



ATTILA RESOURCES
LIMITED

AND CONTROLLED ENTITIES

ABN 53 142 165 080

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2012

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CORPORATE DIRECTORY

DIRECTORS

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

COMPANY SECRETARY

Ms Oonagh Malone

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ASX CODES

AYA
AYAO (20c expiry 29 June 2014)

COUNTRY OF INCORPORATION AND DOMICILE

Australia

DIRECTORS' REPORT

The Directors present their report, together with the financial statements, of 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 half-year ended 31 December 2012.

Directors

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

Max Brunsdon	(appointed 12 October 2012)
Evan Cranston	(appointed 12 October 2012)
Shaun Day	(appointed 21 January 2013)
Brynmor Hardcastle	
Grant Mooney	(resigned 12 October 2012)
Leigh Ryan	(resigned 21 January 2013)
Zlad Sas	(resigned 12 October 2012)
Alan Thom	(appointed 30 October 2012)

Review of Operations

The operating loss of the consolidated entity for the six months after providing for income tax amounted to \$8,296,769 (2011: \$295,742).

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

Following the acquisition of the Kodiak Hard Coking Coal Project in Alabama, the Group commenced a 12,400 metre diamond core drill program on the Gurnee Property in July 2012 with the initial aim of converting the 80-100Mt exploration target into a JORC Compliant Resource. In October 2012, the Company was pleased to announce that a maiden JORC Compliant Inferred Resource of 81Mt had been defined.

The Inferred Resource has been defined by Attila's independent consultants, Stagg Resource Consultants Inc. and is based on data collected by the Company from the first eleven holes from its Phase 1 diamond core drilling and sampling program and from historic data acquired from the property owner and from prior operators.

On 20 December 2012, the Group announced that it had finalised the formal documentation for the option to acquire additional coal leases at the Seymour Property. The Seymour Property is located approximately 3.5 kilometres south of the existing infrastructure and 81MT Inferred JORC Compliant Resource on the Gurnee Property with the two properties collectively forming the Kodiak Hard Coking Coal Project. The Resource at the Gurnee Property is based on the Atkins and Coke coal seams which continue along strike and outcrop on the Seymour Property. The close proximity to the existing infrastructure, including a wash plant and rail load out facility, on the Gurnee Property will significantly reduce future capital requirements for any potential development on the Seymour Property.

Pursuant to the Option, the Company has secured the mining rights to up to 4 coal seams which are found throughout the Seymour Property. The uppermost of these, the Upper Thompson, underlies the central and eastern portion of the property, with the next lowest, the Coke and Atkins seams, underlying the major portion of the property. The stratigraphically lowest seam, the Big Bone, underlies the entire property. All beds dip to the southeast into the Daily Basin, a sub-unit of the larger Cahaba Basin within which the property lies. All beds with the exception of the Big Bone seam have been surface mined along the majority of their outcrop with the resultant highwalls providing sites for the development of potential low cost underground mines.

Approximately 75 coal bed methane (CBM) wells and 9 diamond core holes are located on the Seymour Property. Additionally, data exists from historic prospecting and sampling along the seams' outcrops. Although the geophysical logs from the historic CBM wells and the geologic logs of the historic diamond core drill logs provide extremely useful information when assessing the thickness of the individual coal seams, further diamond hole core drilling will have to be undertaken in order to estimate a JORC compliant resource.

The coal appears to be of a high quality as determined from historic drilling and prospecting, with washed coal having a low ash and sulphur content and high fixed carbon content, making it suitable for export metallurgical markets or in blending for domestic markets.

The Atkins, Coke and Upper Thompson coal seams typically range in thickness between 0.75 metres to 2.1 metres on the Seymour Property, with averages in the range of 1.0 metres to 1.6 metres; these are slightly thicker than the same seams on the Gurnee Property. Based on the historical drilling that is available from the Seymour Property and from adjacent properties, Stagg Resource Consultants Inc has determined that the Seymour Property contains an exploration target in these 3 seams in the combined range of 42 to 48 million tonnes of hard coking coal¹.

Additionally, based on the historical drilling that is available, Stagg has determined that the Seymour Property contains an exploration target in the Big Bone seam of the order of up to 45 million tonnes¹. This seam, which has a slightly higher ash content than the typical ash content of the Gurnee seams of about 6%, is considered to have longer term potential for use as a blend in a hard coking coal product. This seam typically ranges in thickness between 2 and 3 metres. A detailed drilling program will be undertaken to further assess the quality of the coal and define a resource to JORC standards.

Stagg has determined that the quality of washed coal on a dry basis from the Atkins, Coke and Upper Thompson coal seams is likely to be in the range of 3 to 8 percent ash, 0.3 to 0.9 percent sulphur, 33 to 37 percent volatile matter, 55 to 61 percent fixed carbon and 7,900 to 8,100 kcal/kg heat content. Although there is extremely limited data regarding the Free Swelling Index (FSI) and fluidities of coal from these three seams, it is Stagg's opinion, based on knowledge from surrounding areas, that FSI's in the range of 6 to 9 are likely to be typical, with fluidities likely to be in the range of 15,000 to 30,000 DDPM over much of the property. The quality of the washed coal from the Big Bone seam is also very good based on the limited data available. Detailed studies of the Big Bone coal quality and washability will be undertaken to establish its market niches.

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

In September 2012, the Company completed a step-out drill program at its Talisker North Thermal Coal Project which intersected the same coal seam (named the Verona seam) in 13 holes. This program followed the coal discovery made by Attila Resources last year where a 4 metre seam was intersected at a depth of 50 metres in drill hole Tal-006. 21 aircore holes for a total of 1,459 metres were drilled on grid spacings of 200 metres or 400 metres stepping out from drill hole Tal-006 (Figure 5) with 8 holes failing to reach target depth due to adverse drilling conditions. The intercepts range between 3.5 metres to 4.3 metres in thickness at depths of between 47 metres to 91 metres over an area of approximately 50 hectares.

All holes of interest were logged with down-hole geophysical tools. The Verona coal seam is consistent in thickness and depth trending in a south-westerly and north-easterly direction of drill hole Tal-006, parallel with the axis of the syncline. However, traversing the syncline in a north-westerly direction, the seam appears to be deepening approximately 20m to 25m for every 400m of horizontal step-out. This equates to a 3 degrees dip for the coal seam. The drill program also involved re-entering and drilling deeper hole Tal-005 which is approximately 800m to the north-west of discovery hole Tal-006. A 3.6 metre interval of the Verona coal seam was intersected at 91m depth in hole Tal-005 suggesting that further to the north-west of hole Tal-005, the seam may be deepening further.

¹ **This exploration target is not a Mineral Resource. The potential quality and grade is conceptual in nature and there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource.*

With this in mind, the Company is considering another drill program (subject to heritage survey clearance) along a line extending 10 kilometres to the south-west of drill hole Tal-006, parallel with the axis of the syncline and stepping out to the north-west. Using this approach, Attila will be refining its exploration target at Talisker North of *50 to 100 million tonnes of sub-bituminous coal (see qualification at end of report).

A 100kg sample of the coal was obtained in the recent drilling program for metallurgical and washability testing to assist in determining the export quality of the coal at Talisker North. The thermal coal recovered previously from discovery hole Tal-006 at Talisker North compares favourably in quality to the sub-bituminous coal found at Collie which is suitable for power generation.

Cotters Run Gold Project, WA (Attila Resources Ltd 100%)

The Cotters Run Project comprises a three-block exploration license E15/1120 that covers a known gold occurrence within the structural corridor of the strongly-mineralised St Ives-Junction Gold Belt (>8moz endowment).

No significant work was conducted on the Project during the period. Subsequent to the end of the period, the Group relinquished the tenement.

Lefroy Gold Project, WA (Attila Resources Limited 100%)

The Lefroy Project comprises two exploration license applications in an area 80 kilometres southeast of Kalgoorlie. E15/1227 is an eight-block (23km²) license covering a segment of greenstone terrain within the prospective Hogans Find structural zone located 19 kilometres east of Kambalda. E15/1228 is a 9 block (26km²) application a further 8 kilometres to the east that contains magnetic chert/BIF stratigraphy within the Mt Belches sedimentary sequence.

No significant work was conducted on the Project during the period.

Capital Raising

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

- On 15 October 2012, the placement of 10,000,000 facilitator shares at an issue price of \$0.001 each to raise \$10,000.
- On 15 October 2012, the placement of 5,000,000 shares at \$0.20 each to raise \$1,000,000.
- On 15 October 2012, the issue of 4,000,000 unlisted options at an issue price of \$0.001 per option to raise \$4,000.
- A placement of 8,125,000 shares at \$0.80 each to raise \$6,500,000 over two tranches was agreed with the first tranche of 6,875,000 shares for \$5,500,000 being issued on 19 December 2012. The second tranche was issued on 1 February 2013 (refer "Events Subsequent to the Reporting Date").
- The conversion of 564,524 listed options to raise \$112,904.80.
- The issue of four convertible notes with a face value of \$250,000 per note to raise \$ 1,000,000 (for further information see Note 5 of the Interim Financial Report).

Events Subsequent to the Reporting Date

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

- On 18 January 2013, 1 convertible note with a face value of \$250,000 which was committed to in 2012 was issued to raise \$250,000.
- On 21 January 2013, Mr Shaun Day was appointed as a Non-Executive Director and Mr Leigh Ryan resigned from his position as Non-Executive Director.
- The Group relinquished the tenement E15/1120 known as the Cotters Run Project.
- On 1 February 2013, the placement of 1,265,000 ordinary shares (1,250,000 at \$0.80 and 15,000 at \$0.20 per share) were issued to raise \$1,003,000.

Dividends

No dividends have been paid or declared since the start of the financial period and the directors do not recommend the payment of a dividend in respect of the financial half year ended 31 December 2012.

Auditor's Independence Declaration

The lead auditor's independence declaration under s.307C of the Corporation Act 2001 for the half-year ended 31 December 2012 is set out on page 9.

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



Evan Cranston
Executive Director

Signed at Perth this 15th day of March 2013

Competent Person Statements and Qualifications of Exploration Targets

The information in this report that relates to the JORC Compliant (Coal) Resource and exploration for the Kodiak Coking Coal Project in Shelby County, Alabama, USA has been reviewed and is based on information compiled by Mr Alan Stagg, a consultant to the Company through Stagg Resource Consultants Inc. Mr Stagg is a member of SME Registered Member of the Society of Mining, Metallurgy, and Exploration, Inc., registration number 3063550RM, and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australian Code for Reporting of Mineral Resources and Ore Reserves". Mr Stagg consents to the inclusion in the report on the matters on this information in the form and context in which it appears.

The information in this report that relates to exploration results on the Talisker North Project is based on information compiled by Mr Leigh Ryan, a consultant to the Company, who is a member of the Australian Institute of Geoscientists. Mr Ryan has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr. Ryan consents to the inclusion in the report of the matters based on information in the form and context in which it appears.

Qualification of Exploration Target – Seymour Property

This exploration target is based primarily on information gained during exploration drilling for coal bed methane beginning in the late 1980's and continuing on an intermittent basis to the present. Although none of these programs were intended to define exploration targets and to quantify Mineral (Coal) Resources and Reserves related to the mining of coal, the geophysical logs of these holes provide a wealth of information in this regard. Approximately a hundred such wells have been drilled on or in close proximity to the property to be leased, with the geophysical logs from all wells on the property having been reviewed and coal beds correlated by Mr Stagg. Additionally, information regarding the thickness and general bed composition of the Upper Thompson, Coke, Atkins, and Big Bone has been extracted and used by Mr Stagg to quantify tonnage in these beds. The information gathered in this fashion has been supplemented with the results of nine diamond core drill holes at various locations on the property and with data from prospect pits along the beds' outcrops. Accordingly, the lateral continuity and geometry of the Upper Thompson, Coke, Atkins, and Big Bone coal beds is well established. Because no quality data can be derived from the geophysical logging and because visual observations of the target coal beds and the strata lying above and below cannot be made, the tonnage estimated does not qualify as a Mineral (Coal) Resource.

Qualification of Exploration Target – Talisker North

This exploration target is based on recent exploration drilling by Attila, and previous programs by Griffin Coal and CRAE at the Talisker North Project. The exploration target at Talisker Range is conceptual in nature, not a Mineral Resource pursuant to the JORC Code and may never become a resource. There has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource. * 50-100Mt exploration target of sub-bituminous coal ranging in quality from 7-20% moisture, 14-28% ash, 22-39% volatile matter, 35-41% fixed carbon, 0.7-1.71% sulphur, and a calorific range of 4061-4300 kcal/kg ("analysis on an air dried basis") based on recent exploration drilling by Attila, and previous programs by Griffin Coal and CRAE at the Talisker North Project.

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

**TO THE DIRECTORS OF ATILA RESOURCES LIMITED AND
CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2012 there has been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

Maxim Audit

MAXIM AUDIT
Chartered Accountants

M A Lester

M A Lester

Perth, WA

Dated this 15th day of March 2013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Note	Consolidated	
		31 December 2012 \$	31 December 2011 \$
Revenue		17,877	43,120
Depreciation and amortisation expense		(3,139)	(404)
Exploration and evaluation expenditure	3	(4,772,952)	(138,400)
Employee benefits – share based payments		(1,997,325)	(12,911)
Employee benefits – other		(201,733)	(44,201)
Professional expenses		(542,822)	(85,410)
Foreign exchange gains		118,198	-
Finance charges		(728,904)	-
General and administrative expenses		(185,969)	(57,536)
Loss before income tax expense		(8,296,769)	(295,742)
Income tax expense		-	-
Loss for the period		(8,296,769)	(295,742)
Other comprehensive income/(loss) for the period, net of tax			
Exchange differences arising from translation of foreign controlled entities		(827,039)	-
Total comprehensive loss for the period		(9,123,808)	(295,742)
Loss for the period attributable to:			
Members of the parent entity		(8,296,769)	(295,742)
Non-controlling interests		-	-
		(8,296,769)	(295,742)
Total comprehensive loss for the period attributable to:			
Members of the parent entity		(8,875,696)	(295,742)
Non-controlling interests		(248,112)	-
		(9,123,808)	(295,742)
Earnings per share from continuing operations:		Cents	Cents
Basic loss per share		(24.64)	(1.34)
Diluted loss per share		(24.64)	(0.84)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

		Consolidated	
	Note	31 December 2012	30 June 2012
		\$	\$
Current Assets			
Cash and cash equivalents		4,944,873	3,433,071
Trade and other receivables		133,045	1,058,420
Other current assets		10,422	3,083
Total Current Assets		5,088,340	4,494,574
Non Current Assets			
Other financial assets		678,599	640,018
Property, plant and equipment		9,063,491	9,340,451
Deferred exploration, evaluation and development expenditure		10,149,971	9,686,824
Intangible assets		3,395	3,395
Total Non Current Assets		19,895,456	19,670,688
Total Assets		24,983,796	24,165,262
Current Liabilities			
Trade and other payables		1,273,801	723,419
Borrowings	5	14,310,766	13,000,000
Total Current Liabilities		15,584,567	13,723,419
Non Current Liabilities			
Provisions		616,350	640,018
Total Non Current Liabilities		616,350	640,018
Total Liabilities		16,200,917	14,363,437
Net Assets		8,782,879	9,801,825
Equity			
Issued capital	4	9,658,960	3,551,423
Reserves		1,683,781	265,383
Accumulated (losses) profits		(3,595,172)	4,273,927
Parent interest		7,747,569	8,090,733
Non-controlling interest		1,035,310	1,711,092
Total Equity		8,782,879	9,801,825

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Ordinary Shares \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Listed Options	Non- controlling Interest	Total Equity \$
Consolidated							
Balance at 1 July 2011	2,498,005	(497,849)	-	7,665	42,089	-	2,049,910
Comprehensive Income							
Loss for the period	-	(295,742)	-	-	-	-	(295,742)
Other comprehensive income for the period							
Exchange differences on translation of controlled entities	-	-	-	-	-	-	-
Total comprehensive income for the period	-	(295,742)	-	-	-	-	(295,742)
Transactions with owners, in their capacity as owners, and other transfers							
Shares/Options issued during the period	-	-	-	12,911	-	-	12,911
Equity component of convertible notes issued	-	-	-	-	-	-	-
Costs arising from issues	-	-	-	(1,581)	-	-	(1,581)
Changes pursuant to JV arrangement	-	-	-	-	-	-	-
Total transactions with owners and other transfers	-	-	-	11,330	-	-	11,330
Balance at 31 December 2011	2,498,005	(793,591)	-	18,995	42,089	-	1,765,498
Balance at 1 July 2012	3,496,423	4,273,927	2,718	262,665	55,000	1,711,092	9,801,825
Comprehensive Income							
Loss for the period	-	(8,296,769)	-	-	-	-	(8,296,769)
Other comprehensive income for the period							
Exchange differences on translation of controlled entities	-	-	(578,927)	-	-	(248,112)	(827,039)
Total comprehensive income for the period	-	(8,296,769)	(578,927)	-	-	(248,112)	(9,123,808)
Transactions with owners, in their capacity as owners, and other transfers							
Shares/Options issued during the period	6,629,904	-	-	1,997,325	-	-	8,627,229
Equity component of convertible notes issued	418,069	-	-	-	-	-	418,069
Costs arising from issues	(940,436)	-	-	-	-	-	(940,436)
Changes pursuant to JV arrangement	-	427,670	-	-	-	(427,670)	(427,670)
Total transactions with owners and other transfers	6,107,537	427,670	-	1,997,325	-	(427,670)	1,997,325
Balance at 31 December 2012	9,603,960	(3,595,172)	(576,209)	2,259,990	55,000	1,035,310	8,782,879

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Consolidated	
	31 December 2012	31 December 2011
	\$	\$
Cash Flows From Operating Activities		
Payments to suppliers and employees (inclusive of GST)	(5,204,446)	(348,760)
Interest received	17,876	43,120
Financing charges	(69)	(379)
Net cash outflow from operating activities	(5,186,639)	(306,019)
Cash Flows From Investing Activities		
Payments for mining lease options	(818,437)	-
Payments for bonds and investments	(52,249)	-
Payments for property, plant, equipment	(68,868)	-
Net cash outflow from investing activities	(939,554)	-
Cash Flows From Financing Activities		
Proceeds from share issues	5,702,468	-
Proceeds from issue of convertible notes	2,000,000	-
Proceeds from issue of options	4,000	6,918
Net cash inflow from financing activities	7,706,468	6,918
Net increase (decrease) in cash and cash equivalents	1,580,275	(299,101)
Cash and cash equivalents at the beginning of the half-year	3,433,071	2,073,890
Exchange difference on cash and cash equivalents	(68,473)	-
Cash and cash equivalents at the end of the half-year	4,944,873	1,774,789

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

Note 1: Summary of significant accounting policies

Basis of Preparation

These general purpose interim financial statements for half-year reporting period ended 31 December 2012 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Attila Resources Limited and its controlled entities (referred to as the "Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2012, together with any public announcements made during the following half-year.

Accounting Policies

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

Critical Accounting Estimates and Judgments

The critical estimates and judgments are consistent with those applied and disclosed in the June 2012 annual report.

Going Concern

For the half year ended 31 December 2012, the Group has incurred a loss of \$8,296,769 and generated net cash outflows of \$5,186,639 from operating activities in the half year, 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 \$10,496,227 as at 31 December 2012 as disclosed in the consolidated statement of financial position.

Although there is a deficiency in consolidated working capital as disclosed in the consolidated statement of financial position, this deficiency is due to the potential for convertible note holders to convert their notes to shares within the relevant period. Such conversion of convertible notes would not result in any cash outflow unless a default condition occurs.

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

The Directors of the Parent entity advise that in order for the Group to have sufficient cash reserves to fund the next 15 months of operations and exploration from balance date and to continue as a going concern and to pay its debts as and when they fall due is dependent on the following:

- the ability of the Group to secure additional funding through either the issue of further shares, debt or a combination of debt and equity. The form and value of such raisings is yet to be determined; and
- active management of the current level of discretionary exploration expenditure in line with the funds available to the Group.

Should the Group at any time be unable to continue as a going concern, it may be required to realize 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.

New and Revised Accounting Requirements Applicable to the Current Half-year Reporting Period

Presentation of Items of Other Comprehensive Income

The Group adopted AASB 2011-9: Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income on 1 July 2012. AASB 2011-9 is mandatorily applicable from 1 July 2012 and amends AASB 101: Presentation of Financial Statements..

AASB 2011-9 amends the presentation requirements of other comprehensive income. It requires items of other comprehensive income to be grouped between:

- items that will not be reclassified subsequently to profit or loss; and
- those that will be reclassified subsequently to profit or loss when specific circumstances occur

It also requires, when items of other comprehensive income are presented before the related tax effects with a single amount shown for the aggregate amount of income tax relating to those items, the amount of tax effect to be allocated between:

- items that will not be reclassified subsequently to profit or loss; and
- those that might be reclassified subsequently to profit or loss.

AASB 2011-9 also amends AASB 101 to change the title “income statement” to “statement of profit or loss” under the two-statement approach. Although other titles are also permitted, the Group has decided to use the title “statement of profit or loss and other comprehensive income”.

The adoption of AASB 2011-9 only changed the presentation of the Group’s financial statements and did not have any impact on the amounts reported for the current period or for any prior period in the Group’s financial statements.

Comparatives

Comparative balances have been restated in relation to the acquisition of Attila Resources US LLC in accordance with AASB 3 and to reflect the revisions to the accounting entries booked as at 30 June 2012. These are disclosed in note 6. The restatement of \$7,700,735 credited to accumulated losses / retained earnings is a consequence of the updated assessment of fair value of assets and liabilities recognised as a result of the acquisition.

Note 2. Operating segments

(i) Segment performance

	Australia 31 December		United States 31 December		Eliminations 31 December		Consolidated Group 31 December	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Interest Income	17,877	43,120		-		-	17,877	43,120
Total Revenue	17,877	43,120		-		-	17,877	43,120
Segment Result								
Loss after Income Tax	(4,371,000)	(295,742)	(4,766,383)	-	840,614	-	(8,296,769)	(295,742)

(ii) Segment assets

	Australia		United States		Eliminations		Consolidated Group	
	31 Dec 2012	30 June 2012	31 Dec 2012	30 June 2012	31 Dec 2012	30 June 2012	31 Dec 2012	30 June 2012
	\$	\$	\$	\$	\$	\$	\$	\$
Assets								
Segment assets	20,744,978	15,142,689	19,871,923	19,696,046	(15,633,105)	(10,673,473)	24,983,796	24,165,262

Note 3: Exploration and evaluation expenses

	Consolidated	
	Half-Year ended 31 December 2012	Half-Year ended 31 December 2011
	\$	\$
Opening balance	-	-
Net expenditure incurred during the half-year	4,772,952	138,400
Tenement acquisition costs during the half-year		-
Tenement disposed during the half-year		-
Expenditure written off	(4,772,952)	(138,400)
Total	-	-

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

Note 4: Issued Capital**a. Issue of ordinary shares during the half-year**

	Half-Year ended 31 December 2012		Year ended 30 June 2012	
	Number of shares	\$	Number of shares	\$
Opening balance	27,000,001	3,551,423	22,000,001	2,540,094
Shares issued 8 June 2012 @ \$0.20 per share			5,000,000	1,000,000
Listed options issued (see Note 4(b))				12,911
Unlisted options issued (see Note 4(b))		4,000		
Shares issued 15 October 2012 @ \$0.001 per share	10,000,000	10,000		
Shares issued 18 October 2012 @ \$0.20 per share	5,000,000	1,000,000		
Shares issued 19 December 2012 @ \$0.80 per share	6,875,000	5,500,000		
Exercise of listed options @ \$0.20 per share	564,524	112,904		
Equity portion of convertible notes (note 4(c))		418,069		
Funds received for exercise of options to be issued		3,000		
Less:				
Costs arising from issue		(940,436)		(1,582)
	49,439,525	9,658,960	27,000,001	3,551,423

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

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

b. Options Over Ordinary Shares

Type of option	Number	Exercise price	Exercise date
Unlisted options	1,500,000	\$0.20	11 March 2014
Unlisted options	1,000,000	\$0.20	1 August 2014
Unlisted options	1,500,000	\$0.29	9 March 2015
Unlisted options	4,000,000	\$0.50	28 June 2015
Unlisted options	250,000	\$1.25	9 November 2015
Unlisted options	5,500,000	\$1.36	30 November 2015
Listed options	10,435,476	\$0.20	29 June 2014
	24,185,476		

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

The 4,000,000 Unlisted options with an exercise price of \$0.50 were issued during the half year at a price of \$0.001 per option to raise \$4,000 that has been recognised in issued capital.

Total options issued by the Company as at 31 December 2012 are 24,185,476 (30 June 2012: 15,000,000).

c. Other equity securities

	Consolidated	
	Half-Year ended	Year ended
	31 December 2012	30 June 2012
	\$	\$
Opening balance	-	-
Value of conversion rights relating to the 12% convertible notes (detailed in Note 5)	418,069	-
Total	418,069	-

Note 5: Convertible Notes

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

	Consolidated	
	Half-Year ended	Year ended
	31 December 2012	30 June 2012
	\$	\$
Secured		
Face value of notes issued	14,000,000	13,000,000
Other equity securities (note 4(c))	(418,069)	-
Accrued interest expense	728,835	-
	14,310,766	13,000,000

On 27 June 2012, 52 12% convertible notes (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 share holder approval. As these notes had not gained any conversion feature at 30 June 2012, these were treated as secured debt with no equity component at 30 June 2012.

The conversion rate is 500,000 ordinary shares for each Note held, which is based on a conversion price of \$0.50 per share, but subject to adjustments for reconstructions for equity. The Notes shall be fully repaid at the expiry on 25 June 2015 unless converted or repaid earlier.

On 9 October 2012, shareholders approved the convertibility of the 37 convertible notes not issued to Kingslane.

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

On 30 November 2012, shareholders approved the convertibility of the 17 convertible notes issued to Kingslane.

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

The notes were revalued at conversion date based on the effective yield of the coupon rate from original issue of 12.22%. The liability components of the convertible note were valued using a market yield of 14% with the decrease in valuation at the dates of gaining conversion features recognised in equity.

The total amount borrowed using convertible notes was \$14,000,000, including the \$13,000,000 borrowed in the prior year.

The total value of the amounts borrowed as at the dates of gaining conversion features at various dates during the half year was \$14,503,352, with the increase of \$503,352 recognised as an interest expense.

The total value of the liability components at the dates of gaining conversion features at various dates during the half year was \$14,085,284.

The total value of the equity components at the dates of gaining conversion features at various dates during the half year was \$418,069.

The total value of the liability components at 31 December 2012 was \$14,310,766 with the increase of \$225,483 recognised as an interest expense.

Note 6: Controlled entities

There have been no business acquisitions or disposals during the period ended 31 December 2012.

On 26 June 2012 an entity in which the parent entity holds 70% of the issued share capital (Attila Resources US LLC) acquired 100% of the issued capital of Kodiak Mining Company LLC, a coal mining company which has projects in Shelby County, Alabama, USA.

The acquisition was a result of Attila Resources Limited's strategy to investigate new project opportunities and further exploration and evaluation of mineral projects in Alabama USA. The acquisition resulted in Attila Resources Limited obtaining control of Attila Resources US LLC.

As the acquisition took place on 26 June 2012, the initial accounting for the business combination was determined provisionally in the 30 June 2012 Financial Statements. During the period ended 31 December 2012 further information regarding the fair values of assets acquired and liabilities assumed, including a detailed appraisal of the plant and equipment acquired, has become available, which has resulted in adjustments to the balances as detailed below. In accordance with AASB 3 "Business Combinations" the directors have modified the fair values of assets and liabilities acquired and assumed. These changes have been reflected in changes to comparative balances in this half year report. However, the fair values are provisional and a review of the fair value of the assets acquired will be completed within 12 months of the acquisition date. The provisional fair value of the assets acquired has not been tax affected due to non-availability of information at the time of reporting date.

The revisions to fair value of assets and liabilities recognised as a result of the acquisition, the value of the non-controlling interest and the gain on bargain purchase are as follows:

	Revised fair value calculated \$	Fair Value detailed in 30 June 2012 financial report \$
Purchase consideration paid by Attila Resources US LLC		
Cash paid	10,310,529	10,310,529
Payable	692,375	836,485
Total purchase consideration	11,002,904	11,147,014
Fair value of assets and liabilities recognised as a result of the acquisition:		
Reclamation Bond	648,462	320,009
Land	228,132	228,132
Buildings	114,766	114,766
Mining equipment and preparation plant	8,997,300	1,120,720
Mining lease option	9,686,824	9,686,824
Loan - other entities	(323,383)	(323,383)
Reclamation Bond Liability	(648,462)	-
Other	-	(54)
Net assets acquired at fair value	18,703,639	11,147,014
Gain on bargain purchase recognised on acquisition in comparative period and in the opening balance of retained earnings for the period ended 31 December 2012	7,700,735	-

Statement of Financial Position	Provisional amounts recognised per audited accounts as at 30 June 2012	Adjustments	Restated comparatives as at 30 June 2012
	\$	\$	\$
Current Assets			
Cash and cash equivalents	3,753,080	(320,009)	3,433,071
Trade and other receivables	1,058,420	-	1,058,420
Other current assets	3,083	-	3,083
Total Current Assets	4,814,583	(320,009)	4,494,574
Non Current Assets			
Other financial assets	-	640,018	640,018
Property, plant and equipment	1,463,871	7,876,580	9,340,451
Deferred exploration, evaluation and development expenditure	9,686,824	-	9,686,824
Intangible assets	3,395	-	3,395
Total Non Current Assets	11,154,090	8,516,598	19,670,688
Total Assets	15,968,673	8,196,589	24,165,262
Current Liabilities			
Trade and other payables	867,583	(144,164)	723,419
Borrowings	13,000,000	-	13,000,000
Total Current Liabilities	13,867,583	(144,164)	13,723,419
Non Current Liabilities			
Provision for reclamation	-	640,018	640,018
Total Non Current Liabilities	-	640,018	640,018
Total Liabilities	13,867,583	495,854	14,363,437
Net Assets (Liabilities)	2,101,090	7,700,735	9,801,825
Equity			
Issued capital	3,551,423	-	3,551,423
Reserves	264,568	815	265,383
Accumulated (losses) / profits	(1,711,691)	5,985,618	4,273,927
Parent interest	2,104,300	5,986,433	8,090,733
Non-controlling interest	(3,210)	1,714,302	1,711,092
Total Equity	2,101,090	7,700,735	9,801,825

Statement of Changes in Equity	Ordinary Shares \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Listed Options \$	Non- controlling Interest \$	Total Equity \$
Provisional amounts recognised per audited accounts as at 30 June 2012	3,496,423	(1,711,691)	1,903	262,665	55,000	(3,210)	2,101,090
Adjustments	-	5,985,618	815	-	-	1,714,302	7,700,735
Restated comparatives as at 30 June 2012	3,496,423	(4,273,927)	2,718	262,665	55,000	1,711,092	9,801,825

Non-controlling interest at acquisition has been calculated at 30% of the fair value of the net assets of the entity after deducting the convertible note liability which is secured by the members of the entity prorata, in accordance with each Members' Percentage Interest, in which the non-controlling interest is 30% of the issued capital of Attila Resources US LLC.

Note 7: Contingent assets and liabilities

The Group had no contingent assets or liabilities as at 31 December 2012, other than:

- In the prior year, the Group received a writ from Monomotapa Coal Limited for alleged unpaid introduction fees relating to the Kodiak Coal Project. The claim is for \$150,000 plus 2,000,000 shares. The Directors are of the opinion that the claim is without merit and will be vigorously defended. Accordingly, no liability has been recorded in relation to this matter.
- During the half year, the Group received a statement of claim filed at the Circuit Court of Shelby County, Alabama relating to an alleged unfair dismissal claim by Mr Don Brown. The claim is for approximately \$1,000,000. The Company intends to defend this matter. Accordingly, no liability has been recorded in relation to this matter.
- The Company entered into an agreement to issue 1 convertible note with a face value of \$250,000 to raise \$250,000 at a future date. The convertible note was issued subsequent to the reporting date (refer to Note 8).

Note 8: Events subsequent to reporting date

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

- On 18 January 2013, 1 convertible note with a face value of \$250,000 which was committed to in 2012 was issued to raise \$250,000.
- On 21 January 2013, Mr Shaun Day was appointed as a Non-Executive Director and Mr Leigh Ryan resigned from his position as Non-Executive Director.
- The Group relinquished the tenement E15/1120 known as the Cotters Run Project.
- On 1 February 2013, the placement of 1,265,000 ordinary shares (1,250,000 at \$0.80 and 15,000 at \$0.20 per share) were issued to raise \$1,003,000.

Note 9: Commitments

Australian Exploration commitments

For Exploration Licence E09/1747 in the Talisker Basin, Attila Resources Limited has agreed to pay the Vendor \$200,000 or issue 1,000,000 fully paid ordinary shares after the announcement of one or more categories of Inferred,

Indicated, or Measured coal Mineral Resources, as defined in the JORC Code, in excess of 100,000,000 tonnes. The vendor has the right to elect whether to take the contingent consideration in cash or shares.

In order to maintain an interest in the exploration tenements in which the Group is involved, the Group is committed to meet the conditions under which the tenements were granted. The timing and amount of exploration expenditure commitments and obligations of the Group are subject to the minimum expenditure commitments required as per the Mining Act.

The minimum expenditure commitments for E09/1564, E09/1747, E09/1915, E09/1916, E09/1917, E09/1918, E09/1919, E09/1920, E09/1928, E15/1227 and E15/1228 amount to \$547,000. These commitments exclude any commitments on tenements that are yet to be granted.

The minimum expenditure commitments for all granted tenements for the next 12 months amount to \$403,086.

The Group also has tenements at 31st December 2012 that have not been granted. As and when they are granted the Group's expenditure commitment will increase.

Milestone Agreements

As part of the Seymour acquisition, Attila has also entered into formal consultancy agreements with its joint venture 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 amount payable for these milestones is US\$4 million. The milestones include the conversion of resources into measured and indicated categories on either of the Seymour or Gurnee Property, the Company 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.

Gurnee Property

In the prior year, the Group acquired, through its 70% owned subsidiary, Kodiak Mining Company, options over coal leases at the Gurnee Property.

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

- Term of the lease: 3 year rolling terms until exhaustion of any discovered coal reserves subject to certain minimum production milestones per 3 year term; and
- Royalty of 8% on net coal sales with a minimum monthly payment of US\$30,000 per month commencing in December 2014.

Seymour Property

On 20 December 2012, the Group announced that its 70% owned subsidiary, Kodiak Mining Company, had finalised the formal documentation for the option to acquire additional coal leases at the Seymour Property as originally announced on 3 December 2012.

The key terms of the option agreement to lease the underground mining rights to the Atkins, Coke, Upper Thompson and Big Bone coal seams on an approximately 4,000 acre property from RGGS Land & Minerals Ltd LP are as follows:

- Upfront option fee of US\$100,000;
- 2 year option to complete a minimum of US\$500,000 worth of exploration in first year;
- Exercise of option at US\$300,000;
- Term of the lease: 3 year rolling terms until exhaustion of any discovered coal reserves subject to certain minimum production milestones per 3 year term; and

- Royalty of 8% on net coal sales with an upfront payment of US\$25,000 and minimum monthly payment of US\$5,000 per month for each coal seam leased.

Other commitments due within 1 year

	Consolidated	
	31 December 2012	30 June 2012
	\$	\$
Operating lease of office premises	18,000	39,600
Administrative services agreement	25,200	-
Executive director's fees	90,000	-
US Consultants	84,262	-
Total	217,462	39,600

Note 10: Related Party Transactions and Balances

On 30 November 2012, 5,500,000 options were granted and issued to directors following approval at the Annual General Meeting. These options vested immediately and were valued with the following parameters:

Spot price at grant date:	\$0.95
Exercise price:	\$1.36
Interest rate:	2.62%
Volatility:	82%
Grant date:	30 November 2012
Expiry date:	30 November 2015
Value per option:	\$0.3458
Value of 5,500,000 options:	\$1,901,900

Kingslane Pty Ltd and associated entities (Kingslane) is a substantial shareholder in the Company and held 8,312,178 ordinary shares and 2,862,128 share options in the Company at 31 December 2012. Entities controlled by Kingslane also:

- Held a 10% non-controlling interest in the Kodiak project and Kodiak Mining Company LLC through a non-controlling shareholding in 70% owned Attila Resources US LLC;
- Held convertible notes with initial face values of \$4,250,000 convertible into 8,500,000 shares on the face value, that were recognised as a liability of \$4,338,150 at 31 December 2012 with \$224,603 recognised in equity and interest accrued of \$312,753 on these convertible notes to 31 December 2012; and
- Received \$18,000 during the half year for office rent.

Konkera Corporate, a related party of Kingslane Pty Ltd, received \$25,200 during the half year for administrative services.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 10 to 23 are in accordance with the *Corporations Act 2001* including:
 - a. complying with Accounting Standards AASB 134: Interim Financial Reporting; and
 - b. giving a true and fair view of the financial position as at 31 December 2012 and of the performance for the half-year ended on that date of the consolidated entity;
- 2.. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Evan Cranston
Executive Director

Dated this 15th day of March 2013

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ATTILA RESOURCES LIMITED AND CONTROLLED ENTITIES

Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of Attila Resources Limited and Controlled Entities, which comprises the statement of financial position as at 31 December 2012, statement of profit or loss and other comprehensive income, statement of changes in equity, and the statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of Attila Resources Limited and Controlled Entities are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Attila Resources Limited and Controlled Entities' financial position as at 31 December 2012 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134: Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of Attila Resources Limited and Controlled Entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Attila Resources Limited and Controlled Entities is not in accordance with the *Corporations Act 2001* including:

- (i) giving a true and fair view of Attila Resources Limited and Controlled Entities financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (ii) complying with AASB 134: Interim Financial Reporting and the *Corporations Regulations 2001*.

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 1 in the half-year financial report, which indicates that the group has a deficiency in working capital of \$ 10,496,227 as at 31 December 2012, and incurred a net loss of \$8,296,769 and generated net cash outflows of \$5,186,639 during the half-year ended 31 December 2012. These conditions, along with other matters as set forth in Note 1, indicates the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore, the group may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the half-year financial report.

Maxim Audit

MAXIM AUDIT

Chartered Accountants

M A Lester

M A Lester

Perth W.A.

Dated this 15th day of March 2013