assets of $1,091,196 (2015: $1,060,027) consist of security deposits of $40,000 (2015: $40,000) plus an environmental bond denominated in USD of $1,051,196 (2015: $1,020,027).

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 of 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 $16,198,805 (2015: $14,860,380) 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. Refer to note 1(a) Going concern for further details of liquidity risk management.

The Group has access to a credit card facility totalling $40,000 (2015: $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 2016			**Consolidated**		
Non derivative financial liabilities:	**Carrying Amount**	**Under 6 Months**	**6 – 12 Months**	**1 - 2 years**	**2 – 5 years**
Trade and other payables (note 12)	436,604	436,604	-	-	-
Convertible notes (note 13)	16,198,805	-	18,600,115	-	-
Other payables (note 15)	796,566	-	-	1,009,965	-
	17,431,975	**436,604**	**18,600,115**	**1,009,965**	**-**

At 30 June 2015			**Consolidated**		
Non derivative financial liabilities:	**Carrying Amount**	**Under 6 Months**	**6 – 12 Months**	**1 - 2 years**	**2 – 5 years**
Trade and other payables (note 12)	366,673	366,673	-	-	-
Convertible notes (note 13)	14,860,380	-	17,063,354	-	-
	15,227,053	**366,673**	**17,063,354**	**-**	**-**

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. The convertible notes on issue at 30 June 2016 are expected to be repaid on 26 June 2017 unless converted by shareholders or extended by mutual agreement.

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.

Note 18. Financial instruments (continued)

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:

2016	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	1.93	281,086	900,000	-	144,569	1,325,655
Trade and other receivables	-	-	-	-	114,106	114,106
Non current other financial assets	0.17	-	40,000	1,051,196	-	1,091,196
Financial Liabilities						
Trade and other payables	-	-	-	-	(436,604)	(436,604)
Convertible Notes	15.00	-	(16,198,805)	-	-	(16,198,805)
Other payables	10.00	-	-	(796,566)	-	(796,566)
Net Financial Assets		**281,086**	**(15,258,805)**	**254,630**	**(177,929)**	**(14,901,018)**

2015	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	2.37	250,289	900,000	-	19,263	1,169,552
Trade and other receivables	-	-	-	-	35,874	35,874
Non current other financial assets	0.18	-	40,000	1,020,027	-	1,060,027
Financial Liabilities						
Trade and other payables	-	-	-	-	(366,673)	(366,673)
Convertible Notes	15.00	-	(14,860,380)	-	-	(14,860,380)
Net Financial Assets		**250,289**	**(13,920,380)**	**1,020,027-**	**(311,536)**	**(12,961,600)**

Note 18. Financial instruments (continued)

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

2016		**-1%**		**+1%**	
	Carrying Amount	**Profit**	**Equity**	**Profit**	**Equity**
	$	**$**	**$**	**$**	**$**
Cash and cash equivalents	1,325,655	(11,811)	(11,811)	11,811	11,811
Trade and other receivables	114,106	-	-		-
Non-current other financial assets	1,091,196	(400)	(400)	400	400
Trade and other payables	(436,604)	-	-	-	-
Convertible Notes	(16,198,805)	-	-	-	-
Other payables	(796,566)	-	-	-	-
Total increase/(decrease)	**(14,901,018)**	**(12,211)**	**(12,211)**	**12,211**	**12,211**

2015		**-1%**		**+1%**	
	Carrying Amount	**Profit**	**Equity**	**Profit**	**Equity**
	$	**$**	**$**	**$**	**$**
Cash and cash equivalents	1,169,552	(11,503)	(11,503)	11,503	11,503
Trade and other receivables	35,874	-	-	-	-
Non-current other financial assets	1,060,027	(400)	(400)	400	400
Trade and other payables	(366,673)	-	-	-	-
Convertible Notes	(14,860,380)	-	-	-	-
Total increase/(decrease)	**(12,961,600)**	**(11,903)**	**(11,903)**	**11,903**	**11,903**

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.

Note 18. Financial instruments (continued)

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 presentation currency.

2016	Net Financial Assets/(Liabilities) in $AUD	
	USD	Total
Consolidated Group	320,599	320,599

2015	Net Financial Assets/(Liabilities) in $AUD	
	USD	Total
Consolidated Group	951,609	951,609

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 $32,060 loss; AUD $32,060 gain (2015: AUD $95,161 loss; AUD $95,161 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.

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. The convertible notes are valued using an income approach using level 3 inputs.

Note 19. Interests of Key Management Personnel

Refer to the remuneration report contained in the Directors' Report for additional details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2016.

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	Termination Payments	Share-Based Payments	Total KMP Compensation
	$	$	$	$	$
2016 Total	128,594	6,352	20,000	(20,000)	134,946
2015 Total	826,563	30,748	-	14,685	871,996

Note 19. Interests of Key Management Personnel (continued)

Performance rights holdings of Key Management Personnel

The former CEO, Scott Sullivan, was granted and issued 1,000,000 performance rights during the year ended 30 June 2014, that did not vest during 2014 or 2015 and were held at 30 June 2015. There were no other performance rights transactions or balances during 2014 or 2015. The vesting period for the 1,000,000 performance rights issued to Mr Sullivan was extended to 25 June 2019. $102,219 was expensed for these performance rights during 2014, based on the then expected portion of the vesting period occurring during the year. This $102,219 was reversed in 2015 as the probability of meeting non market vesting conditions was nil. These performance rights were cancelled in 2016 following his cessation of employment

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	
	2016	**2015**
	$	**$**
Remuneration of the auditors for:		
- Audit or review of the financial report	53,428	42,889
Total	**53,428**	**42,889**

Note 21. Contingent Liabilities and Contingent Assets

The Group has no outstanding contingent assets or contingent liabilities at 30 June 2016, 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.

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 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, an option over a coal lease for the Atkins and Coke coal beds at the Gurnee Property. This option was exercised on 27 December 2012.

The resulting 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$15,000 (AUD$20,199) per month commencing in December 2014. The minimum royalty payments will be offset against future actual production royalty payments.

This lease has been extended to 26 December 2018 in consideration for the Group agreeing to pay $US750,000 (AUD$1,009,965) on 26 December 2018 or earlier in the event of:

- Sale of coal mined from the leased area;
- Sale, transfer or assignment of the lease; or
- Sale, transfer or assignment of Kodiak Mining Company LLC, the subsidiary of the Group that is the party to the lease.

This agreement to pay $US750,000 (AUD$1,009,965) has been recognised as a noncurrent liability of the group as detailed in note 15.

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 paid in 2014;
- Term of the lease has been revised to be until 22 August 2019; and
- Royalty of 8% on net coal sales at mine gate with a minimum monthly royalty of $US3,000 (AUD$4,040) from August 2014 to January 2016. This Minimum royalty payment reduced to $US1,000 (AUD$1,347) from February 2016 to August 2016, before increasing to $US2,000 (AUD$2,693) per month from September 2016 until expiry on 22 August 2019. Minimum royalty payments cannot be offset against future actual production royalty payments.

Other commitments due within 1 year

	Consolidated	
	2016	**2015**
	$	**$**
Operating lease of office premises	30,000	18,000
Professional fees	37,500	37,500
Executive fees	2,000	59,238
US Consultants	11,166	21,801
Total	**80,666**	**136,539**

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 22,090,028 (2015: 11,045,014) ordinary shares in the Company at 30 June 2016. 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 face values of $4,504,301 (2015: $4,504,301) convertible into 22,521,506 (2015: 9,008,602) shares, that were recognised as a current liability of $5,099,624 (2015: current liability of $4,511,187) at 30 June 2016. Interest of nil (2015: $255,697) was paid on these Notes during the year through the issue of nil (2015: 1,153,459) ordinary shares and interest of $254,301 was capitalised when the Notes were extended on 26 June 2015.
- Received $39,000 (2015: $36,000) during the year for office rent.

Evan Cranston is a director of Konkera Corporate. Konkera Corporate received $120,000 (2015: $120,000) during the year for administrative, bookkeeping and accounting services. The company secretarial fees of $30,000 (2015: $30,000) for Oonagh Malone and Director fees of $24,000 (2015: $200,000) for Evan Cranston were also payable to Konkera Corporate. $24,000 was outstanding to Konkera for director fees at 30 June 2016.

Mr Bryn Hardcastle is a director of Bellanhouse Legal which provided legal services totalling $72,000 (2015: $205,000) in the financial year ended 30 June 2016. $165,000 is outstanding to Bellanhouse Legal at 30 June 2016 (2015: $165,000) for legal services provided in 2015.

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

Note 24. 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 2016. 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	
		2016	2015	2016	2015
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 24. Controlled entities (continued)

Summarised Financial Information of Subsidiaries with Material Non-controlling Interests

The 30% non-controlling interests in Attila Resources US LLC and Kodiak Mining Company LLC (Kodiak) had nil value at the date of acquisition because the value at the date of acquisition of the business combination was calculated by deducting Attila's convertible note liability from the fair value of the Kodiak minority shareholders' proportionate interests in 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.

In accordance with the agreements with the Kodiak minority shareholders, subsequent to acquisition, all funding towards the feasibility study and operations of Kodiak is to be funded and borne by Attila resulting in a free carry for the non-controlling interests until a decision to mine is made. Once a decision to mine is made capital contributions made by Attila will be refunded in priority to normal equity distributions to Kodiak equity holders. Attila considers that this is an arrangement to share profits (losses) in a manner other than in proportion to their ownership interests. Accordingly, Attila has reflected this profit-sharing arrangement when attributing the profit or loss and OCI of Kodiak, resulting in the non-controlling interest being carried at nil value.

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	**2016**	**2015**
	$	**$**
Current assets	145,161	56,784
Non-current assets	18,443,639	17,193,186
Current liabilities	(23,260,907)	(21,357,102)
Non-current liabilities	(1,842,400)	(1,011,246)
Net Assets	**(6,514,507)**	**(5,118,378)**
Carrying amount of non-controlling interests	**-**	**-**

The non-current assets and non-current liabilities of Kodiak include a secured deposit of $1,051,196 (30 June 2015: $1,011,246) that is security against a non-current reclamation liability of $1,045,835 (30 June 2015: $1,011,246). 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 $23,072,129 (30 June 2015: $21,230,987). These intra-group loan balances are unsecured and at call, so consequently considered current.

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	**2016**	**2015**
	$	**$**
Revenue	-	-
Loss before income tax	(1,245,034)	(3,752,699)
Income tax expense/income	-	-
Post-tax loss from continuing operations	(1,245,034)	(3,752,699)
Post-tax loss from discontinued operations	-	-
Other comprehensive income	-	-
Total comprehensive income	**(1,245,034)**	**(3,752,699)**
Profit/(loss) attributable to non-controlling interests	-	-
Distributions paid to non-controlling interests	-	-

Note 24. Controlled entities (continued)

Summarised Cash Flow Information before intra-group eliminations	**2016**	**2015**
	$	**$**
Net cash from/(used in) operating activities	(848,599)	(3,973,552)
Net cash from/(used in) investing activities	(280,518)	(716,775)
Net cash from/(used in) financing activities	1,136,846	4,736,687
Cash and Cash Equivalents at End of Year	**46,457**	**37,605**

Kodiak's net cash from financing activities for both 2016 and 2015 solely comprised movements in intra-group loan account balances.

Note 25. Events occurring after reporting period

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

No 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 26. Cash-flow information

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

	Consolidated	
	2016	**2015**
	$	**$**
Loss after income tax	(3,722,417)	(6,530,288)
Non-cashflows in loss:		
Depreciation and amortisation	17,361	17,609
Share-based payments	-	14,685
Interest on convertible notes paid in equity instruments	-	842,301
Impairment of exploration interests	398,188	-
Loss on disposal of property, plant and equipment	15,080	-
Changes in assets and liabilities net of effects of purchase of subsidiaries:		
Increase/ (decrease) in trade and other receivables	(78,232)	2,295
Decrease in prepayments	4,475	14,101
Increase/ (decrease) in trade and other payables	69,931	(237,686)
Increase in borrowings due to accrued interest payable and expensing of capitalised borrowing costs	1,868,343	1,276,027
(Decrease)/ increase in provisions	(18,531)	12,228
Exchange differences	(30,219)	48,328
Net cash used in operating activities	**(1,476,021)**	**(4,540,400)**

b. Acquisition of subsidiaries

No subsidiary or business combination was acquired in 2016 or 2015.

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 2016 (2015:nil) except as disclosed in note 16 related to the issue of ordinary shares as a result of conversion of notes.

Note 27. Earnings per share

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

	Consolidated	
	2016	**2015**
	$	**$**
Basic / dilutive earnings per share		
Basic loss per share (cents per share)	(2.27)	(4.20)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share	164,033,002	155,562,080
Net loss used in the calculation of basic earnings per share	**(3,722,417)**	**(6,530,288)**

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.

The comparative basic loss per share differs from the previous financial report because it has been updated to reflect the January 2016 rights issue and the March 2016 placements, in accordance with Australian Accounting Standards.

Note 28. Share Based Payments

Options

No options were granted in 2016 or 2015. Amounts were recognised over the vesting periods for previously granted options in 2015. No amounts were recognised over vesting periods for previously granted options in 2016.

The total share based payment expense for options during the year ended 30 June 2016 was $nil (2015: $80,904).

Note 28. Share Based Payments (continued)

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.

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 2014	13,750,000	0.9380
Granted	-	-
Forfeited	-	-
Exercised	(1,000,000)	0.2000
Expired	(1,500,000)	0.2900
Options outstanding as at 30 June 2015	11,250,000	1.0899
Granted	-	-
Forfeited	(1,500,000)	0.5655
Exercised	-	-
Expired	(8,250,000)	1.2682
Options outstanding as at 30 June 2016	1,500,000	0.6341
Options exercisable as at 30 June 2016	1,500,000	0.6341
Options exercisable as at 30 June 2015	11,250,000	1.0899

The weighted average remaining contractual life of options outstanding at year end was 0.70 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 nil (2015: nil).

Performance Rights

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

Shares to be issued

On 25 June 2015 the Group committed to pay a short term bonus payment to the Chief Executive Officer (CEO) of $36,000. This amount was payable by the Company at the CEO's election as either:

(a) cash, subject to the Company completing a fundraising of no less than $2,000,000; or

(b) shares, with the deemed issue price being equal to the issue price of the most recent capital raising undertaken by the Company.

Following the CEO's cessation of employment, the Group agreed to replace these shares to be issued with a cash payment of $20,000. Consequently, the $36,000 recognised in 2015 has been reversed with $16,000 recognised in the option reserve to reflect this.

Note 29. 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	
	2016	2015
	$	$
Assets		
Current assets	1,298,315	1,168,687
Non current assets	16,635,364	15,282,335
Total Assets	**17,933,679**	**16,451,022**
Liabilities		
Current liabilities	16,462,339	15,131,002
Non current liabilities	-	-
Total Liabilities	**16,462,339**	**15,131,002**
Net Assets	**1,471,340**	**1,320,020**
Equity		
Issued capital	26,715,502	24,315,800
Reserves	3,196,536	3,180,536
Accumulated losses	(28,440,699)	(26,176,316)
Total Equity	**1,471,339**	**1,320,020**
Statement of Profit or Loss and Comprehensive Income		
Total loss	(2,264,383)	(3,683,165)
Total comprehensive loss	**(2,264,383)**	**(3,683,165)**

Guarantees

There are no guarantees entered into by the parent entity in the financial year ended 30 June 2016 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 20, the Company intends to defend this matter.

Contractual commitments

At 30 June 2016, Attila Resources Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment (2015: nil).

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 15 to 57 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 2016 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 2016.

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

Evan Cranston
Non Executive Director

Dated this 29th day of September 2016

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 (the company), which comprises the consolidated statement of financial position as at 30 June 2016, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1-29 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 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 Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

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 judgement, 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 of the financial report that gives a true and fair view 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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Independence

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

Auditor's opinion

In our opinion:

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

 (i) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

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

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

Emphasis of Matter – Going Concern

Without modifying our opinion expressed above, we draw attention to the following matter. As a result of the facts set out in Note 1, in particular, the ability to refinance, extend or repay the convertible notes which are due 26 June 2017, 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.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 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 auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Attila Resources Limited for the year ended 30 June 2016, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Derek Meates

Partner

Perth

29 September 2016