ATTILA RESOURCES LIMITED

AND CONTROLLED ENTITIES

ABN 53 142 165 080

INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2013

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CORPORATE DIRECTORY

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

COMPANY SECRETARY
Ms Oonagh Malone

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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 2013.

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.

Max Brunsdon	
Russell Clark	(appointed 11 March 2014)
Evan Cranston	
Shaun Day	
Brynmor Hardcastle	
Alan Thom	

Review of Operations

The operating loss of the Group for the six months after providing for income tax amounted to $2,884,106 (2012: $8,413,221).

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

Gurnee Property Prefeasibilty Study

During the period, Attila received its independent pre-feasibility study on the Coke and Atkins Seams at the Gurnee Property at the 70% owned Kodiak Coking Coal Project, Alabama. Utilising the existing extensive infrastructure and logistics pathway, the PFS confirmed the technical and economic viability of the Kodiak Project, which is capable of producing significant free cash flow, even at current low coking coal prices and based solely on the Coke and Atkins seams on the Company's Gurnee Property (excluding Upper Thompson, Gholson and Clark seams on the Gurnee Property and the nearby Seymour Property). The PFS was prepared by independent consultant geologists, Stagg Resource Consultants (Stagg).

Key points emerging from the PFS are:

- Independent PFS confirmed the technical and economic feasibility of the Kodiak Project based solely on the Coke and Atkins seams on the Gurnee Property

- PFS demonstrated the capacity to produce circa 2Mtpa based on maiden JORC coal reserves of 48.2Mt in Proven and Probable categories

- Total upfront funding requirement of only $52.1M after leasing of equipment and machinery based on current coal prices

- Comprehensive all in cash costs of US$90/t FOB for LOM including rail, port, taxes and royalties – in the lowest 10% for metallurgical coal producers

- Staged development option reduces upfront requirement to US$27M

- Study based on excellent quality hard coking coal with ultra-low ash, low sulphur, high FSI and superior fluidity values

- Low-cost and quick start-up potential driven by utilisation of existing logistics pathway to market and the existing infrastructure, including wash plant, rail line and rail loading facilities

Gurnee Property – Strategic Acquisitions

During the period, the Group announced the acquisition of Project X (comprising the Gholson and Clark coal seams) and an option over the Upper Thompson lease at the Gurnee Property. In addition to expanding the Group's potential production profile, the acquisitions provide critical access to coal seams in adjacent properties, previously considered sterilised. The Group now has access to all of the major hard coking coal seams in the Cahaba Basin. Attila is progressing discussions with other lease holders in the area with a view to further expanding its footprint and increasing its share of the 500Mt of coal estimated to remain in the Basin.

Talisker North Project

Given the current downturn in thermal coal markets, the Group made the strategic decision to withdraw all applications associated with the Talisker North Project and to surrender the tenements as they became due for renewal. At the date of this report, the Group no longer has an interest in any tenements associated with the Talisker North Project. This decision enabled the Group to reduce annual rent payments and minimum expenditure commitments thereby preserving cash reserves.

Capital Raising

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

- On 15 October 2013, the placement of 4,997,000 shares at an issue price of $0.60 each to raise $2,998,200.
- On 11 November 2013, the placement of 6,503,000 shares at $0.60 each to raise $3,901,800.

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 21 February 2014, 7,500 shares were issued following exercise of listed options at $0.20 each to raise $1,500.
- On 25 February 2014, the Group surrendered its final Talisker North Project tenement, E09/1747.
- On 11 March 2014, Russell Clark was appointed as Non-Executive Chairman of the Company. 1,000,000 unlisted options exercisable at $0.5888 each expiring on 11 March 2017 and 500,000 unlisted options exercisable at $0.7247 (vesting after 12 months continuous service) expiring 11 March 2017 were issued to Mr Clark.
- On 13 March 2014, 1,500,000 shares were issued following exercise of unlisted options raising $300,000.

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 2013.

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 2013 is set out on page 7.

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

Evan Cranston
Executive Director

Signed at Perth this 14th day of March 2014

<u>Stagg Resource Consultants Inc</u>

Stagg Resource Consultants, Inc. ("Stagg") provides a full range of professional services to the natural resource industry throughout the U.S. and internationally. The firm routinely works in the coal, petroleum, metals, and industrial mineral sectors. Stagg's professional services are divided into seven basic areas being geology, mining, appraisal, environmental, acquisitions and divestitures, expert testimony, and mineral economics and market research. In particular, Stagg's relevant experience covers:

- *Geology – a comprehensive range of services is provided, from pre-project field reconnaissance through the development and implementation of major exploration programs. Stagg has extensive experience in evaluating coal deposits at all levels of investigation, ranging from preliminary assessments of reserve potential to detailed reserve studies conforming to public reporting requirements. Additionally, Stagg is experienced in assessing the impact of geologic conditions on mining in both pre-development stages and during the course of mining. The firm has worked in every coal basin of any significance in the U.S. as well as in a number of other countries, with Alan Stagg, the lead professional, having more than 40 years' experience in coal. Stagg is a registered or licensed geologist in thirteen states in the U.S., is a Registered Member of the Society of Mining, Metallurgy, and Exploration (SME), and is qualified as a Competent Person under the reporting requirements of Australia's JORC Code and as a Qualified Person under Canada's National Instrument 43-101.*
- *Mining – Stagg provides a broad spectrum of operation-related services to the mining industry, ranging from involvement in the preparation of mining-related permits through road design and layout, mine layout and design, processing plant evaluation and design, and operational analysis. Members of this service group routinely prepare detailed forecasts of mining costs during the evaluation of both proposed and existing mines using Stagg's spreadsheet-based MineCost models. These services have been provided for surface and underground coal mines throughout the Appalachian Region, the Eastern Interior Region (Illinois Basin), the Powder River Region, and the Rocky Mountain Region of the U.S., as well as internationally. With regard to underground coal mines, both room-and-pillar and longwall operations have been evaluated.*
- *Mineral Economics and Market Research – Stagg is experienced in the preparation of detailed mine costing studies, the economic analysis of proposed and operating mines, and the financial analysis and appraisal of mining enterprises. In conducting mine costing studies, Stagg utilizes MineCost, a proprietary mine-costing spreadsheet program developed by the firm for both surface and underground coal mines. This mine costing program is routinely used in due diligence investigations conducted in the course of proposed acquisitions, in operational analyses conducted for mine operators, and in the formal appraisal of mines and mining enterprises. This software is also used routinely in the preparation of expert reports and testimony in the course of litigation and arbitration matters.*

For further information on Stagg Resource Consultants visit www.staggconsultants.com

<u>Competent Person Statement</u>

The information in this report relating to Exploration Results and to JORC Compliant (Coal) Resources and Reserves for the Kodiak Coking Coal Project in Shelby County, Alabama, USA has been reviewed and is based on information compiled by Mr Alan Stagg of Stagg Resource Consultants Inc. Mr Stagg is a Registered Member of the Society of Mining, Metallurgy, and Exploration, Inc. (SME), registration number 3063550RM, and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australian Code for Reporting of Mineral Resources and Ore Reserves". Mr Stagg consents to the inclusion in the report on the matters on this information in the form and context in which it appears. The information in this report was first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

<u>Further information on the Exploration Target</u>

The exploration targets are based primarily on information gained during exploration drilling for coal bed methane beginning in the late 1980's and continuing on an intermittent basis to the present. Although none of the coal bed methane drilling programs was intended to define exploration targets and to quantify Mineral (Coal) Resources and Reserves related to the mining of coal, the geophysical logs of these holes provide a wealth of information in this regard. Approximately a hundred such wells have been drilled on or in close proximity to the Gurnee Property, within which the Upper Thompson optioned acreage and the Project X leased acreage lie. The geophysical logs from all wells on the property have been reviewed and the coal beds correlated by Mr. Stagg, and information regarding the thickness and general bed composition of the Upper Thompson, Gholson, and Clark coal beds has been extracted and used by Mr. Stagg to quantify tonnage in these beds. The information gathered in this fashion has been supplemented with the results of ten diamond core holes drilled by Attila at various locations on the property and with data from underground mine works in the Upper Thompson coal bed. As a result, the lateral continuity and geometry of the Upper Thompson, Gholson, and Clark coal beds is well established. Limited quality data are available from the drilling conducted by Attila.

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MAXIMISE YOUR POTENTIAL

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

TO THE DIRECTORS OF ATTILA RESOURCES LIMITED AND CONTROLLED ENTITIES

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2013 there have been no contraventions of :

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

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

Maxim Audit

MAXIM AUDIT
Chartered Accountants

M A Lester

Perth, WA

Dated this 14th day of March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Note	Consolidated Half year ended 31 December 2013 $	 Half year ended 31 December 2012 $
Revenue		**60,022**	**17,877**
Depreciation and amortisation expense		(6,579)	(3,139)
Exploration and evaluation expenditure	3	(1,250,706)	(4,772,952)
Employee benefits – share based payments		(103,897)	(1,997,325)
Employee benefits – other		(285,046)	(201,733)
Professional expenses		(180,643)	(542,822)
Foreign exchange gains		82,495	118,198
Finance costs		(1,047,051)	(728,904)
Other expenses		(152,701)	(302,421)
Loss before income tax expense		**(2,884,106)**	**(8,413,221)**
Income tax expense		-	-
Loss for the period		**(2,884,106)**	**(8,413,221)**
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss when specific conditions are met			
Exchange gain/(loss) on translating foreign operations, net of tax		374,248	(827,039)
Other comprehensive income/ (loss) for the period		**374,248**	(827,039)
Total comprehensive loss for the period		**(2,509,858)**	**(9,240,260)**
Loss for the period attributable to:			
Members of the parent entity		(2,884,106)	(8,413.221)
		(2,884,106)	**(8,413,221)**
Total comprehensive loss for the period attributable to:			
Members of the parent entity		(2,509,858)	(9,240,260)
		(2,509,858)	**(9,240,260)**
Earnings per share from continuing operations:		**Cents**	**Cents**
Basic loss per share		(4.73)	(24.98)
Diluted loss per share		(4.73)	(24.98)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Note	Consolidated Group As at 31 December 2013 $	As at 30 June 2013 $
Current Assets			
Cash and cash equivalents		6,537,279	2,782,895
Trade and other receivables		46,770	60,259
Other current assets		13,063	-
Total Current Assets		**6,597,112**	**2,843,154**
Non Current Assets			
Other financial assets		855,704	752,684
Property, plant and equipment		11,918,700	11,505,037
Deferred exploration, evaluation and development expenditure	3	1,391,372	1,239,892
Intangible assets		3,395	3,395
Total Non Current Assets		**14,169,171**	**13,501,008**
Total Assets		**20,766,283**	**16,344,162**
Current Liabilities			
Trade and other payables		458,776	1,205,257
Borrowings	5	13,386,629	13,181,901
Total Current Liabilities		**13,845,405**	**14,387,158**
Non Current Liabilities			
Provisions		796,704	690,046
Total Non Current Liabilities		**796,704**	**690,046**
Total Liabilities		**14,642,109**	**15,077,204**
Net Assets		**6,124,174**	**1,266,958**
Equity			
Issued capital	4	20,707,325	13,444,148
Reserves		3,823,526	3,345,381
Accumulated losses		(18,406,677)	(15,522,571)
Total Equity		**6,124,174**	**1,266,958**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

Consolidated statement of changes in equity for the half year ended 31 December 2013	**Ordinary Shares $**	**Listed Options $**	**Accumulated Losses $**	**Foreign Currency Translation Reserve $**	**Option Reserve $**	**Total Equity $**
Previously reported balance at 30 June 2013	**13,410,499**	**55,000**	**(16,004,609)**	**693,884**	**2,651,497**	**806,271**
Adjustments to balances in accordance with AASB 108	(21,351)	-	482,038	-	-	460,687
Restated balance at 30 June 2013	**13,389,148**	**55,000**	**(15,522,571)**	**693,884**	**2,651,497**	**1,266,958**
Opening balance at 1 July 2013	**13,389,148**	**55,000**	**(15,522,571)**	**693,884**	**2,651,497**	**1,266,958**
Comprehensive Income						
Loss for the period	-	-	(2,884,106)	-	-	(2, 884,106)
Other comprehensive income for the period						
Exchange gain on translation of controlled entities	-	-	-	374,248	-	374,248
Total comprehensive income for the period	**-**	**-**	**(2, 884,106)**	**374,248**	**-**	**(2,509,858)**
Transactions with owners, in their capacity as owners, and other transfers						
Shares/Options issued during the period	7,742,308	-	-	-	103,897	7,846,205
Shares committed to be issued	1,500	-	-	-	-	1,500
Costs arising from issue of shares	(480,631)	-	-	-	-	(480,631)
Balance at 31 December 2013	**20,652,325**	**55,000**	**(18,406,677)**	**1,068,132**	**2,755,394**	**6,124,174**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

Consolidated statement of changes in equity for the half year ended 31 December 2012	**Ordinary Shares $**	**Listed Options $**	**Accumulated Losses $**	**Foreign Currency Translation Reserve $**	**Option Reserve $**	**Non-controlling interest $**	**Total Equity $**
Consolidated							
Previously reported balance at 30 June 2012	**3,496,423**	**55,000**	**(1,711,691)**	**1,903**	**262,665**	**(3,210)**	**2,101,090**
Adjustments to balances in accordance with AASB 3	-	-	(431,695)	815	-	3,210	(427,670)
Adjustments to balances in accordance with AASB 108	-	-	703,213	-	-	-	703,213
Restated balance at 30 June 2012	**3,496,423**	**55,000**	**(1,440,173)**	**2,718**	**262,665**	**-**	**2,376,633**
Opening balance at 1 July 2012	**3,496,423**	**55,000**	**(1,440,173)**	**2,718**	**262,665**	**-**	**2,376,633**
Comprehensive Income							
Loss for the period	-	-	(8,296,769)	-	-	-	(8,296,769)
Adjustments to balances in accordance with AASB 108	-	-	(116,452)	-	-	-	(116,452)
Other comprehensive income for the period							
Exchange loss on translation of controlled entities	-	-	-	(827,039)	-		(827,039)
Total comprehensive income for the period	**-**	**-**	**(8,413,221)**	**(827,039)**	**-**	**-**	**(9,240,260)**
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 issue of shares	(940,436)	-	-	-	-	-	(940,436)
Adjustments to balances in accordance with AASB 108	416,149	-	-	-	-	-	416,149
Balance at 31 December 2012	**10,020,109**	**55,000**	**(9,853,397)**	**(824,321)**	**2,259,990**	**-**	**1,657,384**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Consolidated Group	
	Half year ended 31 December 2013 $	Half year ended 31 December 2012 $
Cash Flows From Operating Activities		
Payments to suppliers and employees (inclusive of GST)	(2,610,701)	(5,204,446)
Interest received	21,882	17,876
Financing charges	(15)	(69)
Net cash outflow from operating activities	**(2,588,834)**	**(5,030,285)**
Cash Flows From Investing Activities		
Payments for mining lease interests	(102,981)	(818,437)
Payments for bonds and investments	(63,082)	(52,249)
Payments for property, plant, equipment	-	(68,868)
Net cash outflow from investing activities	**(166,063)**	**(939,554)**
Cash Flows From Financing Activities		
Proceeds from share issues	6,901,500	6,642,904
Share issue costs	(480,631)	(524,287)
Proceeds from issue of convertible notes	-	2,000,000
Convertible note transaction costs	-	(416,149)
Proceeds from issue of options	-	4,000
Net cash inflow from financing activities	**6,420,869**	**7,706,468**
Net increase in cash and cash equivalents	3,665,972	1,580,275
Cash and cash equivalents at the beginning of the half-year	2,782,895	3,433,071
Exchange difference on cash and cash equivalents	88,412	(68,473)
Cash and cash equivalents at the end of the half-year	**6,537,279**	**4,944,873**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

Note 1: Summary of significant accounting policies

Basis of Preparation

These general purpose interim financial statements for half-year reporting period ended 31 December 2013 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 2013, 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 2013 annual report.

Going Concern

For the half year ended 31 December 2013, the Group has incurred a loss of $2,884,106 and generated net cash outflows of $2,588,834 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 $7,248,293 as at 31 December 2013 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 and development 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

(a) Consolidated financial statements, joint arrangements and disclosure of interests in other entities

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

– AASB 10: *Consolidated Financial Statements;*

– AASB 127: *Separate Financial Statements* (August 2011);

– AASB 11: *Joint Arrangements;*

– AASB 128: *Investments in Associates and Joint Ventures* (August 2011);

– AASB 12: *Disclosure of Interests in Other Entities;*

– AASB 2011–7*: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*; and

– AASB 2012–10: *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments.*

These Standards became mandatorily applicable from 1 January 2013 and became applicable to the Group for the first time in the current half-year reporting period 1 July 2013 to 31 December 2013. The Group has applied these Accounting Standards retrospectively in accordance with AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* and the specific transition requirements in AASB 10 and AASB 11. The effects of initial application of these Standards in the current half-year reporting period are as follows:

– *Consolidated financial statements:*

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

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

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

– *Joint arrangements:*

AASB 11 requires joint arrangements to be classified as either "joint operations" (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or "joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Revised AASB 128 facilitates the application of AASB 11 and incorporates guidance relating to the equity method of accounting. Joint ventures will generally be required to be accounted for using the equity method under AASB 11. The proportionate consolidation method is no longer permitted. However, this will not have any impact on the Group's financial statements as the Group's interest in joint ventures is currently accounted for using the equity method of accounting.

– *Disclosure of interest in other entities:*

AASB 12 is the Standard that addresses disclosure requirements of AASB 10, AASB 11, AASB 127 and

AASB 128. New disclosures, that are material to this interim financial report and associated with the Group's interests in subsidiaries and joint arrangements as prescribed by AASB 12 have been set out in Notes 9 and 10 respectively. Further, as required by AASB 12, details of the significant judgments made in determining the controlled entity status of subsidiaries are disclosed in Note 1(d).

(b) Fair value measurements and disclosures

The Group has adopted AASB 13: *Fair Value Measurement* and AASB 2011–8: *Amendments to Australian Accounting Standards arising from AASB 13* from 1 July 2013 together with consequential amendments to other Standards. These Standards became mandatorily applicable from 1 January 2013 and became applicable to the Group for the first time in the current half-year reporting period 1 July 2013 to 31 December 2013. AASB 13 sets out a comprehensive framework for measuring the fair value of assets and liabilities and prescribes enhanced disclosures regarding all assets and liabilities measured at fair value. Although these Standards do not significantly impact the fair value amounts reported in the Group's financial statements, the directors have determined that additional accounting policies providing a general description of fair value measurement and each level of the fair value hierarchy, as set out in Note 1(e), should be incorporated in these financial statements.

(c) Other

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

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

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

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

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

(d) 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 11.

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 comprehensive income.

(e) Fair Value of Assets and Liabilities

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 (ie 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.

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.

(f) Stripping Costs of Surface Mining

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

Stripping costs incurred during the production phase are recognised as:

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

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

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

Comparatives

Comparative balances have been restated in accordance with AASB 3, AASB 101 and AASB 108. Details of these restatements are disclosed in note 6.

Note 2. Operating segments

(i) Segment performance

	Australia		United States		Eliminations		Consolidated Group	
	Half year ended 31 December		Half year ended 31 December		Half year ended 31 December		Half year ended 31 December	
	2013	2012	2013	2012	2013	2012	2013	2012
	$	$	$	$	$	$	$	$
Revenue								
Interest Income	47,767	17,877	12,255	-	-	-	60,022	17,877
Total Revenue	**47,767**	**17,877**	**12,255**	-	**-**	-	**60,022**	**17,877**
Segment Result								
Loss after Income Tax	(2,509,858)	(4,487,452)	(1,264,089)	(4,766,383)	889,841	840,614	(2,884,106)	(8,413,221)

(ii) Segment assets

	As at 31 Dec 2013	As at 30 June 2013	As at 31 Dec 2013	As at 30 June 2013	As at 31 Dec 2013	As at 30 June 2013	As at 31 Dec 2013	As at 30 June 2013
	$	$	$	$	$	$	$	$
Assets								
Segment assets	20,464,458	14,795,547	14,156,954	13,478,798	(13,855,129)	(11,930,183)	20,766,283	16,344,162

Note 3: Exploration and evaluation expenses

	Consolidated	
	Half-Year ended 31 December 2013	Year ended 30 June 2013
	$	$
Opening balance	1,239,892	1,049,685
Net expenditure incurred	1,250,706	7,945,100
Tenement acquisition costs	102,981	97,363
Expenditure written off	(1,250,706)	(7,945,100)
Exchange Differences	48,499	92,844
Total	**1,391,372**	**1,239,892**

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

Note 4: Issued Capital

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

	Half-Year ended 31 December 2013		Year ended 30 June 2013	
	Number of shares	$	Number of shares	$
Opening balance	56,002,606	13,444,148	27,000,001	3,551,423
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	-	-	736,774	147,355
Shares Issued 1 February 2013 @ $0.80 per share	-	-	1,250,000	1,000,000
Shares Issued 25 June 2013 @ $0.50 per share on conversion of convertible note	-	-	500,000	250,000
Shares Issued 28 June 2013 @ $0.3542 per share	-	-	4,640,831	1,643,759
Shares committed to be issued at 30 June 2013 that were issued 4 July 2013	1,000,000	-	-	440,000
Equity portion of convertible notes (note 4(c))	-	-	-	404,548
Shares issued 15 October 2013 @ $0.60 per share	4,997,000	2,998,200	-	-
Shares issued 11 November 2013 @ $0.60 per share	6,503,000	3,901,800	-	-
Shares issued 31 December 2013 @ $0.4207 per share	2,002,324	842,308	-	-
Shares committed to be issued at 31 December 2013 that were issued 21 February 2014	-	1,500	-	-
Less:				
Costs arising from issue	-	(480,631)	-	(502,937)
	70,504,930	**20,707,325**	**56,002,606**	**13,444,148**

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
Unlisted options	1,500,000	$1.02	28 March 2016
Unlisted options	1,000,000	$1.14	28 March 2016
Listed options	10,263,226	$0.20	29 June 2014
	26,513,226		

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

There were no options issued during the half-year ended 31 December 2013.

Total options issued by the Company as at 31 December 2013 are 26,513,226 (30 June 2013: 26,513,226).

c. Other equity securities

	Consolidated	
	Half-Year ended 31 December 2013	**Year ended 30 June 2013**
	$	**$**
Opening balance	404,548	-
Value of conversion rights relating to the 12% convertible notes (detailed in Note 5)	-	404,548
Total	**404,548**	**404,548**

Note 5: Convertible Notes

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

	Consolidated	
	Half-Year ended 31 December 2013	**Year ended 30 June 2013**
	$	**$**
Secured		
Face value of notes on issue	14,000,000	14,000,000
Transaction costs to be expensed in future periods	(365,586)	(482,038)
Other equity securities (note 4(c))	(404,548)	(404,548)
Accrued interest expense	156,763	68,487
	13,386,629	**13,181,901**

No convertible notes were issued or converted during the period ended 31 December 2013.

Note 6: Adjustments to Controlled entities

Adjustments to balances in accordance with AASB 3

There have been no business acquisitions or disposals during the period ended 31 December 2013.

The initial accounting for the business acquisition that took place on 26 June 2012 was determined provisionally in the 30 June 2012 Financial Statements.

During the 12 month period ended 26 June 2013 further information regarding the fair values of assets acquired and liabilities assumed, including a detailed appraisal of the plant and equipment acquired, became 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 these financial statements.

In addition to revisions detailed in note 24 of the annual financial statements of the Group for the year ended 30 June 2013, revisions to 31 December 2012 comparative balances are detailed below.

Adjustments to balances in accordance with AASB 108

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

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

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

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

Consolidated Statement of Changes in equity for the half year ended 31 December 2012	Previous amounts recognised per reviewed accounts as 31 December 2012	Adjustments to Balances in accordance with AASB 108	Effect of adjustments to 30 June 2012 balances in accordance with AASB 3		Restated Comparatives as at 31 December 2012
	$	**$**	**$**		**$**
Ordinary Shares	**9,603,960**	416,149	-		**10,020,109**
Accumulated Losses	**(3,595,172)**	159,091	(6,417,313)	(a)	**(9,853,394)**
Foreign Exchange Reserve	**(576,209)**	-	(248,112)	(a)	**(824,321)**
Non Controlling Interest	**1,035,310**	-	(1,035,310)	(a)	**-**

(a) As a result of the AASB 3 restatement at 30th June 2012, the movements during the half year ended 31 December 2012 affected specific line items as follows:

	Movement Disclosed in Half Year	Adjustment	Restated Movement
	$	**$**	**$**
Exchange loss on translation of foreign entities allocated to:			
Foreign Currency Translation Reserve	(578,927)	(248,112)	(827,039)
Non Controlling Interest	(248,112)	248,112	-
Changes to equity in accordance with shareholder requirements allocated to:			
Accumulated Losses	427,670	(427,670)	-
Non Controlling Interest	(427,670)	427,670	-

Consolidated Statement of Profit or Loss and Other Comprehensive Income	Previous amounts recognised per reviewed accounts as at 31 December 2012	Adjustments to balances in accordance with AASB 108	Restated comparatives as at 31 December 2012
	$	**$**	**$**
Other expenses	(185,969)	(116,452)	(302,421)
Loss before income tax expense	(8,296,769)	(116,452)	(8,413,221)
Loss for the period	(8,296,769)	(116,452)	(8, 413,221)
Total comprehensive loss for the period	**(9,123,808)**	**(116,452)**	**(9,240,260)**
Loss for the period attributable to:			
Members of the parent entity	(8,296,769)	(116,452)	(8,413,221)
	(8,296,769)	(116,452)	(8,413,221)
Total comprehensive loss for the period attributable to:			
Members of the parent entity	(9,123,808)	(116,452)	(9,240,260)
	(9,123,808)	(116,452)	(9,240,260)

Earnings per share from continuing operations:	Previous amounts recognised per reviewed accounts as at 31 December 2012	Adjustments in accordance with AASB 108	Restated comparatives as at 31 December 2012
Basic loss per share	24.64	0.34	24.98
Diluted loss per share	24.64	0.34	24.98

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

Statement of Cashflows	Previous amounts recognised per reviewed accounts as at 31 December 2012	Adjustments to balances in accordance with AASB 108	Restated comparatives as at 31 December 2012
	$	$	$
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issues	6,642,904	-	6,642,904
Share issue costs	(940,436)	416,149	(524,287)
Proceeds from issue of convertible notes	2,000,000	-	2,000,000
Convertible note transaction costs	-	(416,149)	(416,149)
Proceeds from issue of options	4,000	-	4,000
Net cash from financing activities	**7,706,468**	**-**	**7,706,468**

Note 7: Contingent assets and liabilities

The Group had no contingent assets or liabilities as at 31 December 2013, other than a statement of claim received by the Group in October 2012 filed at the Circuit Court of Shelby County, Alabama relating to an alleged unfair dismissal claim by Mr Don Brown. The claim is for approximately US$1,000,000. The Company intends to defend this matter and the Directors are of the opinion that the claim can be successfully defended. Accordingly, no liability has been recorded in relation to this matter.

The Group has engaged a corporate finance adviser to assist in the raising of capital under a contract that currently expires in May 2014. If the Group raises $7,500,000 or more during the term of this agreement with the advisor acting as lead broker or joint lead manager, the advisor's nominee is to be issued 1 million unlisted share options with an exercise price at a 20% premium to the most recent capital raising and a term of 3 years from issue of the unlisted share options. If a further capital raising is made beyond the initial $7,500,000, the advisor's nominee is to be issued a further 1 million unlisted share options with an exercise price of $1.50 that will only vest if the Company's share price closes above $1.50 for 20 consecutive trading days within 3 years of the issue date of the options.

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 21 February 2014, 7,500 shares were issued following exercise of listed options at $0.20 each to raise $1,500.
- On 25 February 2014, the Group surrendered its final Talisker North Project tenement, E09/1747.
- On 11 March 2014, Russell Clark was appointed as Non-Executive Chairman of the Company. 1,000,000 unlisted options exercisable at $0.5888 each expiring on 11 March 2017 and 500,000 unlisted options exercisable at $0.7247 (vesting after 12 months continuous service) expiring 11 March 2017 were issued to Mr Clark.
- On 13 March 2014, 1,500,000 shares were issued following exercise of unlisted options raising $300,000.

Note 9: Commitments

Milestone Agreements

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

Gurnee Property

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

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

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

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.

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

Upper Thompson Seam (option to lease)

On 23 September 2013, the Group announced that its 70% owned subsidiary, Kodiak Mining Company, had entered into an option agreement to lease the Upper Thompson coal seam within its Gurnee Property, from the existing mineral rights holder RGGS Land and Minerals LP (RGGS).

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

- Upfront option fee of US$70,000;
- Option term 1 year from date of signing;
- Exercise price of option for a further US$305,000;
- Term of the lease is 18 years or until exhaustion of any discovered coal reserves, subject to certain minimum production milestones; and
- Royalty of 8% on net coal sales at mine gate with a minimum monthly royalty of $8,000 commencing 6 months from date of exercising the option.

Project X – Gholson and Clark Coal Seams Lease

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

The key terms for the acquisition of Project X, which incorporates the Gholson and Clarke seams are as follows:

- Upfront leasing fee of US$25,000;
- Term of the lease is 18 years or until exhaustion of any discovered coal reserves subject to certain minimum production milestones; and
- Royalty of 8% on net coal sales at mine gate with a minimum monthly royalty of $3,000 commencing 12 months from date of signing.

Other commitments due within 1 year

	Consolidated Group	
	Half year ended 31 December 2013	**Year ended 30 June 2013**
	$	**$**
Operating lease of office premises	21,300	21,235
Administrative services agreement	37,500	30,000
Executive director's fees	37,500	90,000
Other consultants' fees	162,109	120,216
Total	**258,409**	**261,451**

Note 10: Related Party Transactions and Balances

Kingslane Pty Ltd and associated entities (Kingslane) is a substantial shareholder in the Company and held 8,956,623 ordinary shares and 2,862,128 share options in the Company at 31 December 2013. 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, that were recognised as a liability of $4,068,564 at 31 December 2013 with $218,444 recognised in equity to 31 December 2013. Interest of $255,699 was paid on these Notes during the half year through the issue of 607,845 ordinary shares; and
- received $18,000 during the half year for office rent.

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

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

Aston Corporation Pty Ltd, a related party of Alan Thom, received $3,900 for mining consulting for the half year.

A party related to Shaun Day held a convertible note with an initial face value of $250,000 convertible into 500,000 shares, that were recognised as a liability of $245,287 at 31 December 2013 with $7,830 recognised in equity to 31 December 2013. Interest of $15,041 was paid on these Notes during the half year through the issue of 35,756 ordinary shares.

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

Note 11: Interest in subsidiaries

a. Information about Principal Subsidiaries

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

Set out below are the Group's subsidiaries at 31 December 2013. The subsidiaries listed below have share capital consisting solely of ordinary shares, which are held directly by the Group, and the proportions of ownership interests held equals the voting rights held by the Group. Each subsidiary's country of incorporation or registration is also its principal place of business.

Name of Subsidiary	Principal Place of Business	Ownership Interest Held by the Group		Proportion of Non-controlling Interests	
		As at 31 December 2013	As at 30 June 2013	As at 31 December 2013	As at 30 June 2013
Attila Resources US Pty Ltd	Australia	100%	100%	-	-
Attila Resources Holding US Ltd	United States of America	100%	100%	-	-
Attila Resources Holding US LLC	United States of America	100%	100%	30%	30%
Kodiak Mining Company LLC	United States of America	70%	70%	30%	30%

Subsidiaries' financial statements used in the preparation of these consolidated financial statements have been prepared as at the same reporting date as the Group's financial statements.

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

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

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

The non-controlling interest is free carried until a decision to mine is made at which time the parties will be required to contribute their respective share from bankable feasibility stage onwards. This may be done as a forfeit of profits derived. Although the non-controlling interest in Kodiak consequently has nil book value, the nature of the non-controlling interest is considered to make this non-controlling interest qualitatively material.

	Kodiak	
Summarised Financial Position before intra-group eliminations	**As at 31 December 2013**	**As at 30 June 2013**
	$000	**$000**
Current assets	49,184	39,483
Non-current assets	14,106,777	13,481,613
Current liabilities	(10,714,162)	(9,718,999)
Non-current liabilities	(796,704)	(690,046)
Net Assets	**2,645,095**	**3,069,049**
Carrying amount of non-controlling interests	**-**	**-**

The non-current assets and non-current liabilities of Kodiak include a secured deposit of $796,704 (30 June 2013: $690,046) that is security against a non-current reclamation liability of $796,704 (30 June 2013: $690,046). The nature of this non-current reclamation liability significantly restricts the Group's ability to access the secured deposit for the purpose of meeting other liabilities of the Group.

The current liabilities of Kodiak also include intra-group loan balances totalling $10,326,197 (30 June 2013: $8,860,430). These intra-group loan balances are unsecured and at call, so consequently considered current despite the current nature of operations.

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

	Kodiak	
Summarised Financial Performance before intra-group eliminations	**Half-year Ended 31 December 2013**	**Half-year Ended 31 December 2012**
	$000	**$000**
Revenue	12,255	-
Profit/(loss) before income tax	(1,247,537)	(4,726,580)
Income tax expense/income	-	-
Post-tax profit/(loss) from continuing operations	(1,247,537)	(4,726,580)
Post-tax profit/(loss) from discontinued operations	-	-
Other comprehensive income	-	-
Total comprehensive income	**(1,247,537)**	**(4,726,580)**
Profit/(loss) attributable to non-controlling interests	-	-
Distributions paid to non-controlling interests	-	-

Summarised Cash Flow Information before intra-group eliminations	Kodiak Half-year Ended 31 December 2013 $000	Kodiak Half-year Ended 31 December 2012 $000
Net cash from/(used in) operating activities	(1,736,868)	(3,757,573)
Net cash from/(used in) investing activities	(166,063)	(890,553)
Net cash from/(used in) financing activities	1,911,638	4,669,501
Cash and Cash Equivalents at End of Year	**42,621**	**27,638**

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

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 8 to 28 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 2013 and of the performance for the half-year ended on that date of the Group;

2.. In the Directors' opinion there are reasonable grounds to believe that the Ccompany 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 14th day of March 2014

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

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 2013, 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 2013 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 2013 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 incurred a net loss of $2,884,106 and generated net cash outflows of $2,588,834 during the half-year ended 31 December 2013 and as of that date, the company's current liabilities exceeded its current assets by $7,248,293 . 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
Perth W.A.
Dated this 14th day of March 2014