Atrum Coal
COAL FOR STEEL

# Interim Financial Report
## Six months ended 30 June 2018

## CONTENTS

## DIRECTORS' REPORT

The Directors of Atrum Coal Limited (the "Company") are pleased to present their report together with the consolidated interim financial statements of the consolidated entity ("Atrum" or the "Group"), being the Company and the entities it controlled for the six months ended 30 June 2018, and the auditor's review report thereon.

### DIRECTORS

The following were Directors of the Company in office during the half year and up to the date of this 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)

### PRINCIPAL ACTIVITIES

The principal continuing activities of the Group is the exploration and development of hard coking coal in Alberta and anthracite in British Columbia and, Canada.

### FINANCIAL REVIEW AND RESULTS OF OPERATIONS

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 interim reporting period subsequent to the year ended 31 December 2017 is for a six-month period ended 30 June 2018. The comparative numbers are for the six months ended 31 December 2017.

### FINANCIAL REVIEW

During the six months ended 30 June 2018, the Company completed a placement and an entitlement issue, raising $9,598,764 in cash. The Company acquired the Elan Project in Alberta for a cash consideration of $3.1M and the issuance of 19,690,490 shares. Cash at hand at 30 June 2018 amounted to $5.8 M.

### FINANCIAL RESULTS

The Group recorded a net loss after tax for the six months to 30 June 2018 of $1,666,770 (31 December 2017: $370,072). Losses are a typical feature of an exploration company such as Atrum at the pre-production stage, as expenditures are made towards exploration and development of mining assets.

### FINANCIAL POSITION

At 30 June 2018, the Group had cash reserves of $5,855,613 (31 December 2017: $2,019,636).

The net assets of the Group increased by $11,096,995 during the six months from $7,557,410 to $18,654,405. This increase was principally a result of an increase in cash following the placement and entitlement issue and acquisition of Elan Project, after reducing the Lenark loan to $164,439 from a balance of $1,620,607 at 31 December 2017.

During the six months ended 30 June 2018, the Company received $650,970 (USD 502,250) from the inventory it held at 31 December 2017.

### FINANCING AND INVESTING ACTIVITIES

During the six months ended 30 June 2018, the Company issued a total of 127,228,129 shares, of which 99,937,639 shares were from a placement and entitlement issue, raising $9,598,764 in cash and $395,000 in loan repayment, 19,690,490 shares for the purchase of Elan Project and 7,600,000 shares as redemption of the Kuro Coal Convertible notes.

#### Repayment of Lenark Loan

During the six months ended 30 June 2018, the Company repaid a total of $1,456,168 towards the principal amount due on the Lenark loan, thus reducing the outstanding amount from $1,620,607 at 31 December 2017 to $164,439.

#### Kuro Convertible Note

In addition to the 7,600,000 shares issued to redeem the Kuro Coal Convertible Notes, the Company also repaid $10,000 towards the outstanding balance of the Notes. Subsequent to be period ended 30 June 2018, a further 50,000 shares were issued to redeem $5,000 in Convertible Notes.

# REVIEW OF OPERATIONS

The Directors provide the following comments on the operations of the Group for the six months ended 30 June 2018.

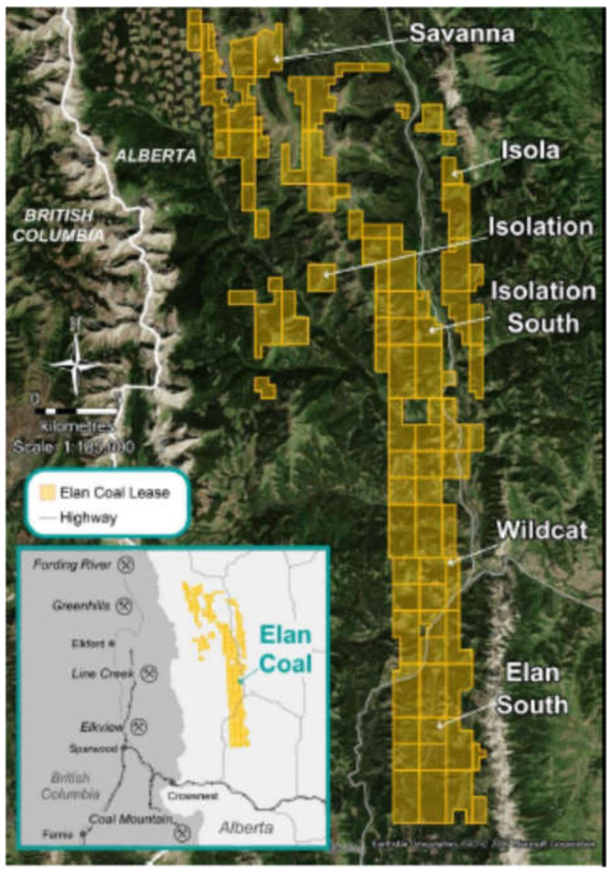
### HEALTH, SAFTEY AND ENVIRONMENT

The Company is pleased to advise that there were no significant health, safety or environmental incidents reported during the half year.

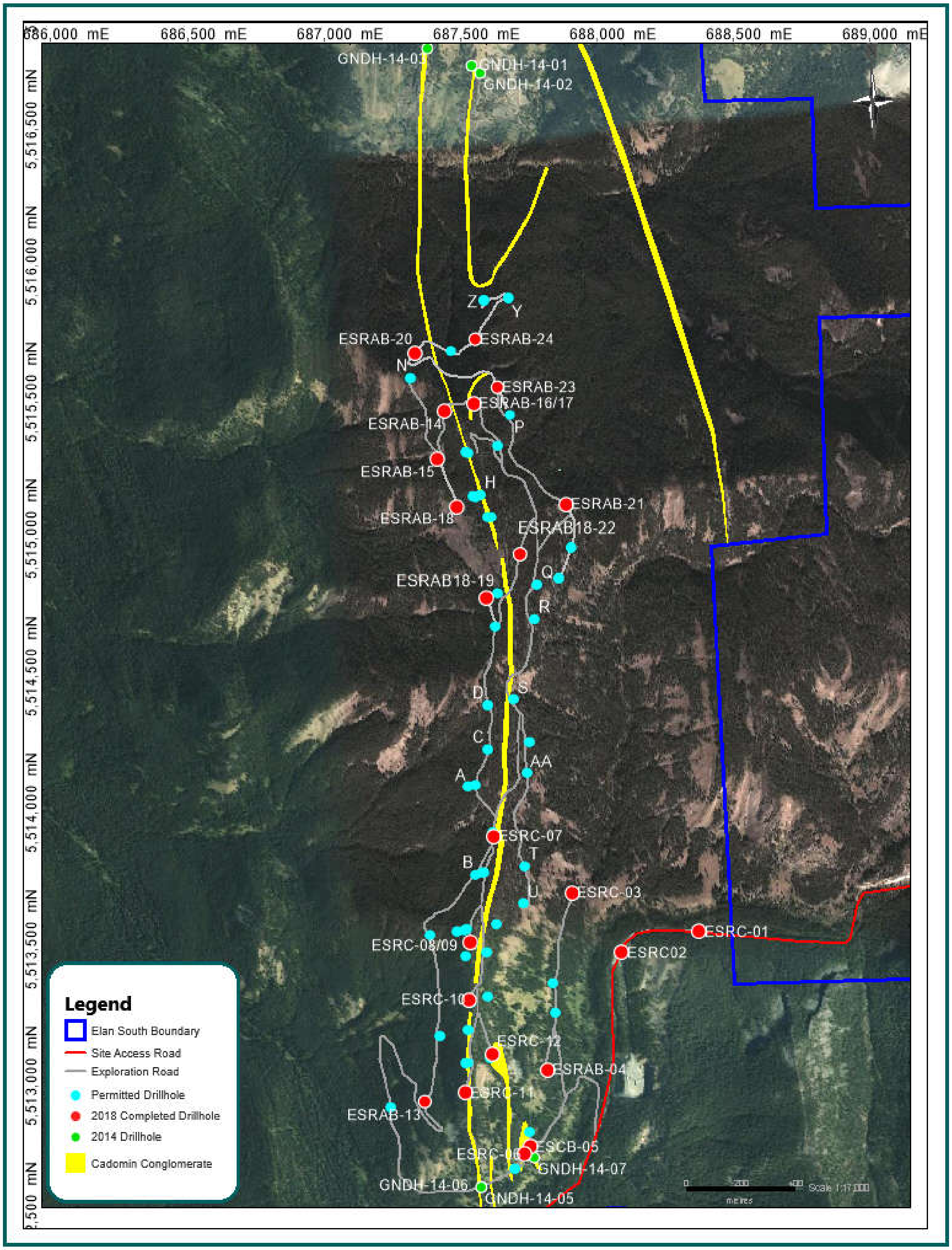
### ELAN PROJECT – Crowsnest Pass, Alberta, Canada

The Company's exploration focus during the six months ended 30 June 2018, has been on the Elan project. The Company acquired 100% interest in the project on March 29, 2018, finalised plans for 2018 field activities at Elan South and appointed a drilling contractor, a road construction contractor and an environmental baseline study contractor. The Company started the road construction in June followed by drilling which commenced on 25 June 2018. The first phase of drilling has been completed.

The second phase of drilling is underway whilst new roads are being built. The geological model is being constantly updated with the new information from drilling findings to optimise drilling efficiency and flexibility. Ground works including mapping and hand-trenching of the coal outcrops and key geological features at Elan South and other areas have been on-going throughout the summer.




Elan projects




***Completed drill holes at Elan South as at September 11, 2018***

*The Exploration Roads shown on the map have been built during the 2018 Elan South Exploration program.*

The Elan Coal projects are located in the Crowsnest Pass area of Alberta, Canada. Approximately 40km to the west, on the BC side of the Provincial border, Teck Resources Ltd operates a stretch of 5 major mines producing approximately 25Mt per annum of mostly hard coking coal for the global steel industry.

The Elan properties consist of several different areas which are known to hold shallow emplacements of high quality hard coking coal and are in close proximity to critical infrastructure for cost effective development. The Elan South project shares its southern border with Riversdale Resources' Grassy Mountain Project which is in the final permitting stage for a 4.5 Mtpa open cut operation of hard coking coal.

An independent report (Tamplin, 2017) has estimated some 36Mt of indicated and inferred resources, with an exploration target of 200Mt, for the approximate 5,000ha (50 square kilometers) Elan South property (previously called Grassy North). The areas to the North, South and West of Elan South have been the subject of current and historical mining and exploration. The total exploration target for all these areas and Elan South is approximately 700Mt. *(see news release of 2 November 2017)*

A study of historical drilling results from a total of 216 holes and more than 200 field adits and trenches, is now being undertaken with the appointment of Palaris Australia Pty Ltd. as consulting Competent Person. This study along with the results of the 2018 drilling program currently underway, have the objective of significantly increasing the JORC resources and refining the definition of the coking properties on the Elan project.

Below is a summary of the historical exploration at Elan, extracted from Dahrouge's 2013 report (table 6-1)

**Table 1. Historic Exploration Summary at Elan Coal (Copy of Table 6-1 by Dahrouge 2013)**

| Area | Operator | Campaign | Core holes | Bore holes/ Wells | Adits | Trenches | Mapping | Access Trails (km) |
|---|---|---|---|---|---|---|---|---|
| OMR (Isolation South) | Scurry | 1970 | 19 | - | 3 | 24 | - | 22.5 |
| | | | | | | | | |
| Savanna | Bralorne | 1969-72 | 8 | 57 | 5 | 15 | 1:4,800 ft | - |
| Savanna | CIGOL | 1971 | 2 | - | - | - | - | - |
| | | | | | | | | |
| Isolation | CanPac | 1969-71 | 76 | 5 | 6 | 76 | 1:12,000 / 1:2,400 | ~117.5 |
| Isolation | Granby | 1974 | 18 | 9 | | 45 | 1:2,400 | |
| | | | | | | | | |
| Regional-OMR | W.C.C | 1949-55 | - | - | - | 33 | 1:12000 | Extensive |
| Regional-Isola | CCL | 1971 | 3 | - | - | 15 | - | - |
| Regional-OMR | Consol | 1976 | - | - | - | - | 1:12,000 | - |
| Regional | CHE & Devon | 1989 | - | 1 | - | - | - | - |
| Regional | NEC | 2001-02 | - | 20 | - | - | - | - |
| **Total** | | | **126** | **92** | **14** | **208** | | |

The second stage of drilling at Elan South commenced in the week of 13th August 2018. An additional 12 holes have been completed as of 11th September, totaling 24 for this year's program (*see map on page 3*). Cored holes to extract sufficient materials for coke quality testing are planned for later in September. Coal cuttings have been sent to a specialist coal testing laboratory for analysis, with results expected later in the year, along with a new JORC report for Elan South and an update on the entire Elan project by Palaris

**PANORAMA PROJECT – British Columbia, Canada**

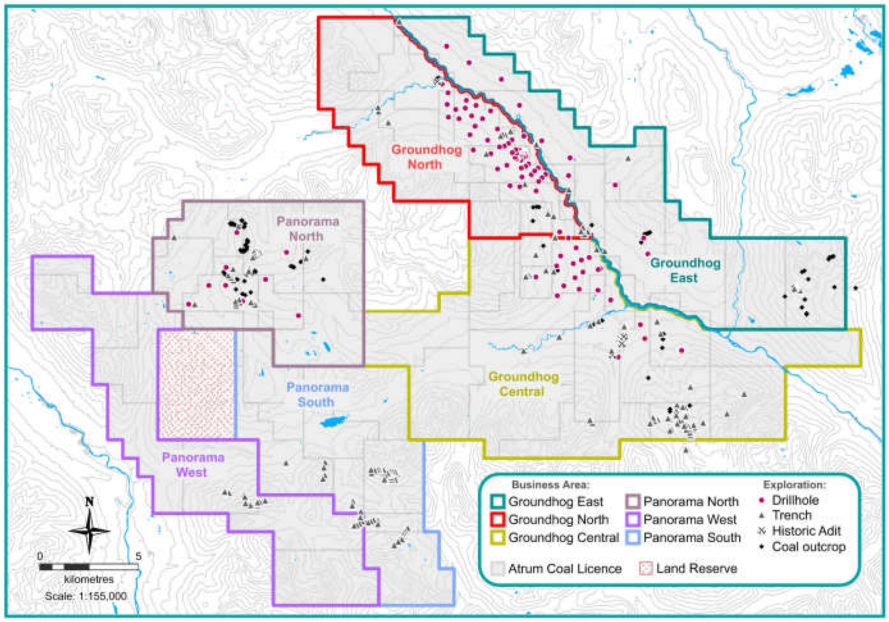
*Panorama North*

The Panorama North Project is located south-west of Groundhog North in British Columbia, Canada. It consists of 12 titles and covers an area of 74 Km2. The Company has a joint venture exploration agreement with Japan Oil, Gas and Metals National Corporation (JOGMEC). Under the agreement, JOGMEC can earn in up to 35% interest in the Panorama North Project by investing C$5m in exploration expenditures across the project over a three-year period.

During the six months ended 30 June 2018, the JOGMEC earned in a 21% interest in the project. Ground work including drilling with an estimated budget of $1,89M, fully funded by JOGMEC, has already started at Panorama. At the end of this program, JOGMEC will increase its equity interest in the Panorama North project to 35%.

*Panorama South*

The Company entered into an Addendum to amend the Joint Exploration Agreement on the Panorama North Coal Project with JOGMEC for the purpose of negotiating a possible joint exploration agreement, on or before 31 March 2021, on the Panorama South Project located southwest of Groundhog North in British Columbia, Canada. The Company and JOGMEC have agreed to convert the exclusivity JOGMEC has had on the Panorama West area under the Panorama North JEA to Panorama South by this Addendum. During the term of this Addendum, JOGMEC will refund the Company the tenement lease payments for Panorama South.




**Panorama and Groundhog project areas**

### GROUNDHOG ANTHRACITE PROJECT – British Columbia, Canada

The Groundhog Anthracite Project (Groundhog) is in the Groundhog Coalfield in north-western British Columbia, Canada. Atrum's current Groundhog tenements consist a total area of approximately 600 sq km, including those of the Panorama North, South and West project. All are prospective for high grade and ultra-high grade anthracite deposits. The Company continues to research potential Joint Venture partners that can assist with the exploration and development of Groundhog.

### TENEMENTS

Atrum's tenement holdings at 30 June 2018 are set out on pages 7 to 9.

### CORPORATE

There have been no changes in the board of directors during the six months ended 30 June 2018.

### SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Group during the half year other than disclosed in this Interim Financial Report.

### MATTERS SUBSEQUENT TO REPORTING PERIOD

Other than as noted below, no matters or circumstances have arisen since 30 June 2018 which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group.

- 541,964 options exercisable at a price of $0.746 and 8,198,786 options exercisable at a price of $0.596 expired unexercised;
- 50,000 shares of the Company were issued as a conversion of $5,000 of Kuro Coal Convertible Notes;
- 1,030,000 options were issued to employees under the Employee Share Option Scheme
- 4,799,382 listed options, exercisable at a price of $0.20 on or before 31 March 2021, were issued pursuant to the capital raising mandate, for a total consideration of $480.
- Repayment of $62,353 of Lenark loan in cash, including interest of $2,353

## AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 11 and forms part of this Directors' Report for the six months ended 30 June 2018.

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

**Max Wang**
Director

12 September 2018

**TENEMENT SUMMARY**
**30 June 2018**

| Tenure Number | Owner | Project | Tenure Type | Tenure Sub Type | Area (ha) |
|---|---|---|---|---|---|
| 394847 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 259.00 |
| 394848 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 259.00 |
| 394849 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 259.00 |
| 417079 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 991.00 |
| 417080 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 565.00 |
| 417081 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 636.00 |
| 417082 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 212.00 |
| 417085 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 1031.00 |
| 417088 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 777.00 |
| 417089 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 142.00 |
| 417090 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 568.00 |
| 417094 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 71.00 |
| 417095 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 425.00 |
| 417096 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 71.00 |
| 417098 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 1204.00 |
| 417100 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 71.00 |
| 417101 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 960.00 |
| 417291 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 73.00 |
| 417293 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 426.00 |
| 417294 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 284.00 |
| 417295 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 851.00 |
| 417297 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 918.00 |
| 417298 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 1059.00 |
| 417300 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 355.00 |
| 417301 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 851.00 |
| 417520 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 212.00 |
| 417521 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 142.00 |
| 417522 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 71.00 |
| 417523 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 354.00 |
| 417528 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 142.00 |
| 418443 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 1416.00 |
| 418444 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 1416.00 |
| 418445 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 1417.00 |
| 418446 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 1205.00 |
| 418587 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 1411.00 |
| 418588 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 1412.00 |
| 418589 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 1273.00 |
| 418590 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 1415.00 |
| 418924 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 1239.00 |
| 418925 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 1332.00 |
| 418926 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 1280.00 |
| 418927 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 354.00 |
| 418928 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 1416.00 |

| Tenure Number | Owner | Project | Tenure Type | Tenure Sub Type | Area (ha) |
|---|---|---|---|---|---|
| 418929 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 1419.00 |
| 418930 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 1420.00 |
| 418931 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 1421.00 |
| 418932 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 1421.00 |
| 418941 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 1418.00 |
| 418942 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 1417.00 |
| 418943 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 1416.00 |
| 418944 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 1416.00 |
| 418950 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 1418.00 |
| 418951 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 1418.00 |
| 418952 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 1417.00 |
| 418955 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 1265.00 |
| 418959 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 1414.00 |
| 418960 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 1412.00 |
| 418962 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Licence | 1136.00 |
| 419192 | Atrum Coal Groundhog Inc. | Groundhog | Coal | Application | 600.00 |
| 417084 | Atrum Coal Panorama Inc. | Panorama | Coal | Licence | 708.00 |
| 417086 | Atrum Coal Panorama Inc. | Panorama | Coal | Licence | 142.00 |
| 417292 | Atrum Coal Panorama Inc. | Panorama | Coal | Licence | 279.00 |
| 417296 | Atrum Coal Panorama Inc. | Panorama | Coal | Licence | 71.00 |
| 417299 | Atrum Coal Panorama Inc. | Panorama | Coal | Licence | 779.00 |
| 417525 | Atrum Coal Panorama Inc. | Panorama | Coal | Licence | 425.00 |
| 417526 | Atrum Coal Panorama Inc. | Panorama | Coal | Licence | 707.00 |
| 417527 | Atrum Coal Panorama Inc. | Panorama | Coal | Licence | 71.00 |
| 418953 | Atrum Coal Panorama Inc. | Panorama | Coal | Licence | 1346.00 |
| 418957 | Atrum Coal Panorama Inc. | Panorama | Coal | Licence | 1415.00 |
| 418958 | Atrum Coal Panorama Inc. | Panorama | Coal | Licence | 1345.00 |
| 418961 | Atrum Coal Panorama Inc. | Panorama | Coal | Licence | 71.00 |
| 419264 | Atrum Coal Peace River Inc. | Bowron River | Coal | Licence | 1070.43 |
| 419265 | Atrum Coal Peace River Inc. | Bowron River | Coal | Licence | 1374.46 |
| 419266 | Atrum Coal Peace River Inc. | Bowron River | Coal | Licence | 1376.09 |
| 120019501 | Elan Coal Ltd. | Elan | Coal Lease Application | | 1536.00 |
| 120019502 | Elan Coal Ltd. | Elan | Coal Lease Application | | 1616.00 |
| 120019503 | Elan Coal Ltd. | Elan | Coal Lease Application | | 1723.90 |
| 120019504 | Elan Coal Ltd. | Elan | Coal Lease Application | | 1662.16 |
| 120019505 | Elan Coal Ltd. | Elan | Coal Lease Application | | 1536.00 |
| 120019506 | Elan Coal Ltd. | Elan | Coal Lease Application | | 768.00 |
| 120019507 | Elan Coal Ltd. | Elan | Coal Lease Application | | 1629.30 |
| 120071201 | Elan Coal Ltd. | Elan | Coal Lease Application | | 1936.00 |
| 120071202 | Elan Coal Ltd. | Elan | Coal Lease Application | | 64.00 |
| 120071203 | Elan Coal Ltd. | Elan | Coal Lease Application | | 1840.00 |
| 120071204 | Elan Coal Ltd. | Elan | Coal Lease Application | | 1645.00 |
| 120071205 | Elan Coal Ltd. | Elan | Coal Lease Application | | 1582.10 |
| 120071206 | Elan Coal Ltd. | Elan | Coal Lease Application | | 112.00 |
| 120071207 | Elan Coal Ltd. | Elan | Coal Lease Application | | 960.00 |

| Agreement Number | Participants | Project | Agreement type | Area (ha) |
|---|---|---|---|---|
| 120071208 | Elan Coal Ltd. | Elan | Coal Lease Application | 1687.30 |
| 120286501 | Elan Coal Ltd. | Elan | Coal Lease Application | 16.00 |
| 120286502 | Elan Coal Ltd. | Elan | Coal Lease Application | 16.00 |
| 120286503 | Elan Coal Ltd. | Elan | Coal Lease Application | 64.00 |
| 120286504 | Elan Coal Ltd. | Elan | Coal Lease Application | 208.00 |
| 120286505 | Elan Coal Ltd. | Elan | Coal Lease Application | 48.00 |
| 120286506 | Elan Coal Ltd. | Elan | Coal Lease Application | 114.00 |
| 120286507 | Elan Coal Ltd. | Elan | Coal Lease Application | 144.00 |
| 120286508 | Elan Coal Ltd. | Elan | Coal Lease Application | 852.89 |
| 130011401 | Elan Coal Ltd. | Elan | Coal Lease Application | 256.00 |
| 130011402 | Elan Coal Ltd. | Elan | Coal Lease Application | 128.00 |
| 130011403 | Elan Coal Ltd. | Elan | Coal Lease Application | 96.50 |
| 130011404 | Elan Coal Ltd. | Elan | Coal Lease Application | 128.00 |
| **Total** | | | | **22369.15** |

## FORWARD LOOKING STATEMENTS

This report includes forward looking statements. Often, but not always, forward looking statements can generally be identified by the use of forward looking words such as “may”, “will”, “expect”, “intend”, “plan”, “estimate”, “anticipate”, “continue”, and “guidance”, or other similar words and may include, without limitation statements regarding plans, strategies and objectives of management, anticipated production or construction commencement dates and expected costs or production outputs. Forward looking statements in this report include, but are not limited to, the capital and operating cost estimates and economic analyses from studies.

Forward looking statements inherently involve known and unknown risks, uncertainties and other factors that may cause the company’s actual results, performance and achievements to differ materially from any future results, performance or achievements. Relevant factors may include, but are not limited to, changes in commodity prices, foreign exchange fluctuations and general economic conditions, increased costs and demand for production inputs, the speculative nature of exploration and project development, including the risks of obtaining necessary licences and permits and diminishing quantities or grades of resources or reserves, political and social risks, changes to the regulatory framework within which the company operates or may in the future operate, environmental conditions including extreme weather conditions, recruitment and retention of personnel, industrial relations issues and litigation.

Forward looking statements are based on the company and its management’s good faith assumptions relating to the financial, market, regulatory and other relevant environments that will exist and affect the company’s business and operations in the future. The company does not give any assurance that the assumptions on which forward looking statements are based will prove to be correct, or that the company’s business or operations will not be affected in any material manner by these or other factors not foreseen or foreseeable by the company or management or beyond the company’s control.

Although the company attempts to identify factors that would cause actual actions, events or results to differ materially from those disclosed in forward looking statements, there may be other factors that could cause actual results, performance, achievements or events not to be anticipated, estimated or intended, and many events are beyond the reasonable control of the company. Accordingly, readers are cautioned not to place undue reliance on forward looking statements.

Forward looking statements in this report are given as at the date of issue only. Subject to any continuing obligations under applicable law or any relevant stock exchange listing rules, in providing this information the company does not undertake any obligation to publicly update or revise any of the forward looking statements or to advise of any change in events, conditions or circumstances on which any such statement is based.

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

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

As lead auditor for the review of Atrum Coal Limited for the half-year ended 30 June 2018, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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, 12 September 2018

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation *other than for the acts or omissions of financial services licensees*

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2018

| | Note | Six months to 30 June 2018 | Six months to 31 December 2017 |
|---|---|---|---|
| | | $ | $ |
| **Revenue** | | | |
| Interest income | | 4,509 | 1,214 |
| Mineral exploration tax credit | | - | 1,809,510 |
| **Expenses** | | | |
| Administration | | (34,713) | (99,400) |
| Compliance and regulatory | | (196,627) | (375,508) |
| Consultancy | | (52,531) | (27,121) |
| Depreciation and amortisation | | (68,103) | (70,567) |
| Director fees | | (80,039) | (220,413) |
| Staffing costs | | (120,708) | (561,055) |
| Exploration expenditure | | (1,071,070) | (93,144) |
| Finance costs | | (51,157) | (231,838) |
| Foreign exchange gain/(loss) | | 518 | (7,134) |
| Impairment | | - | (64,499) |
| Debt settlement | 7 | 332,304 | - |
| Fair value loss on financial asset at fair value through profit or loss | 5 | (52,016) | - |
| Occupancy | | (81,777) | (137,515) |
| Public relations and marketing | | (53,055) | (59,809) |
| Share-based payments | | (47,871) | (131,617) |
| Travel | | (94,434) | (101,176) |
| **Loss before income tax expense** | | (1,666,770) | (370,072) |
| Income tax expense | | - | - |
| **Net loss after income tax expense** | | **(1,666,770)** | **(370,072)** |
| **Other comprehensive income (loss)** | | | |
| ***Items that may be reclassified to profit or loss*** | | | |
| Exchange differences arising from translation of foreign operations | | 93,775 | 320 |
| **Other comprehensive income for the period, net of tax** | | 93,775 | 320 |
| **Total comprehensive loss for the period attributable to owners of the Company** | | **(1,572,995)** | **(369,752)** |
| **Loss per share** | | **Cents** | **Cents** |
| Basic and diluted loss per share | 3 | (0.6) | (0.2) |

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

| | Note | 30 June 2018 $ | 31 December 2017 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | | 5,855,613 | 2,019,636 |
| Trade and other receivables | 4 | 194,400 | 159,730 |
| Inventory | 5 | - | 1,691,295 |
| Financial asset at amortised cost | 5 | 937,131 | - |
| **Total Current Assets** | | **6,987,144** | **3,870,661** |
| **Non-Current Assets** | | | |
| Plant and equipment | | 136,663 | 203,642 |
| Exploration and evaluation expenditure | 6 | 12,476,647 | 6,831,706 |
| Reclamation bonds | | 176,771 | 180,155 |
| **Total Non-Current Assets** | | **12,790,081** | **7,215,503** |
| **Total Assets** | | **19,777,225** | **11,086,164** |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 7 | 928,381 | 1,108,147 |
| Other financial liabilities | 8(a) | 30,000 | 800,000 |
| Borrowings | 8(b) | 164,439 | 420,000 |
| **Total Current Liabilities** | | **1,122,820** | **2,328,147** |
| **Non-Current Liabilities** | | | |
| Borrowings | 8(b) | - | 1,200,607 |
| **Total Non-Current Liabilities** | | **-** | **1,200,607** |
| **Total Liabilities** | | **1,122,820** | **3,528,754** |
| **NET ASSETS** | | **18,654,405** | **7,557,410** |
| **EQUITY** | | | |
| Issued capital | 9 | 83,848,355 | 71,226,236 |
| Reserves – Share based payments | | 4,703,233 | 4,655,362 |
| Translation reserve | | 166,026 | 72,251 |
| Accumulated losses | | (70,063,209) | (68,396,439) |
| **TOTAL EQUITY** | | **18,654,405** | **7,557,410** |

*The above consolidated statement of financial position should be read in conjunction with the accompanying notes.*

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2018

| 30 June 2018 Consolidated | Issued Capital $ | Share-Based Payment Reserve $ | Foreign Currency Translation Reserve $ | Accumulated Losses $ | Total Equity $ |
|---|---|---|---|---|---|
| Balance as at 1 January 2018 | **71,226,236** | **4,655,362** | **72,251** | **(68,396,439)** | **7,557,410** |
| **Other Comprehensive Income** | | | | | |
| Share-based payments/Options | - | 47,871 | - | - | 47,871 |
| Movement in reserve | - | - | 93,775 | | 93,775 |
| Loss for the period | - | - | - | (1,666,770) | (1,666,770) |
| **Total comprehensive loss for the period** | - | 47,871 | 93,775 | (1,666,770) | (1,525,124) |
| **Transactions with equity holders:** | | | | | |
| Securities issued during the period | 13,265,559 | - | - | - | 13,265,559 |
| Capital raising costs | (643,440) | - | - | - | (643,440) |
| **Total contribution by equity holders** | 12,622,119 | - | - | - | 12,622,119 |
| **Balance as at 30 June 2018** | **83,848,355** | **4,703,233** | **166,026** | **(70,063,209)** | **18,654,405** |

| 31 December 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** | | | | | |
| Share-based payments/Options | - | 131,617 | - | - | 131,617 |
| Movement in reserve | - | - | 320 | | 320 |
| Loss for the period | - | - | - | (370,072) | (370,072) |
| **Total comprehensive loss for the period** | - | 131,617 | 320 | (370,072) | (238,135) |
| **Transactions with equity holders:** | | | | | |
| Securities issued during the period | - | - | - | - | - |
| **Total contribution by equity holders** | - | - | - | - | - |
| **Balance as at 31 December 2017** | **71,226,236** | **4,655,362** | **72,251** | **(68,396,439)** | **7,557,410** |

*The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

# CONSOLIDATED STATEMENT OF CASHFLOWS
# FOR THE SIX MONTHS ENDED 30 JUNE 2018

| | 30 June 2018 $ | 31 December 2017 $ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Receipts from authorities (METC and GST refunds) | 76,674 | 1,886,184 |
| Payments to suppliers and employees | (521,758) | (2,079,288) |
| Proceeds from customers | 650,970 | 227,926 |
| Interest received | 4,509 | 1,214 |
| Exploration expenditure (net amount) | (1,071,070) | (93,144) |
| **Net cash used in operating activities** | **(860,675)** | **(57,108)** |
| **Cash flows from investing activities** | | |
| Acquisition of mining interest (see notes 6(i) and (ii)) | (3,133,047) | (101,783) |
| **Net cash used in investing activities** | **(3,133,047)** | **(101,783)** |
| **Cash flows from financing activities** | | |
| Proceeds from issue of shares | 9,598,764 | - |
| Payment of capital raising costs | (643,440) | - |
| Repayment of borrowings | (1,071,168) | (1,835,925) |
| Interest paid | (51,157) | (281,581) |
| **Net cash provided by/(used in) financing activities** | **7,832,999** | **(2,117,506)** |
| Net increase/(decrease) in cash and cash equivalents | 3,839,276 | (2,276,397) |
| Cash and cash equivalents at beginning of the period | 2,019,636 | 4,390,934 |
| Effect of foreign currency translation on cash held | (3,299) | (94,901) |
| **Cash and cash equivalents at end of the period** | **5,855,613** | **2,019,636** |

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.*

## 1. REPORTING ENTITY

Atrum Coal Limited (the "Company"), is a listed for-profit public company, incorporated and domiciled in Australia.

The consolidated interim financial report of the Company for the six months ended 30 June 2018 comprises the Company and its controlled entities (together referred to as the "Group").

A copy of the consolidated audited financial report of the Group as at and for the six months ended 31 December 2017 is available upon request from the Company's registered office at Unit 1B, 205-207 Johnston Street Fitzroy, VIC 3065 or at www.atrumcoal.com.

## 2. BASIS OF PREPARATION

### Statement of Compliance

The consolidated interim financial report is a general-purpose financial report which has been prepared in accordance with Australian Accounting Standard AASB 134: Interim Financial Reporting, and 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 interim reporting period subsequent to the year ended 31 December 2017 is for a six-month period ended 30 June 2018. The comparative numbers are for the six months ended 31 December 2017.

The consolidated interim financial report does not include full disclosures of the type normally included in the annual financial report. Accordingly, it is recommended that this report be read in conjunction with the audited financial report of the Company for the six months ended 31 December 2017 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the Corporations Act 2001.

The consolidated interim financial report was authorised for issue by the Directors on 12 September 2018.

### Use of Estimates and Judgements

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The judgements, estimates and assumptions applied in preparing this consolidated interim financial report, including the key sources of estimation uncertainty, were consistent with those applied in the Group's audited financial report for the six months ended 31 December 2017.

As the acquisition of the Elan project does not meet the definition of a business combination, the transaction has been accounted for as an asset acquisition. When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction and no deferred tax under AASB 112 applies. No goodwill arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset.

### Changes in Accounting Policies and Accounting Standards

The accounting policies adopted in this report are consistent with those applied by the Group in its consolidated audited financial report for the six months ended 31 December 2017.

In the current reporting period, the Group has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to its operations and effective for the current reporting period. The adoption of the following new and revised Standards and Interpretations which became effective on 1 January 2018 has not resulted in a significant or material change to the Group's accounting policies, except for *AASB 9 Financial Instruments*.

*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. The Company, being in Exploration and evaluation of mining properties has not derived any revenue, and the adoption of this standard did not result in any impact on the financial statements of the Company.

## 2. BASIS OF PREPARATION (Continued)

### Changes in Accounting Policies and Accounting Standards (continued)

*AASB 9 Financial Instruments – Accounting policies applied from January 1, 2018*

The following explains the impact of the adoption of *AASB 9 Financial Instruments* on the Company's financial statement and discloses the new accounting policies that have been applied from January 1, 2018, where they are different to these applied in prior reporting periods.

As a result of the changes in the Company's accounting policies, there was no material impact on the balance sheet as at 31 December 2017.

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

**Investments and other financial assets**

***Classification***
From January 1, 2018, the Group classifies its financial assets in the following measurement categories:

- those measured subsequently at fair value (either through OCI, or through profit or loss), and
- those measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

***Measurement***
At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

*Debt instruments*: Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- Amortised cost:
  Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line items in the statement of profit or loss.
- FVPL:
  Assets that do not meet the criteria for amortised cost are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

*Equity instruments*: The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

## 2. BASIS OF PREPARATION (Continued)

### Changes in Accounting Policies and Accounting Standards (continued)

*AASB 9 Financial Instruments – Accounting policies applied from January 1, 2018 (continued)*

***Impairment***

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The Group has reviewed all new Standards and Interpretations that have been issued but are not yet effective for the current reporting period. 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 the business and, therefore, no change is necessary to the Group's accounting policies.

## 3. EARNINGS PER SHARE

| | 30 June 2018 | 31 December 2017 |
|---|---|---|
| Basic loss per share (cents) | **(0.6)** | (0.2) |
| Loss used to calculate basic and diluted earnings per share ($) | **(1,666,770)** | (370,072) |
| Weighted average number of ordinary shares used to calculate basic and diluted EPS | **274,385,925** | 232,024,124 |

## 4. OTHER RECEIVABLES

| | 30 June 2018 $ | 31 December 2017 $ |
|---|---|---|
| GST receivable and deposits | **104,617** | 104,460 |
| Deposits and payments in advance | **89,783** | 55,270 |
| | **194,400** | **159,730** |

Terms and conditions relating to the above financial instruments:

- Other receivables are non-interest bearing and are generally repayable within 30 days.
- No receivables are past due or impaired.

## 5. FINANCIAL ASSET AT AMORTISED COST

| | 30 June 2018 $ | 31 December 2017 $ |
|---|---|---|
| Inventory at start of period | **1,691,295** | 1,919,221 |
| Sale of inventory | **(650,970)** | (227,926) |
| Transferred to financial asset at amortised cost | **(1,040,325)** | - |
| Inventory at close of period | **-** | **1,691,295** |
| | | |
| Financial asset at amortised cost | | |
| Transferred from Inventory | **1,040,325** | - |
| Expected credit loss provision | **(52,016)** | - |
| Exchange loss on translation | **(51,178)** | - |
| Balance at close of period | **937,131** | - |

In 2017, the Company acquired 15,000 tons of raw coal for USD1,500,000 for resale outside the United States. Due to poor market conditions, the Company returned 2,750 tons the supplier for an amount of USD275,000. During the six months ended 30 June 2018, the supplier re-purchased the inventory and paid the Company a total of $650,970 (USD502,250). At 30 June 2018, the supplier agreed to pay the balance over a period of 12 months. As such, at that date, the balance of the inventory has been reclassified as a financial asset at amortised cost. Upon initial recognition of the amount receivable, the Group has applied the simplified approach permitted by AASB 9 which requires expected lifetime losses to be recognized from initial recognition of the receivable. An allowance for expected loss was recognised based on a probability of default of 5% at the date of initial recognition.

## 6. EXPLORATION AND EVALUATION EXPENDITURE

| | 30 June 2018 $ | 31 December 2017 $ |
|---|---|---|
| Naskeena Project | **36,781** | 35,994 |
| Groundhog Project | **2,023,192** | 1,975,087 |
| Panorama Project | **4,833,773** | 4,718,842 |
| Elan Project | **5,582,811** | 101,783 |
| | **12,476,647** | **6,831,706** |
| **Reconciliation** | | |
| Balance at start of period | **6,831,706** | 6,139,872 |
| Acquisition of Elan (i) | **5,394,840** | 101,783 |
| Advanced royalty payment (ii) | **101,066** | - |
| Transfer of amounts receivable (ii) | **-** | 501,751 |
| Foreign exchange translation differences | **149,035** | 88,300 |
| **Balance at end of period** | **12,476,647** | **6,831,706** |

### 6. EXPLORATION AND EVALUATION EXPENDITURE (continued)

(i) On March 29, 2018, the Company acquired the Elan project through the acquisition of the shares of Elan Coal Ltd., a company incorporated in the province of Alberta, Canada. The total consideration for the acquisition amounted to C$3,000,000 in cash ($3,031,981) and 19,690,490 shares at a market value of $2,362,858. The fair value of the Elan project at the date of acquisition was C$5,332,124 (A$ 5,388,967) and was determined by the market value of the consideration exchanged. *Please see note 14*. During the period ended 31 December 2017, the Company paid a deposit of $101,783 towards the acquisition of the project.

(ii) These amounts represent advanced annual 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.

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. The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases are dependent on the successful development and commercial exploitation or sale of the respective areas.

### 7. TRADE AND OTHER PAYABLES

| | 30 June 2018 $ | 31 December 2017 $ |
|---|---|---|
| Trade payables | 857,280 | 602,960 |
| Other accruals | 71,101 | 505,187 |
| | **928,381** | **1,108,147** |

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.

During the six months ended 30 June 2018, the Company wrote back accruals for expenses that were carried in the books from previous periods. A total amount of $332,304 has been reported to statement of profit or loss.

### 8(a). OTHER FINANCIAL LIABILITIES

| | 30 June 2018 $ | 31 December 2017 $ |
|---|---|---|
| Other financial liabilities comprise: | | |
| Kuro Coal Limited - Convertible Notes (i) | 30,000 | 800,000 |
| | **30,000** | **800,000** |

(i) During the six months to 30 June 2018, 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 at a price of $0.10 each. Consequently, the Company issued 7,600,000 shares to those exercising the option. Convertible notes of $10,000 were redeemed in cash.

## 8(b). BORROWINGS

| | 30 June 2018 $ | 31 December 2017 $ |
|---|---|---|
| Offset Loan Agreement | | |
| Due within 12 months | 164,439 | 420,000 |
| Due within more than 12 months | - | 1,200,607 |
| | **164,439** | **1,620,607** |

During the six months ended 30 June 2018, the Company made repayments totaling $1,456,168 towards the principal outstanding on the Lenark Pty Ltd. loan, which included an amount of $800,000, in accordance with the accelerated repayment clause of the loan agreement and $395,000 as debt conversion following Lenark's participation in the Entitlement issuance (see note 9(b) below). During the period, interest amounting to $51,157 was paid on the loan. Subsequent to 30 June 2018, total principal and interest payments of $62,353 were made in keeping with the monthly repayments towards the loan.

Lenark Pty Ltd is an entity associated with Mr. James Chisholm, director of the Company.

The Board considers that the terms of the Loan Agreement are arms-length.

The loan is unsecured.

## 9. ISSUED CAPITAL

### (a) Issued and paid up share capital

| | 30 June 2018 | | 31 December 2017 | |
|---|---|---|---|---|
| | Number | $ | Number | $ |
| **Issued Capital** | | | | |
| Ordinary shares – fully paid | 359,340,778 | 83,848,355 | 232,112,649 | 71,226,236 |
| **Total** | **359,340,778** | **83,848,355** | **232,112,649** | **71,226,236** |

### (b) Movements in share capital:

| | Number | $ |
|---|---|---|
| **Ordinary shares – fully paid** | | |
| Balance at 1 January 2018 | 232,112,649 | 71,226,236 |
| Private placement and Entitlement issue[1] | 99,937,639 | 9,993,764 |
| Acquisition of Elan Project [2] | 19,690,490 | 2,362,858 |
| Redemption of Kuro Notes | 7,600,000 | 909,000 |
| Capital raising costs | - | (643,502) |
| **Balance at 30 June 2018** | **359,340,778** | **83,848,356** |

1. During the six months ended 30 June 2018, the Company closed the following placements
   - A placement of 80,000,000 units at a price of $0.10 each. Each unit comprises one share and one attaching listed option, exercisable at a price of $0.20 on or before 31 March 2021
   - An entitlement issuance 19,937,639 units at a price of $0.10 each. Each unit was for every 5 shares held at 27 March 2018 and comprises one share and one attaching listed option, exercisable at a price of $0.20 on or before 31 March 2021. See also note 8(b).
2. 19,690,490 shares at a market price of $0.12 each were issued with respect to the purchase of the Elan project. These are held in voluntary escrow until 29 March 2019 (see note 14)

## 9. ISSUED CAPITAL (continued)

### (b) Movements in share capital: (continued)

| | Number | $ |
|---|---|---|
| **Ordinary shares – fully paid** | | |
| Balance at 1 July 2017 | 231,992,649 | 71,226,236 |
| Issued under Employee Share scheme | 120,000 | - |
| **Balance at 31 December 2017** | **232,112,649** | **71,226,236** |

### (c) Movements in unlisted performance rights:

| | 30 June 2018 Number | 31 December 2017 Number |
|---|---|---|
| Balance at the start of period | 750,000 | 2,972,500 |
| Vested | - | (100,000) |
| Cancelled or forfeited | - | (2,122,500) |
| Balance at close of period | **750,000** | **750,000** |

### (d) Movements in unlisted options

| | 30 June 2018 Number | 31 December 2017 Number |
|---|---|---|
| Balance at the start of period | 28,846,824 | 24,372,242 |
| Issued on conversion of convertibles | - | 15,600,000 |
| Exercised | - | (11,125,418) |
| Balance at close of period | **28,846,824** | **28,846,824** |

Outstanding unlisted options at 30 June 2018 are as follows:

| Expiry Date | Exercise Price* | Number of Options Outstanding | Number of Exercisable Options | Average Remaining Life (Years) |
|---|---|---|---|---|
| 2 July 2018 | $0.596 | 8,198,786 | 8,198,786 | 0.01 |
| 15 August 2018 | $0.746 | 541,964 | 541,964 | 0.13 |
| 31 October 2018 | $0.596 | 1,063,636 | 1,063,636 | 0.34 |
| 14 November 2018 | $0.646 | 442,438 | 442,438 | 0.38 |
| 1 December 2018 | $0.176 | 500,000 | 500,000 | 0.42 |
| 1 December 2018 | $0.226 | 1,400,000 | 1,400,000 | 0.42 |
| 16 February 2019 | $0.746 | 3,000,000 | 3,000,000 | 0.63 |
| 1 June 2019 | $0.396 | 1,900,000 | 1,900,000 | 0.92 |
| 1 December 2019 | $0.496 | 3,000,000 | 3,000,000 | 1.42 |
| 1 June 2020 | $0.696 | 4,400,000 | 4,400,000 | 1.92 |
| 1 December 2020 | $0.996 | 4,400,000 | 4,400,000 | 2.42 |
| | **$0.643** | **28,846,824** | **28,846,824** | **0.97** |

*Exercise prices of options have been adjusted following the entitlement issue of 1 new share for 5 shares held (See note 9(b))

## 9. ISSUED CAPITAL (continued)

### (e) Movements in listed options

| | 30 June 2018 Number | 31 December 2017 Number |
|---|---|---|
| Balance at the start of period | - | - |
| Issued – Placement *(see note 9(b)(1) above)* | 99,937,639 | - |
| Balance at close of period | **99,937,639** | **-** |

## 10. SEGMENT REPORTING

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.

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

| Period ended 30 June 2018 | Exploration $ | All Other Segments $ | Consolidated $ |
|---|---|---|---|
| | | | |
| Segment loss | (1,197,803) | (468,967) | (1,666,770) |
| | | | |
| Segment assets | 14,378,927 | 5,398,298 | 19,777,225 |
| Segment liabilities | (560,521) | (562,299) | (1,122,820) |
| | | | |
| Other segment information included in segment loss | | | |
| Interest revenue | - | 4,509 | 4,509 |
| Finance costs | - | (51,157) | (51,157) |
| Impairment expense | - | (52,016) | (52,016) |
| Depreciation and amortisation | (68,103) | - | (68,103) |
| Segment loss | (1,197,803) | (468,967) | (1,666,770) |

As at 30 June 2018, the Group had no development assets.

## 10. SEGMENT REPORTING (Continued)

| Period ended 31 December 2017 | Exploration $ | All Other Segments $ | Consolidated $ |
|---|---|---|---|
| | | | |
| Segment 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 loss | 367,668 | (737,740) | (370,072) |

## 11. CONTINGENCIES AND COMMITMENTS

There are no changes in contingent liabilities that occurred during the six months ended 30 June 2018.

## 12. RELATED PARTY TRANSACTIONS

Remuneration arrangements of key management personnel are disclosed in the annual financial report.

During the period ended 30 June 2018, the Company paid capital raising fees of $511,975 (exclusive of GST) to Argonaut Capital Limited, a company of which a director is the Chairman. Other than the foregoing and Offset Loan repayment in Note 8, there was no additional related party transaction.

## 13. DIVIDENDS PAID OR PROVIDED FOR

No dividend has been paid or provided for during the six months ended 30 June 2018.

## 14. ACQUISITION OF SUBSIDIARY

On 29 March 2018, the Group acquired a 100% interest in Elan Coal Ltd, a company incorporated in Alberta, Canada. Elan Coal owns 100% interest in the Elan Coking Coal project. The consideration for the acquisition is as follows:

| | |
|---|---|
| Cash | $ 3,031,981 |
| 19,690,490 Shares | 2,362,858 |
| Total consideration | $ 5,394,839 |

**Fair value of identifiable assets acquired and liabilities assumed at the date of acquisition**

| | |
|---|---|
| Cash and cash equivalents | $ 5,714 |
| Accounts receivable | 158 |
| Fair value of exploration and evaluation asset | 5,388,967 |
| Total fair value of assets and liabilities | $ 5,394,839 |

## 15. EVENTS OCCURRING AFTER THE REPORTING DATE

Other than as noted below, no matters or circumstances have arisen since 30 June 2018 which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group.

- 541,964 options exercisable at a price of $0.746 and 8,198,786 options exercisable at a price of $0.596 expired unexercised;
- 50,000 shares of the Company were issued as a conversion of $5,000 of Kuro Coal Convertible Notes;
- 1,030,000 options were issued to employees under the Employee Share Option Scheme
- 4,799,382 listed options, exercisable at a price of $0.20 on or before 31 March 2021, were issued pursuant to the capital raising mandate, for a total consideration of $480.
- Repayment of $62,353 of Lenark loan in cash, including interest of $2,353.

# DIRECTORS' DECLARATION

In the opinion of the Directors of Atrum Coal Limited (the "Company"):

a) the financial statements and notes, as set out on pages 12 to 25, are in accordance with the *Corporations Act 2001*, including:

   (i) complying with Accounting Standard AASB 134: Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

   (ii) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the half-year ended on that date, and

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

**Max Wang**
Director

Calgary, Canada
Date: 12 September 2018

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Atrum Coal Limited

## Report on the Half-Year Financial Report

### Conclusion

We have reviewed the half-year financial report of Atrum Coal Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, 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 half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

### Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation *other than for the acts or omissions of financial services licensees*

Independence

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

BDO Audit (WA) Pty Ltd

BDO

Neil Smith

Neil Smith

Director

Perth, 12 September 2018

# CORPORATE DIRECTORY

**DIRECTORS**

Charles Blixt (Non-Executive Chairman)
James Chisholm
George Edwards
Charles Fear
Max Wang (Managing Director)

**REGISTERED AND PRINCIPAL OFFICE**

Unit 1B, 205-207 Johnston Street
Fitzroy, VIC 3065

Phone: +61 3 9191 0135
Fax: +61 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: +61 8 9315 2333
Facsimile: +61 8 9315 2233

**AUDITORS**

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

**AUSTRALIAN SECURITIES EXCHANGE**

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

**COMPANY SECRETARY**

Justyn Stedwell