ATTILA RESOURCES LIMITED
ABN 53 142 165 080

# 2012 ANNUAL REPORT

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*Sample of hard coking coal taken from core drilling on Coke coal seam, Kodiak Project, Alabama USA*

## Corporate Directory

**Directors**
Mr Max Brunsdon (Executive Director)
Mr Evan Cranston (Executive Director)
Mr Bryn Hardcastle (Non Executive Director)
Mr Leigh Ryan (Non Executive Director)
Mr Alan Thom (Non Executive Director)

**Company Secretary**
Ms Oonagh Malone

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**Stock Exchange**
ASX Codes:
AYA
AYAO (20c options expiring 29 June 2014)
Home Office: Perth

**Country of Incorporation and Domicile**
Australia

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# Review of Operations

**HIGHLIGHTS**

### Kodiak Coking Coal Project

- Acquisition of Kodiak Coal Project in Shelby County, Alabama, USA in June 2012
- Maiden Inferred JORC Compliant Resource of 81Mt of premium hard coking coal
- Drilling results indicate continuous coal seams with no apparent fault offsets
- Testing results to date indicate extremely low ash, low sulphur hard coking coal with superior fluidity
- Drilling continuing with 5 drill rigs on site to upgrade the JORC Compliant Resource to measured and indicated categories
- Operation fully permitted and licensed on private land
- Full infrastructure already in place to recommence operations including wash plant and rail infrastructure
- Experienced management team
- Underpins the potential for a long life coking coal operation

### Talisker North Project

- Maiden scout drilling program in July 2011 intersected a 4 metre coal seam from 50 metres depth at Talisker North coal project representing a potentially significant thermal coal discovery in underexplored coal basin
- 7 additional exploration licenses increasing Attila's tenement holding to 1922 $km^2$ and effectively locking up the coal bearing geology in this new exciting coal basin
- Initial test work conducted indicating potential for export quality thermal coal that compares favourably with Collie Coal
- Calorific value of 5447 kcal/kg (dry basis) and 7263 kcal/kg (dry ash-free basis) returned from Talisker North coal samples.
- *50-100 million tonne exploration target established at Talisker North (see qualification)
- Preliminary logistics and infrastructure evaluation has identified transport options for Talisker North
- Aircore drilling completed at northern coal targets with thin coal seams intersected

## Kodiak Coking Coal Project (Attila Resources Limited 70%)

In June 2012, Attila successfully acquired a 70% interest in the Kodiak Coking Coal Project located in Shelby County, Alabama, USA (Figures 1 and 2).

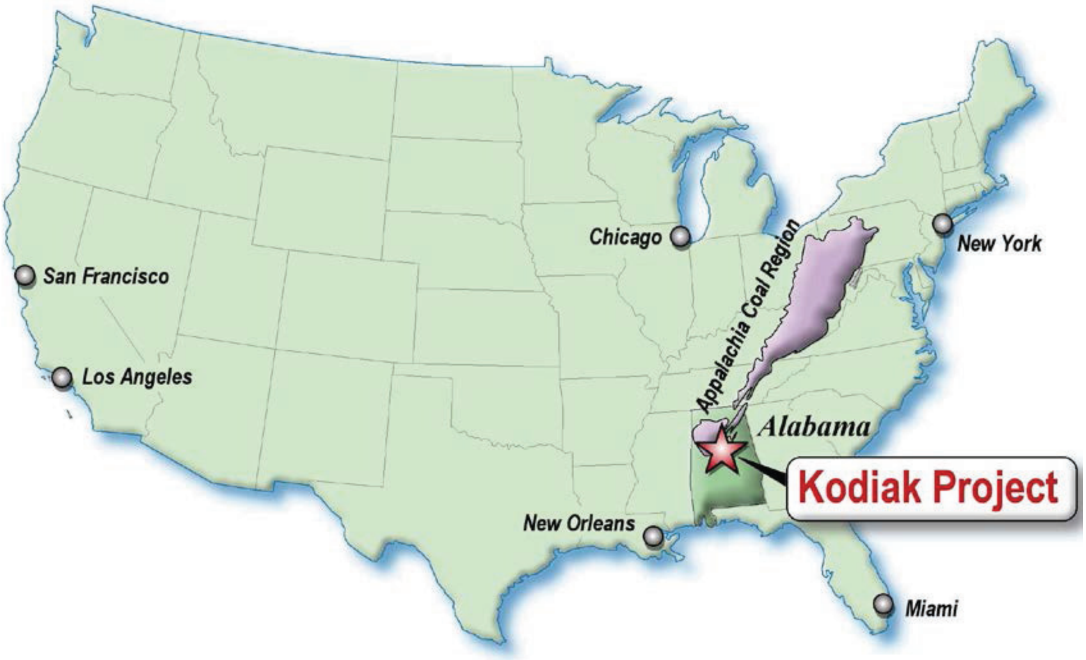


***Figure 1.*** *Location of Kodiak Project at the southern end of the Appalachia Coal Region, USA.*

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

Attila understands that the reasons for this decision were due to underperformance by the mining contractors and ventilation issues due to inadequate mine planning and funding.

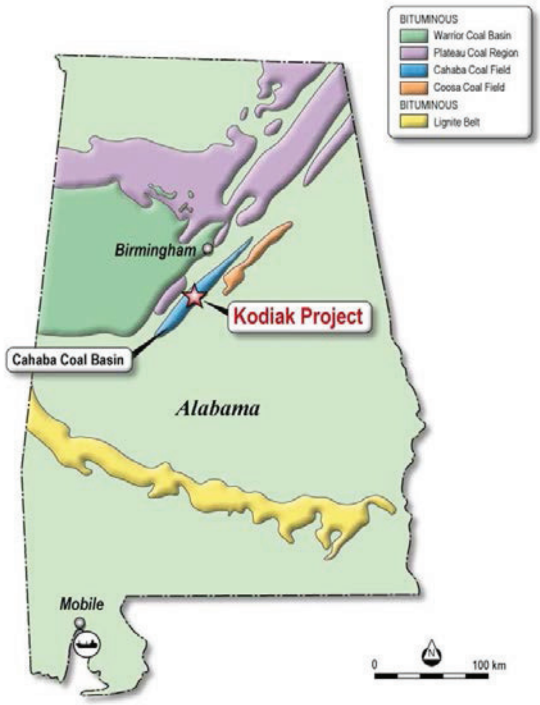


***Figure 2.*** *Kodiak Project in Cahaba Coal Basin.*

Attila has secured the mining rights to 2 coal seams (Atkins and Coke seams) which outcrop on the western edge of the property and underlie the remainder of the Kodiak Project. Both coal seams have been fully permitted with key environmental and mining approvals in place. The 2 beds dip shallowly to the southeast into the Lolley Basin (Figure 3). Both seams have previously been surface mined along much of their outcrop with the resultant highwalls providing sites for the development of underground entries. Approximately 100 historical coal bed methane wells and 10 core holes have been drilled on the Kodiak Project from 1980 through to 2007.

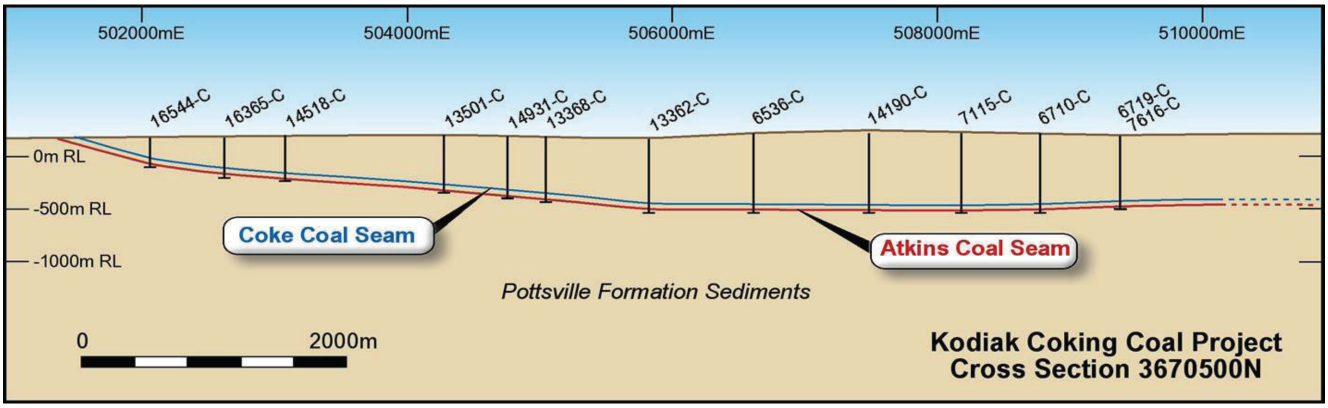


***Figure 3.*** *Coke and Atkins Coal Seams.*

**Maiden JORC Compliant Inferred Resource**

In July 2012, the Company commenced a 12,400 metre diamond core drill program with 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 as follows:

| Coal Seam | Category | Tonnes |
|---|---|---|
| **Coke** | *Inferred* | 40,001,000 |
| **Atkins** | *Inferred* | 40,952,000 |
| **TOTAL** | ***Inferred*** | **80,953,000** |

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 its current diamond core drilling and sampling program, of which eleven holes have been completed, and from historic data acquired from the property owner and from prior operators. These historic data comprise geophysical logs of 124 holes drilled for coalbed methane exploration and exploitation, logs of 6 diamond drill core holes drilled by a prior operator, and 26 surface prospect sites excavated by the prior owner. The density and spacing of these data points is such that there is a high degree of confidence in the tonnage estimates. However, the tonnage estimates are classified as inferred until such time as the complete results of the current drilling and sampling program are received.

The Inferred Resource is solely contained within the Company's current mineral lease area of 7,770 acres and there is excellent scope to expand this resource via the acquisition of additional leases from adjacent mineral rights owners (see Figure 4).

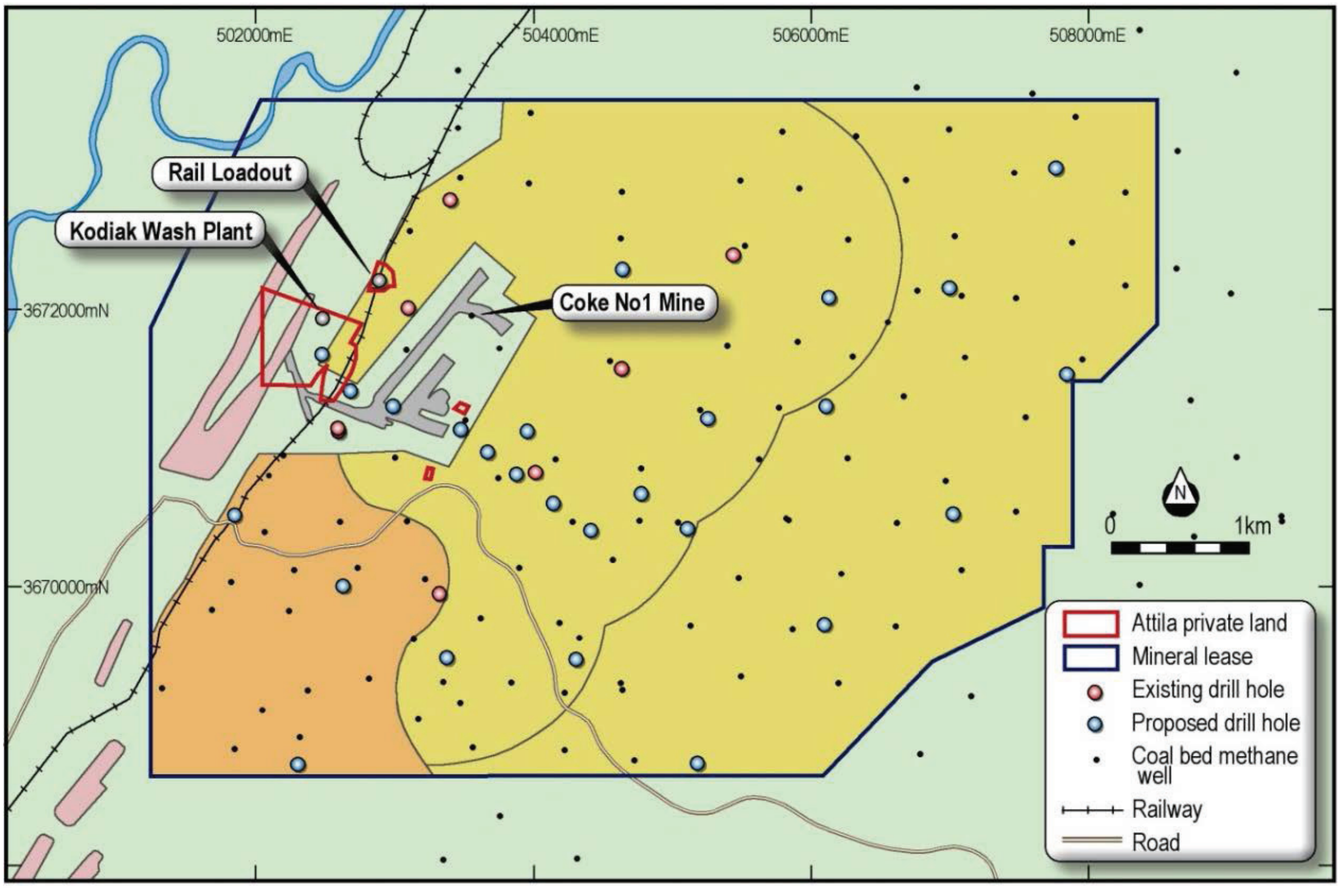


***Figure 4.*** *Kodiak Coking Coal Project with the 7,770 acre mineral lease area. Potential to acquire additional leases exist to the south east of this property.*

Coal seams outcrop along the western margin of the property and generally dip to the southeast to a depth of around 780 metres at the deepest point on the Atkins seam, with 75 percent of the resource lying at depths of less than 600 metres. The drilling results to date indicate that the coal seams are continuous with no apparent offsetting or faulting.

The current drill program will also be used to gain knowledge regarding the geologic conditions for use in mine planning and development and for providing a basis for the preparation of a detailed feasibility study. Gas desorption testing will be done on the Atkins and Coke coal cores to assist in designing the ventilation systems for the planned mines. Work will be conducted in sequential phases and it is estimated this will take up to 6 months to complete. The programs of work will be supervised by geological consulting firm Stagg Resource Consultants.

## Analytical Results Indicate Premium Hard Coking Coal

The results used to define the 81Mt Inferred Resource indicate that the coal found at the Kodiak Coking Coal Project is a premium hard coking coal with the following important characteristics over the major portion of the property:

| Dry Basis | | | | | | | |
|---|---|---|---|---|---|---|---|
| Ash (%) | Sulphur (%) | Volatile Matter (%) | Fixed Carbon (%) | P (%) | Calorific Value (kcal/kg) | FSI | Max Fluidity (DDPM) |
| 2-5 | 0.5-0.7 | 32-35 | 59-62 | 0.006 | 8,180-8,350 | 9 | +20,000 |

Further, the following raw coal characteristics are extremely encouraging:

| As Received Basis | | | | |
|---|---|---|---|---|
| Coal Bed | Moisture (%) | Ash (%) | Sulphur (%) | Calorific Value (kcal/kg) |
| Coke | 2.33 | 5.57 | 0.51 | 7,860 |

## Infrastructure and Logistics

As part of the acquisition, Attila acquired all of the plant and equipment, surface rights and other infrastructure owned by Kodiak (Figure 5). This includes:

- 5 parcels of surface land (42 hectares) on which the existing infrastructure is located;
- Water storage and associated infrastructure;
- Coke No. 1 Mine with power grid, mine substation, mine office, maintenance shed, storage shed and Joy mine fan;
- 300 tonne per hour preparation and wash plant with heavy media circuit, 2 radial stackers, rotary breaker and structure with 3m x 6m double deck screen;
- A warehouse with inventory from Joy manufacturing, Long – Airdox, Fairchild and Fletcher etc;
- Various underground mining equipment including roof bolters, continuous miners, battery scoops, personnel carriers and pickup trucks;
- Office and bath house complex;
- 10,000kva substation;
- Workshop with 23 tonne crane and other miscellaneous parts and tools; and
- Rail spur infrastructure with 55 car loadout and locomotive.

***Figure 5.*** *ROM Pad at Kodiak Project.*

The Kodiak Project is ideally located to take advantage of existing logistical infrastructure that can cater to both the domestic and export markets (Figure 6). With a heavy gauge rail line running through the Kodiak property and a loadout facility on site, there is immediate access to the extensive rail network traversing the United States and from there, 3 major coal handling ports. There is also the possibility of barging coal along the Black Warrior and Tombigbee Rivers which will be investigated as part a study on the export market potential. Importantly, it is envisaged that there will no major CAPEX requirements necessary for either domestic or export sales. With no existing offtake agreements in place, the Company has maximum flexibility to derive value.


***Figure 6.*** *Extensive rail and river networks traversing Alabama.*

## Talisker North Project (Attila Resources Ltd 100%)

The Talisker North Project is a thermal coal project located in the Byro sub-Basin on the eastern flank of the Carnarvon Basin, approximately 650 kilometres north of Perth. Previous exploration in the region in the 1970s and 1980s by companies such as BHP, CRA and Griffin Coal, intersected Permian coal seams up to 2 metres thick similar in age and quality to coal measures in the southern basins of Western Australia. Following the successful grant of an additional 4 exploration licenses and 3 applications, Attila has increased its Talisker North landholding to 1,922km$^2$ and has established itself as the majority landholder in the under-explored Talisker North Coal Basin (Figure 7).

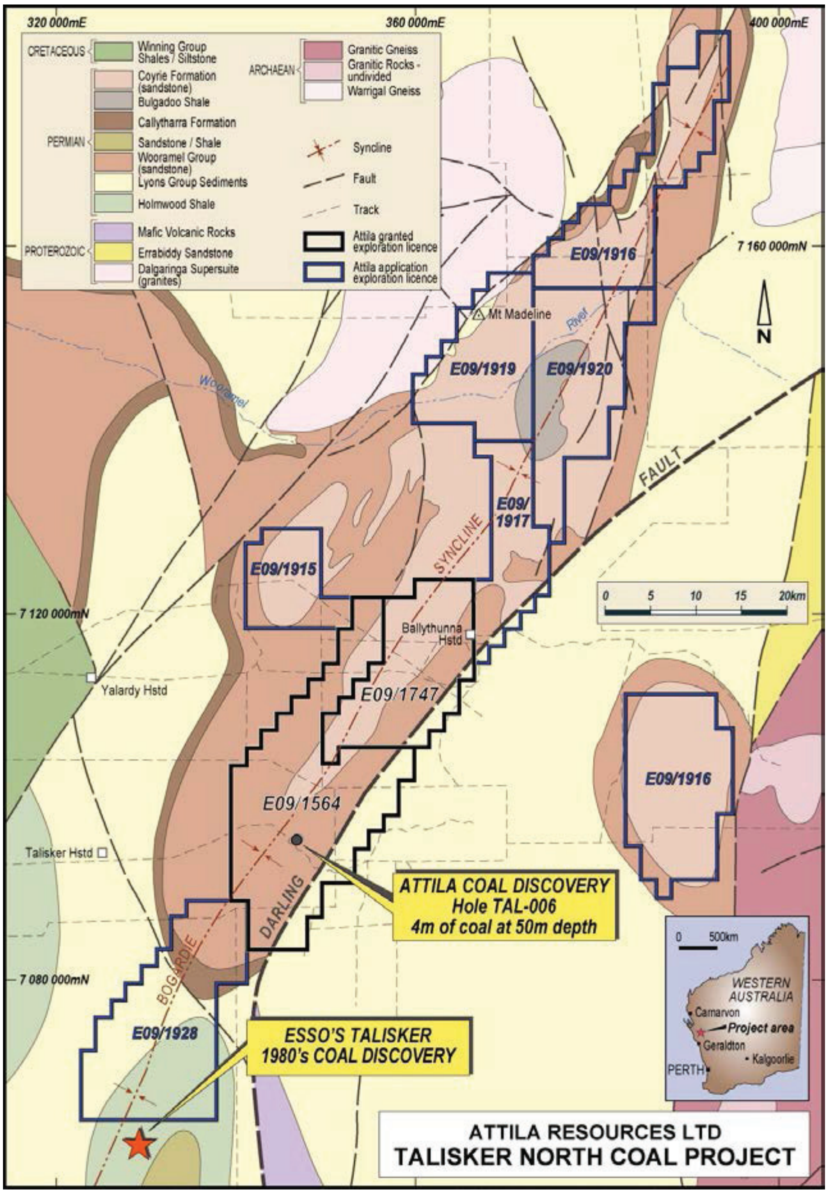


***Figure 7.*** *Location of Talisker North coal discovery hole, Tal-006.*

The Company commenced a 25-hole maiden aircore drill program at Talisker North in July 2011 and was excited to intercept a 4 metre coal seam at 50 metres depth in one reconnaissance aircore drill hole, Tal-006, with two other holes also intersecting coal. Attila's drilling was targeting coal seams hosted by sediments of the Permian Wooramel Group, which have been interpreted to be stratigraphically equivalent to the Collie and Irwin River coal measures.

## Summary of Test Work

The coal analysis of the Talisker North samples was carried out by ALS Accura in Collie, WA, and the samples were analysed on an "as received" basis, "air dried" basis (moisture not taken out of coal), "dry" basis (moisture taken out of coal) and "dry ash-free" basis (moisture and ash taken out of coal). The Company is encouraged by the results of the analysis, which indicate a thermal coal at Talisker North that compares favourably in quality to Collie coal. Collie coal is sub-bituminous, with an average calorific value of 20MJ/kg (4800 kcal/kg) on an "as received" basis and is suitable for power generation.

Although Collie coal has a lower ash and sulphur content, the calorific value of Talisker North coal is 4,348 kcal/kg on an "as received" basis, 4,396 kcal/kg on an "air dried" basis, and 5,447 kcal/kg on a "dry" basis. The calorific value of Talisker North coal is 7,263 kcal/kg on a "dry ash-free" basis and is also comparable in calorific value to Collie coal on this basis.

**Talisker North coal analysis**

| Samples Tal-006 /004 | Moisture % | Ash % | Volatile Matter % | Fixed Carbon % | Total Sulphur % | Calorific Value MJ/kg | Calorific Value kcal/kg |
|---|---|---|---|---|---|---|---|
| **As received** | 20-21 | 20 | 23-24 | 36 | 0.7-1.7* | 8.2 | 4348 |
| **Aair dried** | 19-20 | 20 | 23-24 | 37 | 0.7-1.8* | 18.4 | 4396 |
| **Dry** | - | 25 | 29-30 | 45-46 | 0.9-2.2* | 22.8 | 5447 |
| **Dry ash-free** | - | - | 39-40 | 60-61 | 1.2-2.9* | 30.4 | 7263 |

* The higher sulphur content of 1.7% in one of the Talisker coal samples may reflect a band of pyrite in the coal sequence

**Comparison between Talisker North coal / Collie coal analysed on an "as received" basis**

| | Moisture % | Ash % | Volatile Matter % | Fixed Carbon % | Total Sulphur % | Calorific Value MJ/kg | Calorific Value kcal/kg |
|---|---|---|---|---|---|---|---|
| **Talisker North** | 20-21 | 20 | 23-24 | 36 | 0.7-1.7 | 18.2 | 4348 |
| **Collie** | 25 | 3-10 | 22-37 | 37-50 | 0.3-0.5 | 18-22 | 4300-5250 |

Given the encouraging results of the analysis the Company is undergoing further test work to determine the washability of the coal and its potential as an exportable product.

On 23 April 2012, a 1,554 metre drill program commenced to test other targets located on tenement E09/1747, approximately 30 kilometres north-east of the 2011 discovery on tenement E09/1564 in Tal-006. In 1980, CRA Exploration intersected sub-bituminous coal seams on tenement E09/1747 in 3 regionally spaced drill holes totalling 1.1 - 1.5 metres in seam thickness at between 43 – 134 metres depth.

The Company completed the 20 aircore holes drilling to a maximum depth of 80 metres with most drill holes spaced 1 kilometre apart along four station roads that travers the prospective Bogardie Syncline. Drilling intersected several thin coal seams of widths between 10 centimetres to 40 centimetres in thickness at depths between 38 metres and 77 metres.

In September 2012, the Company completed a step-out drill program at Talisker North which intersected the same coal seam (named the Verona seam) in 13 holes. 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 9) 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.

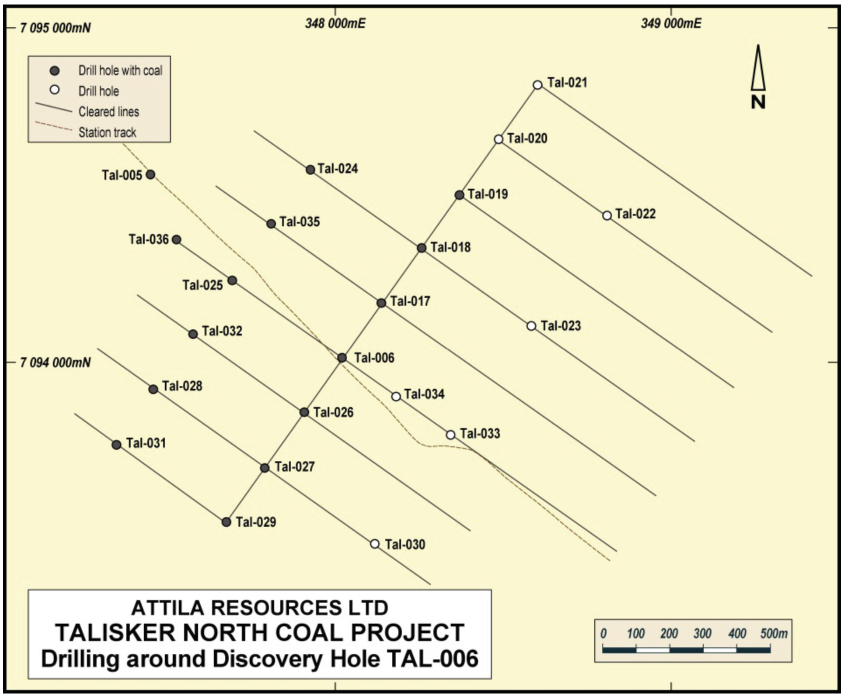


***Figure 9.*** *Step-out drill program around TAL-006.*

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.

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.

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.

**Infrastructure Review**

The Company undertook a preliminary evaluation of infrastructure in the area for the purposes of assessing the potential for shipping to end users should a commercial operation be established at Talisker North (Figure 10).

Key findings from the review are:

- Potential exists to export product through existing Geraldton port or the proposed Oakajee port in the future. The establishment of a port at Carnarvon in the future would also be an option.
- The project is ideally located within close proximity to gas through the Dampier to Bunbury pipeline adjacent to the project site.
- Upgrading of existing unsealed roads to a 100 kilometre long haul road would provide access to existing road systems in the region.
- Project is approximately 200 kilometres from proposed railway servicing regional iron ore projects.

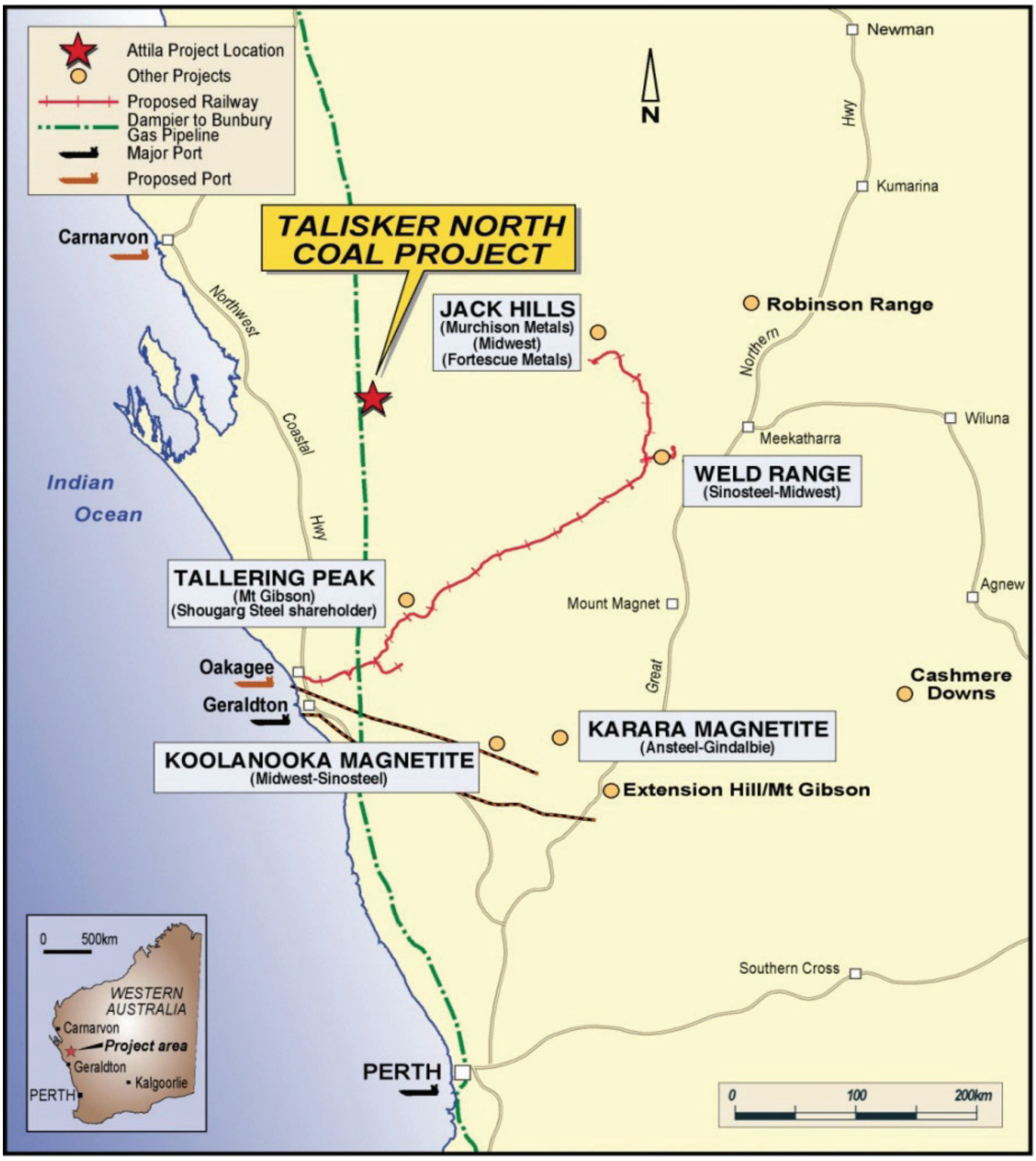


***Figure 10.*** *Location map of regional infrastructure.*

## Cotters Run Project (Attila Resources Limited 100%)

The Cotters Run Project (Figure 11) 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). Previous exploration at Cotters Run by Billiton Australia and Acacia Resources during the period 1989 to 2003 delineated an area of gold soil anomalism at the Le Mans Prospect.

The regional structural location, a local anticlinal closure immediately to the west of the Boulder-Lefroy Fault, indicates strong prospectivity in this structural environment. The greater St Ives-Junction area is well-recognised for the development of 'blind' gold lodes associated with flat-lying thrusts, and any near-surface gold occurrence within the Boulder-Lefroy corridor warrants detailed evaluation.

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

## Lefroy Project (Attila Resources Limited 100%)

The Lefroy Project (Figure 11) comprises two exploration license applications in an area 80 kilometres southeast of Kalgoorlie. E15/1227 is an eight-block (23km$^2$) 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 (26km$^2$) application a further 8 kilometres to the east that contains magnetic chert/BIF stratigraphy within the Mt Belches sedimentary sequence.

A review of previous exploration available from The Department of Mines and Petroleum Open File reports shows that the tenement areas are lightly explored with partial surface geochemical coverage and no reported drilling on E15/1227 or E15/1228.

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

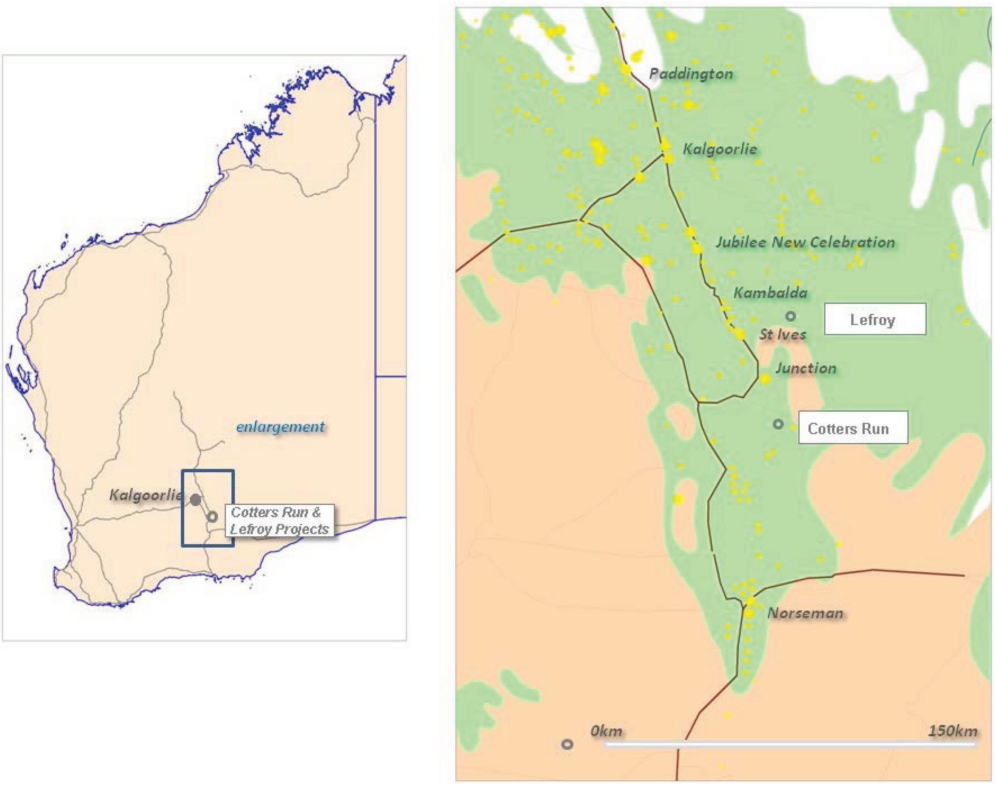


***Figure 11.*** *Cotters Run and Lefroy Project Locations in Western Australia.*

*Competent Person Statements*

*The information in this report that relates to exploration results is based on information compiled by Mr. Leigh Ryan, a director of 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.*

*The information in this report that relates to the JORC Compliant (Coal) Resource 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.*

*Qualification of Exploration Target – Talisker*
*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.*

***Wash plant at Kodiak Coal Project, Alabama USA***

## Directors' Report

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Attila Resources Limited (referred to hereafter as the 'Company') and the entities it controlled for the year ended 30 June 2012.

**Directors**

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

| | |
|---|---|
| Grant Mooney | Non Executive Chairman |
| Bernardo da Veiga | Executive Director (resigned 8 December 2011) |
| Bryn Hardcastle | Non Executive Director (appointed 8 December 2011) |
| Leigh Ryan | Non Executive Director (appointed 23 January 2012) |
| Zlad Sas | Non Executive Director |

**Grant Mooney B Bus., CA.** Age 45. **Non-Executive Chairman and Company Secretary**

Grant Mooney is the principal of Perth-based corporate advisory firm Mooney & Partners Pty Ltd, specialising in corporate compliance administration to public companies. Mr Mooney has gained extensive experience in the areas of corporate and project management since commencing Mooney & Partners in 1999. His experience extends to advice on capital raisings, mergers and acquisitions and corporate governance.

Currently, Mr Mooney serves as a director and company secretary to ASX listed mineral exploration companies - Barra Resources Limited, Phosphate Australia Limited, Carbine Resources Limited and Wild Acre Metals Limited, and renewable energy company - Carnegie Wave Energy Limited. He is a member of the Institute of Chartered Accountants in Australia.

**Bryn Hardcastle LLB, BA.** Age 33. **Non-Executive Director**

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

**Leigh Ryan BSc Geology, MAIG.** Age 48. **Non-Executive Director**

Leigh Ryan is a highly qualified geologist with 24 years' experience throughout Africa and Australia. He has been involved in the targeting, evaluation, discovery and resource definition of numerous gold and base metal deposits and has successfully negotiated purchase, option and joint venture agreements in both Africa and Australia.

Mr Ryan currently serves as managing director to ASX listed company, Boss Resources Ltd.

**Zlad Sas BSc (Hons), MAusIMM.** Age 59. **Non-Executive Director**

Zlad Sas is a geologist with 37 years' experience in the diamond exploration and mining industry who has worked extensively on diamond projects in Australia, Africa, India, and Brazil. He graduated with an Honours degree in geology in 1974 from the University of Western Australia and is currently a member of the Australian Institute of Mining and Metallurgy.

**Directors' Meetings**

During the financial year ended 30 June 2012, 8 meetings of Directors were held. Attendances by each Director during the period were as follows:

| Director | Number Attended | Number Eligible to Attend |
|---|---|---|
| Bernardo da Veiga | 1 | 1 |
| Bryn Hardcastle | 7 | 7 |
| Grant Mooney | 8 | 8 |
| Leigh Ryan | 5 | 6 |
| Zlad Sas | 8 | 8 |

The Directors made and approved five circular resolutions during the financial period ended 30 June 2012.

**Principal Activities**

The principal activities of the Group are the review of mineral exploration and development projects. There were no significant changes in the nature of these activities during the year ended 30 June 2012.

**Dividends**

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

**Operating Results**

The consolidated comprehensive loss of the Group amounted to $1,215,149 (2011: $481,422) after providing for income tax.

**Review of Operations**

***Talisker North Coal Project***

During the financial year, the Company commenced exploration activities at the Talisker North Coal Project in Western Australia resulting in a maiden discovery of a 4 metre coal seam from 50 metres depth representing a potentially significant thermal coal discovery in an underexplored coal basin.

7 additional exploration licence applications were lodged increasing the Company's tenement holding at Talisker North to 1,922km$^2$ covering areas of prospectivity in this exciting new coal basin.

Initial testwork conducted indicates potential for export quality thermal coal that compares favourably with Collie Coal. Samples have returned results of 5,447 kcal/kg (dry basis) and 7,263 kcal/kg (dry ash-free basis) in respect of calorific value.

***Kodiak Coking Coal Project (Attila 70%)***

In June 2012, a controlled entity acquired a 70% interest in the Kodiak Coking Coal Project in the Cahaba Coal Basin, Shelby County, Alabama, USA. Although currently in care and maintenance, the operation is fully permitted and licensed on private land with full infrastructure in place to recommence operations including a wash plant and rail infrastructure. A drill program is scheduled to commence in the new financial year with the aim of defining a JORC compliant resource.

**Significant Changes in the State of Affairs**

The following significant changes in the state of affairs of the Group occurred during the year ended 30 June 2012:

- On 15 July 2011, the Company issued 2,582,128 listed options at $0.005 each with an exercise price of $0.20 each on or before 29 June 2014.
- On 9 March 2012, the Company issued 1,500,000 options to Directors at an exercise price of $0.29 each on or before 9 March 2015.
- On 22 May 2012, the Company announced a controlled entity had entered into a binding heads of agreement with TBL Metallurgical Resources LLC to acquire a 70% interest in Kodiak Mining Company LLC which operated an underground high-volatile hard coking coal mine known as the Coke No. 1 Mine in Shelby County, Alabama, USA (Kodiak Coking Coal Project).
- On 8 June 2012, the Company issued 5,000,000 shares at $0.20 each to raise $1 million.
- On 25 June 2012, the Company announced a capital raising comprising $13 million of convertible notes and a $1 million share placement, both subject to shareholder approval. The terms of the notes are a 3 year term, a conversion price of $0.50, coupon 12% per annum in arrears paid annually for the first year and then half yearly thereafter and conversion subject to shareholder approval with no conversion for the first 6 months. Each convertible note holder will be entitled to subscribe for a fully paid ordinary share at an issue price of $0.20 to raise a total of $1 million on the basis of 1 share for every 13 convertible notes subscribed for.
- On 28 June 2012, the Company announced the completion of the acquisition of the Kodiak Coking Coal Project, Shelby County, Alabama, USA.

**Matters Subsequent to the End of the Financial Year**

The following matters occurred following the end of the financial year:

- On 16 July 2012, the Company issued 15,000 ordinary shares following the conversion of listed options at $0.20 each raising $3,000.
- On 10 August 2012, the Company issued 142,500 ordinary shares following the conversion of listed options at $0.20 each raising $28,500.
- On 23 August 2012, the Company issued 70,000 ordinary shares following the conversion of listed options at $0.20 each raising $14,000.
- On 21 September 2012, the Company issued 20,000 ordinary shares following the conversion of listed options at $0.20 each raising $4,000.
- The Company received a writ from Monomotapa Coal Limited for alleged unpaid introduction fees relating to the Kodiak Coal Project. 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.

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

**Future Developments, Prospects and Business Strategies**

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

**Share Options**

At the date of this report the Group had 1,500,000 unlisted options over ordinary shares issued to Directors at an exercise price of $0.20 per share expiring on 10 March 2014, 1,000,000 unlisted options over ordinary shares issued to Directors at an exercise price of $0.20 per share expiring on 1 August 2014, 1,500,000 unlisted options over ordinary shares issued to Directors at an exercise price of $0.29 per share expiring on 9 March 2015 and 10,752,500 listed options at the exercise price of $0.20 to shareholders expiring on 29 June 2014. At the date of this report, the total unissued ordinary shares of Attila Resources Limited under option are 14,752,500.

**Directors' interests**

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

| DIRECTOR | ORDINARY SHARES FULLY PAID | | OPTIONS | |
|---|---|---|---|---|
| | **Direct** | **Indirect** | **Direct** | **Indirect** |
| Bryn Hardcastle | - | - | - | *500,000 |
| Grant Mooney | 500,000 | **50,000 | 1,250,000 | *25,000 |
| Leigh Ryan | - | - | - | ***1,000,000 |
| Zlad Sas | 140,000 | - | 570,000 | - |
| **Total** | **640,000** | **50,000** | **1,820,000** | **1,525,000** |

* Indirect options held by Bryn Hardcastle are held in the name of BPH Family Account

** Indirect options and shares held by Grant Mooney are held in the name of Ocean Flyers Pty Ltd (S&G Mooney Super Fund A/c)

*** Indirect options held by Leigh Ryan are held in the name of Sandra Kay Ryan

## Remuneration report

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

*Compensation of Key Management Personnel*

The Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on an annual basis by reference to relevant employment market conditions with the overall objective of ensuring maximum shareholder benefit from the retention of appropriately qualified Directors and Executives. Presently there are no formalised arrangements which give rise to the payment of additional remuneration to Directors contingent on Group performance.

The Constitution and the ASX listing rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting.

Given the size of the Group and its operations there is no relationship between remuneration and Group performance and shareholder wealth other than options issued as remuneration.

Non-Executive Director remuneration will be determined according to market practice for junior listed companies based on information obtained from industry analysts.

*Compensation of Key Management Personnel*

| **2012** | **Short-Term Benefits Cash salary and fees $** | **Post Employment Benefits Superannuation $** | **Share-Based Payment Shares/ Options $** | **Total $** | **Remuneration consisting of options %** |
|---|---|---|---|---|---|
| *Non-Executive Directors:* | | | | | |
| Mr Bryn Hardcastle | 18,371 | - | 85,000 | 103,371 | 82% |
| Mr Grant Mooney | 30,000 | 2,700 | - | 32,700 | - |
| Mr Leigh Ryan | 13,568 | 1,221 | 170,000 | 184,789 | 92% |
| Mr Zlad Sas | 30,000 | 2,700 | - | 32,700 | - |
| *Sub-total Non-Executive Directors* | 91,939 | 6,621 | 255,000 | 353,560 | 72% |
| *Executive Directors:* | | | | | |
| Mr Bernardo Da Veiga | 21,795 | 1,961 | - | 23,756 | - |
| **Total** | **113,734** | **8,582** | **255,000** | **377,316** | **68%** |
| **2011** | | | | | |
| *Non-Executive Directors:* | | | | | |
| Mr Grant Mooney | 20,000 | 1,800 | - | 21,800 | - |
| Mr Zlad Sas | 20,000 | 1,800 | - | 21,800 | - |
| *Sub-total Non-Executive Directors* | 40,000 | 3,600 | - | 43,600 | - |
| *Executive Directors:* | | | | | |
| Mr Bernardo Da Veiga | 50,000 | 4,500 | - | 54,500 | - |
| **Total** | **90,000** | **8,100** | **-** | **98,100** | **-** |

Consulting fees paid to Director related entities are set out in Note 21 and have not been included in the above tables.

*Compensation Options*

There were a total of 1,500,000 (2011:1,000,000) compensation options issued to Directors during the year.

| Financial Year | Grant date | Vesting Date | Expiry date | Exercise price | Value per option at grant date | Amount paid/payable by recipient |
|---|---|---|---|---|---|---|
| 2012 | 9 March 2012 | 9 March 2012 | 9 March 2015 | $0.29 | $0.17 | $0.00 |
| 2011 | 1 August 2010 | 1 August 2010 | 1 August 2014 | $0.20 | nil | $0.00 |

*Share Based Payment Compensations*

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

| **2012** | **Numbers of options granted during the year** | **Value of options at grant date *** | **Numbers of options vested during the year** | **% vested during the year** | **Numbers of options lapsed during the year** | **Value at lapse date** |
|---|---|---|---|---|---|---|
| *Non-Executive Directors* | | | | | | |
| Bryn Hardcastle | 500,000 | $85,000 | 500,000 | 100% | - | - |
| Leigh Ryan | 1,000,000 | $170,000 | 1,000,000 | 100% | - | - |
| Grant Mooney | - | - | - | - | - | - |
| Zlad Sas | - | - | - | - | - | - |
| *Executive Directors* | | | | | | |
| Bernardo da Veiga | - | - | - | - | - | - |
| **Total** | **1,500,000** | **$255,000** | **1,500,000** | **100%** | **-** | **-** |
| **2011** | | | | | | |
| *Non-Executive Directors* | | | | | | |
| Grant Mooney | - | - | - | - | - | - |
| Zlad Sas | - | - | - | - | - | - |
| *Executive Directors* | | | | | | |
| Bernardo da Veiga | 1,000,000 | - | 1,000,000 | 100% | - | - |
| **Total** | **1,000,000** | **-** | **1,000,000** | **100%** | **-** | **-** |

* The value at grant date calculated in accordance with AASB 2 Share-based Payment of options granted during the year as part of remuneration.

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. Refer to note 26.

*Service Agreements*

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

| Name | Term of agreement | Base salary per annum including superannuation* (Non-performance based) | Contract details | Proportion of elements of remuneration related to performance |
|---|---|---|---|---|
| Grant Mooney<br>Non-Executive Chairman | No specified term | $32,700 | No fixed term or notice required to terminate | - |
| Bryn Hardcastle<br>Non-Executive Director | No specified term | $32,700 | No fixed term or notice require to terminate | - |
| Leigh Ryan<br>Non-Executive Director | No specified term | $32,700 | No fixed term or notice required to terminate | - |
| Zlad Sas<br>Non-Executive Director | No specified term | $32,700 | No fixed term or notice required to terminate | - |

* Base salaries quoted are for the year ended 30 June 2012; they are reviewed annually.

### Indemnifying Officers or Auditor

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

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

No indemnities have been given or agreed to be given or insurance premiums paid or agreed to be paid, during or since the year ended 30 June 2012, to any person who is or has been an auditor of the Company.

### Auditor

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

### Non-audit Services

These were no non-audit services were provided by a related practice of the Group’s auditor during the year ended 30 June 2012.

### Proceedings on behalf of the Company

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

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

### Environmental Regulations

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

### Auditor’s Independence Declaration

The lead auditor’s independence declaration for the year ended 30 June 2012 has been received and can be found on page 11.

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

**Grant Mooney**

Non-Executive Chairman

Signed at Perth this 28th day of September 2012

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

**TO THE DIRECTORS OF ATTILA RESOURCES LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2012 there has been:

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

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

Maxim Audit

MAXIM AUDIT
Chartered Accountants

M A Lester
Perth W.A.
Dated this 28th day of September 2012



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# Consolidated Statement of Comprehensive Income
## For the Year Ended 30 June 2012

| | Note | Consolidated 2012 $ | Consolidated 2011 $ |
|---|---|---|---|
| **Revenue** | 4 | **76,712** | **63,865** |
| Depreciation and amortisation expense | 10 | (700) | (1,050) |
| Exploration and evaluation expenditure | 5 | (286,282) | (286,220) |
| Employee benefits | 4 | (373,474) | (105,638) |
| Professional expenses | 4 | (99,795) | (51,825) |
| General and administrative expenses | 4 | (534,328) | (100,554) |
| **Loss before income tax expense** | | **(1,217,867)** | **(481,422)** |
| Income tax expense | 6 | **-** | - |
| **Loss for the year** | | **(1,217,867)** | **(481,422)** |
| **Other comprehensive income** | | | |
| Exchange differences on translation of controlled entities | | 2,718 | - |
| **Total comprehensive loss for the year** | | **(1,215,149)** | **(481,422)** |
| Loss for the year attributable to: | | | |
| Members of the parent entity | | (1,213,842) | (481,422) |
| Non-controlling interest | | (4,025) | - |
| | | **(1,217,867)** | **(481,222)** |
| Total comprehensive loss for the year attributable to: | | | |
| Members of the parent entity | | (1,211,939) | (481,422) |
| Non-controlling interest | | (3,210) | - |
| | | **(1,215,149)** | **(481,222)** |
| **Earnings per share from continuing operations:** | | **Cents** | **Cents** |
| Basic loss per share | 25 | 5.44 | 3.03 |
| Diluted loss per share | 25 | 0.03 | 2.62 |

The accompanying notes form part of these financial statements.

ATTILA RESOURCES LIMITED

## Consolidated Statement of Financial Position
## As At 30 June 2012

| | Note | Consolidated 2012 $ | Consolidated 2011 $ |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and cash equivalents | 7 | 3,753,080 | 2,073,890 |
| Trade and other receivables | 8 | 1,058,420 | 4,812 |
| Other current assets | 9 | 3,083 | 3,515 |
| **Total Current Assets** | | **4,814,583** | **2,082,217** |
| **Non Current Assets** | | | |
| Property, plant and equipment | 10 | 1,463,871 | 955 |
| Deferred exploration, evaluation and development expenditure | 5 | 9,686,824 | - |
| Intangible assets | 11 | 3,395 | 3,395 |
| **Total Non Current Assets** | | **11,154,090** | **4,350** |
| **TOTAL ASSETS** | | **15,968,673** | **2,086,567** |
| **Current Liabilities** | | | |
| Trade and other payables | 12 | 867,583 | 36,657 |
| Borrowings | 13 | 13,000,000 | - |
| **Total Current Liabilities** | | **13,867,583** | **36,657** |
| **TOTAL LIABILITIES** | | **13,867,583** | **36,657** |
| **NET ASSETS (LIABILITIES)** | | **2,101,090** | **2,049,910** |
| **Equity** | | | |
| Issued capital | 14 | 3,551,423 | 2,540,094 |
| Reserves | 15 | 264,568 | 7,665 |
| Accumulated losses | | (1,711,691) | (497,849) |
| Parent interest | | 2,104,300 | 2,049,910 |
| Non - controlling interest | | (3,210) | - |
| **TOTAL EQUITY** | | **2,101,090** | **2,049,910** |

The accompanying notes form part of these financial statements.

## Consolidated Statement of Changes in Equity
## For the Year-Ended 30 June 2012

| 2011 Consolidated | Ordinary shares $ | Accumulated Losses $ | Option Reserve $ | Foreign Currency Translation Reserve $ | Listed Options $ | Non-controlling Interest $ | Total $ |
|---|---|---|---|---|---|---|---|
| **Balance at 1 July 2010** | **1,501** | **(16,427)** | **7,665** | **-** | **-** | **-** | **(7,261)** |
| Issue of shares/options | 2,556,000 | - | - | - | 42,089 | - | **2,598,089** |
| Issue of Directors' Options | - | - | - | - | - | - | **-** |
| Transaction costs | (59,496) | - | - | - | - | - | **(59,496)** |
| Loss for the year | - | (481,422) | - | - | - | - | **(481,422)** |
| **Balance at 30 June 2011** | **2,498,005** | **(497,849)** | **7,665** | **-** | **42,089** | **-** | **2,049,910** |

| 2012 Consolidated | Ordinary shares $ | Accumulated Losses $ | Option Reserve $ | Foreign Currency Translation Reserve $ | Listed Options $ | Non-controlling Interest $ | Total $ |
|---|---|---|---|---|---|---|---|
| **Balance at 1 July 2011** | **2,498,005** | **(497,849)** | **7,665** | **-** | **42,089** | **-** | **2,049,910** |
| Issue of shares/options | 1,000,000 | - | 255,000 | - | 12,911 | - | **1,267,911** |
| Issue of Directors' Options | - | - | - | - | - | - | **-** |
| Transaction costs | (1,582) | - | - | - | - | - | **(1,582)** |
| Loss for the year | - | (1,213,842) | - | - | - | (4,025) | **(1,217,867)** |
| Exchange difference on translation of controlled entities | - | - | - | 1,903 | - | 815 | **2,718** |
| **Balance at 30 June 2012** | **3,496,423** | **(1,711,691)** | **262,665** | **1,903** | **55,000** | **(3,210)** | **2,101,090** |

The accompanying notes form part of these financial statements.

# Consolidated Statement of Cashflows
## For the Year-Ended 30 June 2012

| | Note | Consolidated 2012 $ | Consolidated 2011 $ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Payments to suppliers and employees (inclusive of GST) | | (1,080,584) | (369,520) |
| Interest received | | 76,712 | 63,865 |
| Bank charges | | (739) | (971) |
| Purchase of tenement options | | - | (55,000) |
| **Net cash (outflow) inflow from operating activities** | 24 | **(1,004,611)** | **(361,626)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Payments for subsidiaries, net of cash acquired | 22 | (10,310,529) | (3,395) |
| Payments for property, plant, equipment | | - | (2,005) |
| **Net cash (outflow) inflow from investing activities** | | **(10,310,529)** | **(5,400)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from share issues | | 981,419 | 2,371,801 |
| Proceeds from issue of convertible notes | | 12,000,000 | - |
| Proceeds from issue of options | | 12,911 | 42,089 |
| **Net cash from financing activities** | | **12,994,330** | **2,413,890** |
| Net increase in cash and cash equivalents | | 1,679,190 | 2,046,864 |
| Cash and cash equivalents at the beginning of the financial year | | 2,073,890 | 27,026 |
| Cash and cash equivalents at the end of the financial year | 7 | **3,753,080** | **2,073,890** |

The accompanying notes form part of these financial statements.

# Notes to the Financial Statements

The financial report for Attila Resources Limited and Controlled Entities for the year ended 30 June 2012 was authorised for issue on 28 September 2012 in accordance with a resolution by the Board of Directors.

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

**Note 1: Summary of Significant Accounting Policies**

**Basis of preparation**

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

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

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

**a. Going concern**

For the year ended 30 June 2012, the Group has incurred a loss of $1,217,867 and generated net cash outflows of $1,004,611 from operating activities, as disclosed in the consolidated statement of comprehensive income and consolidated statement of cashflows respectively. There is also a deficiency in consolidated working capital as disclosed in the consolidated statement of financial position. 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.

The Directors of the Parent entity advise that in order for the Group to have sufficient cash reserves to fund the next 12 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.

**Note 1: Summary of Significant Accounting Policies (continued)**

**b. Principles of Consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Attila Resources Limited at the end of the reporting period. A controlled entity is any entity over which Attila Resources Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 22 to the financial statements.

In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the consolidated statement of financial position and statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

**Business combinations**

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

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

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

All transaction costs incurred in relation to business combinations are expensed to the statement of comprehensive income.

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

**Goodwill**

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

(i) the consideration transferred;

(ii) any non-controlling interest; and

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

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

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

**Note 1: Summary of Significant Accounting Policies (continued)**

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

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

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

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

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

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

**c. Income Tax**

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

Current income tax expense charged to the statement of comprehensive income is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

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

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

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

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

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

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

**Note 1: Summary of Significant Accounting Policies (continued)**

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

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

**d. Foreign currency transactions and balances**

**Functional and presentation currency**

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

**Transactions and balances**

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

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

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

**Group companies**

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

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

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

**e. Cash and Cash Equivalents**

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

**f. Property, plant and equipment**

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

Note 1: Summary of Significant Accounting Policies (continued)

**Property**

Freehold land and buildings are carried at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less accumulated depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity; all other decreases are recognised in profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

**Plant and equipment**

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

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

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

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

**Depreciation**

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

| | |
|---|---|
| Buildings | 25 years |
| Furniture, Fittings and equipment | 3-8 years |

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

**Note 1: Summary of Significant Accounting Policies (continued)**

**g. Intangibles other than goodwill**

*Trademark, licences, and logo*

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

**h. Exploration, Evaluation and Development Expenditure**

All exploration and evaluation expenditure is expensed to the statement of comprehensive income.

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

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

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

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

**i. Goods and Services Tax (GST)**

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

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

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

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

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

**j. Impairment of assets**

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

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

**Note 1: Summary of Significant Accounting Policies (continued)**

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

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

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

**k. Share based payments**

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

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

**l. Trade and Other Payables**

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year ended 30 June 2012 which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

**m. Contributed Equity**

Ordinary shares are classified as equity.

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

**n. Employee benefits**

A provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled plus related on costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

**Note 1: Summary of Significant Accounting Policies (continued)**

*Equity-settled compensation*

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

**o. Financial instruments**

At present, the Group does not undertake any hedging or deal in derivative instruments.

*Recognition*

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

*Financial Liabilities*

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

*Fair value*

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value of all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

**p. Revenue and Other Income**

Interest revenue is recognised using the effective interest method.

**q. Parent entity financial information**

The financial information for the parent entity, Attila Resources Limited, disclosed in note 27 has been prepared on the same basis as the consolidated financial statements, except as set out below.

*Investments in subsidiaries*

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

*Tax consolidation legislation*

Attila Resources Limited and its wholly-owned Australian controlled entity have implemented the tax consolidation legislation. The Group has applied to become consolidated tax entity and is still waiting for the Australia Taxation Office's confirmation.

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

**Note 1: Summary of Significant Accounting Policies (continued)**

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

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

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

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

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

*Share-based payments*

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

**r. Leases**

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

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

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

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

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

**s. New Accounting Standards for Application in Future Periods**

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

- AASB 9: Financial Instruments (December 2010) and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applicable for annual reporting periods commencing on or after 1 January 2013).

  These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

**Note 1: Summary of Significant Accounting Policies (continued)**

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

The Group has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

- AASB 2010–8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

  This Standard makes amendments to AASB 112: Income Taxes and incorporates Interpretation 121: Income Taxes – Recovery of Revalued Non-Depreciable Assets into AASB 112.

  Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

  The amendments are not expected to significantly impact the Group.

- AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011–7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009–11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] (applicable for annual reporting periods commencing on or after 1 January 2013).

  AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). 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). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed).

## Note 1: Summary of Significant Accounting Policies (continued)

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a “structured entity”, replacing the “special purpose entity” concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will affect disclosures only and is not expected to significantly impact the Group.

To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. These Standards are not expected to significantly impact the Group.

- AASB 13: Fair Value Measurement and AASB 2011–8: Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009–11, 2010–7, 101, 102, 108, 110, 116, 17, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (applicable for annual reporting periods commencing on or after 1 January 2013).

  AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

  AASB 13 requires:

  - inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
  - enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value.

  These Standards are not expected to significantly impact the Group.

- AASB 2011–9: Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] (applicable for annual reporting periods commencing on or after 1 July 2012).

  The main change arising from this Standard is the requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

  This Standard affects presentation only and is therefore not expected to significantly impact the Group.

- AASB 119: Employee Benefits (September 2011) and AASB 2011–10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB101, AASB124, AASB134, AASB1049 & AASB 2011–8 and Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2013).

  These Standards introduce a number of changes to accounting and presentation of defined benefit plans. The Group does not have any defined benefit plans and so is not impacted by the amendment.

  AASB 119 (September 2011) also includes changes to the accounting for termination benefits that require an entity to recognise an obligation for such benefits at the earlier of:

  (i) for an offer that may be withdrawn – when the employee accepts;

  (ii) for an offer that cannot be withdrawn – when the offer is communicated to affected employees; and

  (iii) where the termination is associated with a restructuring of activities under AASB 137: Provisions, Contingent Liabilities and Contingent Assets, and if earlier than the first two conditions – when the related restructuring costs are recognised.

  The Group has not yet been able to reasonably estimate the impact of these changes to AASB 119.

**Note 1: Summary of Significant Accounting Policies (continued)**

**t. Comparatives**

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

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

**Note 2. Critical accounting judgements, estimates and assumptions**

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

*Share-based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using Black-Scholes model taking into account the terms and conditions upon which the instruments were granted.

*Provision for impairment of receivables*

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

*Estimation of useful lives of assets*

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

*Income tax*

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

*Recovery of deferred tax assets*

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

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

*Impairment of assets*

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

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

*Business combinations – acquisition of controlled entities*

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

**Note 3. Operating segments**

**a. Description of Segments**

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

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

*Accounting policies adopted*

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

*Intersegment transactions*

Corporate charges are allocated to reporting segments based on the segments' overall proportion of revenue generation within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

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

*Segment assets*

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

## Note 3. Operating segments (continued)

*Segment liabilities*

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

*Unallocated items*

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

*Comparative information*

This is the first reporting period in which AASB 8 has been adopted. Comparative information has been restated to conform to the requirements of this Standard.

### c. Other segment information

| | **Australia** | | **Indonesia** | | **United States of America** | | **Eliminations** | | **Consolidated Group** | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2012** | **2011** | **2012** | **2011** | **2012** | **2011** | **2012** | **2011** | **2012** | **2011** |
| **Revenue** | | | | | | | | | | |
| Interest Income | 76,712 | 63,865 | - | - | - | - | - | - | 76,712 | 63,865 |
| **Total Revenue** | **76,712** | **63,865** | **-** | **-** | **-** | **-** | **-** | **-** | **76,712** | **63,865** |
| **Segment Result** | | | | | | | | | | |
| Loss after Income Tax | (1,204,401) | (481,423) | (50) | (79,219) | (13,416) | - | - | (79,220) | (1,217,867) | (481,422) |
| **Assets** | | | | | | | | | | |
| Segment Assets | 15,142,689 | 2,086,567 | - | 1 | 11,499,457 | - | (10,673,473) | (1) | 15,968,673 | 2,086,567 |
| **Liabilities** | | | | | | | | | | |
| Segment Liabilities | (13,030,901) | (36,657) | - | (79,219) | (836,682) | - | - | 79,219 | (13,867,583) | (36,657) |
| **Other** | | | | | | | | | | |
| Depreciation and amortization | (700) | (1,050) | - | - | - | - | - | - | (700) | (1,050) |
| Impairment of amount receivable from subsidiaries | - | (79,219) | (50) | 79,219 | - | - | 50 | 79,219 | - | - |
| Exploration and evaluation expenses | (300,596) | (207,453) | - | (78,767) | 14,314 | - | - | - | (286,282) | (286,220) |
| Employee benefits | (373,474) | (105,638) | - | - | - | - | | - | (373,474) | (105,638) |
| Professional expenses | (99,795) | (51,825) | - | - | - | - | | - | (99,795) | (51,825) |
| Administration expenses | (506,598) | (100,102) | - | (452) | (27,730) | - | - | - | (534,328) | (100,554) |

## Note 4. Profit/(Loss) Before Income Tax

| | Consolidated 2012 $ | 2011 $ |
|---|---|---|
| ***Revenue from continuing operations*** | | |
| Interest received | 76,712 | 63,865 |
| Total | **76,712** | **63,865** |
| **Profit before income tax includes the following specific expenses:** | | |
| ***Employee benefit expenses*** | | |
| Wages and salaries | 113,735 | 90,000 |
| Share based payments | 255,000 | - |
| Other employment expenses | 4,739 | 15,638 |
| | **373,474** | **105,638** |
| ***General and Administrative expenses*** | | |
| Listing fees | 13,568 | 31,278 |
| Share registry expenses | 9,681 | 14,458 |
| Rent expenses | 32,400 | 16,800 |
| Travel expenses | 84,594 | 6,714 |
| Insurance | 14,237 | - |
| Administration Fees | 50,400 | - |
| Borrowing professional fees | 277,500 | - |
| Other administration expenses | 51,948 | 31,304 |
| | **534,328** | **100,554** |
| ***Professional expenses*** | | |
| Legal fees | 5,965 | 10,491 |
| Auditor's Remuneration | | |
| - audit or review of financial report | 32,680 | 12,700 |
| - taxation services | - | - |
| Other professional expenses | 61,150 | 28,634 |
| | **99,795** | **51,825** |

## Note 5. Deferred exploration and development expenditure

| | | |
|---|---|---|
| Opening balance | - | - |
| Net expenditure incurred during the year | 286,282 | 136,220 |
| Tenement acquisition costs during the year | - | 150,000 |
| Tenement disposed during the year | - | - |
| Expenditure written off | (286,282) | (286,220) |
| Acquisition of mining lease option at fair value on acquisition (note 22) | 9,686,824 | - |
| **Total** | **9,686,824** | **-** |

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

## Note 6. Income Tax Benefit

**a. Income tax expense**

| | | |
|---|---|---|
| Current tax | - | - |
| Deferred tax | - | - |
| Under/(over) provision in respect of prior years | - | - |
| | **-** | **-** |

**Note 6. Income Tax Benefit (continued)**

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

| | Consolidated 2012 $ | 2011 $ |
|---|---|---|
| Loss from continuing operations before income tax expense | (1,217,867) | (481,422) |
| Tax at the Australian tax rate of 30% (2011: 30%) and U.S. tax rate of 40% | (366,702) | (144,427) |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Share based payments | 76,500 | - |
| Accruals | - | 5,713 |
| Prepayments | - | (1,054) |
| Fundraising expenditure | (67,716) | (3,570) |
| Income tax benefit not recognised | 357,918 | 143,338 |
| Income tax expense | **-** | **-** |

**c. Unrecognised deferred tax assets – tax losses**

| | 2012 $ | 2011 $ |
|---|---|---|
| Unused tax losses for which no deferred tax asset has been recognised | 1,669,540 | 480,953 |
| Potential tax benefit at 30% | **502,204** | **144,286** |

The group has Australian related tax losses for which no deferred tax asset is recognised of $1,656,124 and U.S. related revenue tax losses of $13,416 for which no deferred tax asset is recognised.

**d. Unrecognised temporary differences**

| | 2012 $ | 2011 $ |
|---|---|---|
| Unrecognised deferred tax asset at 30 June relates to the following: | | |
| Accruals | 7,003 | 19,043 |
| Capital raising costs through profit and loss | 66,600 | - |
| Capital raising costs recognised directly in equity | 11,089 | 11,900 |
| Prepayments | 925 | 3,513 |
| | **85,617** | **34,456** |

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

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

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

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

No franking credits are available.

## Note 7. Current assets - cash and cash equivalents

| | Consolidated | |
|---|---|---|
| | **2012** | **2011** |
| | **$** | **$** |
| Cash on hand | 1 | 1 |
| Cash at bank | 3,743,079 | 2,063,889 |
| Cash on deposit | 10,000 | 10,000 |
| | **3,753,080** | **2,073,890** |

The effective interest rate on cash on deposit was 5.50% (2011: 6.00%).

An amount of $29,008 (2011: $nil) was held in USD at balance date.

## Note 8. Current assets - trade and other receivables

| | | |
|---|---|---|
| Receivable on shares issued | 20,000 | **-** |
| Receivable on convertible notes issued | 1,000,000 | **-** |
| GST receivable | 38,420 | 4,812 |
| | **1,058,420** | **4,812** |

## Note 9. Other current assets

| | | |
|---|---|---|
| Prepayments | **3,083** | **3,515** |

## Note 10. Non-current assets – property, plant and equipment

The property, plant and equipment recorded at fair value relates to the acquisition of Kodiak Mining Company LLC by a controlled entity.

| | | |
|---|---|---|
| Land – at fair value | 228,132 | - |
| Buildings – at fair value | 114,765 | - |
| Plant and equipment – at fair value | 1,120,719 | - |
| Office furniture and equipment – at cost | 2,005 | 2,005 |
| Accumulated depreciation | (1,750) | (1,050) |
| **Total property, plant and equipment** | **1,463,871** | **955** |

**Note 10. Non-current assets – property, plant and equipment (continued)**

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

| | Property, Plant and Equipment $ | Total $ |
|---|---|---|
| **Consolidated** | | |
| Balance at 30 June 2010 | - | - |
| Additions – at cost | 2,005 | 2,005 |
| Depreciation expense | (1,050) | (1,050) |
| Balance at 30 June 2011 | **955** | **955** |
| | | |
| Balance at beginning of the year | 955 | 955 |
| Additions – at fair value on acquisition | | |
| Land | 228,132 | 228,132 |
| Building | 114,765 | 114,765 |
| Plant and Equipment | 1,120,719 | 1,120,719 |
| Depreciation expense | (700) | (700 ) |
| **Balance at 30 June 2012** | **1,463,871** | **1,463,871** |

Refer to note 22 for the detailed fair value of property, plant and equipment acquired as part of the Kodiak Mining Company LLC acquisition.

**Note 11. Non-current assets – intangible assets**

| | Consolidated | |
|---|---|---|
| | **2012** | **2011** |
| | **$** | **$** |
| Logo at cost | 3,395 | 3,395 |
| **Total intangible assets** | **3,395** | **3,395** |
| | | |
| **Movements:** | | |
| **Consolidated** | | |
| Balance at 1 July | 3,395 | 3,395 |
| Additions | - | - |
| Amortisation charge | - | - |
| Impairment losses | - | - |
| **Balance at 30 June** | **3,395** | **3,395** |

**Note 12. Current liabilities - trade and other payables**

| | | |
|---|---|---|
| Trade payables | 3,100 | 9,620 |
| Other payables and accrued expenses | 864,483 | 27,037 |
| **Total** | **867,583** | **36,657** |

## Note 13. Current liabilities – borrowings

The parent entity issued 52 convertible notes (Notes) for a total of $13 million on 25 June 2012. The Notes have a coupon rate of 12% p.a. The conversion and conversion period of each Note into ordinary shares of the parent entity are subject to the approval of the Company's shareholders at a general meeting to be be held on 9 October 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.

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

| | Consolidated | |
|---|---|---|
| | **2012** | **2011** |
| | **$** | **$** |
| **Secured** | | |
| Convertible notes - Face value | 13,000,000 | - |
| **Total secured current borrowings** | **13,000,000** | **-** |

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

## Note 14. Issued capital

### a. Issue of ordinary shares during the year

| | | |
|---|---|---|
| 27,000,001 (2011: 22,000,001) fully paid ordinary shares | 3,551,423 | 2,540,094 |

| | Consolidated | | | |
|---|---|---|---|---|
| | **2012** | | **2011** | |
| | **Number of shares** | **$** | **Number of shares** | **$** |
| Opening balance | 22,000,001 | 2,540,094 | 1,500,001 | 1,501 |
| Shares Issued 01 August 2010 @$0.001 per share | | | 6,000,000 | 6,000 |
| Shares Issued 30 September 2010 @$0.05 per share | | | 1,000,000 | 50,000 |
| Shares Issued 15 October 2010 @$0.10 per share | | | 2,000,000 | 200,000 |
| Shares Issued 29 November 2010 @$0.20 per share | | | 11,500,000 | 2,300,000 |
| Share Issued on 8 June 2012 @ $0.20 per share | 5,000,000 | 1,000,000 | | |
| Listed options issued (Note 14(b)) | | 12,911 | | 42,089 |
| Less: | | | | |
| Costs arising of issue | - | (1,582) | - | (59,496) |
| | **27,000,001** | **3,551,423** | **22,000,001** | **2,540,094** |

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

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

**Note 14. Issued capital (continued)**

**b. Options over ordinary shares**

On 11 March 2010 the Company issued 1,500,000 unlisted options exercisable at $0.20 by 10 March 2014.

On 1 August 2010, 1,000,000 unlisted options were issued which are exercisable at $0.20 by 1 August 2014. Each option entitles the holder to subscribe for one share upon exercise of each option. The fair value of unlisted options granted during the year ended 30 June 2011 was nil (2010: $7,665). The values were calculated as at the grant date using the Black Scholes option valuation method taking into accounts the terms and conditions upon which the options are granted.

On 30 June 2011, the Company issued 8,417,872 listed options at $0.005 each to the public exercisable at $0.20 by 29 June 2014. Each option entitles the holder to subscribe for one share upon exercise of each option.

On 14 July 2011, the Company issued 2,582,128 listed options at $0.005 each in addition to the options issued on 30 June 2011 each to the public exercisable at $0.20 by 29 June 2014.

On 9 March 2012, 1,500,000 unlisted options were issued which are exercisable at $0.29 by 9 March 2015. Each option entitles the holder to subscribe for one share upon exercise of each option. The fair value of unlisted options granted during the year ended 30 June 2012 was $255,000 (2011: $nil). The values were calculated as at the grant date using the Black Scholes option valuation method taking into accounts the terms and conditions upon which the options are granted.

Total options issued by the Company as at 30 June 2012 are 15,000,000 (2011: 10,917,872). The weighted average contractual life is 2.09 years. The weighted average exercise price is $0.22.

| | **Number of options** | **Remaining contractual life years** | **Exercise price $** |
|---|---|---|---|
| **2010** | | | |
| Options issued 11 March 2010 | 1,500,000 | 1.69 | 0.20 |
| **2011** | | | |
| Options issued 1 August 2010 | 1,000,000 | 2.09 | 0.20 |
| Options issued 30 June 2011 | 8,417,872 | 2.00 | 0.20 |
| **2012** | | | |
| Allotment of Shortfall 14 July 2011 | 2,582,128 | 2.00 | 0.20 |
| Options issued 9 March 2012 | 1,500,000 | 2.69 | 0.29 |
| **Average** | | **2.09** | **0.22** |

**c. Capital management**

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

There are no externally imposed capital requirements.

The Board effectively manages the Company's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues. There has been no change in the strategy adopted by the Board to control the capital of the Group since the prior year.

**Note 15. Reserves**

| | Consolidated 2012 $ | Consolidated 2011 $ |
|---|---|---|
| Share based payments | 262,665 | 7,665 |
| Foreign currency translation | 1,903 | - |
| | **264,568** | **7,665** |

**Movements**

| | 2012 $ | 2011 $ |
|---|---|---|
| *Share based payments* | | |
| Opening balance | 7,665 | 7,665 |
| Options (unlisted) issued to the employees | 255,000 | - |
| Balance as at 30 June | **262,665** | **7,665** |

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

| | 2012 $ | 2011 $ |
|---|---|---|
| *Foreign currency translation* | | |
| Opening balance | - | - |
| Foreign currency translation | 2,718 | - |
| Less non-controlling interest | (815) | - |
| **Balance as at 30 June** | **1,903** | **-** |

**Note 16. Financial instruments**

**Financial Risk Management**

*Overview*

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

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

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

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

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

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

**Note 16. Financial instruments (continued)**

*Financial Risk*

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

| | Consolidated | |
|---|---|---|
| | **2012** | **2011** |
| | **$** | **$** |
| **Financial Assets** | | |
| Cash and cash equivalents | 3,753,080 | 2,073,890 |
| Trade and other receivables | 1,058,420 | 4,812 |
| Other current assets | 3,083 | 3,515 |
| | **4,814,583** | **2,082,217** |
| | | |
| **Financial Liabilities** | | |
| Trade and other payables | 867,583 | 36,657 |
| Convertible notes | 13,000,000 | - |
| | **13,867,583** | **36,657** |

*Liquidity Risk and Liquidity Risk Management*

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

The Group has funding through convertible notes of $13,000,000 at balance date. The Group continuously monitors forecast and actual cash flows and the maturity profiles of financial assets and financial liabilities to manage its liquidity risk.

The Group has access to a credit card facility totalling $10,000. The credit card facility may be drawn at any time and may be terminated by the bank without notice.

The following are the contractual maturities of financial liabilities:

| | Consolidated | |
|---|---|---|
| | **2012** | **2012** |
| **Non derivative financial liabilities:** | **Carrying Amount** | **Under 6 Months** |
| Trade and other payables | 867,583 | 867,583 |
| Convertible notes | 13,000,000 | 13,000,000 |
| | **13,867,583** | **13,867,583** |

The conversion and conversion period of the Notes into ordinary shares of the parent entity are subject to the approval of the Company's shareholders at a General Meeting to be held on 9 October 2012.

*Credit Risk*

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

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

**Note 16. Financial instruments (continued)**

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics other than $1,000,000 due from a convertible note holder which was paid after balance date.

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

*Interest Rate Risk*

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

| 2012 | Weighted Average Interest Rate | Floating Interest Rate | Fixed Interest Maturing in 1 Year or Less | Non-Interest Bearing | Total |
|---|---|---|---|---|---|
| | % | $ | $ | $ | $ |
| **Financial Asset** | | | | | |
| Cash and cash equivalents | 1.31 | 3,743,080 | 10,000 | - | 3,753,080 |
| Trade and other receivables | - | - | - | 1,058,420 | 1,058,420 |
| Other current assets | - | - | - | 3,083 | 3,083 |
| **Financial Liabilities** | | | | | |
| Trade and other payables | - | - | - | (867,583) | (867,583) |
| Convertible Notes | 12.00 | - | (13,000,000) | - | (13,000,000) |
| **Net Financial Assets** | **-** | **3,743,080** | **(12,990,000)** | **193,920** | **(9,053,000)** |

| 2011 | Weighted Average Interest Rate | Floating Interest Rate | Fixed Interest Maturing in 1 Year or Less | Non-Interest Bearing | Total |
|---|---|---|---|---|---|
| | % | $ | $ | $ | $ |
| **Financial Asset** | | | | | |
| Cash and cash equivalents | 4.65 | 2,063,890 | 10,000 | - | 2,073,890 |
| Trade and other receivables | - | - | - | 4,812 | 4,812 |
| Other current assets | - | - | - | 3,515 | 3,515 |
| **Financial Liabilities** | | | | | |
| Trade and other payables | - | - | - | (36,657) | (36,657) |
| **Net Financial Assets** | **4.65** | **2,063,890** | **10,000** | **(28,330)** | **2,045,560** |

## Note 16. Financial instruments (continued)

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

| **2012** | | **-1%** | | **+1%** | |
|---|---|---|---|---|---|
| | **Carrying Amount** | **Profit** | **Equity** | **Profit** | **Equity** |
| | **$** | **$** | **$** | **$** | **$** |
| Cash and cash equivalents | 3,753,080 | (37,531) | (37,531) | 37,531 | 37,531 |
| Trade and other receivables | 1,058,420 | - | - | - | - |
| Other current assets | 3,083 | - | - | - | - |
| Trade and other payables | (13,867,583) | - | - | - | - |
| **Total increase/(decrease)** | **(9,053,000)** | **(37,531)** | **(37,531)** | **37,531** | **37,531** |

| **2011** | | **-1%** | | **+1%** | |
|---|---|---|---|---|---|
| | **Carrying Amount** | **Profit** | **Equity** | **Profit** | **Equity** |
| | **$** | **$** | **$** | **$** | **$** |
| Cash and cash equivalents | 2,073,890 | (20,739) | (20,739) | 20,739 | 20,739 |
| Trade and other receivables | 4,812 | - | - | - | - |
| Other current assets | 3,515 | - | - | - | - |
| Trade and other payables | (36,657) | - | - | - | - |
| Other current assets | - | - | - | - | - |
| **Total increase/(decrease)** | **2,045,560** | **(20,739)** | **(20,739)** | **20,739** | **20,739** |

*Foreign exchange risk*

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

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

The following table shows the foreign currency risk on the financial assets and liabilities of the Group's operations denominated in currencies other than the functional currency of the operations. The foreign currency risk in the books of the parent entity is considered immaterial and is therefore not shown.

**Note 16. Financial instruments (continued)**

| **2012** | **Net Financial Asset/(Liabilities) in AUD** | | |
|---|---|---|---|
| | **USD** | **AUD** | **Total AUD** |
| Consolidated Group | (807,477) | - | (807,477) |

In respect of the above USD foreign currency risk exposure in existence at the balance sheet date a sensitivity of -10% lower and 6.5% higher has been applied. With all other variables held constant, post tax loss and equity would have been affected as follows:

AUD 80,748 loss; AUD 52,486 gain (2011: nil).

*Financial risk management objectives*

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

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

*Unrecognised Financial Instruments*

The Group does not have any unrecognised financial instruments.

*Fair Value Estimation*

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

**Note 17. Interests of Key Management Personnel**

Refer to the remuneration report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2012.

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

| | **Short-Term Benefits Cash salary and fees** | **Post Employment Benefits Superannuation** | **Share-Based Payment Shares/ Options** | **Total** | **Remuneration consisting of option** |
|---|---|---|---|---|---|
| | **$** | **$** | **$** | **$** | **%** |
| 2012 Total | 113,734 | 8,582 | 255,000 | 377,316 | 68% |
| 2011 Total | 90,000 | 8,100 | - | 98,100 | 0% |

## Note 17. Interests of Key Management Personnel (continued)

### Option holdings of Key Management Personnel

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

**2012**

| Key Management Personnel | Balance at beginning of year | Granted as remuneration | Options exercised | Other changes during the year | Balance at year end | Vested during the year | Vested and exercisable |
|---|---|---|---|---|---|---|---|
| Grant Mooney | 1,275,000 | - | - | - | 1,275,000 | - | 1,275,000 |
| Bernardo da Veiga | 1,250,000 | - | - | - | 1,250,000 | - | 1,250,000 |
| Bryn Hardcastle | - | 500,000 | - | - | 500,000 | 500,000 | 500,000 |
| Leigh Ryan | - | 1,000,000 | - | - | 1,000,000 | 1,000,000 | 1,000,000 |
| Zlad Sas | 500,000 | - | - | 70,000 | 570,000 | - | 570,000 |
| | **3,025,000** | **1,500,000** | **-** | **70,000** | **4,595,000** | **1,500,000** | **4,595,000** |

**2011**

| Key Management Personnel | Balance at beginning of year | Granted as remuneration | Options exercised | Other changes during the year | Balance at year end | Vested during the year | Vested and exercisable |
|---|---|---|---|---|---|---|---|
| Grant Mooney | 1,000,000 | - | - | 275,000 | 1,275,000 | 275,000 | 1,275,000 |
| Bernardo da Veiga | - | 1,000,000 | - | 250,000 | 1,250,000 | 1,250,000 | 1,250,000 |
| Zlad Sas | 500,000 | - | - | - | 500,000 | - | 500,000 |
| | **1,500,000** | **1,000,000** | **-** | **525,000** | **3,025,000** | **1,525,000** | **3,025,000** |

### Shareholdings of Key Management Personnel

The number of shareholdings in Attila Resources Limited held by each KMP of the Group during the financial year is as follows:

**2012**

| Key Management Personnel | Balance at 1/07/2011 | Granted as remuneration during the year | Issued on exercise of options during the year | Net Changes (other) | Balance at 30/06/12 |
|---|---|---|---|---|---|
| Grant Mooney | 550,000 | - | - | - | 550,000 |
| Zlad Sas | 140,000 | - | - | - | 140,000 |
| | **690,000** | **-** | **-** | **-** | **690,000** |

**2011**

| Key Management Personnel | Balance at 1/07/2010 | Granted as remuneration during the year | Issued on exercise of options during the year | Net Changes (other) | Balance at 30/06/11 |
|---|---|---|---|---|---|
| Grant Mooney | 500,000 | - | - | 50,000 | 550,000 |
| Bernardo da Veiga | 500,000 | - | - | - | 500,000 |
| Zlad Sas | 140,000 | - | - | - | 140,000 |
| | **1,140,000** | **-** | **-** | **50,000** | **1,190,000** |

**Note 18. Remuneration of auditors**

| | Consolidated | |
|---|---|---|
| | **2012** | **2011** |
| | **$** | **$** |
| **Remuneration of the auditor of the parent entity for:** | | |
| - audit or review of the financial report | 32,680 | 12,700 |
| - taxation service | - | - |
| **Total** | **32,680** | **12,700** |
| **Amount received or receivable by related practice of the auditor of the parent entity:** | | |
| - preparation of an investigating accountant's report in relation to the initial public offering (capitalised to costs of share issue) | - | 4,400 |
| **Total** | **-** | **4,400** |

**Note 19. Contingencies**

The Company received a writ from Monomotapa Coal Limited for alleged unpaid introduction fees relating to the Kodiak Coal Project. 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.

**Note 20. Commitments**

**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, EO09/1917, E09/1918, E09/1919, E09/1920, E09/1928, E15/1120,E15/1227 and E15/1228 amount to $547,000. These commitments exclude any commitments on tenements that are yet to be granted.

If Attila Resources US LLC exercises its option to lease coal and enters a coal mining lease, a further payment of USD $750,000 will be payable. The lease agreement is for a 3 year term with options to extend for further 3 year periods with a production royalty payable at the greater of $3/tonne or 8% of gross sales price.

**Operating lease commitments**

| | Consolidated | |
|---|---|---|
| | **2012** | **2011** |
| | **$** | **$** |
| **Operating lease commitments** | | |
| Office premises due within 1 year | 39,600 | 11,000 |
| Office premises due greater than 1 year and less than 5 years | - | - |
| **Total** | **39,600** | **11,000** |

## Note 21. Related party transactions

The Group's main related parties are as follows:

a. *Entity exercising control over the Group:*

The ultimate parent entity, which exercises control over the Group, is Attila Resources Limited which is incorporated in Australia.

The reporting period of the United States subsidiaries is 31 December 2012 which is the United State's tax financial year end. There is no requirement for the United States subsidiaries to lodge accounts.

b. *Key management personnel:*

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel.

For details of disclosures relating to key management personnel, refer to Note 17: Key Management Personnel (KMP) Disclosure.

c. *Other related parties:*

Other related parties include entities controlled by the ultimate parent entity and entities over which Key Management Personnel exercise significant influence.

**Transactions with related parties**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

Mr Grant Mooney, is a partner in Mooney & Partners which provided company secretarial services for Attila Resources Limited totalling $30,241 (2011: $20,401) in the financial year ended 30 June 2012.

Mr Zlad Sas is a director of SAS Corporation Pty Ltd which provided geologist services totalling $65,946 (2011: $22,563) in the financial year ended 30 June 2012.

Other loan balances with subsidiaries

The parent entity has lent $10,496,850 to Attila Resources US LLC for the acquisition of Kodiak Mining Company LLC. The loan is interest free, unsecured and non-current.

## Note 22. Controlled entities

### a. Summary of acquisition

On 25 January 2011, the parent entity incorporated and therefore acquired 100% interest of Attila Resources Coal (Indonesia) Pty Ltd. 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 Indonesia. The acquisition resulted in Attila Resources Limited obtaining control of Attila Resources Coal (Indonesia) Pty Ltd. 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 Indonesia. The acquisition resulted in Attila Resources Limited obtaining control of Attila Resources Coal (Indonesia) Pty Ltd.

On 26 June 2012 Attila Resources US Pty Ltd (formerly Attila Resource Coal (Indonesia) Pty Ltd) acquired 100% of the issued share capital of Attila Resources Holding US Ltd. Attila Resources Holdings US Ltd acquired 70% of the issued share capital of Attila Resources US LLC.

## Note 22. Controlled entities (continued)

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.

Details of the purchase consideration and the net assets acquired are as follows:

| | 2012 $ |
|---|---|
| Purchase consideration paid by Attila Resources US LLC | |
| Cash paid | 10,310,529 |
| Payable | 836,485 |
| **Total purchase consideration** | **11,147,014** |

The fair value of assets and liabilities recognised as a result of the acquisition are as follows:

| | Fair Value $ |
|---|---|
| Reclaimation Bond | 320,009 |
| Land | 228,132 |
| Buildings | 114,766 |
| Mining equipment | 859,698 |
| Preparation Plant | 261,022 |
| Mining lease option | 9,686,824 |
| Loan - other entities | (323,383) |
| Other | ( 54) |
| **Net assets acquired at fair value** | **11,147,014** |

For the basis of fair value determination refer to Note 2.

### b. Controlled entities

| | Country of Incorporation | Percentage Owned (%) | |
|---|---|---|---|
| **Subsidiaries of Attila Resources Limited:** | | **2012** | **2011** |
| Attila Resources US Pty Ltd (formerly known as Attila Resources Coal (Indonesia) Pty Ltd) | Australia | 100 | 100 |
| Attila Resources Holding US Ltd | United State of America | 100* | - |
| Attila Resources US LLC | United State of America | 70* | - |
| Kodiak Mining Company LLC | United State of America | 70* | - |

*Indirect Holdings

Expenses of the U.S. subsidiaries are included in the Consolidated Statement of Comprehensive Income of the Group since the acquisition date on 26 June 2012, amounting to AUD$13,416. The loss of the U.S subsidiaries included in Consolidated Statement of Comprehensive Income of the Group since the acquisition date amounted to AUD$13,416.

### c. Non-Controlling interest

A 30% interest in Attila Resources US LLC is held by non-controlling interests.

## Note 23. Events occurring after balance date

The following matters occurred following the end of the financial year:

- On 16 July 2012, the Company issued 15,000 ordinary shares following the conversion of listed options at $0.20 each raising $3,000.
- On 10 August 2012, the Company issued 142,500 ordinary shares following the conversion of listed options at $0.20 each raising $28,500.
- On 23 August 2012, the Company issued 70,000 ordinary shares following the conversion of listed options at $0.20 each raising $14,000.
- On 21 September 2012, the Company issued 20,000 ordinary shares following the conversion of listed options at $0.20 each raising $4,000.
- The Company received a writ from Monomotapa Coal Limited for alleged unpaid introduction fees relating to the Kodiak Coal Project. 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.

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

## Note 24. Cash-flow information

### a. Reconciliation of loss after income tax to net cash used in operating activities

| | Consolidated | |
|---|---|---|
| | **2012** | **2011** |
| | **$** | **$** |
| Loss after income tax | (1,217,867) | (481,422) |
| **Adjustments for:** | | |
| Depreciation and amortisation | 700 | 1,050 |
| Share-based payments | 255,000 | - |
| Non-cash tenement acquisition costs | - | 100,000 |
| **Change in operating assets and liabilities:** | | |
| Increase in trade and other receivables | (33,606) | (4,499) |
| Decreased in prepayments | 432 | (3,515) |
| Increased in trade and other payables | (9,270) | 26,760 |
| **Net cash used in operating activities** | **(1,004,611)** | **(361,626)** |

### b. Acquisition of subsidiary

See Note 22 for details of acquisition of subsidiary.

### c. Non cash financing and investing activities

The Group did not have any non cash financing and investing activities during the year ended 30 June 2012.

## Note 25. Earnings per share

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

| a. Basic earnings per share | Consolidated | |
|---|---|---|
| | 2012 | 2011 |
| | $ | $ |
| Basic loss per share (cents per share) | 5.44 | 3.03 |
| Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share | 22,301,371 | 15,902,741 |
| **Net loss used in the calculation of basic earnings per share** | **(1,213,842)** | **(481,422)** |

| b. Diluted earnings per share | | |
|---|---|---|
| Diluted loss per share (cents per share) | 0.03 | 2.62 |
| Weighted average number of dilutive options outstanding | 13,865,343 | 2,438,131 |
| Weighted average number of ordinary shares outstanding during the year used in calculation of diluted earnings per share | 36,166,714 | 18,340,872 |
| **Net loss used in the calculation of diluted earnings per share** | **(1,213,842)** | **(481,422)** |

## Note 26. Share Based Payments

### Director Options

On 9 March 2012, 1,500,000 share options were issued to two Directors for ordinary shares at an exercise price of $0.29 and an expiry of 9 March 2015. The options have no voting rights or dividend rights and are not transferrable.

The options granted to Key Management Personnel are as follows:

| Grant date | Number |
|---|---|
| 9 March 2012 | 1,500,000 |

These options vested at grant date. For details on the movements of all Company options issued, please see note 14(b).

The weighted average fair value of the options granted during the year was $255,000 (2011: nil).

This price was calculated by using a Black-Scholes option pricing model applying the following inputs:

| | Director Options |
|---|---|
| Exercise price | 29 cents |
| Underlying share price | 25 cents |
| Expected share price volatility | 116% |
| Risk free interest rate | 3.63% |
| Value per option | 17 cents |
| Number of options granted | 1,500,000 |

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender which may not eventuate in the future.

The total option based expense for options issued during the year ended 30 June 2012 was $255,000 (2011: nil).

## Note 27. Parent entity

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

| | Parent entity | |
|---|---|---|
| | 2012 | 2011 |
| | $ | $ |
| **Statement of Financial Position** | | |
| **ASSETS** | | |
| Current assets | 4,486,505 | 2,082,217 |
| Non current assets | 10,656,184 | 4,350 |
| **TOTAL ASSETS** | **15,142,689** | **2,086,567** |
| | | |
| **LIABILITIES** | | |
| Current liabilities | 13,030,901 | 36,657 |
| **TOTAL LIABILITIES** | **13,030,901** | **36,657** |
| | | |
| **NET ASSETS** | **2,111,788** | **-** |
| | | |
| **EQUITY** | | |
| Issued capital | 3,496,423 | 2,498,005 |
| Retained earnings | (1,702,300) | (497,849) |
| Option reserve | 317,665 | 49,754 |
| **TOTAL EQUITY** | **2,111,788** | **2,049,910** |
| | | |
| **Statement of Comprehensive Income** | | |
| Total loss | (1,204,450) | (481,423) |
| Total comprehensive loss | **(1,204,450)** | **(481,423)** |

### Guarantees

There are no guarantees entered into by the parent entity in the financial year ended 30 June 2012 in relation to the debt of a subsidiary.

### Contingent liabilities

The Company received a writ from Monomotapa Coal Limited for alleged unpaid introduction fees relating to the Kodiak Coal Project. 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.

### Contractual commitments

At 30 June 2012, Attila Resources Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment (2011: nil).

## DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 12 to 47 are in accordance with the *Corporations Act 2001* and:

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

    b. give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the company and consolidated group;

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

    This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2012.

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

**Grant Mooney**
Non-Executive Chairman

Dated this 28th day of September 2012

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

**Report on the Financial Report**

We have audited the accompanying financial report of Attila Resources Limited which comprises the consolidated statement of financial position as at 30 June 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' Responsibility for the Financial Report*

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

*Auditor's Responsibility*

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

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

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

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Attila Resources Limited on 27 September 2012, would be in the same terms if provided to the directors as at the date of this auditor's report.

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*Matters Relating to the Electronic Presentation of the Audited Financial Report*

The audit report relates to the financial report of Attila Resources Limited for the financial year ended 30 June 2012 included on the web site. The company's directors are responsible for the integrity of the Attila Resources Limited web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

*Auditor's Opinion*

In our opinion:

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

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

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

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

*Emphasis of Matter*

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the group incurred a consolidated net loss of $1,217,867 and generated consolidated net cash outflows of $1,004,611 from operating activities during the year ended 30 June 2012. There is a deficiency in consolidated working capital as disclosed in the consolidated statement of financial position. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

*Report on the Remuneration Report*

We have audited the Remuneration Report included in pages 7 to 9 of the report of the directors for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's Opinion*

In our opinion the Remuneration Report of Attila Resources Limited for the year ended 30 June 2012 complies with s 300A of the *Corporations Act 2001*.

Maxim Audit

MAXIM AUDIT
Chartered Accountants

M A Lester
Perth W.A.
Dated this 28th day of September 2012

## Corporate Governance

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

The Board is responsible for the overall corporate governance of the Company and its subsidiaries.

### *Responsibilities and Functions of the Board*

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

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

### *Responsibilities of Executive Management*

The role of senior executives within the organisation is to:

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

- agree with the chairman their respective roles in relation to all meetings (formal and informal) with shareholders and all public relations activities;
- in consultation with the Board, approve and/or delegate authority for the approval of all material ASX releases, and other investor and shareholder releases;
- keep the Board fully informed of all material matters which may be relevant to the Board, in their capacity as directors of the Company;
- in conjunction with the Board and other appropriate members of senior management, review all matters material to the interests of the Company;
- provide effective management of the Company in order to:
  - encourage cooperation and teamwork;
  - build and maintain staff morale at a high level;
  - build and maintain a strong sense of staff identity with, and a sense of allegiance to the Company;
- ensure a safe workplace for all personnel;
- ensure that the Company has regard to the interests of employees and customers of the company and the community and environment in which the company operates; and
- otherwise carry out the day-to-day management of the Company.

### *Composition of the Board*

The Board consists of a Non-Executive executive Chairman, and three(3) non-executive Directors.

The names, qualifications and other details of the Directors are in the Directors Report.

The Constitution requires a minimum number of three directors. The maximum number of Directors is fixed by the Board but may not be more than 10, unless the members of the Company in general meeting resolves otherwise.

The relevant provisions in the company's Constitution and the Corporations Act determine the terms and conditions relating to the appointment and termination of Directors. All non-executive Directors, are appointed for a fixed term and are subject to re-election by rotation every three years.

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

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

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

### *Director Independence*

All Directors satisfy the criteria for independence as outlined in recommendation 2.1 of the ASX Corporate Governance As a result, the Company complies with this principle of good corporate governance.

### *Conflicts of Interest*

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

### *Independent professional advice*

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

### *Board committees*

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

### *Ethical standards and best practice commitment*

The Board believes that the success of the Company has been and will continue to be enhanced by a strong ethical culture within the organisation. As the Company grows, the need to ensure that ethical standards remain has led the Board to embrace policies to ensure that all Directors, executives and employees act with the utmost integrity and objectivity in their dealings with all people that they come in contact with during their employment with the Company.

The Company is committed to achieving and maintaining high standards of conduct and to 'institutionalise' good corporate governance and generally build a culture of best practice.

The Company has established a Code of Conduct which aims to develop a consistent understanding of, and approach to, the desired standards of conduct and behaviour of the Directors, officers, employees and consultants in carrying out their roles for the Company.

### *Corporate governance policies*

The Board has adopted the following corporate governance policies:

**Continuous Disclosure**

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

The Company has adopted written policies which establish procedures to ensure that Directors and management are aware of and fulfil their obligations in relation to the timely disclosure of material price sensitive information.

**Communication to Shareholders**

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

Shareholders will be encouraged to attend and participate in General Meetings.

**Share Trading**

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

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

- No Director or executive officer should buy or sell Shares without the prior approval of the Chairman;
- No senior manager should buy or sell Shares without the prior approval of the Chairman;

- The Chairman should not buy or sell Shares without the prior approval of the Board or the next most senior Director;
- Unless there are unusual circumstances, trades in Shares by Directors and members of senior management are limited to stipulated periods;
- Directors and senior management are generally prohibited from trading Shares for a short term gain.

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

**Confidentiality**

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

**Matters for Approval by the Board of Directors**

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

**Evaluation of Board and Senior Executives**

The Board of Attila considers the evaluation of its own and senior executive performance as fundamental to establishing a culture of performance and accountability.

The Board also considers the ongoing development and improvement of its own performance as critical input to effective governance. The Board undertakes an annual evaluation of its effectiveness as a whole. The Chairman reviews the individual performance of each Board member annually.

The Chairman's performance is evaluated by the Board annually with facilitation by an external party, if required.

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

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

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

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

**External Auditor Selection Process**

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

- skills and knowledge of the team proposed to do the work;
- quality of work;
- independence of the audit firm;
- lead signing partner and independent review partner rotation and succession planning;

- value for money;
- ethical behaviour and fair dealing; and
- independence from Attila.

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

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

**Risk Management Policy**

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

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

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

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

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

- oversight of the Company's financial affairs by the Directors;
- the formulation of programmes for exploration and development;
- regular reporting against established targets;
- approval guidelines for exploration and capital expenditure;
- regulatory compliance programmes and reporting in key areas such as safety and environment;
- management of capital and financial risk;
- an annual insurance program;
- oversight of the conduct of contractors.

The management team, under management of the Board, draw together from within their ranks a group who periodically meet to identify and assess specific business risks. The group has experience in all of Attila's activities and is broadly conversant with Attila's business plans, objectives and values.

Based on reviews of Attila's business, an overall profile of the risks of the Company is established.

In assessing and managing identified risks:

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

The overall results of this assessment are presented to the Board at least annually and updated as necessary.

Periodic review is made at least annually in respect of the effectiveness and suitability of the risk management plan.

**Diversity Policy**

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

The Company's strategies are to:

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

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

## *Explanation for Departure from Recommendations*

The Company has complied with each of the Nine Corporate Governance Principles and Recommendations as published by ASX Corporate Governance Council, other than in relation to the matters specified below.

| Principle No | Principle | Commentary | Mechanism for Dealing with Non-Compliance |
|---|---|---|---|
| 1 | Lay Solid Foundations for Management and Oversight | The Company complies with this Principle.<br>The Company has a policy for the evaluation of the Board and Senior Executives Evaluation Policy.<br>A policy on matters reserved for the Board is available on the Company's website.<br>The Company also has a Board Charter which is available for review on the Company's website. | Not applicable |
| 2 | Structure the Board to Add Value | The Company does not comply with recommendation 2.4, specifically:<br>• The Board should establish a Nomination Committee.<br>Given the Company's size, it is not considered necessary to have a separate Nomination Committee.<br>In addition to the above, the following information is provided:<br>• The skills, experience and expertise of | The Board, in consultation with external advisers where required, undertakes this role.<br>A separate policy for *Selection and Appointment of New Directors* has been adopted by the Board which provides for the proper assessment of prospective directors and include, but are not limited to, their relevant experience and achievements, compatibility with other Board |

| Principle No | Principle | Commentary | Mechanism for Dealing with Non-Compliance |
|---|---|---|---|
| | | each of the Company's directors are set out in the Directors Report.<br>• If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his office as a director, then provided the director must first obtain approval for incurring such expense from the Chairman the Company will pay the reasonable expenses associated with obtaining such advice. | members, credibility within the Company's scope of activities, and intellectual and physical ability to undertake Board duties and responsibilities. |
| 3 | Promote Ethical and Responsible Decision Making | The Company complies with this Principle.<br>The Company's Securities Trading Policy is available on the Company's website. | Not applicable. |
| 4 | Safeguard Integrity in Financial Reporting | The Company does not comply with the following recommendation:<br>• The Board should establish and Audit Committee.<br>The Company does not presently have an Audit Committee.<br>The Company has a separate policy for the Selection and Appointment of External Auditors. A copy of this policy is provided on the Company's website. | The Directors are of the view that given the size of the Company, the relatively small number of directors and only two independent directors, it is not practical to have an Audit Committee. The Board undertakes this role.<br>The Board meets on a regular basis and discusses matters normally captured under the terms of reference of an audit committee, being company risk, controls and general and specific financial matters. |
| 5 | Make Timely and Balanced Disclosure | The Company complies with this Principle. | Not applicable. |
| 6 | Respect the Rights of Shareholders | The Company complies with this Principle. | Not applicable. |
| 7 | Recognise and Manage Risk | The Company partially complies with this Principle.<br>The Board of Directors receive reports from consultants in relation to the effectiveness of the Company's management of the Company's material business risks.<br>At the end of the financial year, the Company did not have a Chief Executive Officer and as such, was not able to receive a declaration pursuant to section 295A of the Corporations Act.<br>The Company also has a separate policy in relation to Risk Management which is available on the Company's website. | The Board of Directors has undertaken the role of monitoring risks associated with the business on a regular basis and, together with consultants appointed by the Board, have undertaken to fill the role normally undertaken by a chief executive officer during this intervening period to ensure that risks are properly addressed. |

| Principle No | Principle | Commentary | Mechanism for Dealing with Non-Compliance |
|---|---|---|---|
| 8 | Remunerate Fairly and Responsibly | The Company does not comply with the following recommendation:<br>• The Board should establish a Remuneration Committee.<br>The Company does not presently have a Remuneration Committee.<br>There is presently no scheme for retirement benefits, other than superannuation for non-executive directors. | The Directors are of the view that given the size of the Company, the relatively small number of directors and the fact that there is only one independent director, it is not practical to have a Remuneration Committee.<br>The Board undertakes this role with the assistance of any external advice which may be required from time to time.<br>The Company has separate policies relating to the remuneration of non-executive directors as opposed to senior executives.<br>These policies provide a basis for distinguishing the type of remuneration which is suitable for the two classes. |
| 9 | Diversity | • The Board should establish a policy concerning diversity and disclose the policy or a summary of that policy.<br>• The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.<br>The Board has established a Diversity Policy. | The Board is accountable for ensuring this policy is effectively implemented. This is assessed annually. Each employee has a responsibility to ensure that these objectives are achieved. |

# Additional Information

## Application of Cash and Assets

The Company confirms in relation to Listing Rule 4.10.19 that cash and assets in a form readily convertible to cash held at the time of admission to the Official List of ASX have been applied consistent with its business objectives.

## Shareholder Information

The following information is based on share registry information processed up to 27 September 2012.

### Distribution of Fully Paid Ordinary Shares and Listed Options

The number of holders, by size of holding, in each class of listed securities is:

| Securities<br>Spread of Holders | Ordinary Fully Paid Shares<br>Number of Holders | Listed Options<br>Number of Holders |
|---|---|---|
| 1 – 1,000 | 11 | 10 |
| 1,001 – 5,000 | 59 | 144 |
| 5,001 – 10,000 | 171 | 68 |
| 10,001 – 100,000 | 208 | 89 |
| 100,001 and over | 36 | 18 |
| **Total** | **485** | **329** |

There are 10 holders of unmarketable parcels comprising a total of 3,527 ordinary shares.

### Twenty Largest Holders (Unmerged)

| | Shareholder | Number Held | % of Issued Shares |
|---|---|---|---|
| 1 | AUSCORP NETWORK PTY LTD | 2,705,639 | 9.93% |
| 2 | KINGSLANE Pty Ltd | 1,500,000 | 5.51% |
| 3 | COLBERN FIDUCIARY NOM PTY LTD | 1,500,000 | 5.51% |
| 4 | KOBIA HLDGS PTY LTD | 750,000 | 2.75% |
| 5 | BAHEN THOMAS CLEMENT | 750,000 | 2.75% |
| 6 | BLU BONE PTY LTD | 750,000 | 2.75% |
| 7 | BAHEN LORRAINE MARY | 750,000 | 2.75% |
| 8 | WELCH KAYE | 750,000 | 2.75% |
| 9 | THIRD REEF PTY LTD | 500,000 | 1.84% |
| 10 | CROSSPICK RES PTY LTD | 500,000 | 1.84% |
| 11 | PROFESSIONAL PAYMENT SERVICES | 500,000 | 1.84% |
| 12 | MR MICHAEL GROVE AND MRS JANE GROVE | 500,000 | 1.84% |
| 13 | MR DAVID OWEN PHIPPS AND MRS PALMA MARY PHIPPS | 430,837 | 1.57% |
| 14 | KINGSLANE PTY LTD | 425,000 | 1.56% |
| 15 | MR ROHAN JOHN HARDCASTLE | 375,000 | 1.38% |
| 16 | DTQ CORP PTY LTD | 375,000 | 1.38% |
| 17 | MOONEY GRANT JONATHAN | 375,000 | 1.38% |
| 18 | CITICORP NOMINEES PTY LIMITED | 313,080 | 1.15% |
| 19 | MCCARTER LUKE ROY | 250,000 | 0.92% |
| 20 | CELTIC CAPITAL PTY LTD | 250,000 | 0.92% |
| **Total** | | **14,249,556** | **52.32%** |

**Twenty Largest Holders (Unmerged)**

| | Option Holder | Number Held | % of Issued Options |
|---|---|---|---|
| 1 | KINGSLANE PTY LTD | 2,112,128 | 19.91% |
| 2 | KINGSLANE PTY LTD | 750,000 | 7.07% |
| 3 | KOBIA HLDGS PTY LTD | 382,500 | 3.61% |
| 4 | BAHEN THOMAS CLEMENT | 382,500 | 3.61% |
| 5 | WELCH KAYE | 375,000 | 3.54% |
| 6 | BAHEN LORRAINE MARY | 375,000 | 3.54% |
| 7 | KONKERA PTY LTD | 375,000 | 3.54% |
| 8 | DTQ CORP PTY LTD | 250,000 | 2.36% |
| 9 | CROSSPICK RES PTY LTD | 250,000 | 2.36% |
| 10 | MOONEY GRANT JONATHAN | 250,000 | 2.36% |
| 11 | THIRD REEF PTY LTD | 242,000 | 2.28% |
| 12 | MCCARTER LUKE ROY | 125,000 | 1.18% |
| 13 | BLACK PEAK HLDGS PTY LTD | 125,000 | 1.18% |
| 14 | ABLETT PTY LTD | 125,000 | 1.18% |
| 15 | EKCO INV PTY LTD | 125,000 | 1.18% |
| 16 | PHANTOM WA PTY LTD | 125,000 | 1.18% |
| 17 | SYMORGH INVESTMENTS PTY LTD | 121,700 | 1.15% |
| 18 | BAHEN MARK JOHN + M P | 112,500 | 1.06% |
| 19 | PHILLIPS STUART LLOYD | 100,000 | 0.94% |
| 20 | PRECAMBRIAN PTY LTD | 100,000 | 0.94% |
| **Total** | | **6,803,328** | **64.17%** |

There are 18,427,501 ordinary fully paid shares and 10,752,500 options currently listed and trading on the Australian Securities Exchange. Each option issued entitles the holder to subscribe for one share at an exercise price of $0.20 per share and are exercisable on or before 29 June 2011.

In addition there are 8,820,000 ordinary fully paid shares restricted for 24 months from the date of official quotation on ASX (Until 8 December 2012). 1,500,000 options exercisable at $0.20 on or before 11 March 2014; 1,000,000 options exercisable at $0.20 on or before 1 August 2014 and 1,500,000 unlisted options exercisable at $0.29 on or before 9 March 2015.

**Voting Rights - Fully Paid Ordinary Shares**

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

**Holders of Unquoted Securities**

| Holder | Exercise Price | Expiry Date | No. Options |
|---|---|---|---|
| Grant Jonathan Mooney | $0.20 | 11 March 2014 | 1,000,000 |
| Zlad Sas | $0.20 | 11 March 2014 | 500,000 |
| DTQ Corp Pty Ltd | $0.20 | 1 August 2014 | 1,000,000 |
| Ms Sandra Kay Ryan | $0.29 | 9 March 2015 | 1,000,000 |
| Brynmor Hardcastle | $0.29 | 9 March 2015 | 500,000 |
| **Total** | | | **4,000,000** |

## Other Information

### Schedule of Mining Tenements

| Project | Status | Interest |
|---|---|---|
| **Talisker North** | | |
| E09/1564 | Granted | 100% |
| E09/1747 | Granted | 100% |
| E09/1915 | Application | 100% |
| E09/1916 | Granted | 100% |
| E09/1917 | Application | 100% |
| E09/1918 | Granted | 100% |
| E09/1919 | Application | 100% |
| E09/1920 | Granted | 100% |
| E09/1928 | Granted | 100% |
| **Cotters Run** | | |
| E15/1120 | Granted | 100% |
| **Lefroy** | | |
| E15/1228 | Granted | 100% |
| E15/1227 | Granted | 100% |

**Company Secretary**

Ms Oonagh Malone

**Registered Office**
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