

Annual Report
Period ended 31 December 2017



CHAIRMAN'S MESSAGE

Dear Fellow Shareholder,

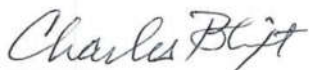
Welcome to our first calendar year “annual” report. At our last AGM in November 2017, shareholders voted in favour of changing the financial year from July to December, and as such, this “annual” report covers the last 6 months of the 2017 calendar year. Much has happened since our previous AGM, and this is an opportune time to update shareholders on past events and the exciting future now that we have acquired the Elan Hard Coking Coal Project in Alberta, Canada.

I caught up with many of you when I was in Australia for the November AGM. Max Wang, our Managing Director, and our non-executive directors George Edwards, Charles Fear and James Chisholm, also met with many shareholders around the November meeting and subsequent to that meeting. At our last shareholder meeting, we provided an update on the option to acquire the Elan Hard Coking Coal Project, and I am pleased to say that thanks to the support of our existing and new shareholders, we have now completed the acquisition of that project. This is an exciting time for the Company as we were able to raise sufficient capital to explore and progress the Elan Hard Coking Coal Project for at least the next two years. Once drilling and initial studies have been completed, we expect to secure a major investment partner to help develop a large hard coking coal export mine at Elan. And, as shown in the November presentation and in the recent capital raise presentations, the Elan project is not just a single mine opportunity, but contains a number of potential project areas, all close to power, roads and rail. Teck Resources Ltd mines some 25Mt of metallurgical coal across multiple sites nearby Elan, and Riversdale Resources Ltd is advancing its Grassy Mountain project which is immediately south of Elan. All these bode well for the Company.

Whilst the focus this year will be on the exploration of Elan South, there is still much happening at Groundhog. Our Joint Venture with JOGMEC is progressing well, and we are in the final stage of reviewing and approving the 2018 exploration plan. As advised in November, our strategy in relation to the remaining areas in Groundhog is to secure suitable joint venture partners. The joint venture with JOGMEC has been very beneficial and the Board agrees that this joint venture model is the best approach to exploring and developing this world’s largest undeveloped anthracite deposit.

I’d like to take this opportunity to thank Max Wang, our Managing Director, who has managed multiple projects and tasks over the last few months, many with very short time-frames. We are very thankful for the long hours that he and his team have put in since September last year. I can advise that the board, Max and his team have spent many long nights and extra hours in recent months to get things prepared for the fund raising, Elan acquisition, the Elan field program planning, the 2018 Panorama North JV program, stakeholder engagement for Groundhog and other projects, restructuring the Atlantic Carbon’s deal on anthracite marketing, as well as the new year-end report and other structure and governance matters.

The year ahead promises to be an exciting one for the Company, with the Elan South field exploration program including coal quality testing being our major focus. My fellow directors and I would like to thank all the shareholders who have supported the Company. We are looking forward to providing updates on progresses throughout the year. With a buoyant metallurgical coal market, high quality tenements and projects, a competent management team in place, and a board intensely focused on creating shareholder value, I think shareholders should have confidence in the Company’s future.



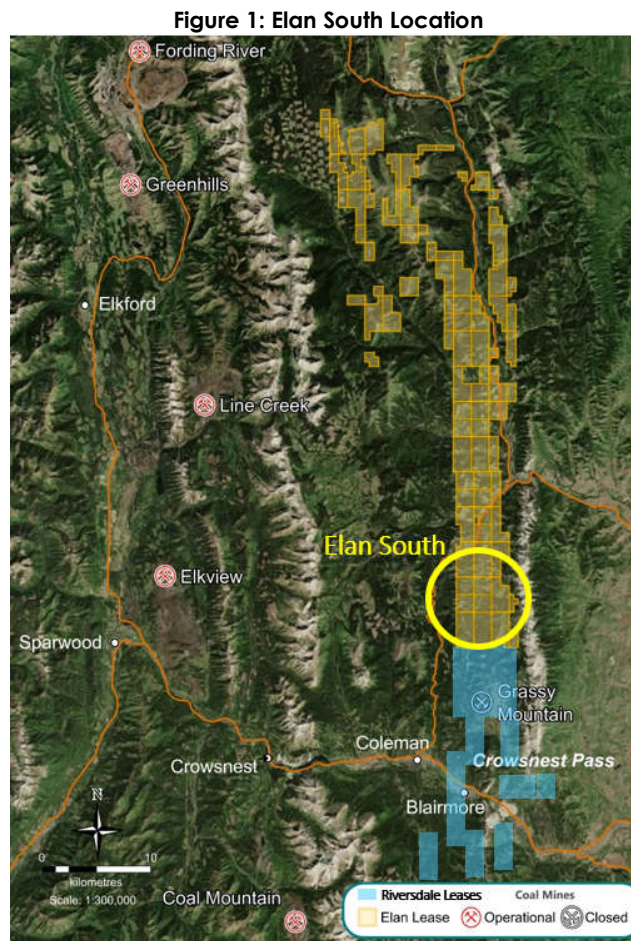
Chuck Blixt
Chairman
28 March 2018

OPERATIONS REVIEW

The Company has a substantial coal position in Canada which boasts an abundance of high quality anthracite and coking coals, a well-developed rail and port infrastructure with excess capacity and access to deep sea ports with competitive shipping distance to Asia and a positive government stance on mining. The Company's projects are: the Elan Hard Coking Coal Project; the Groundhog Anthracite Project (including the Panorama Anthracite Project); the Bowron River Coal Project and the Naskeena Coal Project.

Elan Hard Coking Coal Project (Atrium 100%)

During CY17, the Company reached agreement with the owners of and joint venture partners in the Elan Hard Coking Coal Project to acquire all the Elan Coal properties through the acquisition of Elan Coal Ltd. The Elan Coal properties consist of six (6) areas which are known to hold shallow emplacements of hard coking coal. The Elan South area is adjacent to Riversdale Resources' Grassy Mountain project and proximate to critical infrastructure for development. Figure 1 below highlights the strategic location of Elan South, one of several potential projects in Elan, in relation to operating mines and developing mines.

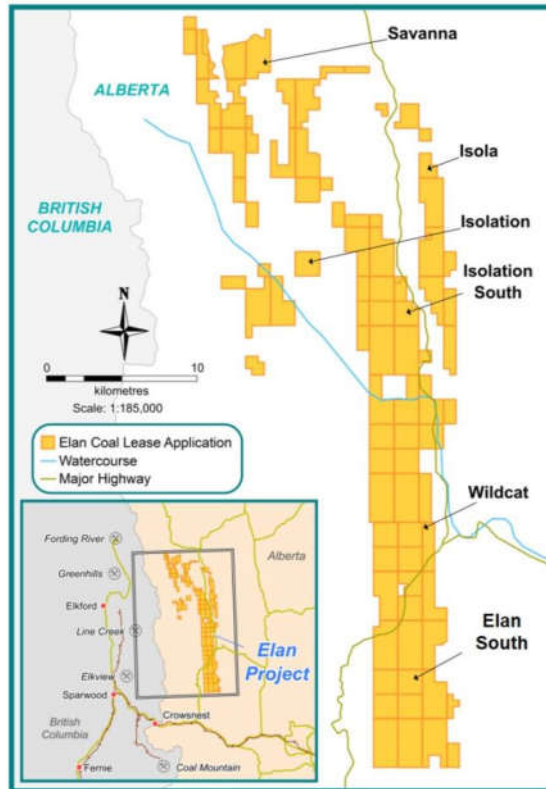


Elan South, one of several projects within the Elan Hard Coking Coal Project, is located in the foothills and front ranges of the Rocky Mountains of Alberta, approximately 13 km north of Coleman, Alberta. The project is 13km north from a main rail line providing access to port terminals in Vancouver and Prince Rupert. Elan South is the southernmost project within the Elan hard coking coal project and is made up of 4 contiguous Coal Lease Applications that cover approximately 6,140 ha (Figure 1) of Elan Coal's total 22,951 ha area. Limited previous drillings and explorations have identified thick coal seams in the area.

OPERATIONS REVIEW

With the acquisition of 100% of the Elan Coking Coal Project, an extensive road-based drilling program is planned in 2018 to further define the resource and structure of Elan South. Other potential project areas within the Elan Coal properties will also be reviewed (Figure 2).

Figure 2: Elan Hard Coking Coal Project Areas

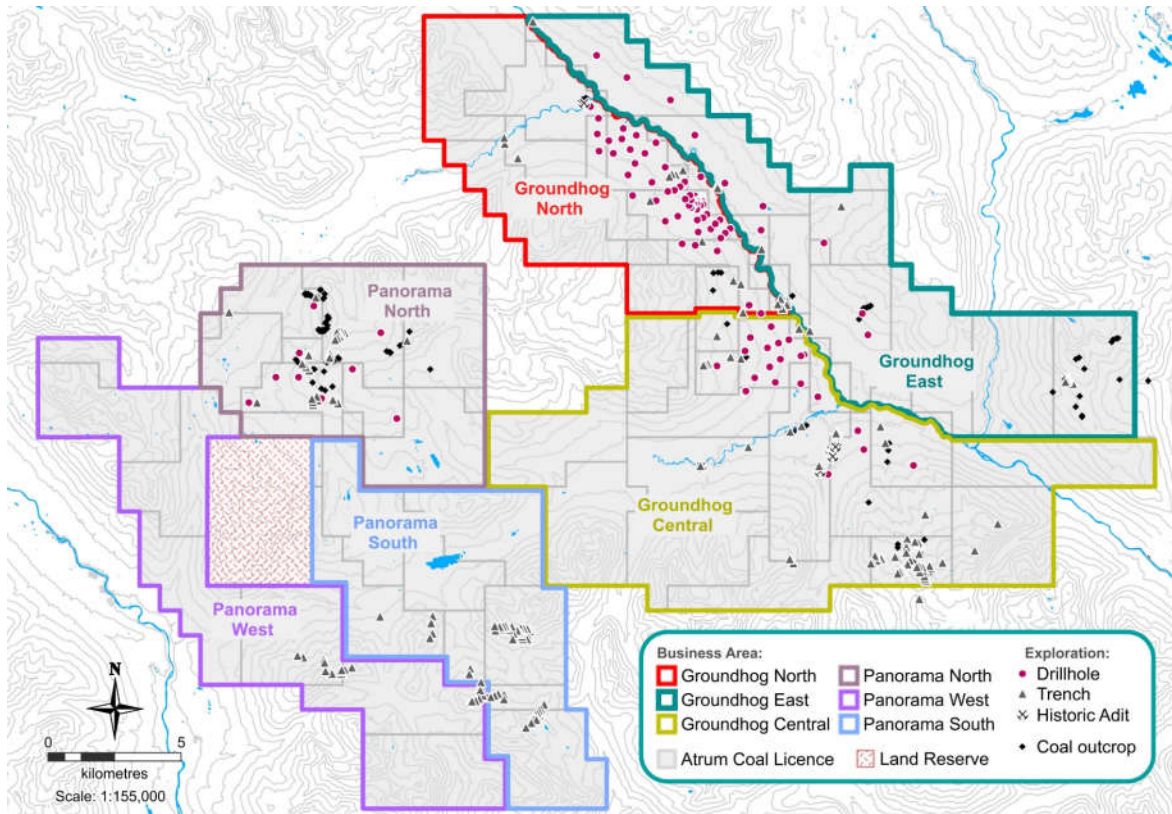


Subsequent to period end, the Company received a two-year Coal Exploration Permit from the Alberta Energy Regulators (AER) for field exploration and drilling work for the Elan South Project site.

Groundhog Anthracite Project, British Columbia, Canada (Atrium 100%)

The Groundhog Anthracite Project ("Groundhog") is in the Groundhog Coalfield in northwestern British Columbia, Canada and covers an area of almost 600 km² (Figure 3). Drilling and laboratory tests have confirmed that the Groundhog field contains high grade anthracite which is suitable for use in the manufacture of blast furnace steel, as well as a reductant in electric arc furnaces, as a filter media, and as feedstock for chemical production. The Company has prepared various studies on appropriate development of the first area under consideration, Groundhog North.

Figure 3: The Groundhog and Panorama Anthracite Projects



Atrium has conducted several drilling campaigns in the Groundhog North project area and limited work in Groundhog East and Groundhog Central areas. Two additional drilling programs have been conducted in the Panorama North area in 2016 and 2017 with the Company's joint venture partner, JOGMEC. The Company has already supplied small samples of Groundhog North anthracite to various Asian steel mills, and has the permit for the extraction of larger samples for these mills and other potential customers.

During CY17, Atrium undertook an environmental baseline monitoring program on Groundhog North, during the Canadian spring "freshet" season in northern British Columbia, where significant water run-off occurs from the melting of snow. The freshet monitoring program consisted of two components – surface hydrology monitoring and a baseline surface water quality program. The surface hydrology program is designed to assess baseline conditions of water quality via the installation of several hydrometric stations. The surface water quality program involved the collection of weekly water samples to be used to characterise the existing hydrological environment and provide additional data for assessing potential water quality effects, mitigation measures and monitoring.

Information obtained through the program will be critical for further exploration and mine planning at Groundhog, and is required for permit applications in British Columbia. It will help Atrium evaluate further exploration and development options for the Company's Groundhog Central project, an area south of Groundhog North which has encouraging historic drill results and a previous 500,000tpa mine scoping study completed.

Panorama North Project (subject to JOGMEC earn-in)

The Panorama North Project is located 15km southwest of Groundhog North in British Columbia (Figure 3). Atrium entered into an exploration agreement with Japan Oil, Gas and Metals National Corporation ("JOGMEC") regarding the Panorama North Project. Under the Agreement, JOGMEC can acquire up to 35% interest in the Panorama North Project by investing C\$5.0 million in exploration

OPERATIONS REVIEW

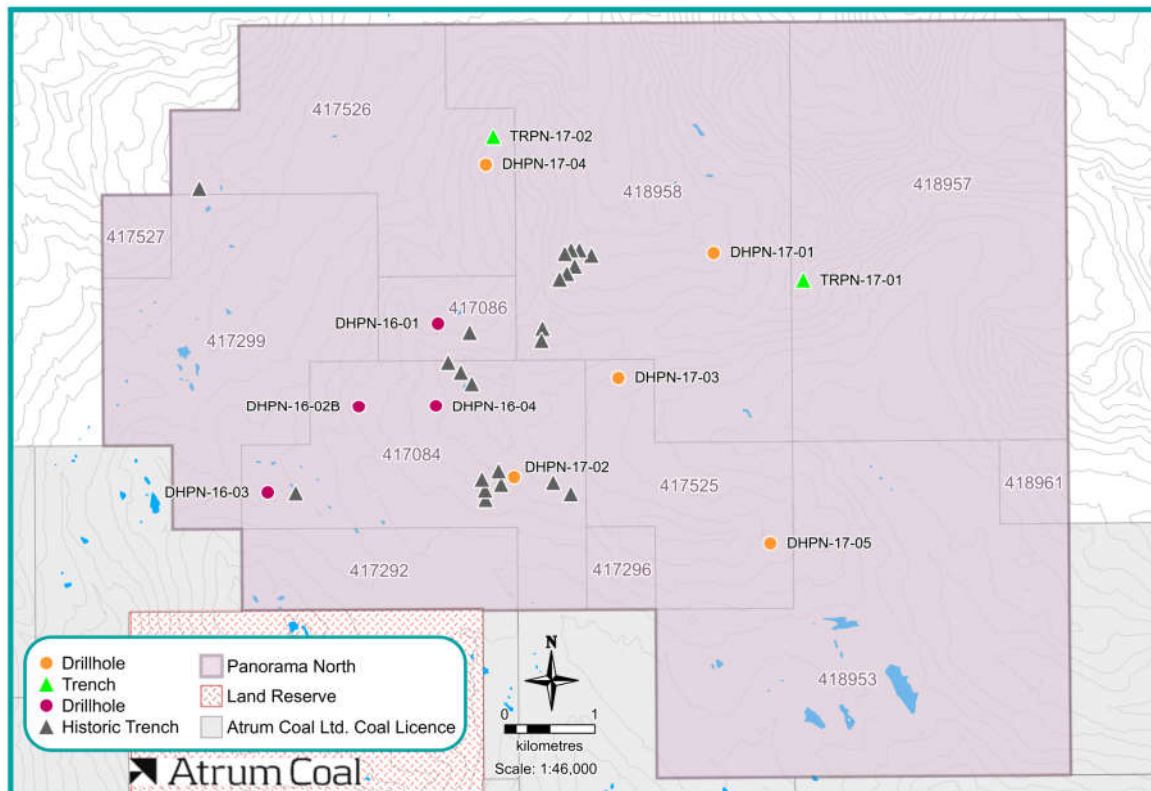
expenditures across the project over a three-year period. The Joint Venture was progressing for a second year in 2017. At the end of March 2018, JOGMEC would have earned-in 20% interest in the Panorama North Project after spending \$3.0 million in exploration expenditures.

Diamond core drilling of four holes at Panorama during October 2016 was successfully completed. Holes were geo-physically logged, studied and interpreted. Anthracite samples were prepared for testing and analysis, with laboratory results confirming high-grade anthracite emplaced at Panorama North.

Atrum received encouraging coal quality results from the 2016 work. A total of 19 seams were identified within the Currier Formation, with three separate seams identified as prime targets. These were tentatively correlated across the exploration area given the Company's detailed understanding of the broader Groundhog Coalfield. Physical and chemical testing of intersected anthracite seams showed they have the potential to produce low-ash, low volatile matter, high grade anthracite products.

Exploration in 2017 at Panorama North was aimed to further define coal seam distribution with widely-spaced boreholes (Figure 4). Diamond core drilling completed in 5 boreholes in 2017, provided additional confirmatory quality information to the 4 fully cored boreholes completed in 2016. Refer to 20 September 2017 announcement, "Atrum Coal – Panorama North 2017 Exploration Update" for further information regarding the 2017 exploration activities at Panorama North. Coal quality testing was also conducted on 2017 samples.

Figure 4: The Panorama North Project – Field Exploration Drill Hole Locations



Groundhog Central (Atrum 100%)

Anthracite was discovered at Groundhog Central in the early 1920s, leading to several small mines being constructed to extract it. The adits to some of these mines still exist. Areas of Groundhog Central were explored in the 1970s and 1980s and again in 2008.

Atrum drilled holes and collected core samples from Groundhog Central in 2012 and 2014.

OPERATIONS REVIEW

During CY17, management reviewed results from this work and embarked on a program to update the 500,000 tons per annum (“tpa”) historic mine scoping study in order to commence preparation of a JORC compliant resource estimate for Groundhog Central. Based on the success of Atrum’s joint venture with JOGMEC at Panorama North, Atrum is evaluating Groundhog Central as another potential joint venture area.

Bowron River Coal Project (Atrum 100%)

The Bowron River Project (“Bowron River”) is located 60 km east of the town of Prince George and is accessible from Prince George by 50 km of paved road and then by 10 km of all-weather gravel road. It is another early stage exploration project. The Company holds a total land position of 3,750 hectares at Bowron River. No ground-based activities were undertaken at Bowron River during the period. Atrum continues to assess this project and other coking coal opportunities to increase its exposure to the metallurgical coal market.

Naskeena Anthracite Project (Atrum 100%)

The Naskeena Anthracite Project (“Naskeena”) is located in western British Columbia, 50 km from the town of Terrace and 140 km from the Port of Prince Rupert. It is an early-stage project on the far western extent of the Groundhog Basin. No ground-based activities were undertaken at Naskeena during the period. Atrum continues to study the project viability and potentials.

Export Sales Joint Venture with Atlantic Carbon Group PLC

During CY16, Atrum announced it would form an unincorporated joint venture with Atlantic Carbon Group PLC (“ACG”) to market and sell anthracite from ACG’s operations in north-eastern Pennsylvania, USA to customers outside the US. ACG is an ultra-high grade anthracite producer operating three mines and two processing plants near Hazleton, Pennsylvania. Definitive agreements to form the joint venture were signed and Atrum purchased an initial 15,000t in late December 2016.

By the end of CY17, no export sale was achieved by the JV due to seaborne-export price differentials and volume issues.

ACG and Atrum have agreed a payment schedule to refund the US\$1.5m paid by Atrum to purchase a 15,000t stockpile from ACG, with some payments already received and the remaining US\$1.25m to be paid out in five equal installments over the coming months.

CORPORATE

Subsequent to period end, the Company successfully completed the first stage of the Equity Raising with a heavily oversubscribed Two Tranche Placement to raise \$8.0 million (before costs). The raising received strong support from existing shareholders, along with significant demand from new domestic and international investors. The successful completion of the Placement leaves Atrum well positioned to proceed with the next stage of the Equity Raising, a non-renounceable 1 to 5 Entitlements to raise up to \$4.6 million (before costs). The Placement together with the Entitlements Offer are expected to raise up to \$12.6 million.

In August 2017, Atrum announced the appointment of Max Wang as the Company’s Managing Director and Chief Executive Officer. Mr Wang is a registered professional engineer and an experienced coal executive based in Canada. He is the former chairman of the Coal Association of Canada and still serves as the vice chair on the board. He was also a former board member of Winsway Coking Coal Holdings Ltd – a Hong Kong Stock Exchange-listed company.

OPERATIONS REVIEW

Charles (Chuck) Blixt joined the Board as a Non-Executive Director in May 2017 and was appointed Non-Executive Chairman in August 2017. Mr Blixt has significant experience in strategy development and execution, with success in diverse businesses and serving as a Director across a 40-year career.

George Edwards and Charles Fear were also appointed as Non-Executive Directors in August 2017.

George Edwards is a metallurgy graduate from the University of New South Wales, and has spent his life in the coal sector, initially in metallurgy, then establishing, operating and selling his own export coal mines, in coal negotiations and trade missions around the world, and then in trading coal shipments. He has worked for BHP, Coal and Allied, the Joint Coal Board and was lately Chief Executive Officer in Australia for Consolidation Coal Company of the USA (now Consol Energy).

Charles Fear is the Chairman and co-founder of Argonaut and has a distinguished track record in M&A, advisory and equity capital markets transactions. Mr Fear is regarded as one of Western Australia's leading M&A Advisors. He has also been involved in a number of significant capital raisings for clients totaling over \$4 billion.

During CY17, the Company received a refund of A\$1.8M from the Canadian Government METC scheme. This was used to pay out the Moneytech facility entirely. In addition, the Company paid \$245K to Lenark to reduce the amount outstanding to A\$1.6m at period end.

Also during the period, the Company granted 15,600,000 options to the CEO and directors, subject to various vesting conditions and at different strike prices.

Subsequent to period end, the Company received confirmation from the majority of Kuro Coal convertible note holders that they would convert their notes into shares in Atrum at the same price as the capital raise.

DIRECTORS' REPORT

DIRECTORS

Charles Blixt (Non-Executive Chairman) (appointed 29 May 2017)
James Chisholm (appointed 25 October 2011)
George Edwards (appointed 17 August 2017)
Charles Fear (appointed 17 August 2017)
Max Wang (Managing Director) (appointed on 22 November 2017)

COMPANY SECRETARY

Justyn Stedwell (appointed 1 May 2017)

REGISTERED AND PRINCIPAL OFFICE

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Fitzroy, VIC 3065

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Fax: +61 (0) 3 8678 1747

Website: www.atrumcoal.com
Email: info@atrumcoal.com

SHARE REGISTRY

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153

Telephone: (08) 9315 2333
Facsimile: (08) 9315 2233

AUDITORS

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

SOLICITORS

Australia
Sierra Legal Pty Ltd.
Level 5, 9 Sherwood Road
Toowong QLD 4066

Canada
McCarthy Tetrault
777 Dunsmuir Street
Vancouver BC V7Y 1K2

AUSTRALIAN SECURITIES EXCHANGE

Atrum Coal Ltd. shares (ATU) are listed on the Australian Securities Exchange.

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Atrium Coal Ltd. and the entities it controlled at the end of, or during, the period ended 31 December 2017. Throughout the report, the consolidated entity is referred to as the group.

DIRECTORS

The names of the directors of the Company in office during the period and up to the date of this report are as follows:

Charles Blixt	Non-Executive Chairman (appointed as Director 29 May 2017 and Non-Executive Chairman on 17 August 2017))
Thomas Borman	Non-Executive Director (retired 24 July 2017)
Craig Ian Burton	Non-Executive Director (retired 17 August 2017)
James Chisholm	Non-Executive Director (appointed 25 October 2011)
George Edwards	Non-Executive Director (appointed 17 August 2017)
Charles Fear	Non-Executive Director (appointed 17 August 2017)
Michael John Jardine	Non-Executive Director (retired 17 August 2017)
Max Wang	Managing Director (as Managing Director and Chief Executive Officer on 21 August 2017 and as a director on 22 November 2017)

The directors remain appointed as at the date of this report unless otherwise stated. The particulars of the qualifications, experience and special responsibilities of each current director are as follows:

Charles Blixt - Chairman (appointed 29 May 2017)

Mr. Blixt began his 40-year career in private legal practice before taking on legal counsel roles, initially at Fiat-Allis and then at Caterpillar. In 1985 he joined R. J. Reynolds Tobacco as assistant Counsel Litigation. He spent 20 years at R. J. Reynolds in various legal roles including as Executive Vice President, General Counsel and Assistant Secretary for Reynolds American Inc. from 1999 to 2006. He served as a Non-Executive Director of Krispy Kreme Doughnuts Inc. (NYSE: KKD) from 2007 to 2016. Mr. Blixt currently serves as a Non-Executive Director at Lamb Weston Holdings Inc. (NYSE: LW), the largest North American frozen potato producer (and second largest worldwide) with a market capitalisation over US\$6.5b. He serves as a Non-Executive Director of the \$6.5b market cap Swedish Match AB (Stockholm: SWMA), one of the world's largest Tobacco products manufacturers. He served as Non-Executive Director of Targacept Inc. prior to its merger with Catalyst Biosciences Inc. in 2015. Mr. Blixt also serves as a director of several privately held small companies. He is currently a principal in C&D Ventures, which invests in entrepreneurial start-ups and other businesses which require capital and/or business and legal expertise.

As at 28 March 2018, Mr. Blixt holds 350,000 fully paid ordinary shares in the Company and 2,400,000 options.

James Chisholm – Non - Executive Director (appointed 25 October 2011)

James Chisholm is a qualified engineer, holding a degree in electrical engineering, who has worked in the engineering and mining sectors for the past 29 years, initially in engineering, then management, then M&A roles. James co-founded The Chairmen1 Pty Ltd (which is the largest shareholder of Guildford Coal Limited ASX: GUF), Ebony Iron Pty Ltd (now part of Strategic Minerals PLC, AIM: SML), Fertoz Limited (ASX: FTZ) and Ebony Energy Limited. Mr Chisholm is currently a non-executive director of ASX listed Fertoz Limited (ASX: FTZ) and is currently a director of unlisted Ebony Coal Limited. Mr Chisholm was not a director of any other publicly listed companies in the last three years.

As at 28 March 2018, Mr Chisholm has an indirect holding of 36,562,266 fully paid ordinary shares through Lenark Pty Ltd and an indirect holding of 2,189,118 fully paid ordinary shares through Bucket Super Pty Ltd in the Company and 750,000 performance rights in the Company.

George Edwards – Non-Executive Director (appointed 17 August 2017)

George Edwards is a metallurgy graduate from the University of New South Wales, and has spent his life in the coal sector, initially in metallurgy, then establishing, operating and selling his own export coal mines, in coal negotiations and trade missions around the world, and then in trading coal shipments. He has worked for BHP, Coal and Allied, the Joint Coal Board and was latterly Chief Executive Officer in Australia for Consolidation Coal Company of the USA (now Consol Energy). Since establishing his own companies 32 years ago he has been responsible for export sales of up to 5 million tonnes of coal a year from his own and other mines in Australia, and some from other countries. He has close links with Asian and Indian coal buyers and has been mandated by several Chinese companies to secure coal and coal projects. He was Chairman of SAI Global Limited (ASX listed) from listing in 2003 until 2008, the Energy Council of Australia (from 1993 to 2006) and Standards Australia (from 2000 to 2004); in 1995 he was President of The AusIMM. He has authored more than 150 talks, articles and presentations in Australia and in 14 countries overseas, mainly on mining and coal-related matters.

As at 28 March 2018, Mr. Edwards holds has an indirect holding of 102,675 fully paid ordinary shares in the Company through Edwards Global Services Pty Ltd and 1,600,000 options.

DIRECTORS' REPORT

Charles Fear – Non-Executive Director (appointed 17 August 2017)

Charles Fear is Chairman of Argonaut Limited. He co-founded Argonaut Limited in 2002 to provide M&A advice, undertake primary and secondary capital raisings, and provide stock-broking services to natural resources companies and companies that operate in the resources sector. Over the last ten years, Argonaut has advised on over \$4B worth of M&A transactions, raised more than \$3B in equity and more than \$1.5B in debt for resource companies and projects. Argonaut works across the globe, and has conducted business in Australia, North and South America, throughout the Asia-Pacific region, and in Africa.

As at 28 March 2018, Mr. Fear holds an indirect holding of 400,000 fully paid ordinary shares in the Company and 1,600,000 options through Areley Kings Pty Ltd, an indirect holding of 2,550,000 fully paid ordinary shares through Argonaut Equity Partners Pty Limited and an indirect holding of 500,000 options through Argonaut Investments Pty Ltd.

Max Wang – Managing Director (appointed Managing Director and Chief Executive Officer on 21 August 2017 and as a director on 22 November 2017)

Mr. Wang was appointed as Managing Director and Chief Executive Officer on 21 August 2017 and as a director on 22 November 2017.

Mr. Wang is a Registered Professional Engineer in Alberta, Canada. He holds a Bachelor degree in Railway Engineering from Southwest Jiaotong University in China and a PhD in Civil Engineering from the University of Calgary. From 1990 to 1997, Max was an independent consultant on various engineering projects across Canada. In 1998, he joined Bantrel Corp with progressive responsibilities from Lead Civil/Structural Engineer to Project Engineering Manager and Civil/Structural/Architectural Department Manager and Chief Engineer overseeing mining, in-situ and downstream oil sands and other projects. In 2006, he joined Petro-Canada Inc as Engineering Manager for Oil Sands, and with the merger of Petro-Canada with Suncor in 2009, he took on the role of Director of Engineering, Major Projects. In 2012, Marubeni and Winsway purchased Alberta-based, Grande Cache Coal, and Max led the business as President and Chief Executive from January 2013 until joining Atrum. Marubeni and Winsway sold the bulk of the business to UP-Energy and the mine is now being offered for sale. Mr. Wang is a technical committee member of the Canadian National Standards on Concrete Materials, Construction, Testing and Design, and a founding steering committee member of the annual Sino-Canadian Oil and Gas Symposium.

As at 28 March 2018, Mr. Wang holds zero fully paid ordinary shares in the Company and 10,000,000 options through a nominee.

Justyn Stedwell – Corporate Secretary (appointed 1 May 2017)

Mr. Stedwell is a professional company secretary with a decade of experience with ASX listed companies in various industries, including mining and exploration, IT & telecommunications, biotechnology and agriculture. Mr Stedwell's qualifications include a Bachelor of Commerce (Economics and Management) from Monash University, a Graduate Diploma of Accounting at Deakin University and a Graduate Diploma in Applied Corporate Governance at the Governance Institute of Australia.

He is currently Company Secretary at several ASX-listed companies, including Lifespot Health (ASX: LSH), Cirralto Ltd (ASX:CRO), Rhinomed Ltd (ASX:RNO), Imugene Ltd (ASX:IMU), Pacific Dairies Ltd (ASX:PDF), Rectifier Technologies Ltd (ASX:RFT), Lanka Graphite Ltd (ASX:LGR), WONHE Multimedia Commerce Ltd (ASX:WMC) and Broo Ltd (ASX:BEE).

CORPORATE INFORMATION

Corporate Structure

Atrum is incorporated and domiciled in Australia.

Nature of Operations and Principal Activities

The principal continuing activities during the period, of entities within the Group was anthracite exploration and development in British Columbia, Canada.

OPERATING AND FINANCIAL REVIEW

Review of Operations

A review of operations for the period, and the results of those operations is contained within the company review.

Operating Results

Consolidated loss after income tax for the period was \$370,072 (30 June 2017: \$10,597,929).

Financial Position

At 31 December 2017, the Group had cash reserves of \$2,019,636 (30 June 2017: \$4,390,934).

DIRECTORS' REPORT

Financing and Investing Activities

During the period ended 31 December 2017, the Company repaid in full the Confirmed Capital Receivables Facility from Moneytech, after receipt of the METC refund from the Canada Revenue Agency.

Dividends

No dividends were paid during the year and no recommendation is made as to dividends with respect to the period ended 31 December 2017.

Acquisition of Elan

On 23 August 2017, the Company's wholly-owned subsidiaries, Kuro Coal Limited ("Kuro") and Kuro Coal Canada Inc ("Kuro Coal Canada"), have entered into a share sale deed under which it is proposed that:

- Kuro Coal Canada will purchase all of the shares in Elan Coal Ltd ("Elan") (a company incorporated in Canada); and
- Kuro will seek to separately list on the ASX, TSX-V or an alternative international exchange, ("Proposed Transaction").

As consideration for the acquisition of Elan, the Vendors should receive cash consideration of \$3.1million (including C\$100,000 which was paid on the signing of the share sale deed) and Kuro Coal Canada should also be required to issue \$3.65 million in script. Under the share sale deed, Kuro has an exclusivity period until 31 March 2018. A further exclusivity extension to 30 June 2018 is available if Kuro lodges a listing application with the ASX or an Alternative Stock Exchange before the end of Q1 2018 or concludes an alternatively acceptable settlement outcome with the Vendors. The exclusivity can be extended at any time by mutual agreement.

On 6 December 2017, the share sale deed was amended to allow Atrum to acquire Elan directly instead of through Kuro. Under the amended deed, Atrum will assume all the obligations of Kuro, which include the payment of C\$3.65M in Atrum shares at a price of A\$0.19 and a cash payment of C\$3M. As a result, Kuro will no longer seek a separate listing on any exchange. The acquisition must be completed by 31 March 2018, unless the parties agree otherwise.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Group during the year are detailed in the Company review.

During the period ended 31 December 2017, the Group sought and was granted a change in reporting date from 30 June to 31 December, and consequently the reporting period subsequent to the year ended 30 June 2017 is for a six-month period ended 31 December 2017. The comparative numbers are for the twelve months ended 30 June 2017.

Other than as disclosed, there has been no matter or circumstance that has arisen that has significantly affected, or may significantly affect:

1. the Group's operations in future financial years, or
2. the results of those operations in future financial years, or
3. the Group's state of affairs in future financial years.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Company that occurred during the period under review not otherwise disclosed in this report or in the financial report.

EVENTS SINCE THE END OF THE FINANCIAL YEAR

Capital Raise

On 21 March 2018, the Company announced it has successfully raised via a two-tranche placement an amount of \$8M by the issue of shares at a price of \$0.10 per unit. As a consequence, and in accordance to the amended Lenark agreement, 10% of the proceeds will be applied towards the repayment of the loan (see Note 12 to the financial statements).

In addition, the Company announced that it will proceed with an Entitlement issue of 1 new share for every 5 held by eligible shareholders at a price of \$0.10 per unit.

Each unit comprises of one ordinary share and a free attaching listed option to purchase an ordinary share at a price of \$0.20 on or before 31 March 2021.

Kuro Coal Convertible Notes

On 29 January 2017, the Company announced a proposal to reduce its financial liabilities by offering to exchange Kuro Coal convertible notes to a total of 8,000,000 Atrum Shares.

DIRECTORS' REPORT

Proceeds from sale of inventory

Subsequent to the period ended 31 December 2017, the Company sold the inventory for the carrying value of USD1,225,000. Payment will be received in 10 equal instalments of USD122,500 on the first and last day of each month. The first instalment was received in the month of March 2018.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Company will continue to pursue its principal activity of exploration and evaluation, particularly in respect to the Projects as more particularly outlined in the company review. The Company will also continue to pursue other potential investment opportunities to enhance shareholder value.

The Company continues with the ongoing development at the Groundhog Anthracite Project following the award of the bulk sample permit for the north-west zone of Groundhog.

MEETINGS OF DIRECTORS

The numbers of meetings of directors (including meetings of committees of directors) held during the period and the number of meetings attended by each director was as follows:

	Period ended 31 December 2017		Year ended 30 June 2017	
	Board of Directors		Board of Directors	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Charles Blixt	4	4	1	1
Thomas Borman	-	-	2	2
Craig Ian Burton	2	2	4	2
J Chisholm	4	4	10	10
George Edwards	2	2	-	-
Charles Fear	2	2	-	-
Michael J Jardine	2	2	4	4
Max Wang	-	-	-	-

Outside of the above meetings of directors, the Company conducted its directors' meetings and resolved certain corporate matters via circular resolutions of directors.

REMUNERATION REPORT (AUDITED)

The directors are pleased to present Atrum Coal Ltd.'s remuneration report for the period ended 31 December 2017 which sets out the remuneration information for the company's non-executive directors, executive directors and other key management personnel.

This report details the nature and amount of remuneration for each director and executive of Atrum Coal Ltd. The information provided in the remuneration report includes remuneration disclosures that are audited as required by section 308(3C) of the Corporations Act 2001.

For the purposes of this report Key Management Personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

For the purposes of this report the term "executive" includes those key management personnel who are not directors of the parent company.

- (a) Remuneration policy
- (b) Remuneration structure
- (c) Service agreements
- (d) Details of remuneration for the year
- (e) Details of share-based compensation and equity instruments held by Key management personnel
- (f) Voting and comments made at the Company's 2017 Annual General Meeting
- (g) Other transactions with key management personnel

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONT.)

The KMP's covered in this report include:

Charles Blixt	Non-Executive Chairman (appointed as Director 29 May 2017 and Non-Executive Chairman on 17 August 2017))
Craig Ian Burton	Non-Executive Director (retired 17 August 2017)
Thomas Borman	Non-Executive Director (retired 24 July 2017)
James Chisholm	Non-Executive Director (appointed 25 October 2011)
George Edwards	Non-Executive Director (appointed 17 August 2017)
Charles Fear	Non-Executive Director (appointed 17 August 2017)
Michael John Jardine	Non-Executive Director (retired 17 August 2017)
Max Wang	Managing Director (appointed as Managing Director and Chief Executive Officer on 21 August 2017 and as a director on 22 November 2017)

REMUNERATION GOVERNANCE

Remuneration Committee

The full Board carries out the roles and responsibilities of the Remuneration Committee and is responsible for determining and reviewing the compensation arrangements for the Directors themselves, the Managing Director and any Executives.

Executive remuneration is reviewed annually having regard to individual and business performance, relevant comparative remuneration and internal and independent external advice. No independent advice has been sought by the Company during the respective financial year in relation to remuneration structure and levels.

A. Remuneration policy

The Board policy is to remunerate directors at market rates for time, commitment and responsibilities. The Board determines payments to the directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of directors' fees that can be paid is subject to approval by shareholders in a general meeting, from time to time. The current maximum aggregate amount as approved by shareholders at the Company's general meeting held on 20 April 2012 is \$250,000 per annum. However, to align directors' interests with shareholders' interests, the directors are encouraged to hold shares and options in the company.

The Company's aim is to remunerate at a level that reflects the size and nature of the Company. Company officers and directors are remunerated to a level consistent with the size of the Company.

All remuneration paid to directors and executives is valued at the cost to the Company and expensed.

The Board believes that it has implemented suitable practices and procedures that are appropriate for an organisation of this size and maturity.

In accordance with its remuneration policy, the Company granted performance rights to Key Management Personnel and Employees as disclosed in Part E of this remuneration report.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONT.)

B. Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and executive compensation is separate and distinct.

Non-executive Director Compensation

Objective

The Board seeks to set aggregate compensation at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate compensation of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination approved by shareholders on 20 April 2012 was an aggregate compensation of \$250,000 per year.

The amount of aggregate compensation sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process. Non-Executive Directors' remuneration may include an incentive portion consisting of options and/or performance rights, as considered appropriate by the Board, which may be subject to Shareholder approval in accordance with ASX listing rules. At the date of this report the Company had not engaged remuneration consultants.

Executive Compensation

Objective

The entity aims to reward executives with a level and mix of compensation commensurate with their position and responsibilities within the entity so as to:

- reward executives for company and individual performance against targets set by appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link rewards with the strategic goals and performance of the Company; and
- ensure total compensation is competitive by market standards.

Structure

In determining the level and make-up of executive remuneration, the Board negotiates a remuneration to reflect the market salary for a position and individual of comparable responsibility and experience. Due to the limited size of the Company and of its operations and financial affairs, the use of a separate remuneration committee is not considered appropriate. Remuneration is regularly compared with the external market by participation in industry salary surveys and during recruitment activities generally. If required, the Board may engage an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable executive roles. At the date of this report the Company had not engaged remuneration consultants.

Compensation may consist of the following key elements:

- Fixed Compensation;
- Variable Compensation;
- Short Term Incentive (STI); and
- Long Term Incentive (LTI).

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONT.)

B. Remuneration structure (continued)

Fixed Remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Board having regard to the Company and individual performance, relevant comparable remuneration in the mining exploration sector and external advice.

The fixed remuneration is a base salary or monthly consulting fee.

Variable Pay – Short Term Incentives

The purpose of the short-term incentive plan is to reward achievement of business objectives on a year by year basis. Each financial year the board, in conjunction with senior management, sets the business objectives aimed to be achieved during the year to implement the Company's business plan.

The business objectives are clearly defined outcomes in product development and commercialisation, achievement of which can be readily and objectively measured at the end of the financial year. Measurement of achievement of the business objectives also involves comparison with factors external to the Company.

No remuneration linked to short term incentives have been issued to date.

Variable Pay – Long Term Incentives

The objective of long term incentives is to reward directors/executives in a manner which aligns this element of remuneration with the creation of shareholder wealth. The incentive portion is payable based upon attainment of objectives related to the director's/executive's job responsibilities. The objectives vary, but all are targeted to relate directly to the Company's business and financial performance and thus to shareholder value.

Typically, the grant of LTIs occurs at the commencement of employment or in the event that the individual receives a promotion and, as such, is not subsequently affected by the individual's performance over time.

Variable Pay – Long Term Incentives – Performance Rights

The Company has implemented a Performance Rights Plan for the Directors, Key Management and Staff. The objective of the Performance Rights Plan is to align the interests of all personnel involved in the operations of the Company and to reward them for the achievement of milestones relating to market and non-market objectives. Please refer to Section E for further information on the milestones set in relation to the Performance Rights Plan.

C. Service Agreements

The employment arrangements of the directors are contained in formal letters of appointment, and in the case of Executive Directors, contracts for services. Included in these contracts, amongst other things, are reference to the grant of options.

The contract details of each of the Key Management Personnel are as follows:

Max Wang – Managing Director and CEO

Agreement Commenced: 21 August 2017

Term of Agreement: Full time employment

Details: Salary of C\$350,000 per annum plus 5% superannuation

3 Months termination notice by Mr. Wang; 1 – 12 months termination notice depending on years of service if terminated by the Company.

10,000,000 options at exercise prices between \$0.18 and \$1.00 with expiry dates that are between 12 and 36 months from the issue dates and vested upon achieving milestones set out in the employment agreement, as approved by the shareholders on 3 November 2017.

Charles Blixt – Non-Executive Chairman

Agreement Commenced: 29 May 2017

Term of Agreement: No set tenure

Details: Director's fees USD 3,000 per month

2,400,000 options at exercise prices between \$0.23 and \$1.00 with expiry dates that are between 12 and 36 months from the issue dates and vested upon achieving milestones set out in the employment agreement, as approved by the shareholders on 3 November 2017.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONT.)

C. Service Agreements (continued)

James Chisholm – Non-Executive Director

Agreement Commenced: 25 October 2011
 Term of Agreement: No set tenure
 Details: Director's fees \$3,000 per month

George Edwards – Non-Executive Director

Agreement Commenced: 17 August 2017
 Term of Agreement: No set tenure
 Details: Director's fees \$3,000 per month
 1,600,000 options at exercise prices between \$0.23 and \$1.00 with expiry dates that are between 12 and 36 months from the issue dates and vested upon achieving milestones set out in the employment agreement, as approved by the shareholders on 3 November 2017.

Charles Fear – Non-Executive Director

Agreement Commenced: 17 August 2017
 Term of Agreement: No set tenure
 Details: Director's fees \$3,000 per month (inclusive of superannuation)
 1,600,000 options at exercise prices between \$0.23 and \$1.00 with expiry dates that are between 12 and 36 months from the issue dates and vested upon achieving milestones set out in the employment agreement, as approved by the shareholders on 3 November 2017.

D. Details of remuneration for the year

Remuneration

Details of the remuneration of each Director and named executive officer of the Company, including their personally-related entities, during the year was as follows:

		Short Term Benefits	Post Employment	Share Based Payments		Performance related	
	Period Ended 31 December	Salary and fees (includes Directors Fees)	Superannuation	Options(A)	Total	Fixed	LTI
		\$	\$	\$	\$	%	%
Directors							
Charles Blixt ⁽¹⁾	2017	24,598	-	22,031	46,629	53%	47%
Craig Ian Burton ⁽²⁾	2017	-	-	-	-	-	-
Tom Borman ⁽³⁾	2017	-	-	-	-	-	-
James Chisholm	2017	18,000	-	-	18,000	100%	0%
George Edwards ⁽⁴⁾	2017	12,616	-	13,841	26,457	48%	52%
Charles Fear ⁽⁵⁾	2017	11,420	1,196	13,841	26,457	48%	52%
Michael John Jardine ⁽⁶⁾	2017	6,000	-	-	6,000	100%	0%
Max Wang ⁽⁷⁾	2017	146,583	-	47,072	193,655	76%	24%
Total	2017	219,217	1,196	96,785	317,198	69%	31%

(1) Appointed as Non-Executive Director on 29 May 2017

(2) Resigned on 17 August 2017

(3) Resigned on 24 July 2017

(4) Appointed as Non-Executive Director on 17 August 2017

(5) Appointed as Non-Executive Director on 17 August 2017

(6) Resigned on 17 August 2017

(7) Appointed as Managing Director and Chief Executive Officer on 21 August 2017 and as a director on 22 November 2017.

A. The estimated options value discussed above is calculated at the date of grant using a Black-Scholes model, having regard to the estimated probability, at the balance sheet date, that the vesting conditions will realise. Please refer Note 13(d) for fair value methodology.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONT.)

E. Details of share-based compensation and equity instruments held by key management personnel

		Short Term Benefits	Post Employment	Share Based Payments		Performance related	
	Year Ended	Salary and fees (includes Directors Fees)	Superannuation	Performance Rights	Total	Fixed	LTI
	30 June	\$	\$	\$	\$	%	%
Directors							
Robert Bell	2017	361,539	-	104,724	466,263	78%	22%
Charles Blixt	2017	3,000	-	-	3,000	100%	0%
Craig Ian Burton	2017	22,500	-	-	22,500	100%	0%
Tom Borman	2017	-	-	-	-	-	-
Steven Boulton	2017	24,000	-	(28,980)	(4,980)	-	-
James Chisholm	2017	204,000	-	-	204,000	100%	0%
Michael John Jardine	2017	13,285	-	-	13,285	100%	0%
Cameron Vorias	2017	36,000	-	(36,193)	(193)	-	-
John Wasik	2017	51,000	-	-	51,000	100%	0%
Total	2017	715,324	-	39,551	754,875	95%	5%

Options

During the period ended 31 December 2017, options were granted to directors following the approval at the 2017 Annual General Meeting on 3 November 2017.

Director	Number of Options/ Conditions	Expiry Date	Exercise Price	Expected Vesting Period (yrs)	% Vested	Value vested during the Period(A)	Value Not Vested
Charles Blixt	400,000 ⁽¹⁾	1 December 2018	\$0.23	-	100%	\$20,567	\$ -
	400,000 ⁽³⁾	1 June 2019	\$0.40	1.5	25%	\$418	\$ 3,531
	400,000 ⁽⁴⁾	1 December 2019	\$0.50	2.0	25%	\$340	\$ 3,940
	600,000 ⁽⁵⁾	1 June 2020	\$0.70	2.5	25%	\$394	\$ 5,807
	600,000 ⁽⁶⁾	1 December 2020	\$1.00	3.0	25%	\$312	\$ 5,583
Charles Fear	250,000 ⁽¹⁾	1 December 2018	\$0.23	-	100%	\$12,854	\$ -
	250,000 ⁽³⁾	1 June 2019	\$0.40	1.5	25%	\$261	\$ 2,207
	300,000 ⁽⁴⁾	1 December 2019	\$0.50	2.0	25%	\$255	\$ 2,955
	400,000 ⁽⁵⁾	1 June 2020	\$0.70	2.5	25%	\$263	\$ 3,871
	400,000 ⁽⁶⁾	1 December 2020	\$1.00	3.0	25%	\$208	\$ 3,722
George Edwards	250,000 ⁽¹⁾	1 December 2018	\$0.23	-	100%	\$12,854	\$ -
	250,000 ⁽³⁾	1 June 2019	\$0.40	1.5	25%	\$261	\$ 2,207
	300,000 ⁽⁴⁾	1 December 2019	\$0.50	2.0	25%	\$255	\$ 2,955
	400,000 ⁽⁵⁾	1 June 2020	\$0.70	2.5	25%	\$263	\$ 3,871
	400,000 ⁽⁶⁾	1 December 2020	\$1.00	3.0	25%	\$208	\$ 3,722
Max Wang	500,000 ⁽¹⁾	1 December 2018	\$0.18	-	100%	\$32,624	\$ -
	500,000 ⁽²⁾	1 December 2018	\$0.23	0.5	100%	\$8,170	\$17,539
	1,000,000 ⁽³⁾	1 June 2019	\$0.40	1.5	25%	\$1,046	\$ 8,828
	2,000,000 ⁽⁴⁾	1 December 2019	\$0.50	2.0	25%	\$1,700	\$19,702
	3,000,000 ⁽⁵⁾	1 June 2020	\$0.70	2.5	25%	\$1,971	\$29,034
	3,000,000 ⁽⁶⁾	1 December 2020	\$1.00	3.0	25%	\$1,561	\$27,915
TOTAL	15,600,000					\$96,785	\$147,389

DIRECTORS' REPORT

- (1) No vesting conditions;
- (2) 6 months service as Managing Director;
- (3) Announcement to the ASX during the term of employment (Term), of the appointment of a Board-approved partner to assist in the development of one or more projects at Groundhog;
- (4) Announcement to the ASX during the Term, of the appointment of a Board approved partner to the Company i.e. a partner at Atrum Coal Ltd level rather than project level;
- (5) Announcement to the ASX during the Term, of the award by Government of a 1mtpa (or greater) commercial mining license for any project (where the majority of that project is owned by Atrum Coal Ltd or any affiliated companies);
- (6) The sale of an aggregate of 500,000 tonnes of coal produced by Atrum Coal Ltd or any Affiliated Companies during the Term

A. The estimated options value vested is calculated at the date of grant using a Black-Scholes model, having regard to the estimated probability, at the balance sheet, date that the vesting conditions will realise. Please refer Note 13(d) for fair value methodology

Performance Rights:

(i) Details of Performance Right Vesting Conditions are detailed in Note 21 to the financial statements.

Performance rights granted carry no dividend or voting rights. When vesting conditions relative to the performance right are met and the performance right is exercised, each performance right entitles the holder to be issued 1 ordinary share for nil consideration.

(ii) Details of the performance rights movements for each Key Management Person:

The number of Performance Rights held during the financial period by each director of Atrum Coal Ltd. and other key management personnel of the Group, including their personally related parties, is set out below.

E. Details of share-based compensation and equity instruments held by key management personnel (Cont.)

	Balance at the start of the period	Granted as remuneration	Disposed / Lapsed / Forfeited	Vested and Exercised	Balance at the end of the period
Period ended 31 December 2017					
Directors					
James Chisholm	750,000	-	-	-	750,000
	750,000	-	-	-	750,000

Details of performance rights affecting the value of Key Management Personnel remuneration during the period are:

KMP	Year of grant	# performance rights granted		TOTAL	Total value at grant date ¹	No. of rights vested during prior years	No. of rights vested during the period	Total rights vested to date	No. of rights forfeited during the period	Vested %	Maximum yet to vest
		Market based	Non-market based								
James Chisholm	2012	937,500	1,687,500	2,625,000	\$185,000	(1,875,000)	-	(1,875,000)	-	71%	\$60,000
Total		937,500	1,687,500	2,625,000	\$185,000						

1) Value based on grant date value per performance right and class as disclosed above.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONT.)

Shareholding

The number of shares in the Company held during the financial period by each director and other members of key management personnel of the group, including their personally related parties, is set out below:

Ordinary Shareholding (Fully and Partly Paid)	Balance at the start of the period	Issued on exercise of performance rights	Additions	Disposals	Balance at the end of the period
Period ended 31 December 2017					
Directors					
Charles Blixt	100,000	-	250,000	-	350,000
James Chisholm	38,751,384	-	-	-	38,751,384
George Edwards	-	-	102,675	-	102,675
Charles Fear	2,550,000	-	333,442	-	2,833,442
Total	41,401,384	-	686,117	-	42,087,501

The shareholdings presented in the table above comprise all ordinary shares
No options were granted to key management personnel during the year.

F. Voting and comments made at the Company's 2017 Annual General Meeting

The Company received 0.07% of votes "against" the adoption of the remuneration report for the 2016 financial period. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

G. Other transactions

The Company paid and accrued interest on loans due to companies related to directors in the amount of \$77,875. At 31 December 2017, loan due to companies related to directors amounted to \$1,620,607 (See note 12).

During the period ended 31 December 2017, 11,125,418 options exercisable at a price of \$0.80 expired unexercised and 15,600,000 options exercisable at prices between \$0.18 and \$1.00 and expiring between 1 December 2018 and 1 December 2020, were granted to directors (see note 13(d))

*** This is the end of the Audited Remuneration Report. ***

DIRECTORS' REPORT

INSURANCE OF OFFICERS

The Company has insured the Directors and Officers of the Company against any liability arising from a claim brought by a third party against the Company or its Directors and officers, and against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as a Director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

In accordance with a confidentiality clause under the insurance policy, the amount of the premium paid to the insurers has not been disclosed. This is permitted under Section 300(9) of the Corporations Act 2001.

SHARE OPTIONS

During the period, 15,600,000 options were issued (see note 13(d)) and 11,125,418 expired unexercised.

No person entitled to exercise these options had or has any right, by virtue of the option, to participate in any share issue of any other body corporate.

LEGAL PROCEEDINGS

There are currently no legal proceedings against the Company.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

ENVIRONMENTAL REGULATIONS

The Directors believe that the Group has, in all material respects, complied with all particular and significant environmental regulations relevant to its operations.

AUDITOR

BDO Audit (WA) Pty Ltd continues in office in accordance with Section 327 of the Corporations Act 2001.

NON-AUDIT SERVICES

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 3 to the financial statements as per the requirements of the Corporations Act 2001. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the impartiality and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

Auditor's Remuneration

(a) Non-Audit Services

Amounts received by, related practices of BDO Audit (WA) Pty Ltd for non-audit services (incl overseas offices)

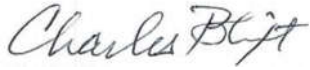
Consolidated	
Period ended 31 December 2017	Year ended 30 June 2017
\$	\$
6,854	89,287
6,854	89,287

DIRECTORS' REPORT

AUDITOR'S DECLARATION OF INDEPENDENCE

The auditor's independence declaration for the period ended 31 December 2017, as required under section 307C of the Corporations Act 2001, has been received and is included within the financial report.

Signed in accordance with a resolution of directors.

A handwritten signature in dark ink, appearing to read "Charles Blixt". The signature is written in a cursive, flowing style.

Charles Blixt
Non-Executive Chairman
North Carolina, 28 March 2018

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Atrum is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of Atrum on behalf of the shareholders by whom they are elected and to whom they are accountable. This statement reports on Atrum's key governance principles and practices.

1. COMPLIANCE WITH BEST PRACTICE RECOMMENDATIONS

The Company, as a listed entity, must comply with the Corporations Act 2001 and the ASX Limited (ASX) Listing Rules. The ASX Listing Rules require the Company to report on the extent to which it has followed the Corporate Governance Recommendations published by the ASX Corporate Governance Council (ASXCGC).

The table below sets out the Company's position as at 31 December 2017 with regards to its compliance with the Corporate Governance Recommendations (3rd Edition):

Principle # / Company Response	ASX Corporate Governance Council Recommendations
Principle 1	Lay solid foundations for management and oversight
1.1	A listed entity should disclose: <ul style="list-style-type: none"> a) the functions reserved to the board and those delegated to senior management; and b) Those matters expressly reserved to the board and those delegated to management.
Company response	<p>The Company has formalised and disclosed the functions reserved to the board and those delegated to management. These functions can be viewed at the Company's website: www.atrumcoal.com.</p> <p>Post reporting date, the Company board comprises five directors, four of whom are non-executive Directors. The roles and functions of directors within the Company are designed to allow it to best function within its level of available resources.</p> <p>The full board currently meets regularly, and specific significant matters are endorsed and executed via circular resolution.</p>
1.2	A listed entity should: <ul style="list-style-type: none"> a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.
Company response	<p>The Company analyses and reviews the qualifications and experience of any potential candidate. Background checks are performed where deemed appropriate for the position, including speaking with personal and professional references.</p> <p>The Company provides biographical details of proposed directors, as well as information relating to other directorships and interest which may reasonably be perceived to influence their capacity to bring independent judgement to the board.</p>
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.
Company response	Each director and senior executive has a written contract that sets out the terms of their appointment, including their responsibilities and remuneration.
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.
Company response	<p>The company secretary is directly accountable to the board. Communication between the board and the company secretary is encouraged, and matters of corporate governance and compliance are a standing agenda item for board discussion.</p> <p>Professional development of directors, officers and management are encouraged by the Company and facilitated through the company secretary.</p> <p>The Company adopts a policy of circulating board minutes at the earliest possible opportunity following the board meetings, to expedite the formalisation of items discussed at the meetings.</p>

CORPORATE GOVERNANCE STATEMENT

Principle # / Company Response	ASX Corporate Governance Council Recommendations												
1.5	<p>A listed entity should:</p> <ul style="list-style-type: none">a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;b) disclose that policy or a summary of it; andc) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board in accordance with the entity's diversity policy and its progress towards achieving them, and either;<ul style="list-style-type: none">1. the respective proportions of men and women on the board, in senior management positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or2. if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.												
Company response	<p>The Company is an equal opportunity employer and strives to foster diversity across the organisation. The Company has adopted a diversity policy that is disclosed on its Company website.</p> <p>Due to the current size, nature and scale of the Company's activities the Board has not yet developed measurable objectives regarding gender diversity. As the size and scale of the Company grows the Board will set and aim to achieve gender diversity objectives as director and senior executive positions become vacant and appropriately qualified candidates become available.</p> <p>As at the end of the period, the Company had the following proportion of men and women across the organisation:</p> <table><tr><th></th><th>Men</th><th>Women</th></tr><tr><td>Board</td><td>5</td><td>-</td></tr><tr><td>Senior Executives</td><td>1</td><td>-</td></tr><tr><td>Whole Organisation</td><td>9</td><td>2</td></tr></table>		Men	Women	Board	5	-	Senior Executives	1	-	Whole Organisation	9	2
	Men	Women											
Board	5	-											
Senior Executives	1	-											
Whole Organisation	9	2											
1.6	<p>A listed entity should:</p> <ul style="list-style-type: none">a) have and disclose the process for periodically evaluating the performance of the board, its committees and individual directors; andb) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.												
Company response	<p>The Company undertakes an annual review of its board, and of individual directors. The review is a peer review, and the process is managed by the Chairman of the Board.</p> <p>Feedback in relation to the performance of the Board as a whole is tabled at the meeting following the review.</p> <p>A review was not completed during the period as the reporting period was a six-month period and four members of the Board have only recently been appointed.</p>												
1.7	<p>A listed entity should:</p> <ul style="list-style-type: none">a) have and disclose a process for periodically evaluating the performance of senior executives; andb) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.												
Company response	<p>Currently, the Company engages all senior executives as contractors, and contracts are reviewed annually. For those contractors that have been engaged by the Company for longer than 12 continuous months under the current financial year, those contractors underwent a performance appraisal pursuant to their contracts.</p> <p>The Company is in the process of developing performance evaluation processes and shall undertake reviews of its senior executives on the anniversary of their start dates.</p>												
Principle 2	Structure the board to add value												

CORPORATE GOVERNANCE STATEMENT

Principle # / Company Response	ASX Corporate Governance Council Recommendations
2.1	<p>The board of a listed entity should:</p> <ul style="list-style-type: none"> a) have a nomination committee which: <ul style="list-style-type: none"> 1. has at least three members, a majority of whom are independent directors; and 2. is chaired by an independent director, and disclose 3. the charter of the committee; 4. the members of the committee; and 5. as at the end of the reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.
Company response	<p>The Company is not of a relevant size to consider formation of a nomination committee to deal with the selection and appointment of new Directors and as such a nomination committee has not been formed.</p> <p>Nominations of new Directors are considered by the full Board. If any vacancies arise on the Board, all directors are involved in the search and recruitment of a replacement. The Board has taken a view that the full Board will hold special meetings or sessions as required. The Board are confident that this process for selection and review is stringent and full details of all Directors are provided to shareholders in the annual report and on the Company's website.</p>
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.
Company response	The Board periodically assesses the competencies and experience of each Board member and the experiences and skills required at Board level to meet its operational objectives. The Board does not currently have a formal Board skill matrix. The Board is satisfied with the skills and experience of each director and the current Board, the Board will consider developing a Board skills matrix during 2018.
2.3	<p>A listed entity should disclose:</p> <ul style="list-style-type: none"> a) the names of the directors considered by the board to be independent directors; b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and c) the length of service of each director.
Company response	<p>The Board considers three of its directors, namely Mr Charles Blixt, Mr Charles Fear and Mr George Edwards, to be independent.</p> <p>Director appointment and resignation dates are disclosed in the Company's annual report.</p>
2.4	A majority of the board of a listed entity should be independent directors.
Company response	Three of the five current directors are deemed independent.
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.
Company response	The chair of the board, Mr Charles Blixt is an independent director.
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.
Company response	<p>The Company Secretary ensures that all new directors are inducted into the Company. Upon commencement, the director formalises a letter of appointment setting out the terms of their appointment and is provided with a 'Corporate Governance Pack' containing the Company's Constitution, Corporate Governance Policies and details of the Company's directors' and officers' insurance policies.</p> <p>The skill set of the Board is monitored regularly by the Board as a whole, taking into consideration the stage of development of the Company's assets, and the limited capital available to the Company.</p>

CORPORATE GOVERNANCE STATEMENT

Principle # / Company Response	ASX Corporate Governance Council Recommendations
Principle 3	Act ethically and responsibly
3.1	A listed entity should: <ul style="list-style-type: none"> a) have a code of conduct for its directors, senior executives and employees; and b) disclose that code or a summary of it.
Company response	The Company has adopted a code of conduct which outlines the behaviour expected of directors, contractors and employees. The code of conduct can be viewed on the Company's website www.atrumcoal.com .
Principle 4	Safeguard integrity in corporate reporting
4.1	The board of a listed entity should: <ul style="list-style-type: none"> (a) have an audit committee which: <ul style="list-style-type: none"> (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: <ul style="list-style-type: none"> (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner
Company response	<p>The Board does not currently have a separate audit committee, instead, the roles and responsibilities of the audit committee are undertaken by the Board as a whole. The Board and the Company is not currently of a size to justify separate Board committees. The Board will consider establishing Board committees in the future.</p> <p>The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.</p>
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.
Company response	The Company obtains a declaration from the CEO and CFO (or the persons acting in those capacities) prior to the completion of its half year and annual financial statements.
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.
Company response	The Company ensures that its external auditor attends its AGM and time is set aside for the shareholders to ask questions of the auditor.

CORPORATE GOVERNANCE STATEMENT

Principle 5 Make timely and balanced disclosure	
5.1	A listed entity should: <ul style="list-style-type: none"> a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and b) disclose that policy or a summary of it.
Company response	The Company has a Continuous Disclosure Policy that forms part of its Corporate Governance Policies, which is available on the Company's website www.atrumcoal.com
Principle 6 Respect the rights of security holders	
6.1	A listed entity should provide information about itself and its governance to investors via its website.
Company response	The Company's website contains comprehensive details about the Company, its directors and management and its operations. All Company announcements, as well as its annual and half year financial reports can be located through the website www.atrumcoal.com
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.
Company response	The Company has adopted a Shareholder Communication Policy as part of its Corporate Governance Policies. The Company also engages a dedicated investor relations firm to facilitate investor relations.
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.
Company response	The Company considers the country of residency of its shareholders when determining the most appropriate location to hold its shareholder meetings. Time is set aside at each meeting whereby attendees are encouraged to query the Board on operational and financial items.
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.
Company response	To the extent permissible by law, the Company sends all communication electronically in an effort to reduce its environmental footprint. As new shareholders join the Company, they are invited to communicate with the Company and the share registry electronically.
Principle 7 Recognise and manage risk	
7.1	The board of a listed entity should: <ul style="list-style-type: none"> (a) have a committee or committees to oversee risk, each of which: <ul style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: <ul style="list-style-type: none"> (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework
Company response	The Company is not currently considered to be of a size, nor is its affairs of such complexity to justify the establishment of a separate Risk Management Committee. Instead, the Board, as part of its usual role and through direct involvement in the management of the Company's operations ensures risks are identified, assessed and appropriately managed. Where necessary, the Board draws on the expertise of appropriate external consultants to assist in dealing with or mitigating risk. Further details of the risk management processes employed by the Company are detailed in pages 50-54 of the annual report.
7.2	The board or a committee of the board should: <ul style="list-style-type: none"> (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.
Company response	The Board reviews its risk assessment and management framework annually. The reporting period was a six month period a review did not occur during the six months ending 31 December 2017, a review will be conducted during the year 2018.
7.3	A listed entity should disclose: <ul style="list-style-type: none"> (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

CORPORATE GOVERNANCE STATEMENT

Company response	<p>The Company does not have an internal audit function. Internal control measures currently adopted by the Board include:</p> <ul style="list-style-type: none"> • weekly reporting to the Board in respect of operations and monthly reporting in respect of the Company's financial position, with a comparison of actual results against budget; and • regular reports to the Board by members of the management team and/or independent advisers, outlining the nature of particular risks and highlighting measures which are either in place or can be adopted to manage or mitigate those risks.
7.4	<p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>
Company response	<p>The Company is an anthracite exploration and development company and is inherently exposed to the economic, environmental and social sustainability risks that are associated with its industry.</p> <p>The Company carefully considers its operations and their impact on the environment and local communities and engages extensively with local communities and first nations groups.</p> <p>The Company has no formal hedging policy for its foreign currency expenditure and is exposed to fluctuations in the exchange rates of the Australian Dollar, the United States Dollar and the Canadian Dollar. Exchange rates are monitored closely by senior management and treasury decisions are made on an opportunistic basis. Where necessary, the Company will enter into FX hedging instruments and has done so in the past.</p>
Principle 8	Remunerate fairly and responsibly
8.1	<p>The board of a listed entity should:</p> <ol style="list-style-type: none"> (a) have a remuneration committee which: <ol style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.
Company response	<p>The Board has not established a separate Remuneration Committee due to the size and scale of its operations, however the Board as a whole takes responsibility for such issues.</p> <p>The responsibilities include setting policies for senior officer's remuneration, setting the terms and conditions for the Managing Director, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both executive and non-executive directors and undertaking reviews of the Executive Chairman's performance.</p> <p>The Board believes that it has implemented suitable practices and procedures that are appropriate for an organisation of this size and maturity.</p>
8.2	<p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>
Company response	<p>In accordance with best practice corporate governance, the structure of Non-Executive Directors is separate and distinct from Executive Directors and Senior Executives.</p> <p>In determining remuneration, the Board holds special meetings as required. No Director participated in any deliberation regarding his or her own remuneration or related issues. The Board are confident that this process for determining remuneration is stringent and full details of remuneration policies and remuneration received by directors and executives in the current period is contained in the "Remuneration Report" within the Directors' Report of the Annual Report.</p>
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <ol style="list-style-type: none"> a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and b) disclose the policy or a summary of it.
Company response	<p>The Company has both an employee share plan and a performance rights plan in place. Neither of the plans contain a policy as to whether participants are permitted to enter into transactions which limit the economic risk of participating in the scheme.</p>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2017**

	Note	Consolidated	
		Period ended	Year ended
		31 December 2017 \$	30 June 2017 \$
Revenue from continuing operations			
Interest income		1,214	953
Mineral exploration tax credit		1,809,510	-
Expenses			
Administration expense		(99,400)	(404,741)
Compliance & regulatory expense		(375,508)	(2,108,520)
Consultancy expense		(27,121)	(1,278,782)
Depreciation & amortisation		(70,567)	(157,402)
Directors' fees		(220,413)	(277,285)
Employee benefit expense		(561,055)	(1,416,778)
Exploration expenditure		(93,144)	(1,292,155)
Finance costs		(231,838)	(695,610)
Foreign exchange gain/(loss)		(7,134)	(53,124)
Impairment expense	8b	(64,499)	(1,372,887)
Occupancy expense		(137,515)	(383,408)
Public relations and marketing expense		(59,809)	(65,510)
Reclamation costs		-	(101,854)
Share based payments expense		(131,617)	(19,972)
Settlement costs		-	(615,958)
Travel expenditure		(101,176)	(354,896)
Loss before income tax expense		(370,072)	(10,597,929)
Income tax expense	2	-	-
Loss after income tax expense		(370,072)	(10,597,929)
Other comprehensive income/(loss)			
<i>Items that will not be reclassified subsequently to profit or loss</i>		-	-
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		320	(422,795)
Other comprehensive loss for the period, net of tax		320	(422,795)
Total comprehensive loss for the period attributable to members		(369,752)	(11,020,724)
Loss per share attributable to members of Atrium Coal Ltd.			
Basic (loss) per share – cents per share	4	(0.02)	(5.00)
Diluted (loss) per share – dollars per share		(0.02)	(5.00)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2017**

		Consolidated	
		31 December	30 June
		2017	2017
	Note	\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	5	2,019,636	4,390,934
Trade and other receivables	6	339,885	906,145
Inventory	7	1,691,295	1,919,221
Total Current Assets		4,050,816	7,216,300
Non-Current Assets			
Plant and equipment	8	203,642	269,225
Assets held for resale	8b	-	62,563
Exploration and evaluation expenditure	9	6,831,706	6,139,872
Total Non-Current Assets		7,035,348	6,471,660
TOTAL ASSETS		11,086,164	13,687,960
LIABILITIES			
Current Liabilities			
Trade and other payables	10	1,108,147	3,304,869
Other financial liabilities	11	1,220,000	800,000
Total Current Liabilities		2,328,147	4,104,869
Non-Current Liabilities			
Borrowings	12	1,200,607	1,787,546
Total Non-Current Liabilities		1,200,607	1,787,546
TOTAL LIABILITIES		3,528,754	5,892,415
NET ASSETS		7,557,410	7,795,545
EQUITY			
Issued capital	13	71,226,236	71,226,236
Reserves	22	4,727,613	4,595,676
Accumulated losses		(68,396,439)	(68,026,367)
TOTAL EQUITY		7,557,410	7,795,545

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

December 31 2017 Consolidated	Issued Capital \$	Share-Based Payment Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total Equity \$
Balance as at 1 July 2017	71,226,236	4,523,745	71,931	(68,026,367)	7,795,545
Other Comprehensive Income					
Movement in reserve	-	-	320		320
Loss for the period	-	-	-	(370,072)	(370,072)
Total comprehensive income/(loss) for the year	-	-	320	(370,072)	(369,752)
Transactions with equity holders:					
Share-based payments/Options	-	131,617	-	-	131,617
Total contribution by equity holders	-	131,617	-	-	131,617
Balance as at 31 December 2017	71,226,236	4,655,362	72,521	(68,396,439)	7,557,410

30 June 2017 Consolidated	Issued Capital \$	Share-Based Payment Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total Equity \$
Balance as at 1 July 2016	56,107,573	3,933,773	494,726	(57,428,438)	3,107,634
Other Comprehensive Income					
Movement in reserve	-	-	(422,795)		(422,795)
Loss for the year	-	-	-	(10,597,929)	(10,597,929)
Total comprehensive income/(loss) for the year	-	-	(422,795)	(10,597,929)	(11,020,724)
Transactions with equity holders:					
Securities issued during the year	16,767,770	-	-	-	16,767,770
Capital raising costs	(1,649,107)	-	-	-	(1,649,107)
Share-based payments/Options	-	589,972	-	-	589,972
Total contribution by equity holders	15,118,663	589,972	-	-	15,708,635
Balance as at 30 June 2017	71,226,236	4,523,745	71,931	(68,026,367)	7,795,545

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CASHFLOW
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	Consolidated	
		Period ended	Year ended
		31 December 2017 \$	30 June 2017 \$
Cash flows from operating activities			
Receipts from customers		227,926	440,276
Receipts from authorities (METC and GST refunds)		1,886,184	440,276
Payments to suppliers and employees		(2,079,288)	(9,644,286)
Interest received		1,214	953
Exploration expenditure (net amount)		(93,144)	(1,292,155)
Net cash used in operating activities	5(a)	(57,108)	(10,495,212)
Cash flows from investing activities			
Payment on Elan Project		(101,783)	-
Net cash used in investing activities		(101,783)	-
Cash flows from financing activities			
Proceeds from issue of shares and convertible notes		-	15,204,879
Payment of capital raising costs and loans		-	(1,079,106)
Repayment of loans		(1,835,925)	(424,555)
Interest paid		(281,581)	(430,702)
Net cash provided by financing activities		(2,117,506)	13,270,516
Net (decrease)/increase in cash and cash equivalents		(2,276,397)	2,775,314
Cash and cash equivalents at the beginning of the period		4,390,934	1,871,124
Effect of foreign currency translation		(94,901)	(255,494)
Cash and cash equivalents at the end of the period	5	2,019,636	4,390,934

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparing the financial report of the Group, are stated to assist in a general understanding of the financial report. These policies have been consistently applied to all years presented, unless otherwise indicated.

Atrum Coal Ltd. ('Company' or 'Parent Entity') is a Company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the official list of the Australian Securities Exchange (code: ATU). The financial statements are presented in Australian dollars which is the Company's functional currency.

The nature of the operations and principal activities of the Company are disclosed in the Directors' Report.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporation Act 2001*. Atrum Coal Ltd. is a for-profit entity for the purpose of preparing the financial statements.

i. Compliance with IFRS

The consolidated financial statements of Atrum Coal Ltd. also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

ii. Historical Cost Convention

The financial statements have been prepared on a historical cost basis, except for the following:

- available-for-sale financial assets, financial assets and liabilities (including derivative instruments) certain classes of property, plant and equipment and investment property – measured at fair value, and
- assets held for sale – measured at fair value less cost of disposal.

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The separate financial statements of the parent entity, Atrum Coal Ltd., have not been presented within this financial report as permitted by the Corporations Act 2001.

During the period ended 31 December 2017, the Group sought and was granted a change in reporting date from 30 June to 31 December, and consequently the reporting period subsequent to the year ended 30 June 2017 is for a six-month period ended 31 December 2017. The comparative figures are for the twelve-month ended 30 June 2017. Therefore the following statements and their corresponding notes have comparative figures that are not comparable due to the difference in reporting period for which these statement have been prepared:

- Consolidated statement of profit or loss and other comprehensive income
- Consolidated statement of changes in equity
- Consolidated statement of cashflow
-

(b) Going concern

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

As disclosed in the financial statements, the Group has incurred a net loss after tax for the period ended 31 December 2017 of \$370,072 and experienced net cash outflows from operating activities of \$57,108. These conditions indicate a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors believe there are reasonable grounds to believe that the Group can meet all liabilities as and when they fall due, and continue as a going concern after considering the following factors:

- Cash in hand of \$2,019,636
- Reduced administration costs
- Successful capital raise of over \$8M
- Entitlement issue of 1 new share for 5 shares held from Eligible shareholders

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. *Summary of significant accounting policies (cont.)*

(b) **Going concern (cont.)**

The financial statements have therefore been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business.

Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

(c) **Adoption of new and revised standards**

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in a significant or material change to the Group's accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the period ended 31 December 2017. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

(d) **Statement of compliance**

The financial report was authorised for issue by the Directors on 28 March 2018.

The financial report complies with the Corporations Act 2001, Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(e) **Basis of consolidation**

The consolidated financial statements comprise the financial statements of Atrium Coal Ltd. and its subsidiaries as at 30 June each year ("Consolidated Entity" or "Group"). Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

Unrealised gains or transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the statement of Profit or loss and other comprehensive income and within equity in the consolidated statement of financial position. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised within equity attributable to owners of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. *Summary of significant accounting policies (cont.)*

(e) *Basis of consolidation (cont.)*

When the group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the Statement of Profit or Loss and Other Comprehensive Loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(f) *Foreign currency translation*

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 and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using average exchange rates for the period, or where possible, the exchange rates prevailing at the date of the transaction. Foreign currency monetary assets and liabilities denominated in foreign currencies are translated at the year-end exchange rate.

Group companies

The functional currency of the overseas subsidiaries is currency Canadian and US dollars. The Board of Directors assesses the appropriate functional currency of these entities on an ongoing basis.

(g) *Revenue recognition*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

(h) *Cash and cash equivalents*

Cash comprises of cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as described above, net of outstanding bank overdrafts.

(i) *Trade and other receivables*

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Trade receivables are due for settlement within 30 days from the date of recognition. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off.

An allowance account for doubtful receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the statement of profit or loss and other comprehensive income. When a trade receivable for which an impairment allowance has been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. *Summary of significant accounting policies (cont.)*

(j) **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost includes purchase price of coal inventory on the date it was purchased. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

(k) **Income tax**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant accounting policies (cont.)

(l) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the GST incurred on a purchase of goods and service is not recoverable from the taxation authorities, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense item as applicable and receivables and payables in the statement of financial position are shown inclusive of GST.

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 cash flow statement 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.

(m) Leasehold improvements, plant and equipment

Leasehold improvements, plant and equipment are stated at historical costs less accumulated depreciation. Historical costs include expenditure that is directly attributable to the items. Repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the reporting period in which they were incurred. Depreciation is calculated using both the straight line method to allocate asset costs over their estimated useful lives, or in the case of leasehold improvements, the unexpired period of the lease. Annual depreciation / amortisation rates applying to each class of depreciable asset are as follows:

Leasehold improvements	Lease term
Computer equipment	33%
Machinery & equipment	20-50%

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of profit or loss and other comprehensive income.

(n) Financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace

(i) Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss are either: i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in Statement of Profit or Loss and Other Comprehensive Income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. *Summary of significant accounting policies (cont.)*

(n) **Financial assets (cont.)**

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process. The Group's receivables fall into this category of financial instruments. Receivables are considered for impairment when they are past due or when there are objective evidence that a specific counter party will default or the amount will not be recoverable.

(iii) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in Statement of Profit or Loss and Other Comprehensive Income.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

(o) **Mineral exploration and evaluation expenditure**

Exploration and evaluation expenditures incurred by the purchase or acquisition of the asset from a private vendor, or through government applications and licensing processes are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
 - (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
 - (b) exploration and evaluation activities in the area have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence, or otherwise, of economically recoverable reserves and active and significant operations in, or relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost. Ongoing exploration costs are expensed as incurred.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. *Summary of significant accounting policies (cont.)*

(p) **Impairment of assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(q) **Trade and other payables**

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(r) **Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of the statement of financial position.

(s) **Issued capital**

Ordinary shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. *Summary of significant accounting policies (cont.)*

(t) **Earnings per share**

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of the basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(u) **Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(v) **Share-based payment transactions**

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions) or options to buy shares at a specified price.

When provided, the cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. When the valuation is deemed to be significant, the fair value is determined by using the Black-Scholes model or the binomial option valuation model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Atrium Coal Ltd. or its subsidiaries (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

The statement of profit or loss and other comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

Share-based payment transactions with consultants are measured based on the fair value of services provided or where this cannot be determined, is valued by reference to the fair value of the equity instruments at the grant date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. *Summary of significant accounting policies (cont.)*

(v) *Share-based payment transactions (cont.)*

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Performance Rights/Options

The Group issues performance rights and options to its Key Management Personnel and employees as part of their remuneration as required in the service/employment agreement.

Each Performance right gives the holder a right to one share upon vesting conditions being met. Shares are issued upon Performance rights which vest.

The cost of share-based payments to key personnel with respect to options is measured by reference to the fair value of the equity instruments at the date at which they were granted. The fair value is determined using Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

(w) *Segment reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company.

(x) *Assets held for sale*

Non-current assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale the assets are re-measured in accordance with the Consolidated Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

(y) *Inventory*

Inventories are stated at the lower of cost and net realisable value on a weighted average basis. Cost comprises direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

(z) *Significant accounting judgments, estimates and assumptions*

In the process of applying the Group's accounting policies, management has made the following judgments, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements.

(i) Exploration and evaluation assets

The Group's accounting policy for exploration and evaluation expenditure is set out at Note 1(o). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, it is concluded that the expenditures are unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be written off to the statement of profit or loss and other comprehensive income.

(ii) Impairment of assets held for sale

The fair value of assets is determined with reference to the recoverable amount of the assessed being assessed based on its fair value less costs of disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. *Summary of significant accounting policies (cont.)*

(z) *Significant accounting judgments, estimates and assumptions (cont.)*

(iii) *Share-based payment transactions*

The consolidated entity 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 either the Monte Carlo or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. These models require a number of assumptions to be made including the expected future volatility of the share price, the estimated vesting date and the risk free interest rate. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

(iv) *Convertible notes*

In determining the carrying value of the Kuro Convertible Notes, the Group has determined that it is likely that the Company will either repurchase the Convertible Notes or renegotiate the due date for redemption. The Company is currently preparing a Notice of Meeting to call the noteholders to a Noteholders meeting. The Convertible notes were issued at \$5,000 face value. No interest is applicable. Notes convert to ordinary shares at \$0.10 per share in Kuro Coal Limited, may be redeemed for cash by the noteholder, or may be repurchased by the Company. Due to the intention to call a Notice of meeting of noteholders, the convertible notes have been recognised as a liability in the financial statements.

(v) *Tax in foreign jurisdictions*

The Group operates in overseas jurisdictions and accordingly is required to comply with the taxation requirements of those relevant countries. This results in the consolidated entity making estimates in relation to taxes including but not limited to Income tax, sales tax, VAT, withholding tax and employee income tax. The Group estimates its tax liabilities based on the Group's understanding of the tax law. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact profit or loss in the period in which they are settled.

(aa) *Reclamation costs*

An obligation to incur reclamation costs arises when environmental disturbance is caused by the exploration or development of a mineral interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset and the environment in which the mine operates.

Pre-tax discount rates that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss.

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Group have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

The Group will make a provision for reclamation obligations where it estimates that the disturbance to date on the Group's exploration and evaluation properties may become significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant accounting policies (cont.)

(ab) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have been issued or amended but are not yet effective have not been adopted by the Consolidated Entity for the period ended 31 December 2017. At this time the following standards and interpretations may have an impact, but the extent of this is not expected to be material:

- *AASB 2016-1 Recognition of Deferred Tax Assets for Unrealised Losses* - The amendments to AASB 12 Income Taxes clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. Effective for annual periods beginning on or after 1 January 2017.
- *ASB 2016-2 Disclosure Initiative* - The amendments to AASB 107 Statement of Cash Flows require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).
- *AASB 9 Financial Instruments* - A new Principal standard which replaces AASB 139. This new Principal version includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. Effective for annual periods beginning on or after 1 January 2018.
- *AASB 15 Revenue from Contracts with Customers*. The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Effective for annual periods beginning on or after 1 January 2018.
- *AASB 16 Leases*. AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases. Effective for annual periods beginning on or after 1 January 2019.

At this time the following interpretation may have an impact, but the extent of this has not been determined:

- *IFRIC 23 Uncertainty over Income Tax Treatments*. The Interpretation clarifies the application of the recognition and measurement criteria in IAS 12 Income Taxes when there is uncertainty over income tax treatments. Effective for annual periods beginning on or after 1 January 2019. New Accounting Policies and Accounting Standards and Interpretations issued, but some not yet applicable at 31 December, 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated	
Period ended	Year ended
31 December	30 June
2017	2017
\$	\$

2. Income tax

(a) Income tax expense

Current tax expense	-	-
Deferred tax expense	-	-
	-	-

(b) Reconciliation of income tax expense to prima facie tax payable

Net loss before income tax	(369,754)	(11,020,724)
Income tax at 27.5% (30 June 2017: 27.5%)	(101,682)	(3,030,699)
Effect of expenses not deductible in determining taxable income	(359,347)	1,474,365
Effect of tax rates in foreign jurisdictions (i)	15,905	78,555
Tax losses and other timing differences not recognised	445,124	1,477,779
Total income tax expense/(benefit)	-	-

(i) The subsidiaries of the Group operate in tax jurisdictions with differing tax rates.

Atrum Coal Ltd. has unrecognised tax losses arising in Australia, Canada and the USA, which are available indefinitely to offset against future profits of the Company providing the tests for deductibility against future profits are met

(c) Unrecognised deferred tax assets arising on timing difference and losses

(ii) Losses – revenue	1,273,188	1,228,921
Foreign losses - revenue	5,107,547	4,761,415
Other	4,961,505	5,014,903

(iii) The benefit for tax losses will only be obtained if:

- (i) the Group derives future assessable income in Australia or Canada of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (ii) the Group continues to comply with the conditions for deductibility imposed by tax legislation in Australia and Canada; and
- (iii) there are no changes in tax legislation in Australia or Canada which will adversely affect the Group in realising the benefit from the deductions for the losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated	
Period ended 31 December 2017 \$	Year ended 30 June 2017 \$

3. Auditors' remuneration

(a) Audit services

The auditor of Atrium Coal Ltd. is BDO Audit (WA) Pty Ltd
Audit and review services

46,065	137,944
46,065	137,944

(b) Non-audit services

Amounts received by BDO for non-audit services:
Preparation and lodgement of income tax returns
Canada
Australia
United States

1,645	66,355
5,209	18,669
-	4,263
6,854	89,287

4. Earnings per share (EPS)

Basic loss per share – cents	(0.02)	(5.00)
Loss used in calculation of basic loss per share	(370,072)	(10,597,929)
Weighted average number of ordinary shares outstanding during the year used In the calculation of basic and diluted loss per share	232,024,124	216,850,554

5. Cash and Cash Equivalents

Cash at bank	431,517	273,849
Deposits at call	1,588,119	4,117,085
	2,019,636	4,390,934

Cash at bank earns interest at floating rates based on daily deposit rates. This note should be read in conjunction with Note 19: Financial instruments.

(a) Reconciliation of loss for the year to net cash flows from operating activities

Loss for the year	(370,072)	(10,597,929)
Add back:		
Depreciation & amortisation	70,568	157,402
Share Based Payments	131,617	19,972
Impairment expenses	64,499	1,372,887
Interest accrued	302,069	695,610
Reclamation costs	-	101,354
Non-cash settlements	-	260,467
Changes in assets and liabilities:		
Movements in trade and other receivables	64,509	313,157
Movement in trade and other payables	(548,224)	(898,911)
Movement in inventory	227,926	(1,919,221)
Net cash flows from operating activities	(57,108)	(10,495,212)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Trade & other receivables

Current

	31 December 2017	30 June 2017
	\$	\$
Rental Bonds and Deposits	19,893	19,749
GST receivables	84,567	129,050
Environmental Bond Deposit	180,155	177,620
Royalty Prepayments	-	501,751
Other Prepayments	55,270	77,975
	339,885	906,145

Terms and conditions relating to the above financial instruments:

- There are no past due and impaired trade receivables.
- The above amounts do not bear interest and their carrying value amount is equivalent to their fair value.

Royalty Prepayments have been reclassified under Exploration and Evaluation Assets, as these payments pertain to the acquisition of Groundhog project and are only recoverable against future royalties from the project.

Information about the Group's exposure to credit risk is disclosed in Note 19: Financial instruments.

7. Inventory

Inventory consists of

	31 December 2017	30 June 2017
	\$	\$
Raw anthracite	1,691,295	1,919,221
	1,691,295	1,919,221

The Company acquired 15,000 tons of raw coal for resale outside the United States. Due to poor market conditions prevailing at the beginning of the year, the supplier has agreed to retake part of the inventory at the original selling price over the period ending 31 December 2017. During the period ended 31 December 2017, the Company returned 1,750 tons (year ended 30 June 2017: 1,000 tons) for an amount of US \$175,000 (year ended 30 June 2017: US \$100,000). Subsequent to 31 December 2017, the supplier has agreed to re-purchase the remaining inventory and pay the remaining balance by level monthly payments until end of July 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated	
31 December	30 June
2017	2017
\$	\$

8. Non-current assets – plant and equipment

Computer Equipment – at cost	88,718	87,958
Less: Accumulated depreciation	(53,300)	(47,673)
Closing Balance	35,418	40,285
Leasehold Improvements – at cost	72,947	72,345
Less: Accumulated amortisation	(72,947)	(72,345)
Closing Balance	-	-
Machinery and equipment – at cost	621,021	612,282
Less: Accumulated depreciation	(457,486)	(389,318)
Closing balance	163,535	222,964
Building – at cost (in storage)	-	953,782
Less: Transfer to assets held for resale	-	(953,782)
Closing balance	-	-
Furniture & Fixtures – at cost	13,620	13,428
Less: Accumulated depreciation	(8,931)	(7,452)
Closing balance	4,689	5,976
	203,642	269,225

Reconciliations

Reconciliations of the written down values and the beginning and end of the current and previous financial year are set out below:

	Computer Equipment \$	Leasehold Improvements \$	Machinery & Equipment \$	Building \$	Furniture & Fixtures \$	Total \$
Balance at 1 July 2017	40,285	-	222,964	-	5,976	269,225
Depreciation charge	(5,532)	-	(63,640)	-	(1,395)	(70,567)
Effect of foreign exchange	665	-	4,211	-	108	4,984
Balance at 31 December 2017	35,418	-	163,535	-	4,689	203,642

	Computer Equipment \$	Leasehold Improvements \$	Machinery & Equipment \$	Building \$	Furniture & Fixtures \$	Total \$
Balance at 1 July 2016	63,134	8,834	357,267	972,309	8,955	1,410,499
Transfer to assets held for resale	-	-	-	(972,309)	-	(972,309)
Depreciation charge	(23,193)	(6,978)	(124,504)	-	(2,727)	(157,402)
Effect of foreign exchange	344	(1,856)	(9,799)	-	(252)	(11,563)
Balance at 30 June 2017	40,285	-	222,964	-	5,976	269,225

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8(b) Non-current assets – Assets for resale

	Consolidated	
	31 December	30 June
	2017	2017
	\$	\$
Balance at beginning of period	62,563	-
Transferred from Building	-	972,309
Impairment (i)	(64,499)	(891,219)
Effect of foreign exchange	1,936	(18,527)
Balance at end of period	-	62,563

- (i) The recognised impairment charge was determined with reference to the recoverable amount of the asset being assessed based on its fair value less costs of disposal.

	Consolidated	
	31 December	30 June
	2017	2017
	\$	\$

9. Non-current assets – exploration and evaluation expenditure

Naskeena Project	35,994	35,484
Groundhog Coal Project	1,975,087	1,452,448
Panorama Project	4,718,842	4,651,940
Elan Project	101,783	-
	6,831,706	6,139,872
Opening balance	6,139,872	7,046,511
Impairment (i)	-	(481,683)
Transfer from amounts receivable (ii)	501,751	-
Elan project	101,783	-
Provision for reclamation	-	(101,354)
Foreign exchange translation differences	88,300	(323,602)
Closing Balance	6,831,706	6,139,872

The Group policy in relation to exploration and evaluation expenditure is to capitalise activities relating to capital acquisitions and development assets and to expense ongoing exploration costs.

- (i) Impairment indicators in AASB 6 are considered on a project by project basis as at the balance date.

On 30 June 2017, due to the relinquishment of some tenements and expenditure priorities, the Company has no plans at this stage to undertake active and significant operations on its Peace River and Naskeena projects and on this basis an impairment test was required. Due to the stage at which the Company's Peace River and Naskeena projects are at, and in the absence of an offer to purchase from a third party and because the assets are not traded in an active market there is no basis for making a reliable estimate of the amount obtainable from the sale of any of the projects in an arm's length transaction between knowledgeable and willing parties, an impairment expense of \$481,683 has been recognised.

The value of the Group's interest in exploration and evaluation expenditure is dependent upon:

- the continuance of the consolidated entity's rights to tenure of the areas of interest;
 - the results of future exploration;
 - the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale; and
 - no significant changes in laws and regulations that greatly impact the company's ability to maintain tenure.
- (ii) These amounts represent advanced royalty payments made with respect to the Groundhog Project, which is part of the terms of acquisition of the project. These amounts are only recoverable against future royalties from the Groundhog Project.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated	
31 December 2017	30 June 2017
\$	\$

10. Current liabilities - trade and other payables

Trade payables	602,961	1,008,428
Confirmed Capital Receivables Facility	-	1,648,498
Other payables	505,187	647,943
	1,108,148	3,304,869

Terms and conditions relating to the above financial instruments:

- All amounts are expected to be settled.
- Trade payables are non-interest bearing and are normally settled on 30 day terms.
- Due to the short term nature of trade payable and accruals, their carrying value is assumed to approximate their fair value.
- The Confirmed Capital Receivables facility from Moneytech Finance Pty Limited was repaid during the period ended 31 December 2017. It was secured over the Mineral Exploration Tax Credit (METC) which was received during the period. Interest was payable at 14.85% per annum.

Information about the Group's exposure to credit risk is disclosed in Note 19.

Consolidated	
31 December 2017	30 June 2017
\$	\$

11. Other Financial Liabilities

Other financial liabilities comprise:

Current portion of the offset loan agreement (see Note 12)
Kuro Coal Limited Convertible Notes^(a)

420,000	-
800,000	800,000
1,220,000	800,000

- (a) Convertible notes issued at \$5,000 face value. No interest is applicable. Notes convert automatically to ordinary shares at \$0.10 per share in Kuro Coal Limited, may be redeemed for cash by the noteholder, or maybe repurchased by the Company. Subsequent to 31 December 2017, a resolution was passed by the Kuro Coal Limited Convertible Notes holders to convert their notes into an aggregate of 8,000,000 shares in the Company.

12. Non-Current liabilities - borrowings

Loans from related parties - Offset loan agreement (see Note 17)	1,200,607	1,787,546
	1,200,607	1,787,546

On 30 July 2013, Atrum announced that it has executed an Offset Loan Agreement ("Loan Agreement") with Lenark Pty Ltd ("Lenark"), an entity associated with Chairman Mr James Chisholm, providing a limit of \$2,681,927 effective from 30 June 2014 which, upon advancement, could be used to offset the outstanding balance owing against 13,412,500 partly paid shares held by Lenark Pty Ltd.

The facility accrues capitalised interest at a rate of 6% per annum (increased to 10% on 23 February 2015) and matured on the date by which the last of the partly paid shares were converted to fully paid ordinary i.e. September 2014.

On 30 September 2013, the Company entered into a variation to the Offset Loan Agreement in place with Lenark Pty Ltd. Pursuant to the variation that was executed, Lenark Pty Ltd increased the credit available pursuant to the Offset Loan Agreement by an additional \$2 million.

The original Facility Limit of \$2,681,927 was repaid by way of the conversion of partly paid shares to fully paid shares. The subsequent \$2 million has been drawn down by the Company as noted in previous quarterly reports and a \$500,000 increase was agreed between the Company and Lenark in 2015. On 27 August 2015, \$1,079,384 of the outstanding loan was converted into 2,158,766 ordinary fully paid shares in order to take up the Lenark entitlement under a pro rata rights issue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Non-Current liabilities – borrowings (continued)

On 26 September 2017, a further variation of the loan agreement – Loan Repayment Agreement - was entered into with the following terms:

- (a) The outstanding amount on the Loan be reduced to \$1,600,000 through a cash payment of \$244,815, which was effected during the period ended 31 December 2017;
- (b) The outstanding balance shall bear interest at 8% per annum;
- (c) The loan shall be repaid by monthly payments of \$30,000 plus interest
- (d) In the event the Company made a capital raise of above \$5M, 10% of the proceeds shall be applied towards the repayment of the outstanding amount of the loan.
- (e) In the event the Company receives proceeds from the sale of coal products, 10% of the net profit derived from the sales will be applied towards the repayment of the outstanding amount of the loan.
- (f) The loan shall be fully repaid on or before 30 June 2019.

At 31 December 2017, the outstanding loan was as follows:

Amounts due and payable before 31 December 2018	\$ 420,000
Amounts due and payable after 31 December 2018	\$ 1,200,607

Total amount outstanding at 31 December 2017	\$ 1,620,607

The Board considers that the terms of the facility with Lenark Pty Ltd are arms-length.

13. Issued Share Capital

31 December 2017		30 June 2017	
Number	\$	Number	\$
(a) Issued and paid up capital			
Ordinary shares – fully paid			
232,112,649	71,226,236	231,992,649	71,226,236
	71,226,236		71,226,236

(b) Terms and conditions of issued capital

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

The Group considers its capital to comprise its ordinary share capital, share premium and accumulated retained earnings as well as its perpetual preference shares which are classified as a financial liability in the statement of financial position.

For details of the Group's capital risk management refer to Note 19: Financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. Issued capital (cont.)

(c) Movements in performance rights

The following table sets out the movements in performance rights during the year:

Period ended 31 December 2017

Class	Balance at start of year	# Granted during the year	Vested and Exercised	Cancelled/ Forfeited	Balance at end of year	Value Vested during the year (\$)
7	382,500	-	-	(70,000)	312,500	3,666
8	507,500	-	-	(70,000)	437,500	672
9	70,000	-	-	(70,000)	-	-
10	70,000	-	-	(70,000)	-	-
11	70,000	-	-	(70,000)	-	-
13	70,000	-	-	(70,000)	-	1,008
19	100,000	-	-	(100,000)	-	-
20	100,000	-	-	(100,000)	-	42,750
21	200,000	-	(100,000)	(100,000)	-	-
27	250,000	-	-	(250,000)	-	-
28	52,500	-	-	(52,500)	-	-
29	250,000	-	-	(250,000)	-	-
30	600,000	-	-	(600,000)	-	-
31	50,000	-	-	(50,000)	-	(8,070)
32	50,000	-	-	(50,000)	-	(5,194)
33	150,000	-	-	(150,000)	-	-
	2,972,500	-	(100,000)	(2,122,500)	750,000	34,832

Year Ended 30 June 2017

Class	Balance at start of year	# Granted during the year	Vested and Exercised	Cancelled/ Forfeited	Balance at end of year	Value Vested during the year (\$)
7	572,500	-	-	(190,000)	382,500	(6,576)
8	697,500	-	-	(190,000)	507,500	(49,161)
9	140,000	-	-	(70,000)	70,000	(82,960)
10	160,000	-	-	(90,000)	70,000	-
11	160,000	-	-	(90,000)	70,000	6,050
13	160,000	-	-	(90,000)	70,000	(70,667)
14	50,000	-	-	(50,000)	-	11,897
15	100,000	-	-	(100,000)	-	19,605
16	100,000	-	-	(100,000)	-	9,692
17	100,000	-	-	(100,000)	-	9,692
18	100,000	-	-	(100,000)	-	-
19	130,000	-	-	(30,000)	100,000	(20,632)
20	130,000	-	-	(30,000)	100,000	(10,317)
21	200,000	-	-	-	200,000	76,164
22	100,000	-	-	(100,000)	-	14,365
23	100,000	-	-	(100,000)	-	8,980
24	100,000	-	-	(100,000)	-	13,688
25	100,000	-	-	(100,000)	-	9,284
26	200,000	-	-	(200,000)	-	20,326
27	550,000	-	-	(300,000)	250,000	-
28	400,000	-	-	(347,500)	52,500	50,000
29	250,000	-	-	-	250,000	-
30	600,000	-	-	-	600,000	-
31	50,000	-	-	-	50,000	6,147
32	50,000	-	-	-	50,000	4,195
33	150,000	-	-	-	150,000	-
	5,450,000	-	-	(2,477,500)	2,972,500	19,772

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. Issued capital (cont.)

(d) Options

During the period ended 31 December 2017, the Company granted 15,600,000 options exercisable at prices between \$0.18 to \$1.00 to the directors, with certain vesting conditions. The movement in options were as follows:

	Number of Options	Weighted Average Exercise price
Stock options outstanding at 30 June 2017	24,372,242	\$ 0.71
Granted	15,600,000	0.65
Expired/Cancelled	(11,125,418)	0.80
Stock options outstanding at December 31, 2017	28,846,824	\$ 0.65

The following table summarizes information about the stock options outstanding and exercisable at December 31, 2017:

Expiry Date	Exercise Price	Number of Options Outstanding	Number of Exercisable Options	Average Remaining Life (Years)
2 July 2018	\$0.60	8,198,786	8,198,786	0.36
15 August 2018	\$0.75	541,964	541,964	0.62
31 October 2018	\$0.60	1,063,636	1,063,636	0.83
14 November 2018	\$0.65	442,438	442,438	0.87
1 December 2018 ⁽¹⁾	\$0.18	500,000	500,000	0.92
1 December 2018	\$0.23	1,400,000	1,400,000	0.92
16 February 2019	\$0.75	3,000,000	3,000,000	1.13
1 June 2019 ⁽²⁾	\$0.40	1,900,000	1,900,000	1.42
1 December 2019 ⁽³⁾	\$0.50	3,000,000	3,000,000	1.92
1 June 2020 ⁽⁴⁾	\$0.70	4,400,000	4,400,000	2.42
1 December 2020 ⁽⁵⁾	\$1.00	4,400,000	4,400,000	2.92
	\$0.65	28,846,824	28,846,824	1.48

Vested conditions and (associated probabilities) are as follows:

- (1) 6 months service as Managing Director (100%);
- (2) Announcement to the ASX during the term of employment (Term), of the appointment of a Board-approved partner to assist in the development of one or more projects at Groundhog (25%);
- (3) Announcement to the ASX during the Term, of the appointment of a Board approved partner to the Company i.e. a partner at Atrium Coal Ltd level rather than project level (25%);
- (4) Announcement to the ASX during the Term, of the award by Government of a 1mtpa (or greater) commercial mining license for any project (where the majority of that project is owned by Atrium Coal Ltd or any affiliated companies) (25%);
- (5) The sale of an aggregate of 500,000 tonnes of coal produced by Atrium Coal Ltd or any Affiliated Companies during the Term (25%).

The fair values of options granted during the period ended December 31, 2017 were estimated at the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

	2017
Expected annual volatility	89%
Risk-free interest rate	1.95%
Expected life	1.08-3.08 years
Stock Price at grant date	\$0.18
Expected dividend yield	0%
Estimated forfeitures	0%

The expected stock price volatility was estimated by reference to historical volatility of the Company with a comparable period in their lives.

Grant Date	Expiry Date	Exercise Price	Number of Options	Value per option	Probability of vesting
04 November 2017	1 December 2018	\$0.18	500,000	\$ 0.07	100%
04 November 2017	1 December 2018	\$0.23	1,400,000	\$ 0.05	100%
04 November 2017	1 June 2019	\$0.40	1,900,000	\$ 0.04	25%
04 November 2017	1 December 2019	\$0.50	3,000,000	\$ 0.04	25%
04 November 2017	1 June 2020	\$0.70	4,400,000	\$ 0.04	25%
04 November 2017	1 December 2020	\$1.00	4,400,000	\$ 0.04	25%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Commitments

Exploration commitments

Under Canadian legislation there is no minimum expenditure commitments in relation to the tenements held by the Company. The Company has minimum annual rents due on its projects as follows:

	31 December 2017 \$	30 June 2017 \$
Less than one year	687,673	604,945
Between one and five years	-	-
More than five years	-	-
	687,673	604,945

Operating lease agreements

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	31 December 2017 \$	30 June 2017 \$
Less than one year	98,160	108,780
Between one and five years	147,240	168,000
More than five years	-	-
	245,400	276,780

The Company leases office premises in Vancouver, British Columbia, under an operating lease. The lease periods run for 5 years, and commenced on March 26, 2015.

During the period ended 31 December 2017 an amount of \$137,515 (year ended 30 June 2017: \$383,408) was recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income in respect of operating leases.

Kuro Elan Acquisition

Following the amendment of the share sale deed, the Company will be required to pay to the Vendor a consideration of C\$3 million and C\$3.65 million in the Company's shares at a price of A\$0.19 (see note 23 for details).

15. Contingent liabilities

The following contingent liabilities exist in relation to the Company's projects located in British Columbia, Canada.

Groundhog Anthracite Project

<i>Annual Royalty</i>	CAD\$100,000 per annum (until production royalty commences, at which stage it is offset against future production royalties)
<i>Performance Bonus</i>	CAD\$1,000,000 (upon the delineation of the first 200Mt of coal of a JORC Indicated status - to the extent that it can be considered a proven reserve) CAD\$500,000 (upon the delineation of each subsequent 100Mt of coal of a JORC Indicated status - to the extent that it can be considered a proven reserve)
<i>BFS Bonus</i>	CAD\$1,000,000 (upon completion of a positive BFS, paid 50% cash and 50% shares at the election of the Company)
<i>Production Bonus</i>	CAD\$1,000,000 (upon commencement of production, paid 50% cash and 50% shares at the election of the Company)
<i>Production Royalty</i>	1% of ex-mine gate price of all saleable coal to Clive Brookes syndicate 1% gross revenue royalty or a US\$1/tonne royalty (whichever is the higher) payable on anthracite produced from the assets acquired from Anglo Pacific only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Contingent liabilities (continued)

<i>Future Royalty to Anglo Pacific</i>	0.5% of FOB port selling price royalty overall production within Atrum's Groundhog Anthracite Project tenements for a period of ten years from the date that Atrum commences commercial production on the project; and subsequently 0.1% royalty from production within the Ground North Mining Complex project area.
<i>Convertible Note Royalty</i>	<p>The Convertible Notes include a royalty component in respect of Atrum's Groundhog North project, whereby each investor is entitled to:</p> <ol style="list-style-type: none"> A\$2.00 per tonne of high grade or ultra-high grade anthracite of the first 1 million tonnes of production over and above threshold production of 100,000 tonnes; A\$2.00 per tonne of high grade or ultra-high grade anthracite of the first 73,375 thousand tonnes of production over and above threshold production of 1,225,000 tonnes; each multiplied by that investor's proportion (expressed as a percentage) that their commitment under the relevant Convertible Note bears on the aggregate of all the investors' commitments under the Convertible Notes
Groundhog and Panorama Project	
<i>Future Royalty to Panstone Mines and Minerals Inc.</i>	C\$0.80 per tonne of saleable coal based on the tonnes of coal actually produced and sold.
Naskeena (North) Coal Project	
<i>Performance Bonus</i>	<p>CAD\$100,000 (upon the delineation of the first 20Mt of coal of a JORC Indicated status)</p> <p>CAD\$50,000 (upon the delineation of each subsequent 10Mt of coal of a JORC Indicated status)</p>
<i>BFS Bonus</i>	CAD\$500,000 (upon completion of a positive BFS, paid 50% cash and 50% shares at the election of the Company)

16. Financial reporting by segments

The Group has identified its operating segments based on the internal reports that are used by the Board (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by the Board based on the location of activity. For management purposes, the Group has organised its operations into two reportable segments on the basis of stage of development as follows:

- Exploration - mineral exploration and development in Canada
- All other segments – primarily involving corporate management and administration in Australia

The Board as a whole will regularly review the identified segments in order to allocate resources to the segment and to assess its performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Financial reporting by segments (continued)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 1.

Period ended 31 December 2017			
	Exploration \$	All Other Segments \$	Consolidated \$
Segment profit/(loss)	367,668	(737,740)	(370,072)
Segment assets	9,006,634	2,079,530	11,086,164
Segment liabilities	(1,456,999)	(2,071,755)	(3,528,754)
Other segment information included in segment loss			
Interest revenue	1,214	-	1,214
Finance costs	-	(231,838)	(231,838)
Depreciation and amortisation	(70,567)	-	(70,567)
Impairment of exploration expense	(64,499)	-	(64,499)
Segment profit/(loss)	367,668	(737,740)	(370,072)

Year ended 30 June 2017			
	Exploration \$	All Other Segments \$	Consolidated \$
Segment loss	(4,310,105)	(6,287,824)	(10,597,929)
Segment assets	7,418,885	6,269,075	13,687,960
Segment liabilities	(1,685,026)	(4,207,389)	(5,892,415)
Other segment information included in segment loss			
Interest revenue	-	953	953
Finance costs	-	(695,610)	(695,610)
Depreciation and amortisation	(135,375)	(22,027)	(157,402)
Impairment of exploration expense	(1,372,887)	-	(1,372,887)
Segment loss	(4,310,105)	(6,287,824)	(10,597,929)

17. Related party transactions

(a) Key management personnel

	Consolidated	
	31 December 2017 \$	30 June 2017 \$
Short-term employee benefits	220,413	715,324
Post-employment benefits	-	-
Share-Based Payments	96,785	39,551
	<u>317,198</u>	<u>754,875</u>

Detailed remuneration disclosures are provided in the audited Remuneration Report in the Directors' Report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. Related party transactions (continued)

(b) Other transactions with Key Management Personnel

(i) Offset Loan Agreement with Non-Executive Director

On 30 July 2013, Atrum announced that it has executed an Offset Loan Agreement ("Loan Agreement") with Lenark Pty Ltd ("Lenark"), an entity associated with the then Chairman Mr James Chisholm, providing a limit of \$2,681,927 effective from 30 June 2014 which, upon advancement, could be used to offset the outstanding balance owing against 13,412,500 partly paid shares held by Lenark Pty Ltd.

The facility accrues capitalised interest at a rate of 6% per annum (increased to 10% on 23 February 2015) and matured on the date by which the last of the partly paid shares were converted to fully paid ordinary i.e. September 2014.

On 30 September 2013, the Company entered into a variation to the Offset Loan Agreement in place with Lenark Pty Ltd. Pursuant to the variation that was executed, Lenark Pty Ltd increased the credit available pursuant to the Offset Loan Agreement by an additional \$2 million.

The original Facility Limit of \$2,681,927 was repaid by way of the conversion of partly paid shares to fully paid shares. The subsequent \$2 million has been drawn down by the Company as noted in previous quarterly reports and a \$500,000 increase was agreed between the Company and Lenark in 2015. On 27 August 2015, \$1,079,384 of the outstanding loan was converted into 2,158,766 ordinary fully paid shares in order to take up the Lenark entitlement under a prorate rights issue.

During the period ended 31 December 2017, the Company repaid an amount of \$244,815 and accrued interest of \$77,876, bringing the amount outstanding on the loan at 31 December 2017, to \$1,620,607. The Board considers that the terms of the facility with Lenark Pty Ltd are arms-length.

(i) Options

During the period ended, the Group granted 15,600,000 options exercisable at prices between \$0.18 and \$1.00 between 1 December 2018 and 1 December 2020, with vesting conditions (note 13 (d)).

(c) Subsidiaries

The consolidated financial statements include the financial statements of Atrum Coal Ltd. and the subsidiaries listed in the following table.

	Country of Incorporation	% Equity Interest		Description of Activities
		2017	2016	
Atrum Coal Australia Pty Ltd	Australia	100	100	Dormant
Atrum Infrastructure and Logistics Pty Ltd	Australia	100	100	Dormant
Atrum Coal Groundhog Inc	Canada	100	100	Development of Groundhog Anthracite Project
Atrum Coal Peace River Inc	Canada	100	100	Development of Peace River and Bowron River Coal Project
Atrum Coal Naskeena Inc	Canada	100	100	Development of Naskeena Coal Project
Atrum Coal USA Inc	USA	100	100	Dormant
Kuro Coal Limited	Australia	100	100	Holding Company – Dormant
Atrum Coal Panorama Inc	Canada	100	100	Development of Panorama Anthracite Project

Atrum Coal Groundhog Inc., Atrum Coal Peace River Inc., Atrum Coal Naskeena Inc. and Atrum Coal USA Inc. have financial years of 30 June. There are no significant restrictions on the ability of the subsidiaries to transfer funds to the parent entity to pay dividends or loans.

(d) Parent entity

Atrum Coal Ltd. is the ultimate Australian parent entity and ultimate parent of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. Parent entity disclosures

(a) Summary financial information

	Parent Entity	
	31 December	30 June
	2017	2017
	\$	\$
Financial Position		
Assets		
Current assets	2,079,530	6,269,075
Non-current assets	7,009,534	7,009,534
Total Assets	9,089,064	13,278,609
Liabilities		
Current liabilities	871,148	2,419,843
Non-current liabilities	1,200,607	1,787,546
Total Liabilities	2,071,755	4,207,389
Equity		
Issued capital	71,226,236	71,226,236
Accumulated losses	(68,839,207)	(66,653,678)
Share Based Payment Reserve	4,630,279	4,498,662
Total Equity	7,017,308	9,071,220
Financial Performance		
Gain/(Loss) for the period	(2,185,529)	(9,256,566)
Other comprehensive loss	-	-
Total comprehensive income (loss)	(2,185,529)	(9,256,566)

(b) Guarantees

Atrum Coal Ltd. has not entered into any guarantees in relation to the debts of its subsidiary.

(c) Other Commitments and Contingencies

Atrum Coal Ltd. has no commitments to acquire property, plant and equipment, and has no contingent liabilities apart from the amounts disclosed in note 14.

19. Financial instruments

Financial risk management

The Group's principal financial instruments comprise receivables, payables, cash, short-term deposits and borrowings. The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets while protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group does not speculate in the trading of derivative instruments. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates and assessments of market forecasts for interest rates. Ageing analysis of and monitoring of receivables are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below, including for interest rate risk, credit allowances and cash flow forecast projections.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in Note 1 to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Financial instruments (continued)

Risk exposures and responses

Market Risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

Foreign Currency Risk

Foreign exchange risk arises from future commitments, assets and liabilities that are denominated in a currency that is not the functional currency of the Group. The Group has deposits that are denominated in both Canadian and Australian dollars. At the year end the majority of deposits were held in Australian dollars. The Group treasury function manages the purchase of foreign currency to meet operational requirements. The Group manages its exposure to foreign currency risk through utilising forward exchange contracts. The impact of reasonably possible changes in foreign rates for the Group is not material.

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date was as follows:

Assets		Liabilities	
31 December	30 June	31 December	30 June
2017	2017	2017	2017
\$	\$	\$	\$
378,787	4,270,323	(3,016,425)	(5,007,389)
1,807,201	929,342	(512,210)	(819,510)
173,533	97,414	(119)	(65,516)
2,359,521	5,297,079	(3,528,754)	(5,892,415)

Consolidated

Australian Dollars

Canadian Dollars

US Dollars

The group had net foreign currency assets of \$1,468,505 as at 31 December 2017 (30 June 2017: net assets \$141,730). Based on this exposure alone, had the Australian dollar moved against these foreign currencies with all other variables held constant, the consolidated entity's profit before tax for the year would have been affected as follows:

	Loss		Equity	
	31 December	30 June	31 December	30 June
	2017	2017	2017	2017
	\$	\$	\$	\$
	Increase/ (decrease)	Increase/ (decrease)	Increase/ (decrease)	Increase/ (decrease)
<i>Movement in Australian dollar against foreign currency:</i>				
Strengthening of AUD by 10%	146,850	14,173	146,850	14,173
Weakening of AUD by 10%	(146,850)	(14,173)	(146,850)	(14,173)

Interest rate risk

The Group is exposed to movements in market interest rates on short term deposits. The policy is to monitor the interest rate yield curve out of 120 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The Group does not have short or long term debt, and therefore this risk is minimal.

The Group's exposure to risks of changes in market interest rates relates primarily to the Group's cash balances. The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing positions and the mix of fixed and variable interest rates. As the company has no variable rate interest bearing borrowings its exposure to interest rate movements is limited to the amount of interest income it can potentially earn on surplus cash deposits. The Offset Loan Agreement charges an interest rate of 10% per annum on outstanding balances, capitalised until the maturity of the loan. The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Financial instruments (continued)

As at reporting date, the Group had the following financial assets exposed to variable interest rates that are not designated in cash flow hedges:

	Consolidated	
	31 December 2017	30 June 2017
	\$	\$
<i>Financial Assets</i>		
Cash and cash equivalents (interest-bearing accounts)	1,367,032	4,117,085
Net exposure	<u>1,367,032</u>	<u>4,117,085</u>

During the financial period ended 31 December 2017, the Company earned interest on financial assets of the Group.

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectation of the settlement period of all other financial instruments. As such, the amounts might not reconcile to the statement of financial position.

	Weighted Average Effective Interest Rate %	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Total
31 December 2017						
Financial Assets						
Non-interest bearing		339,885	-	-	-	339,885
Variable interest rate instruments	0%	898,974	-	-	-	898,974
Fixed interest rate instruments	1.05%	1,120,662	-	-	-	1,120,662
		<u>2,359,521</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,359,521</u>
Financial Liabilities						
Non-interest bearing		(1,908,147)	-	-	-	(1,908,147)
Interest bearing – fixed rate						
Fixed interest rate instruments	8%	-	-	(420,000)	(1,200,607)	(1,620,607)
		<u>(1,908,147)</u>	<u>-</u>	<u>(420,000)</u>	<u>(1,200,607)</u>	<u>(3,528,754)</u>
Net Financial Assets/(Liabilities)		<u>451,374</u>	<u>-</u>	<u>(420,000)</u>	<u>(1,200,607)</u>	<u>(1,169,233)</u>
30 June 2017						
Financial Assets						
Non-interest bearing		906,145	-	-	-	906,145
Variable interest rate instruments	0%	4,327,187	-	-	-	4,327,187
Fixed interest rate instruments	1.05%	-	63,747	-	-	63,747
		<u>5,233,332</u>	<u>63,747</u>	<u>-</u>	<u>-</u>	<u>5,297,079</u>
Financial Liabilities						
Non-interest bearing		(2,456,371)	-	-	-	(2,456,371)
Interest bearing – fixed rate						
Borrowings - Confirmed	14.85%	-	-	(1,648,498)	-	(1,648,498)
Capital Receivables facility						
Fixed interest rate instruments	10%	-	-	-	(1,787,546)	(1,787,546)
		<u>(2,456,371)</u>	<u>-</u>	<u>(1,648,498)</u>	<u>(1,787,546)</u>	<u>(5,892,415)</u>
Net Financial Assets/(Liabilities)		<u>2,776,961</u>	<u>63,747</u>	<u>(1,648,498)</u>	<u>(1,787,546)</u>	<u>(595,336)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Financial instruments (continued)

Net fair value of financial assets and liabilities

The carrying amount of cash and cash equivalents approximates fair value because of their short-term maturity.

Interest Rate Sensitivity Analysis

At 31 December 2017, the effect on loss and equity as a result of changes in the interest rate, with all other variable remaining constant would be as follows:

	31 December 2017 \$	30 June 2017 \$
CHANGE IN LOSS		
Increase in interest rate by 1%	3,990	9,549
Decrease in interest rate by 1%	(3,990)	(9,549)

	31 December 2017 \$	30 June 2017 \$
CHANGE IN EQUITY		
Increase in interest rate by 1%	3,990	9,549
Decrease in interest rate by 1%	(3,990)	(9,549)

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group has no significant exposure to liquidity risk. The Group manages liquidity risk by monitoring immediate and forecast cash requirements and ensuring adequate cash reserves are maintained. All financial liabilities are due within 30 days.

Remaining contractual maturities

The following table details the expected maturity of the Group's financial liabilities based on the earliest date of maturity or payment respectively. The amounts are stated on an undiscounted basis and include interest.

	W.Av Interest Rate %	Less than 1 month \$	1 – 3 Months \$	3 months – 1 year \$	1 – 5 years \$	Remaining contractual maturities \$
Consolidated						
31 December 2017						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	1,108,147	-	-	-	-
Convertible notes	-	-	-	-	-	800,000
<i>Interest bearing – fixed rate</i>						
Borrowings – offset loan agreement	8%	-	-	420,000	1,200,607	-
Total non-derivatives		1,108,147	-	420,000	1,200,607	800,000
Derivatives		-	-	-	-	-
Total derivatives		-	-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Financial instruments (continued)

	W.Av Interest Rate %	Less than 1 month \$	1 – 3 Months \$	3 months – 1 year \$	1 – 5 years \$	Remaining contractual maturities \$
Consolidated						
30 June 2017						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	1,656,371	-	-	-	-
Convertible notes	-	-	-	-	-	800,000
<i>Interest bearing – fixed rate</i>						
Borrowings - Confirmed Capital						
Receivables facility	14.85%	-	-	1,648,498	-	-
Borrowings – offset loan agreement	10%	-	-	-	1,787,546	-
Total non-derivatives		1,656,371	-	1,648,498	1,787,546	800,000
Derivatives						
Total derivatives		-	-	-	-	-

Credit risk

Credit risk arises from the financial assets of the Group, which comprise deposits with banks and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with the maximum exposure equal to the carrying amount of these instruments. The carrying amount of financial assets included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to those assets.

The Group operates in the mining exploration sector; it therefore does not have trade receivables and is not exposed to credit risk in relation to trade receivables. The Group does not have any significant credit risk exposure to any single counterparty or any Company of counterparties having similar characteristics. The Group does not hold any credit derivatives to offset its credit exposure which is considered appropriate for a junior explorer.

The Group trades only with recognised, credit worthy third parties and as such collateral is not requested nor is it the Group's policy to secure its trade and other receivables. The nature of the business is such that it is common not to maintain material receivables. Receivable balances are monitored on an ongoing basis with the result that the Group does not have a significant exposure to bad debts.

The Group's cash deposits are held with a major Australian banking institution (Commonwealth Bank of Australia and NAB) holding a AA- credit rating, otherwise, there are no significant concentrations of credit risk within the Group. The Company also holds bank accounts with Chase in the US (A+ Rating) and TD Canada Trust (AA-), Bank of Montreal.

Capital Management Risk

Management controls the capital of the Group in order to maximise the return to shareholders and ensure that the Group can fund its operations and continue as a going concern.

Management effectively manages the Group's capital by assessing the Group'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 expenditure and debt levels and share and option issues.

The Group has in place the Offset Loan Agreement and trade payables. There have been no changes in the strategy adopted by management to control capital of the Group since the prior year.

Due to the nature of the Group's activities, being mineral exploration, it does not have ready access to credit facilities and therefore is not subject to any externally imposed capital requirements. Accordingly, the objective of the Group's capital risk management is to balance the current working capital position against the requirements to meet exploration programmes and corporate overheads. This is achieved by maintaining appropriate liquidity to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

Commodity Price Risk

The Group's exposure to commodity price risk is limited given the Group is still in the development phase.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Financial instruments (continued)

Fair Value

The methods of estimating fair value are outlined in the relevant notes to the financial statements. All financial assets and liabilities recognised in the statement of financial position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair values unless otherwise stated in the applicable notes.

20. Key management personnel

Refer to note 17 for details of remuneration paid to key management personnel and other related party transactions.

21. Share based payments

The follow table outlines the share-based payment expense for the period ended 31 December 2017:

	\$
Share based payment expense for the year ended 30 June 2017	19,972
Share based payment expense for the current period to 31 December 2017	131,617

The following outlines the fair value calculations for share based payments issued during the period.

(i) Performance Rights

During the financial year the movements in performance rights issued by the Company was as follows:

Balance at start of period	Issued as Remuneration	Exercised/Vested	Forfeited/Cancelled	Balance at End of Year
2,972,500	-	(100,000)	(2,122,500)	750,000

Performance rights forfeited and cancelled during the year, and the value of rights issued in prior years that vested in the current year resulted in share-based payments expenses of \$34,832 (year ended 30 June 2017: \$19,972). An amount of \$Nil (30 June 2017: \$39,551) related to share based payment was made to the Directors of the Company.

(ii) Options

During the period under review 15,600,000 options were issued as remuneration to the Directors. This resulted in share-based expenses of \$131,617 (year ended 30 June 2017: \$Nil). Details of other performance rights movements and balances are set out in Note 13(d).

22. Reserves

Nature and purpose of reserves

Share based payments reserve

The reserve is used to record the fair value of share based payments, such options and performance rights, issued as remuneration to employees, or as consideration for the purchase of assets, services, or extinguishment of liabilities.

Foreign currency translation reserve

The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian dollars.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Events since the end of the financial year

Capital Raise

On 21 March 2018, the Company announced it has successfully raised via a two-tranche placement an amount of \$8M by the issue of shares at a price of \$0.10 per unit. As a consequence, and in accordance to the amended Lenark agreement, 10% of the proceeds will be applied towards the repayment of the loan (see Note 12 to the financial statements).

In addition, the Company announced that it will proceed with an Entitlement issue of 1 new share for every 5 held by eligible shareholders at a price of \$0.10 per unit.

Each unit comprises of one ordinary share and a free attaching listed option to purchase an ordinary share at a price of \$0.20 on or before 31 March 2021.

Kuro Coal Convertible Notes

On 29 January 2017, the Company announced a proposal to reduce its financial liabilities by offering to exchange Kuro Coal convertible notes to a total of 800,000 Atrum Shares.

Proceeds from sale of inventory

Subsequent to 31 December 2017, the Company sold the inventory for the carrying value of USD1,225,000. Payment will be received in 10 equal instalments of USD122,500 on the first and last day of each month. The first instalment was received in the month of March 2018.

Directors' declaration

The Directors of the Company declare that:

1. The financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) give a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year ended on that date.
2. The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. 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.
4. The Directors have been given the declarations by the chief executive officer and the chief financial officer required by section 295A.

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



Charles Blixt
North Carolina, 28 March 2018

DECLARATION OF INDEPENDENCE BY NEIL SMITH TO THE DIRECTORS OF ATRUM COAL LIMITED

As lead auditor of Atrum Coal Limited for the period ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Atrum Coal Limited and the entities it controlled during the period.



Neil Smith

Director

BDO Audit (WA) Pty Ltd

Perth, 28 March 2018

INDEPENDENT AUDITOR'S REPORT

To the members of Atrum Coal Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Atrum Coal Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the period ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material uncertainty related to going concern

We draw attention to Note 1(b) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period.

These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Carrying Value of Exploration and Evaluation Assets

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Group carries exploration and evaluation expenditure totalling \$6,831,706 in accordance with the Group's accounting policy as set out in Note 9.</p> <p>The carrying value of the exploration and evaluation asset is a key audit matter due to:</p> <ul style="list-style-type: none"> • The significance of the total balance; and • The level of procedures undertaken to evaluate management's application of the requirements of AASB 6 Exploration for and Evaluation of Mineral Resources in particular whether any indicators of impairment may be present. 	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Obtaining a schedule of the areas of interest held by the Group and assessing whether the rights to tenure of those areas of interest remained current at balance date; • Considering the status of the ongoing exploration programmes in the respective areas of interest by holding discussions with management, reviewing the Group's exploration budgets, ASX announcements and director's minutes; • Considering whether any such areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed; • Reviewing the assessment of the carrying value of the exploration and evaluation costs, ensuring that management have considered the effect of potential impairment indicators, commodity prices and the stage of the Group's project also against the standard of AASB 6; and • We also assessed the adequacy of the related disclosures in Note 9 to the Financial Statements.

Measurement of Share-Based payment

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>During the period Atrum Coal Limited (“the Company”) awarded 15,600,000 options to the Directors of the company as outlined in note 13(d). The company performed calculations to record the related share-based payment expense in the statement of profit or loss and other comprehensive income.</p> <p>The Company used assumptions in respect of share price volatility, risk free rate, vesting dates, and vesting probability.</p> <p>Due to the complex and judgemental estimates used in determining the valuation of the share-based payments, we consider the Company’s calculation of the share-based payment expense to be a key audit matter.</p>	<p>Our audit procedures in respect of this area included, but were not limited to the following:</p> <ul style="list-style-type: none"> • Reviewing the relevant support to obtain an understanding of the contractual nature of the share based payment arrangement; • Holding discussions with management to understand the share-based payment arrangements in place and, where applicable, evaluating management’s assessment of the likelihood of meeting the performance conditions attached to the share-based payments. • Reviewing management’s determination of fair value of the share-based payments issued, considering the appropriateness of the valuation model used and assessing the valuation inputs; • Assessing the allocation of the share-based payment expense over the relevant vesting period; and • We also assessed the adequacy of the related disclosures in Note 13(d) to the Financial Statements.

Other information

The directors are responsible for the other information. The other information comprises the information contained in the Directors Report for the period ended 31 December 2017, but does not include the financial report and our auditor’s report thereon, which we obtained prior to the date of this auditor’s report, and the annual report, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 13 of the directors' report for the period ended 31 December 2017.

In our opinion, the Remuneration Report of Atrium Coal Limited, for the period ended 31 December 2017, complies with section 300A of the *Corporations Act 2001*.



Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Neil Smith', written over a faint, stylized 'BDO' logo.

Neil Smith

Director

Perth, 28 March 2018

SECURITIES EXCHANGE INFORMATION

Shareholders' information set out below was applicable as at 28 March 2018

The number of shareholders, by size of holding is:

Spread of Holdings	Holders
1-1,000	184
1,001-5,000	283
5,001-10,000	177
10,001-100,000	621
100,001 - and over	241
Total on register	1,506
Total Overseas holders	58

Substantial Shareholders

The company has been notified of the following substantial shareholdings:

	Number	Percentage
Lenark Pty Ltd (and associated entities)	38,751,384	16.70%
Hoperidge Enterprises Pty Ltd (and associated entities)	11,775,761	5.08%

Voting Rights

The Constitution of the company makes the following provision for voting at general meetings:

On a show of hands, every ordinary shareholder present in person, or by proxy, attorney or representative has one vote. On a poll, every shareholder present in person, or by proxy, attorney or representative has one vote for any share held by the shareholder.

SECURITIES EXCHANGE INFORMATION

20 LARGEST HOLDERS OF SECURITIES AS AT 28 MARCH 2017:

Ordinary Shareholder	Fully paid	
	Number	Percentage
Lenark PL	38,751,384	16.70%
Jones R M + C R	9,749,240	4.20%
Carjay Investments Pty Ltd	8,862,946	3.82%
Citicorp Nom PL	5,038,339	2.17%
Monex Boom Sec HK LTD	4,715,214	2.03%
Moran Russell Harold	4,669,200	2.01%
J P Morgan Nom Aust Ltd	4,082,700	1.76%
Wallis-Mance PL	4,025,000	1.73%
Hurst Douglas Culmer	3,500,000	1.51%
Stephens B O + E J	3,375,000	1.45%
D'Anna Gino	3,373,370	1.45%
Mibro NT PL	3,261,600	1.41%
CTSF PL	3,213,976	1.38%
Topsfield PL	3,135,505	1.35%
Booth William	2,919,508	1.26%
Hoperidge Entps PL	2,912,815	1.25%
HSBC Custody Nom Aust LTD	2,889,174	1.24%
Skye Alba PL	2,871,498	1.24%
Lujeta PL	2,621,446	1.13%
Argonaut Equity Ptnrs PL	2,550,000	1.10%
	116,517,915	50.19%

PARTLY PAID SHARES

The Company does not have any partly paid shares on issue.

Tenure Number	Owner	Project	Tenure Type	Tenure Sub Type	Area (ha)
394847	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	259
394848	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	259
394849	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	259
417079	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	991
417080	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	565
417081	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	636
417082	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	212
417085	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1031
417088	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	777
417089	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	142
417090	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	568
417094	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	71
417095	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	425
417096	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	71
417098	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1204
417100	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	71
417101	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	960
417291	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	73
417293	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	426
417294	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	284
417295	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	851
417297	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	918
417298	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1059
417300	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	355
417301	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	851
417520	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	212
417521	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	142
417522	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	71
417523	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	354
417528	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	142
418443	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1416
418444	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1416
418445	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1417
418446	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1205
418587	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1411
418588	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1412
418589	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1273
418590	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1415
418924	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1239
418925	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1332
418926	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1280
418927	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	354
418928	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1416
418929	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1419
418930	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1420
418931	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1421
418932	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1421
418941	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1418
418942	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1417
418943	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1416
418944	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1416
418950	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1418
418951	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1418
418952	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1417
418955	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1265
418959	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1414
418960	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1412
418962	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1136
417084	Atrum Coal Panorama Inc.	Panorama North	Coal	Licence	708
417086	Atrum Coal Panorama Inc.	Panorama North	Coal	Licence	142
417292	Atrum Coal Panorama Inc.	Panorama North	Coal	Licence	279
417296	Atrum Coal Panorama Inc.	Panorama North	Coal	Licence	71
417299	Atrum Coal Panorama Inc.	Panorama North	Coal	Licence	779
417525	Atrum Coal Panorama Inc.	Panorama North	Coal	Licence	425
417526	Atrum Coal Panorama Inc.	Panorama North	Coal	Licence	707
417527	Atrum Coal Panorama Inc.	Panorama North	Coal	Licence	71
418953	Atrum Coal Panorama Inc.	Panorama North	Coal	Licence	1346
418957	Atrum Coal Panorama Inc.	Panorama North	Coal	Licence	1415

Tenure Number	Owner	Project	Tenure Type	Tenure Sub Type	Area (ha)
418958	Atrum Coal Panorama Inc.	Panorama North	Coal	Licence	1345
418961	Atrum Coal Panorama Inc.	Panorama North	Coal	Licence	71
418103	Atrum Coal Peace River Inc.	Bowron River	Coal	Application	1875
419157	Atrum Coal Peace River Inc.	Bowron River	Coal	Application	1350
419159	Atrum Coal Peace River Inc.	Bowron River	Coal	Application	1350
417842	Atrum Coal Naskeena Inc.	Naskeena	Coal	Application	1200
417845	Atrum Coal Naskeena Inc.	Naskeena	Coal	Application	1125