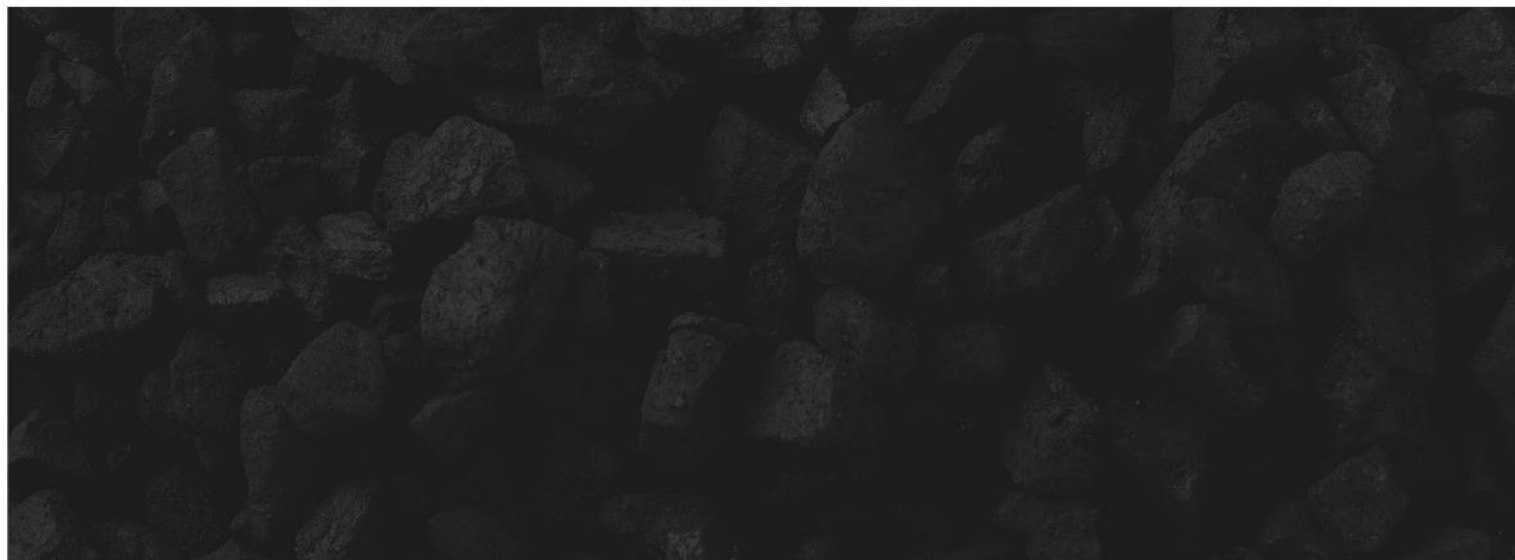


Annual Report  
Year ended 31 December 2018



## DIRECTORS' REPORT

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### DIRECTORS

Charles Blixt (Non-Executive Chairman) (appointed 29 May 2017)  
Richard Barker (appointed 4 February 2019)  
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

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

Phone: +61 (0) 3 9191 0135  
Fax: +61 (0) 3 8678 1747

Website: [www.atrumcoal.com](http://www.atrumcoal.com)  
Email: [info@atrumcoal.com](mailto: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**  
Lavan Legal  
1 William Street  
Perth, WA 6000  
Australia

**Canada**  
Osler, Hoskin & Harcourt LLP  
Suite 2500, TransCanada Tower  
450 – 1st Street SW  
Calgary, AB T2P 5H1

### AUSTRALIAN SECURITIES EXCHANGE

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

## DIRECTORS' REPORT

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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 year ended 31 December 2018. 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))
Richard Barker	Non-Executive Director (appointed 4 February 2019)
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)
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 26 March 2019, Mr. Blixt holds 1,400,000 fully paid ordinary shares in the Company and 2,400,000 unlisted options and 550,000 listed options.

#### Richard Barker - Non - Executive Director (appointed 4 February 2019)

Mr Barker has more than 30 years' experience in metals and mining industry financing, investment banking and M&A advisory. He is currently the Managing Director of Mosaic Capital Pty Ltd, a corporate finance company, a non-executive director and founding director of Batchfire Resources Pty Ltd, which owns and operates a 12Mtpa thermal coal mining operation in Queensland, Australia, a non-executive director and founding director of Australian Future Energy Pty Ltd, an emerging Queensland-based clean coal technology (above ground coal gasification) company, and a non-executive director of Cape River Resources Pty Ltd, which owns a thermal coal project in northern Queensland. Among many other senior management and executive roles, Mr. Barker was previously a non-executive director of ASX-listed Silver Heritage (ASX: SVH), managing director of RBC Capital Markets and co-head of its Australian Metals & Mining Investment Banking division, chief executive officer of ASX-listed Betcorp Ltd, and executive director of NM Rothschild & Sons (Australia) Ltd's Corporate Advisory Division.

Over the past 25 years in his investment banking career, Mr Barker managed or oversaw financings, M&A, JV formation or fund raising for various global companies in values from \$10M to over \$1B.

As at 26 March 2019, Mr. Barker holds 1,824,000 fully paid ordinary shares and 1,429,000 listed options through Aleste Investments Pty Ltd.

#### 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 since 1985, initially in engineering, then management, then M&A roles. James co-founded The Chairmen1 Pty Ltd (which was the largest shareholder of Guildford Coal Limited, now Terracom ASX: TER), 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 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 26 March 2019, Mr Chisholm has an indirect holding of 40,512,266 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, 3,950,000 listed options and 750,000 performance rights in the Company.

## DIRECTORS' REPORT

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### 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 26 March 2019, Mr. Edwards holds an indirect holding of 1,299,849 fully paid ordinary shares in the Company through Edwards Global Services Pty Ltd and 1,600,000 unlisted options and 550,000 listed options.

### 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. Argonaut works across the globe, and has conducted business in Australia, North and South America, throughout the Asia-Pacific region, and in Africa. Previous executive roles include Managing Director of CIBC World Markets, Director of Hartley Poynton and Senior Insolvency Partner at KPMG.

As at 26 March 2019, Mr. Fear holds the following through the following entities:

#### **Argonaut Equity Partners Pty Limited**

3,060,000 Ordinary fully paid shares

500,000 Unlisted options

510,000 Listed options

#### **Areley Kings Pty Ltd ATF C Fear Super A/C**

2,806,526 Ordinary fully paid shares

1,080,000 Listed options

#### **Areley Kings Pty Ltd ATF RAEF A/C**

1,350,000 Ordinary fully paid shares

350,000 listed options

1,600,000 Unlisted options

#### **Argonaut Investments Pty Limited**

4,799,382 Listed Options

### 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 is a Registered Professional Engineer in Alberta, Canada, with a Bachelor degree in Railway Engineering and a PhD degree in Civil Engineering. From 1990 to 1997, Max was an independent consultant on various infrastructure 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 the execution of 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 an Alberta-based coking coal producer (Grande Cache Coal) for C\$1B, and Mr. Wang led the business as President and Chief Executive from January 2013 until joining Atrium.

Mr. Wang is the past board chair and current vice chair of the Coal Association of Canada. From 2013 to 2015, Mr. Wang was a Director of Winsway Enterprises Holdings Ltd (now called E-Commodities) which is a Hong Kong stock exchange listed company and one of the largest independent metallurgical coal trading and logistics management companies in the global market.

As at 26 March 2018, Mr. Wang holds 675,236 fully paid ordinary shares in the Company and 9,000,000 unlisted options through a nominee and 550,000 listed options.

## DIRECTORS' REPORT

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### 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 Tymlez Group Ltd (ASX:TYM), Candy Club Holdings Ltd (ASX:CLB), Golden Mile Resources Limited (ASX:G88), Fertoz Ltd (ASX:FTZ), Lifespot Health (ASX: LSH), Cirralto Ltd (ASX:CRO), Imugene Ltd (ASX:IMU), Rectifier Technologies Ltd (ASX:RFT) 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 financial year, of entities within the Group was anthracite exploration and development in British Columbia, Canada.

### OPERATING AND FINANCIAL 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 previous reporting period was for the six months ended 31 December 2017. The comparative numbers are therefore for the six months ended 31 December 2017.

#### FINANCIAL POSITION

At 31 December 2018, the Group had cash reserves of \$3,101,677 (2017: \$2,019,636).

The net assets of the Group increased by \$8,492,608 during the financial year from \$7,557,410 to \$16,050,018. This increase was principally a result of an increase in cash following the placement and entitlement issue and acquisition of Elan Coal Project, after reducing the Lenark loan to \$141,371 from a balance of \$1,620,607 at 31 December 2017.

During the year ended 31 December 2018, the Company received \$1,028,897 (USD 776,490) from the inventory it held at 31 December 2017, bringing the amount outstanding at year ended 31 December 2018 to \$599,122 (USD 446,510).

#### FINANCING AND INVESTING ACTIVITIES

During the financial year, the Company issued a total of 128,718,129 shares, of which 99,937,639 shares were from a placement and entitlement issue, raising \$9,598,828 in cash and \$395,000 in loan repayment, 19,690,490 shares for the purchase of Elan Project, 7,650,000 shares as redemption of the Kuro Coal Convertible notes and 1,440,000 as a settlement of debt.

#### Acquisition of Elan Coal asset

During the financial year, the Company acquired 100% shareholding of Elan Coal Ltd, a company incorporated in Alberta, Canada, which holds 100% interest in the Elan project. Management determined that the purchase represented an acquisition of the mining asset rather than a business combination because the mineral property was in the exploration and evaluation stage and had not yet demonstrated technical feasibility, economic viability or the ability to provide economic benefit. The project did not have the workforce, resources and reserves, mine plan, or financial resources to meet the definition of a business for accounting purposes.

#### Repayment of Lenark Loan

During the financial year, the Company repaid a total of \$1,179,236 in cash and \$300,000 in shares towards the principal amount due on the Lenark loan, thus reducing the outstanding amount from \$1,620,607 at 31 December 2017 to \$141,371. An amount of \$59,363 was paid on the outstanding loan during the financial year ended 31 December 2018.

#### Kuro Convertible Note

In addition to the 7,650,000 shares issued to redeem the Kuro Coal Convertible Notes, the Company also repaid \$10,000 towards the holders of the Convertible Notes, bringing the balance outstanding at year end to \$25,000.

## DIRECTORS' REPORT

### 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.

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

- (i) On 4<sup>th</sup> February 2019, the board appointed Mr. Richard Barker as director. Mr Barker has extensive experience in metals and mining industry, financing, investment and M&A advisory.
- (ii) 3,000,000 options, exercisable at a price of \$0.746 expired unexercised.
- (iii) 250,000 shares were issued as consideration for the remaining \$25,000 of Kuro Convertible Notes and 100,000 unlisted options exercisable at a price of \$0.10 on or before 20 February 2022, were granted under the ESOP.
- (iv) The Company completed a two-tranche private placement of approximately 114.3 million shares at an issue price of \$0.175 per share for a total of approximately \$20M. On 19 March 2019, tranche 1 was completed with the issue of 83,170,813 shares at \$0.175 per share for a total amount of \$14,445,892. Capital raising costs amounted to \$401,612. Tranche 2 is expected to close on or about 16 April 2019.

### 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 may also continue to pursue other potential investment opportunities to enhance shareholder value.

The Company continues with the ongoing exploration and development at the different project areas within the Elan Coal, with immediate focus on Elan South and Isolation South.

### 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:

	Year ended 31 December 2018		Period ended 31 December 2017	
	Board of Directors		Board of Directors	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Charles Blixt	11	10	4	4
J Chisholm	11	11	4	4
George Edwards	11	11	2	2
Charles Fear	11	11	2	2
Max Wang	11	11	-	-

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



# DIRECTORS' REPORT

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## REMUNERATION REPORT (AUDITED)

The directors are pleased to present Atrum Coal Ltd.'s remuneration report for the year ended 31 December 2018 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 2018 Annual General Meeting
- (g) Other transactions with key management personnel

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))
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)
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 share purchase options to Key Management Personnel and Employees as disclosed in Part E of this remuneration report.

# DIRECTORS' REPORT

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## 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

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## 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:

Directors	Year Ended 31 December	Short Term Benefits	Post Employment	Share Based Payments	Performance related		
		Salary and fees (includes Directors Fees)	Superannuation	Options(A)	Total	Fixed	LTI
		\$	\$	\$	\$	%	%
Charles Blixt <sup>(1)</sup>	2018	49,138	-	9,219	58,357	84%	16%
James Chisholm	2018	38,880	-	-	38,880	100%	0%
George Edwards <sup>(2)</sup>	2018	36,000	-	6,214	42,214	85%	15%
Charles Fear <sup>(3)</sup>	2018	33,658	2,342	6,214	42,214	85%	15%
Max Wang <sup>(4)</sup>	2018	389,320	-	57,051	446,371	87%	13%
<b>Total</b>	<b>2018</b>	<b>546,996</b>	<b>2,342</b>	<b>78,698</b>	<b>628,036</b>	<b>87%</b>	<b>13%</b>

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

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

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

(4) 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 31 December 2018, that the vesting conditions will realise. Please refer Note 13(d) for fair value methodology. None of the directors exercised any options or received any such payment during 2018.

## DIRECTORS' REPORT

### REMUNERATION REPORT (AUDITED) (CONT.)

#### D. Details of remuneration for the year (continued)

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

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

(6) Resigned on 17 August 2017

(7) Resigned on 24 July 2017

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

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

(10) Resigned on 17 August 2017

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

B. 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 31 December 2017, that the vesting conditions will realise. Please refer Note 13(d) for fair value methodology. None of the directors exercised any options or received any such payment during 2017.

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

##### Unlisted Options

During the year ended 31 December 2018, no option was granted to directors as part of remuneration. Movements in options during the period is as follows:

	Balance at the start of the year	Granted	Expired/ Exercised	Balance at the end of the year
<b>Unl</b>				
<b>Directors</b>				
Charles Blixt	2,400,000	-	(400,000)	2,000,000
George Edwards	1,600,000	-	(250,000)	1,350,000
Charles Fear	1,600,000	-	(250,000)	1,350,000
Max Wang	10,000,000	-	(1,000,000)	9,000,000
<b>Total</b>	<b>15,600,000</b>	<b>-</b>	<b>(1,900,000)</b>	<b>13,700,000</b>

The following are listed options acquired by the directors during the year ended 31 December 2018

	Balance at the start of the period	Acquired	Expired/ Exercised	Balance at the end of the period
<b>Listed Options</b>				
<b>Directors</b>				
Charles Blixt	-	550,000	-	550,000
James Chisholm	-	3,950,000	-	3,950,000
George Edwards	-	550,000	-	550,000
Charles Fear	-	6,739,382	-	6,739,382
Max Wang	-	550,000	-	550,000
<b>Total</b>	<b>-</b>	<b>12,339,382</b>	<b>-</b>	<b>12,339,382</b>

## DIRECTORS' REPORT

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

Details of Unlisted options granted to Directors as part of remuneration:

Director	Number of Options/ Conditions	Expiry Date	Exercise Price	Expected Vesting Period (yrs) <sup>1</sup>	% Vested	Value vested during the year(A)	Value Not Vested
Charles Blixt	400,000 <sup>(3)</sup>	1 June 2019	\$0.40	1.5	25%	\$ 2,633	\$ 898
	400,000 <sup>(4)</sup>	1 December 2019	\$0.50	2.0	25%	\$ 2,140	\$ 1,800
	600,000 <sup>(5)</sup>	1 June 2020	\$0.70	2.5	25%	\$ 2,481	\$ 3,326
	600,000 <sup>(6)</sup>	1 December 2020	\$1.00	3.0	25%	\$ 1,965	\$ 3,618
Charles Fear	250,000 <sup>(3)</sup>	1 June 2019	\$0.40	1.5	25%	\$ 1,646	\$ 561
	300,000 <sup>(4)</sup>	1 December 2019	\$0.50	2.0	25%	\$ 1,605	\$ 1,350
	400,000 <sup>(5)</sup>	1 June 2020	\$0.70	2.5	25%	\$ 1,653	\$ 2,218
	400,000 <sup>(6)</sup>	1 December 2020	\$1.00	3.0	25%	\$ 1,310	\$ 2,412
George Edwards	250,000 <sup>(3)</sup>	1 June 2019	\$0.40	1.5	25%	\$ 1,646	\$ 561
	300,000 <sup>(4)</sup>	1 December 2019	\$0.50	2.0	25%	\$ 1,605	\$ 1,350
	400,000 <sup>(5)</sup>	1 June 2020	\$0.70	2.5	25%	\$ 1,653	\$ 2,218
	400,000 <sup>(6)</sup>	1 December 2020	\$1.00	3.0	25%	\$ 1,310	\$ 2,412
Max Wang	500,000 <sup>(2)</sup>	1 December 2018	\$0.23	-	100%	\$ 17,539	\$ -
	1,000,000 <sup>(3)</sup>	1 June 2019	\$0.40	1.5	25%	\$ 6,582	\$ 2,246
	2,000,000 <sup>(4)</sup>	1 December 2019	\$0.50	2.0	25%	\$ 10,702	\$ 9,000
	3,000,000 <sup>(5)</sup>	1 June 2020	\$0.70	2.5	25%	\$ 12,402	\$16,632
	3,000,000 <sup>(6)</sup>	1 December 2020	\$1.00	3.0	25%	\$ 9,826	\$18,089
<b>TOTAL</b>	<b>14,200,000</b>					<b>\$78,698</b>	<b>\$68,691</b>

(1) From date of grant;

(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. None of the directors exercised any options or received any such payment during 2018.

B.

#### 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.

## DIRECTORS' REPORT

### 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					
<b>Directors</b>					
James Chisholm	750,000	-	-	-	750,000
	<b>750,000</b>	-	-	-	<b>750,000</b>

### 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 year	Issued on exercise of performance rights	Additions	Disposals	Balance at the end of the year
Year ended 31 December 2018					
<b>Directors</b>					
Charles Blixt	350,000	-	1,050,000	-	1,400,000
James Chisholm	38,751,384	-	3,950,000	-	42,701,384
George Edwards	102,675	-	1,197,174	-	1,299,849
Charles Fear	2,833,442	-	4,226,558	-	7,060,000
Max Wang	-	-	675,236	-	675,236
<b>Total</b>	<b>42,037,501</b>	-	<b>11,098,968</b>	-	<b>53,136,469</b>

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

### F. Voting and comments made at the Company's 2018 Annual General Meeting

The Company received 0.07% of votes "against" the adoption of the remuneration report for the 2017 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 \$59,363. At 31 December 2018, loan due to companies related to directors amounted to \$141,371 (See note 12).

During the year ended 31 December 2018, 1,400,000 options exercisable at a price of \$0.23 and 500,000 options exercisable at a price of \$0.18 granted to directors expired unexercised (see note 13(d)).

During the year ended December 31, 2018 the Company paid capital raising cost of \$511,975 in cash and 4,799,382 Listed options were granted at \$0.001 each to Argonaut Capital Ltd, a company related to a Mr. Fear.

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

## DIRECTORS' REPORT

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### 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 financial year ended 31 December 2018, a total of 104,737,021 listed options were issued (see note 13(d)) and 1,030,00 options exercisable at a price of \$0.10 expiring on 5 August 2021, were granted to employee. During the year 12,146,824 options 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.



## DIRECTORS' REPORT

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Consolidated	
Year ended 31 December 2018	Period ended 31 December 2017
\$	\$

### Auditor's Remuneration

#### (a) Non-Audit Services

Amounts received by, related practices of BDO Audit (WA) Pty Ltd for non-audit services	<b>18,420</b>	<b>6,854</b>
	<b>18,420</b>	<b>6,854</b>

### AUDITOR'S DECLARATION OF INDEPENDENCE

The auditor's independence declaration for the period ended 31 December 2018, 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.



Charles Blixt  
Non-Executive Chairman  
North Carolina, 26 March 2019

# 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 2018 with regards to its compliance with the Corporate Governance Recommendations (3<sup>rd</sup> 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: 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: <a href="http://www.atrumcoal.com">www.atrumcoal.com</a>.</p> <p>Post reporting date, the Company board comprises six directors, five 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: 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 or 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> <ol style="list-style-type: none"> <li>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;</li> <li>disclose that policy or a summary of it; and</li> <li>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; <ol style="list-style-type: none"> <li>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); or</li> <li>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.</li> </ol> </li> </ol>													
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><b>Board</b></td><td>6</td><td>-</td></tr> <tr> <td><b>Senior Executives</b></td><td>1</td><td>-</td></tr> <tr> <td><b>Whole Organisation</b></td><td>9</td><td>2</td></tr> </table>		Men	Women	<b>Board</b>	6	-	<b>Senior Executives</b>	1	-	<b>Whole Organisation</b>	9	2	
	Men	Women												
<b>Board</b>	6	-												
<b>Senior Executives</b>	1	-												
<b>Whole Organisation</b>	9	2												
1.6	<p>A listed entity should:</p> <ol style="list-style-type: none"> <li>have and disclose the process for periodically evaluating the performance of the board, its committees and individual directors; and</li> <li>disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</li> </ol>													
Company response	<p>The Company undertakes review of its board at least every two years, 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 formal review was not completed during the period, as the Board was restructured in 2017 and the next review is anticipated to be conducted during 2019.</p>													
1.7	<p>A listed entity should:</p> <ol style="list-style-type: none"> <li>have and disclose a process for periodically evaluating the performance of senior executives; and</li> <li>disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</li> </ol>													
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"> <li>a) have a nomination committee which: <ul style="list-style-type: none"> <li>1. has at least three members, a majority of whom are independent directors; and</li> <li>2. is chaired by an independent director, and disclose</li> <li>3. the charter of the committee;</li> <li>4. the members of the committee; and</li> <li>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</li> </ul> </li> <li>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.</li> </ul>	
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. A nomination committee will be put in place in the forthcoming financial year.</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 which collectively has the expertise to guide the company's directions and operations, the Board will consider developing a Board skills matrix during 2019.	
2.3	<p>A listed entity should disclose:</p> <ul style="list-style-type: none"> <li>a) the names of the directors considered by the board to be independent directors;</li> <li>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</li> <li>c) the length of service of each director.</li> </ul>	
Company response	<p>The Board considers three of its directors, namely Mr Charles Blixt, Mr Richard Barker and Mr George Edwards, to be independent. Charles Fear...</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 six current directors are deemed independent. The Board considers that there is sufficient independent presence on the Board.	
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.	

## CORPORATE GOVERNANCE STATEMENT

Principle # / Company Response	ASX Corporate Governance Council Recommendations	
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>	
<b>Principle 3</b>	<b>Act ethically and responsibly</b>	
3.1	<p>A listed entity should:</p> <ol style="list-style-type: none"> <li>have a code of conduct for its directors, senior executives and employees; and</li> <li>disclose that code or a summary of it.</li> </ol>	
Company response	<p>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 <a href="http://www.atrumcoal.com">www.atrumcoal.com</a>.</p>	
<b>Principle 4</b>	<b>Safeguard integrity in corporate reporting</b>	
4.1	<p>The board of a listed entity should:</p> <ol style="list-style-type: none"> <li>have an audit committee which: <ol style="list-style-type: none"> <li>has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</li> <li>is chaired by an independent director, who is not the chair of the board, and disclose:</li> <li>the charter of the committee;</li> <li>the relevant qualifications and experience of the members of the committee; and</li> <li>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</li> </ol> </li> <li>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</li> </ol>	
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	<p>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.</p>	
Company response	<p>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.</p>	
4.3	<p>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.</p>	
Company response	<p>The Company ensures that its external auditor attends its AGM and time is set aside for the shareholders to ask questions of the auditor.</p>	

## CORPORATE GOVERNANCE STATEMENT

<b>Principle 5</b>	<b>Make timely and balanced disclosure</b>	
5.1	A listed entity should: <ul style="list-style-type: none"> <li>a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</li> <li>b) disclose that policy or a summary of it.</li> </ul>	
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 <a href="http://www.atrumcoal.com">www.atrumcoal.com</a>	
<b>Principle 6</b>	<b>Respect the rights of security holders</b>	
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 <a href="http://www.atrumcoal.com">www.atrumcoal.com</a>	
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.	
<b>Principle 7</b>	<b>Recognise and manage risk</b>	
7.1	The board of a listed entity should: <ul style="list-style-type: none"> <li>(a) have a committee or committees to oversee risk, each of which:               <ul style="list-style-type: none"> <li>(1) has at least three members, a majority of whom are independent directors; and</li> <li>(2) is chaired by an independent director, and disclose:                   <ul style="list-style-type: none"> <li>(3) the charter of the committee;</li> <li>(4) the members of the committee; and</li> <li>(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</li> </ul> </li> </ul> </li> <li>(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</li> </ul>	
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"> <li>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</li> <li>(b) disclose, in relation to each reporting period, whether such a review has taken place.</li> </ul>	
Company response	The risk assessment and management framework were reviewed during the period.	
7.3	A listed entity should disclose: <ul style="list-style-type: none"> <li>(a) if it has an internal audit function, how the function is structured and what role it performs; or</li> <li>(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.</li> </ul>	



## 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"> <li>• 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</li> <li>• 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.</li> </ul>
7.4	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.
Company response	<p>The Company is a hard-coking coal and 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. The Company advises its shareholders and investors on the fact that its ability to obtain the necessary environmental regulatory approvals or permits, including open cut mining and water use approvals for Elan Coal, is a key risk to its project development, and follow the industry best practices to evaluate and mitigate the impacts and prepare the applications in order to reduce such risk.</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>
<b>Principle 8</b>	<b>Remunerate fairly and responsibly</b>
8.1	<p>The board of a listed entity should:</p> <ol style="list-style-type: none"> <li>(a) have a remuneration committee which: <ol style="list-style-type: none"> <li>(1) has at least three members, a majority of whom are independent directors; and</li> <li>(2) is chaired by an independent director, and disclose:</li> <li>(3) the charter of the committee;</li> <li>(4) the members of the committee; and</li> <li>(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</li> </ol> </li> <li>(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.</li> </ol>
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 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	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.
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"> <li>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</li> <li>b) disclose the policy or a summary of it.</li> </ol>
Company response	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.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	Consolidated	
		Year ended	Period ended
		31 December 2018 \$	31 December 2017 \$
<b>Revenue from continuing operations</b>			
Interest income		4,710	1,214
Mineral exploration tax credit		-	1,809,510
<b>Expenses</b>			
Administration		(92,606)	(99,400)
Compliance & regulatory		(331,167)	(375,508)
Consultancy		(1,050)	(27,121)
Directors' fees (Non-executive)		(160,018)	(220,413)
Staffing costs		(247,130)	(561,055)
Exploration expenditure		(3,567,151)	(163,711)
Finance costs		(59,362)	(231,838)
Foreign exchange loss		(366)	(7,134)
Impairment of non-current assets	8/8b	(73,623)	(64,499)
Debt Settlement		332,734	-
Fair value loss on financial asset at fair value through profit or loss		(33,120)	-
Occupancy		(93,724)	(137,515)
Public relations and marketing		(67,294)	(59,809)
Share based payments	21	(119,437)	(131,617)
Travel		(154,709)	(101,176)
<b>Loss before income tax expense</b>		<b>(4,663,313)</b>	<b>(370,072)</b>
Income tax expense	2	-	-
<b>Loss after income tax expense</b>		<b>(4,663,313)</b>	<b>(370,072)</b>
<b>Other comprehensive income/(loss)</b>			
<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		265,300	320
<b>Other comprehensive loss for the period, net of tax</b>		<b>265,300</b>	<b>320</b>
<b>Total comprehensive loss for the period attributable to members</b>		<b>(4,398,013)</b>	<b>(369,752)</b>
<b>Loss per share attributable to members of Atrium Coal Ltd.</b>			
Basic (loss) per share – cents per share	4	(0.15)	(0.02)
Diluted (loss) per share – dollars per share		(0.15)	(0.02)

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 31 DECEMBER 2018**

		Consolidated	
		31 December 2018	31 December 2017
	Note	\$	\$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	3,101,677	2,019,636
Trade and other receivables	6	285,061	159,730
Financial asset at amortised cost	7	599,122	1,691,295
<b>Total Current Assets</b>		<b>3,985,860</b>	<b>3,870,661</b>
<b>Non-Current Assets</b>			
Plant and equipment	8	-	203,642
Reclamation deposits		161,721	180,155
Exploration and evaluation expenditure	9	12,622,419	6,831,706
<b>Total Non-Current Assets</b>		<b>12,784,140</b>	<b>7,215,503</b>
<b>TOTAL ASSETS</b>		<b>16,770,000</b>	<b>11,086,164</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	10	553,611	1,108,147
Other financial liabilities	11	25,000	800,000
Borrowings	12	141,371	420,000
<b>Total Current Liabilities</b>		<b>719,982</b>	<b>2,328,147</b>
<b>Non-Current Liabilities</b>			
Borrowings	12	-	1,200,607
<b>Total Non-Current Liabilities</b>		<b>-</b>	<b>1,200,607</b>
<b>TOTAL LIABILITIES</b>		<b>719,982</b>	<b>3,528,754</b>
<b>NET ASSETS</b>		<b>16,050,018</b>	<b>7,557,410</b>
<b>EQUITY</b>			
Issued capital	13	83,997,420	71,226,236
Reserves	22	5,112,350	4,727,613
Accumulated losses		(73,059,752)	(68,396,439)
<b>TOTAL EQUITY</b>		<b>16,050,018</b>	<b>7,557,410</b>

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 2018**

December 31 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
<b>Other Comprehensive Income</b>					
Movement in reserve	-	-	265,300		265,300
Loss for the year	-	-	-	(4,663,313)	(4,663,313)
<b>Total comprehensive income/(loss) for the year</b>	-	-	265,300	(4,663,313)	(4,398,013)
<b>Transactions with equity holders:</b>					
Share-based payments/Options	-	119,437	-	-	119,437
Securities issued for the period	13,414,624	-	-	-	13,414,624
Capital transaction costs	(643,440)	-	-	-	(643,440)
<b>Total contribution by equity holders</b>	12,771,184	119,437	-	-	12,890,621
<b>Balance as at 31 December 2018</b>	<b>83,997,420</b>	<b>4,774,799</b>	<b>337,551</b>	<b>(73,059,752)</b>	<b>16,050,018</b>

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
<b>Other Comprehensive Income</b>					
Movement in reserve	-	-	320		320
Loss for the period	-	-	-	(370,072)	(370,072)
<b>Total comprehensive income/(loss) for the year</b>	-	-	320	(370,072)	(369,752)
<b>Transactions with equity holders:</b>					
Share-based payments/Options	-	131,617	-	-	131,617
<b>Total contribution by equity holders</b>	-	131,617	-	-	131,617
<b>Balance as at 31 December 2017</b>	<b>71,226,236</b>	<b>4,655,362</b>	<b>72,251</b>	<b>(68,396,439)</b>	<b>7,557,410</b>

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 2018**

	Note	Consolidated	
		Year ended	Period ended
		31 December 2018 \$	31 December 2018 \$
<b>Cash flows from operating activities</b>			
Receipts from ACG		<b>1,028,897</b>	227,926
Receipts from authorities (METC and GST refunds)		<b>76,674</b>	1,886,184
Payments to suppliers and employees		<b>(1,178,724)</b>	(2,079,288)
Interest received		<b>4,710</b>	1,214
Exploration expenditure (net amount)		<b>(3,433,347)</b>	(93,144)
<b>Net cash used in operating activities</b>	5(a)	<b>(3,501,790)</b>	(57,108)
<b>Cash flows from investing activities</b>			
Refund of reclamation bond		<b>17,136</b>	-
Acquisition of Elan project		<b>(3,133,047)</b>	(101,783)
<b>Net cash used in investing activities</b>		<b>(3,115,911)</b>	(101,783)
<b>Cash flows from financing activities</b>			
Proceeds from issuance of shares		<b>9,598,828</b>	-
Payment of capital raising costs		<b>(643,440)</b>	-
Repayment of Kuro Convertible Notes		<b>(10,000)</b>	-
Repayment of Lenark Loan		<b>(1,179,236)</b>	(1,835,925)
Interest paid		<b>(59,363)</b>	(281,581)
<b>Net cash provided by/(used in) financing activities</b>		<b>7,706,789</b>	(2,117,506)
Net increase/(decrease) in cash and cash equivalents		<b>1,089,088</b>	(2,276,397)
<b>Cash and cash equivalents at the beginning of the period</b>		<b>2,019,636</b>	4,390,934
Effect of foreign currency translation		<b>(7,047)</b>	(94,901)
<b>Cash and cash equivalents at the end of the period</b>	5	<b>3,101,677</b>	2,019,636

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 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 prior to the year ended 31 December 2018 is for a six-month period ended 31 December 2017. The comparative figures are for the six-month ended 31 December 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 statements 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.

### (c) Statement of compliance

The financial report was authorised for issue by the Directors on 26 March 2019.

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).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 1. *Summary of significant accounting policies (continued)*

#### (d) **Basis of consolidation**

The consolidated financial statements comprise the financial statements of Atrum Coal Ltd. and its subsidiaries as at 31 December 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 or 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.

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.

#### (e) **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.

#### (f) **Revenue recognition**

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control over a product or service to a customer.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 1. *Summary of significant accounting policies (continued)*

#### (g) **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.

#### (h) **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 (continued)

#### (i) 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.

#### (j) 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.

#### (k) 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 (FVPL), 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:

These include trade and other receivables and financial assets at amortised cost

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 1. Summary of significant accounting policies (continued)

#### (k) Financial assets (continued)

- 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 or 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 other comprehensive income (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 fair value through other comprehensive income (FVOCI) are not reported separately from other changes in fair value

#### **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.

#### (l) 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 is 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

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### 1. *Summary of significant accounting policies (continued)*

#### **(m) 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.

#### **(n) 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.

#### **(o) 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.

#### **(p) 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.

#### **(q) 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 1. *Summary of significant accounting policies (continued)*

#### (r) **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.

#### (s) **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 Atrum 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.

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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 1. *Summary of significant accounting policies (continued)*

#### (t) *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.

#### (u) *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(l). 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.

##### (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.

##### (vi) *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 will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for deferred tax under AASB 12 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 1. Summary of significant accounting policies (continued)

#### (v) 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 recognised 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 capitalised cost is reduced to nil and the remaining adjustment is recognised 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.

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

In the current reporting year, 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 has no material impact on the financial statements of the Company.

##### ***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 those 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 2018.

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. Refer to note 1(k) for revised accounting principles.

#### (x) 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 year ended 31 December 2018. At this time the following standards and interpretations may have an impact, but the extent of this is not expected to be material:

##### - *AASB 16 Leases.*

AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The group does not intend to adopt the standard before its effective date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 1. Summary of significant accounting policies (continued.)

#### (x) New Accounting Standards and Interpretations not yet mandatory or early adopted (continued)

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, 2018.

#### (y) Asset Acquisition – Elan Project

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 will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for deferred tax under AASB 12 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset.

During the financial year, the Company acquired 100% shareholding of Elan Coal Ltd, a company incorporated in Alberta, Canada, which holds 100% interest in the Elan project. Management determined that the purchase represented an acquisition of the mining asset rather than a business combination because the mineral property was in the exploration and evaluation stage and had not yet demonstrated technical feasibility, economic viability or the ability to provide economic benefit. The project did not have the workforce, resources and reserves, mine plan, or financial resources to meet the definition of a business for accounting purposes.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated	
Year ended 31 December 2018 \$	Period ended 31 December 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	(4,663,313)	(369,754)
Income tax at 27.5% (2017: 27.5%)	(1,282,411)	(101,682)
Effect of expenses not deductible in determining taxable income	165,769	(359,347)
Effect of tax rates in foreign jurisdictions (i)	58,474	15,905
Tax losses and other timing differences not recognised	1,058,168	445,124
Total income tax expense/(benefit)	-	-

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

Atrium Coal Ltd. has unrecognised tax losses arising in Australia, Canada and the USA, which are 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	1,211,403	1,273,188
Foreign losses - revenue	6,106,687	5,107,547
Other	5,040,535	4,961,505
	12,358,625	11,342,240

(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	
Year ended 31 December 2018 \$	Period ended 31 December 2017 \$

### 3. Auditors' remuneration

#### (a) Audit services

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

<b>60,643</b>	46,065
<b>60,643</b>	46,065

#### (b) Non-audit services

Amounts received by BDO for non-audit services:

Preparation and lodgement of income tax returns  
Canada  
Australia

-	1,645
<b>18,420</b>	5,209
<b>18,420</b>	6,854

### 4. Earnings per share (EPS)

Basic loss per share – cents

**(0.15)** (0.02)

Loss used in calculation of basic loss per share

**(4,663,313)** (370,072)

Weighted average number of ordinary shares outstanding during the year used  
In the calculation of basic and diluted loss per share

**317,691,531** 232,024,124

### 5. Cash and Cash Equivalents

Cash at bank  
Deposits at call

<b>817,853</b>	431,517
<b>2,283,824</b>	1,588,119
<b>3,101,677</b>	2,019,636

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 **(4,663,313)** **(370,072)**

##### Add back:

Depreciation & amortisation	<b>133,804</b>	<b>70,568</b>
Share Based Payments	<b>119,437</b>	<b>131,617</b>
Fair value loss on financial asset	<b>33,120</b>	-
Impairment	<b>73,623</b>	<b>64,499</b>
Interest accrued	<b>59,363</b>	<b>302,069</b>
Non-cash settlements	<b>(332,734)</b>	-

##### Changes in assets and liabilities:

Movements in trade and other receivables	<b>(25,223)</b>	<b>64,509</b>
Movement in trade and other payables	<b>71,233</b>	<b>(548,224)</b>
Cash recovered from financial asset (Note 7)	<b>1,028,897</b>	<b>227,926</b>
Net cash flows from operating activities	<b>(3,501,790)</b>	<b>(57,108)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 6. Trade & other receivables

#### Current

GST receivables & deposits  
Other Prepayments

Consolidated	
31 December 2018	31 December 2017
\$	\$
<b>230,784</b>	104,460
<b>54,277</b>	55,270
<b>285,061</b>	159,730

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. Financial asset at amortised cost

Inventory at start of period  
Sale of inventory<sup>(1)</sup>  
Transferred to financial asset at amortised cost<sup>(2)</sup>

Consolidated	
31 December 2018	31 December 2017
\$	\$
<b>1,691,295</b>	1,919,221
<b>(653,711)</b>	(227,926)
<b>(1,037,584)</b>	-
-	1,691,295

Financial asset at amortised cost  
Transferred from inventory  
Recovered  
Expected credit loss provision<sup>(2)</sup>  
Exchange difference  
Balance at 31 December 2018

<b>1,037,584</b>	-
<b>(375,186)</b>	-
<b>(33,120)</b>	-
<b>(30,156)</b>	-
<b>599,122</b>	-

1. 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 to 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 \$653,711 (USD502,250).
2. 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 under the provisions of AASB 9. 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 3% at the date of initial recognition.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 8. Non-current assets – plant and equipment

	Consolidated	
	31 December 2018 \$	31 December 2017 \$
Computer Equipment – at cost	89,905	88,718
Less: Accumulated depreciation	(89,905)	(53,300)
Closing Balance	-	35,418
Leasehold Improvements – at cost	73,886	72,947
Less: Accumulated amortisation	(73,886)	(72,947)
Closing Balance	-	-
Machinery and equipment – at cost	-	621,021
Less: Accumulated depreciation	-	(457,486)
Closing balance	-	163,535
Furniture & Fixtures – at cost	13,919	13,620
Less: Accumulated depreciation	(13,919)	(8,931)
Closing balance	-	4,689
	-	203,642

#### 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 \$	Furniture & Fixtures \$	Total \$
<b>Balance at 1 January 2018</b>	35,418	-	163,535	4,689	203,642
Impairment	-	-	(73,623)	-	(73,623)
Depreciation charge	(36,076)	-	(92,952)	(4,776)	(133,804)
Effect of foreign exchange	658	-	3,040	87	3,785
<b>Balance at 31 December 2018</b>	-	-	-	-	-

	Computer Equipment \$	Leasehold Improvements \$	Machinery & Equipment \$	Furniture & Fixtures \$	Total \$
<b>Balance at 1 July 2017</b>	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
<b>Balance at 31 December 2017</b>	35,418	-	163,535	4,689	203,642

Depreciation charge was recognised under exploration cost in the statement of profit or loss and comprehensive income.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	Consolidated	
	31 December 2018	31 December 2017
	\$	\$
Balance at beginning of period	-	62,563
Impairment (i)	-	(64,499)
Effect of foreign exchange	-	1,936
Balance at end of period	-	-

- (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.

### 9. Non-current assets – exploration and evaluation expenditure

	Consolidated	
	31 December 2018	31 December 2017
	\$	\$
Naskeena Project	37,289	35,994
Groundhog Coal Project	2,046,108	1,975,087
Panorama Project	4,888,524	4,718,842
Elan Project	5,650,498	101,783
	<b>12,622,419</b>	<b>6,831,706</b>
Opening balance	6,831,706	6,139,872
Advanced royalty payment	101,066	-
Transfer from amounts receivable (ii)	-	501,751
Elan project (i)	5,394,840	101,783
Foreign exchange translation differences	294,807	88,300
Closing Balance	<b>12,622,419</b>	<b>6,831,706</b>

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) 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 (\$3,031,982) 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 15. 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 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

### 10. Current liabilities - trade and other payables

	Consolidated	
	31 December 2018	31 December 2017
	\$	\$
Trade payables	491,464	602,961
Other payables	62,147	505,187
	<b>553,611</b>	<b>1,108,148</b>

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.

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

### 11. Other financial Liabilities

Other financial liabilities comprise:  
Kuro Coal Limited - Convertible Notes<sup>(a)</sup>

	Consolidated	
	31 December 2018	31 December 2017
	\$	\$
	<b>25,000</b>	800,000
	<b>25,000</b>	<b>800,000</b>

- (a) During the financial year ended 31 December 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 7,650,000 shares to those exercising the option. Convertible notes of \$10,000 were redeemed in cash. At 31 December 2018, an amount of \$25,000 remains to be converted.

### 12. Borrowings

Offset loan agreement (see also Note 17)  
Due within 12 months  
Due within more than 12 months

	Consolidated	
	31 December 2018	31 December 2017
	\$	\$
	<b>141,371</b>	420,000
	-	1,200,607
	<b>141,371</b>	<b>1,620,607</b>

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

- 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;
- The outstanding balance shall bear interest at 8% per annum;
- The loan shall be repaid by monthly payments of \$30,000 plus interest
- 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.
- 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.
- The loan shall be fully repaid on or before 30 June 2019.

During the financial year ended 31 December 2018, the Company made repayments totalling \$1,238,598 in cash 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 \$300,000 as debt conversion following Lenark's participation in the Entitlement issuance (see note 13(b) below). During the period, interest amounting to \$59,362 was paid on the loan.

Subsequent to 31 December 2018, total principal and interest payments of \$62,516 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13. Issued Share Capital

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

Ordinary shares – fully paid

31 December 2018		31 December 2017	
Number	\$	Number	\$
<b>360,830,778</b>	<b>83,997,420</b>	232,112,649	71,226,236
	<b>83,997,420</b>		71,226,236

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

##### Ordinary shares – fully paid

	Number	\$
Balance at 1 January 2018	232,112,649	71,226,236
Private placement and Entitlement issue <sup>1</sup>	99,937,639	9,993,764
Acquisition of Elan Project <sup>2</sup>	19,690,490	2,362,858
Redemption of Kuro Notes (see note 11)	7,650,000	914,000
Settlement of debt	1,440,000	144,000
Capital raising costs	-	(643,438)
<b>Balance at 31 December 2018</b>	<b>360,830,778</b>	<b>83,997,420</b>

1. During the year ended 31 December 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.

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 15)

Capital raising costs of \$643,438 in total were incurred with respect to the placement and entitlement issue, of which \$511,975 was paid to Argonaut Capital Ltd., a company related to Mr. Fear. As part of the remuneration a total of 4,799,382 Listed options were granted to a company related to a director at \$0.001 each. These listed options are exercisable at a price of \$0.20 each and expire on 31 March 2021.

##### Ordinary shares – fully paid

	Number	\$
Balance at 1 July 2017	231,992,649	71,226,236
Issued under Employee Share scheme	120,000	-
<b>Balance at 31 December 2017</b>	<b>232,112,649</b>	<b>71,226,236</b>

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13. Issued Share Capital (continued)

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

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	312,500	-	-	-	312,500	-
8	437,500	-	-	-	437,500	-
	<b>750,000</b>	-	-	-	<b>750,000</b>	-

#### 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)	-	-
	<b>2,972,500</b>	-	<b>(100,000)</b>	<b>(2,122,500)</b>	<b>750,000</b>	<b>34,832</b>

#### (d) Movements in unlisted options

	31 December 2018		31 December 2017	
	Number	Price*	Number	Price*
Balance at the start of period	<b>28,846,824</b>	<b>\$ 0.64</b>	24,372,242	\$ 0.71
Issued on conversion of convertibles	-	-	15,600,000	0.65
Granted to employees under ESOP	<b>1,030,000</b>	<b>0.10</b>	-	-
Expired	<b>(12,146,824)</b>	<b>0.55</b>	(11,125,418)	0.80
Balance at close of period	<b>17,730,000</b>	<b>\$0.68</b>	<b>28,846,824</b>	<b>\$0.65</b>

\*weighted average exercise price

Outstanding unlisted options at 31 December 2018 are as follows:

Expiry Date	Exercise Price*	Number of Options Outstanding	Number of Exercisable Options	Average Remaining Life (Years)
16 February 2019	\$0.746	3,000,000	3,000,000	0.13
1 June 2019 <sup>(1)</sup>	\$0.396	1,900,000	1,900,000	0.42
1 December 2019 <sup>(2)</sup>	\$0.496	3,000,000	3,000,000	0.92
1 June 2020 <sup>(3)</sup>	\$0.696	4,400,000	4,400,000	1.22
1 December 2020 <sup>(4)</sup>	\$0.996	4,400,000	4,400,000	1.92
5 August 2021	\$0.10	1,030,000	1,030,000	2.60
	<b>\$0.68</b>	<b>17,730,000</b>	<b>17,730,000</b>	<b>1.20</b>

\*Exercise prices of options have been adjusted following the entitlement issue of 1 new share for 5 shares held  
(See note 13(b))

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13. Issued Share Capital (continued)

#### (d) Movements in unlisted options (continued)

Vested conditions and (associated probabilities) are as follows:

- (1) 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%);
- (2) 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 (25%);
- (3) 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) (25%);
- (4) The sale of an aggregate of 500,000 tonnes of coal produced by Atrum Coal Ltd or any Affiliated Companies during the Term (25%).

The fair values of options granted during the year and period ended December 31, 2018 and 2017 were estimated at the grant date using the Black-Scholes option pricing model with

(i) the following weighted average assumptions:

	2018	2017
Expected annual volatility*	89%	89%
Risk-free interest rate	1.95%	1.95%
Expected life	3 years	1.08-3.08 years
Stock Price at grant date	\$0.07	\$0.18
Expected dividend yield	0%	0%
Estimated forfeitures	0%	0%

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

(ii) and the following vesting probabilities

Grant Date	Expiry Date	Exercise Price	Number of Options	Value per option	Probability of vesting
4 November 2017	1 June 2019	\$0.40	1,900,000	\$ 0.04	25%
4 November 2017	1 December 2019	\$0.50	3,000,000	\$ 0.04	25%
4 November 2017	1 June 2020	\$0.70	4,400,000	\$ 0.04	25%
4 November 2017	1 December 2020	\$1.00	4,400,000	\$ 0.04	25%
5 August 2018	5 August 2021	\$0.10	1,030,000	\$ 0.04	100%

### 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 2018 \$	31 December 2017 \$
Less than one year	530,278	687,673
Between one and five years	-	-
More than five years	-	-
	<b>530,278</b>	<b>687,673</b>

Further to the exclusivity agreement with JOGMEC on Panorama South, JOGMEC will refund the Company lease payments amounting to \$79,385 in the forthcoming year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 14. Commitments (continued)

#### Operating lease agreements

##### *Leases as lessee*

Non-cancellable operating lease rentals are payable as follows:

	31 December 2018 \$	31 December 2017 \$
Less than one year	-	98,160
Between one and five years	-	147,240
More than five years	-	-
	-	245,400

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 year ended 31 December 2018, the Company subleased the office premises and occupied a smaller office whose lease expires on 30 April 2019.

During the financial year ended 31 December 2018 an amount of \$93,724 (period ended 31 December 2017: \$137,515) was recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income in respect of operating leases.

### 15. Asset Acquisition

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	\$ 3,031,982
19,690,490 Shares issued (see note 13(b))	2,362,858
<b>Total consideration</b>	<b>\$ 5,394,840</b>

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

Cash and cash equivalents	\$ 5,714
Accounts receivable	159
Fair value of exploration and evaluation asset	5,388,967
<b>Total fair value of assets and liabilities</b>	<b>\$ 5,394,840</b>

Management determined that the acquisition represented an acquisition of assets rather than a business combination because the mineral property acquired was in the exploration and evaluation stage and had not yet demonstrated technical feasibility, economic viability or ability to provide economic benefit. Please see note 1(u)(vi).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 15(b). 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.
<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>	The Convertible Notes include a royalty component in respect of Atrum's Groundhog North project, whereby each investor is entitled to: (a) 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; (b) 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; (c) each multiplied by (d) 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.
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### 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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 16. Financial reporting by segments (continued)

Year ended 31 December 2018	Exploration \$	All Other Segments \$	Consolidated \$
Segment loss	(3,903,265)	(760,048)	(4,663,313)
Segment assets	13,766,642	3,003,358	16,770,000
Segment liabilities	(428,934)	(291,048)	(719,982)
Other segment information included in segment loss			
Interest revenue	-	4,710	4,710
Finance costs	-	(59,362)	(59,362)
Depreciation and amortisation	-	-	-
Impairment of exploration expense	(73,623)	-	(73,623)
Segment profit/(loss)	(3,903,265)	(760,048)	(4,663,313)

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)

### 17. Related party transactions

#### (a) Key management personnel

	Consolidated	
	31 December 2018 \$	31 December 2017 \$
Short-term benefits	549,338	220,413
Post-employment benefits	-	-
Share-Based Payments	78,698	96,785
	<u>628,036</u>	<u>317,198</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

During the year ended 31 December 2018, the Company repaid an amount of \$1,538,598 in cash and in shares and accrued interest of \$59,362, bringing the amount outstanding on the loan at 31 December 2018, to \$141,371. The Board considers that the terms of the facility with Lenark Pty Ltd are arms-length.

##### (ii) 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)).

##### (iii) Capital raising costs

During the year ended December 31, 2018 the Company paid capital raising cost of \$511,975 in cash and 4,799,382 Listed options were granted at \$0.001 each to Argonaut Capital Ltd. a company related to Mr. Fear.

#### (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
		2018	2017	
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	Dormant
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
Elan Coal Ltd	Canada	100	-	Development of Elan 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 2018	31 December 2017
	\$	\$
<b>Financial Position</b>		
<b>Assets</b>		
Current assets	3,003,358	2,079,530
Non-current assets	12,802,833	7,009,534
<b>Total Assets</b>	<b>15,806,191</b>	<b>9,089,064</b>
<b>Liabilities</b>		
Current liabilities	291,047	871,148
Non-current liabilities	-	1,200,607
<b>Total Liabilities</b>	<b>291,047</b>	<b>2,071,755</b>
<b>Equity</b>		
Issued capital	83,997,420	71,226,236
Accumulated losses	(73,231,992)	(68,839,207)
Share Based Payment Reserve	4,749,716	4,630,279
<b>Total Equity</b>	<b>15,515,144</b>	<b>7,017,308</b>
<b>Financial Performance</b>		
Loss for the period	(4,392,785)	(2,185,529)
Other comprehensive loss	-	-
<b>Total comprehensive loss</b>	<b>(4,392,785)</b>	<b>(2,185,529)</b>

#### (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 2018	31 December 2017	31 December 2018	31 December 2017
	\$	\$	\$	\$
<b>Consolidated</b>				
Australian Dollars	2,396,987	378,787	(320,699)	(3,016,425)
Canadian Dollars	804,634	1,807,201	(707,939)	(512,210)
US Dollars	784,239	173,533	-	(119)
	<b>3,985,860</b>	<b>2,359,521</b>	<b>(1,028,638)</b>	<b>(3,528,754)</b>

The group had net foreign currency assets of \$880,934 as at 31 December 2018 (2017: \$1,468,405). 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 2018	31 December 2017	31 December 2018	31 December 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	146,850	146,850	146,850
Weakening of AUD by 10%	(146,850)	(146,850)	(146,850)	(146,850)

##### 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 2018 \$	31 December 2017 \$
<i>Financial Assets</i>		
Cash and cash equivalents (interest-bearing accounts)	2,341,386	1,367,032
Net exposure	2,341,386	1,367,032

During the year ended 31 December 2018, the Company earned interest on its financial assets.

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
<b>31 December 2018</b>						
<b>Financial Assets</b>						
Non-interest bearing		285,061	-	599,122	-	884,183
Variable interest rate instruments	0%	760,291	-	-	-	760,291
Fixed interest rate instruments	1.05%	2,341,386	-	-	-	2,341,386
		<b>3,386,738</b>	-	599,122	-	<b>3,985,860</b>
<b>Financial Liabilities</b>						
Non-interest bearing		(578,611)	-	-	-	(578,611)
Interest bearing – fixed rate						
Fixed interest rate instruments	8%	-	-	(141,371)	-	(141,371)
		<b>(578,611)</b>	-	<b>(141,371)</b>	-	<b>(719,982)</b>
<b>Net Financial Assets</b>		<b>2,808,127</b>	-	<b>457,751</b>	-	<b>3,265,878</b>

	Weighted Average Effective Interest Rate %	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Total
<b>31 December 2017</b>						
<b>Financial Assets</b>						
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
		<b>2,359,521</b>	-	-	-	<b>2,359,521</b>
<b>Financial Liabilities</b>						
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)
		<b>(1,908,147)</b>	-	<b>(420,000)</b>	<b>(1,200,607)</b>	<b>(3,528,754)</b>
<b>Net Financial Assets/(Liabilities)</b>		<b>451,374</b>	-	<b>(420,000)</b>	<b>(1,200,607)</b>	<b>(1,169,233)</b>

## 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 2018, 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 2018 \$	31 December 2017 \$
<b>CHANGE IN LOSS</b>		
Increase in interest rate by 1%	29,603	3,990
Decrease in interest rate by 1%	(29,603)	(3,990)

	31 December 2018 \$	31 December 2017 \$
<b>CHANGE IN EQUITY</b>		
Increase in interest rate by 1%	29,603	3,990
Decrease in interest rate by 1%	(29,603)	(3,990)

#### 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 \$
<b>Consolidated</b>						
<b>31 December 2018</b>						
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade and other payables	-	553,611	-	-	-	-
Convertible notes	-	-	-	-	-	25,000
<i>Interest bearing – fixed rate</i>						
Borrowings – offset loan agreement	8%	-	-	141,371	-	-
<b>Total non-derivatives</b>		<b>553,611</b>	<b>-</b>	<b>141,371</b>	<b>-</b>	<b>25,000</b>
<b>Derivatives</b>		-	-	-	-	-
<b>Total derivatives</b>		-	-	-	-	-

## 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 \$
<b>Consolidated</b>						
<b>31 December 2017</b>						
<b>Non-derivatives</b>						
<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	-
<b>Total non-derivatives</b>		<b>1,108,147</b>	<b>-</b>	<b>420,000</b>	<b>1,200,607</b>	<b>800,000</b>
<b>Derivatives</b>						
<b>Total derivatives</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### 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 year ended 31 December 2018:

	\$
Share based payment expense for the year ended 31 December 2018	119,437
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
750,000	-	-	-	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 \$Nil (period ended 31 December 2017: \$34,832).

#### (ii) Options

During the year ended 31 December 2018, no (2017:15,600,000) option was issued as remuneration to the Directors. Vesting from previous year's issuance resulted in share-based expenses of \$119,437 (2017: \$131,617). Details of other performance rights movements and balances are set out in Note 13(c).

### 22. Reserves

	Consolidated	
	31 December 2018	31 December 2017
	\$	\$
Balance at start	4,727,613	4,595,676
Share based payment	119,437	131,617
Foreign currency translation reserve	265,300	320
Balance at end	5,112,350	4,727,613

#### 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

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### 23. Events since the end of the financial year

- (i) On 4<sup>th</sup> February 2019, the board appointed Mr. Richard Barker as director. Mr Barker has extensive experience in metals and mining industry, financing, investment and M&A advisory.
- (ii) 3,000,000 options, exercisable at a price of \$0.746 expired unexercised.
- (iii) 250,000 shares were issued as consideration for the remaining \$25,000 of Kuro Convertible Notes and 100,000 unlisted options exercisable at a price of \$0.10 on or before 20 February 2022, were granted under the ESOP.
- (iv) The Company completed a two-tranche private placement of approximately 114.3 million shares at an issue price of \$0.175 per share for a total of approximately \$20M. On 19 March 2019, tranche 1 was completed with the issue of 83,170,813 shares at \$0.175 per share for a total amount of \$14,445,892. Capital raising costs amounted to \$401,612. Tranche 2 is expected to close on or about 16 April 2019.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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 31 December 2018 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,  
26 March 2019



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

As lead auditor of Atrum Coal Limited for the year ended 31 December 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 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, 26 March 2019

## 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 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 year 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 2018 and of its financial performance for the year 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.

#### 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

Key audit matter	How the matter was addressed in our audit
<p>The Group carries exploration and evaluation expenditure totalling \$12,622,419 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"> <li>• The significance of the total balance; and</li> <li>• 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.</li> </ul>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• Considering the status of the ongoing exploration programmes in the respective areas of interest by holding discussions with management, and reviewing the Group's exploration budgets, ASX announcements and director's minutes;</li> <li>• Considering whether any such areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed;</li> <li>• Verifying, on a sample basis, evaluation expenditure capitalised during the year for compliance with the recognition and measurement criteria of AASB 6;</li> <li>• Considering whether any facts or circumstances existed to suggest impairment testing was required; and</li> <li>• Assessing the adequacy of the related disclosures in Note 1(l) and Note 9 to the financial report.</li> </ul>

## Accounting for the Acquisition of Elan Coal

Key audit matter	How the matter was addressed in our audit
<p>As disclosed in note 15, the Group acquired 100% interest in Elan Coal.</p> <p>The group treated the transaction as an asset acquisition, rather than a business combination as disclosed in Note 1(u).</p> <p>Accounting for this transaction is complex and requires management to exercise judgement to determine the appropriate accounting treatment including whether the acquisition should be classed as an asset or business acquisition, determining the acquirer, estimating the fair value of net assets acquired and estimating the fair value of the purchase consideration.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the transaction, including an assessment of whether the transaction constituted an asset acquisition or business combination;</li> <li>• Reviewing the sale and purchase agreement to understand key terms and conditions;</li> <li>• Assessing management's determination of the fair value of consideration paid and agreeing the consideration to supporting documentation; and</li> <li>• Assessing the adequacy of the related disclosures in Note 1(u) and Note 15 to the financial report.</li> </ul>

### Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2018, but does not include the financial report and the auditor's report thereon.

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 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, 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.

### 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](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 7 to 13 of the directors' report for the year ended 31 December 2018.

In our opinion, the Remuneration Report of Atrium Coal Limited, for the year ended 31 December 2018, 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



Neil Smith

Director

Perth, 26 March 2019

## SECURITIES EXCHANGE INFORMATION

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### Shareholders' information set out below was applicable as at 26 March 2019

The number of shareholders, by size of holding is:

Spread of Holdings	Holders
1-1,000	193
1,001-5,000	263
5,001-10,000	179
10,001-100,000	612
100,001 - and over	337
<b>Total on register</b>	<b>1,584</b>
Total Overseas holders	75

### Substantial Shareholders

The company has been notified of the following substantial shareholdings:

	Number	Percentage
Lenark Pty Ltd (and associated entities)	42,701,384	9.61%
Regal Funds Management Pty Ltd	41,585,407	9.36%

### 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 26 MARCH 2019:

Ordinary Shareholder	Fully paid	
	Number	Percentage
UBS NOM PL	48,671,612	10.96%
LENARK PL	42,701,384	9.61%
NERO RESOURCE FUND PL	20,916,626	4.71%
HSBC CUSTODY NOM AUST LTD	13,158,360	2.96%
STEPHENS B O + E J	12,100,000	2.72%
MARFORD GRP PL	11,728,728	2.64%
WUSATY EUGENE	10,376,888	2.34%
JONES RODNEY M + C R	9,749,240	2.19%
CARJAY INV PL	8,862,946	2.00%
NATIONAL NOM LTD	8,237,972	1.85%
CITICORP NOM PL	6,476,867	1.46%
BOSTON FIRST CAP PL	6,000,000	1.35%
J P MORGAN NOM AUST LTD	5,802,949	1.31%
MONEX BOOM SEC HK LTD	5,658,256	1.27%
YARANDI INV PL	5,638,989	1.27%
ABROLHOS EDGE PL	5,000,000	1.13%
TOPSFIELD PL	4,698,278	1.06%
BOOTH WILLIAM	4,379,408	0.99%
ENGLER ROBERT	4,351,598	0.98%
ARELEY KINGS PL	4,156,526	0.94%
	238,666,627	53.74%

### PARTLY PAID SHARES

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

## TENEMENT LIST

Tenure Number	Owner	Business Unit	Tenure Type	Area (Ha)
394847	Atrum Coal Groundhog Inc.	Groundhog	Licence	259
394848	Atrum Coal Groundhog Inc.	Groundhog	Licence	259
394849	Atrum Coal Groundhog Inc.	Groundhog	Licence	259
409266	Atrum Coal Peace River Inc.	Bowron River	Licence	1,376
417079	Atrum Coal Groundhog Inc.	Groundhog	Licence	991
417080	Atrum Coal Groundhog Inc.	Groundhog	Licence	565
417081	Atrum Coal Groundhog Inc.	Groundhog	Licence	636
417082	Atrum Coal Groundhog Inc.	Groundhog	Licence	212
417084	Atrum Coal Panorama Inc.	Panorama North	Licence	708
417085	Atrum Coal Groundhog Inc.	Groundhog	Licence	1,031
417086	Atrum Coal Panorama Inc.	Panorama North	Licence	142
417088	Atrum Coal Groundhog Inc.	Groundhog	Licence	777
417089	Atrum Coal Groundhog Inc.	Groundhog	Licence	142
417090	Atrum Coal Groundhog Inc.	Groundhog	Licence	568
417094	Atrum Coal Groundhog Inc.	Groundhog	Licence	71
417095	Atrum Coal Groundhog Inc.	Groundhog	Licence	425
417096	Atrum Coal Groundhog Inc.	Groundhog	Licence	71
417098	Atrum Coal Groundhog Inc.	Groundhog	Licence	1,204
417100	Atrum Coal Groundhog Inc.	Groundhog	Licence	71
417101	Atrum Coal Groundhog Inc.	Groundhog	Licence	960
417291	Atrum Coal Groundhog Inc.	Panorama South	Licence	73
417292	Atrum Coal Panorama Inc.	Panorama North	Licence	279
417293	Atrum Coal Groundhog Inc.	Panorama South	Licence	426
417294	Atrum Coal Groundhog Inc.	Panorama South	Licence	284
417295	Atrum Coal Groundhog Inc.	Panorama South	Licence	851
417296	Atrum Coal Panorama Inc.	Panorama North	Licence	71
417297	Atrum Coal Groundhog Inc.	Groundhog	Licence	918
417298	Atrum Coal Groundhog Inc.	Groundhog	Licence	1,059
417299	Atrum Coal Panorama Inc.	Panorama North	Licence	779
417300	Atrum Coal Groundhog Inc.	Panorama South	Licence	355
417301	Atrum Coal Groundhog Inc.	Panorama South	Licence	851
417520	Atrum Coal Groundhog Inc.	Groundhog	Licence	212
417521	Atrum Coal Groundhog Inc.	Groundhog	Licence	142
417522	Atrum Coal Groundhog Inc.	Groundhog	Licence	71
417523	Atrum Coal Groundhog Inc.	Groundhog	Licence	354
417525	Atrum Coal Panorama Inc.	Panorama North	Licence	425
417526	Atrum Coal Panorama Inc.	Panorama North	Licence	707
417527	Atrum Coal Panorama Inc.	Panorama North	Licence	71
417528	Atrum Coal Groundhog Inc.	Groundhog	Licence	142
418443	Atrum Coal Groundhog Inc.	Groundhog	Licence	1,416
418444	Atrum Coal Groundhog Inc.	Groundhog	Licence	1,416
418445	Atrum Coal Groundhog Inc.	Groundhog	Licence	1,417
418446	Atrum Coal Groundhog Inc.	Groundhog	Licence	1,205
418587	Atrum Coal Groundhog Inc.	Groundhog	Licence	1,411
418588	Atrum Coal Groundhog Inc.	Groundhog	Licence	1,412
418589	Atrum Coal Groundhog Inc.	Groundhog	Licence	1,273



Tenure Number	Owner	Business Unit	Tenure Type	Area (Ha)
418590	Atrum Coal Groundhog Inc.	Groundhog	Licence	1,415
418926	Atrum Coal Groundhog Inc.	Panorama South	Licence	1,280
418932	Atrum Coal Groundhog Inc.	Panorama South	Licence	1,421
418941	Atrum Coal Groundhog Inc.	Groundhog	Licence	1,418
418942	Atrum Coal Groundhog Inc.	Groundhog	Licence	1,417
418944	Atrum Coal Groundhog Inc.	Groundhog	Licence	1,416
418950	Atrum Coal Groundhog Inc.	Panorama South	Licence	1,418
418951	Atrum Coal Groundhog Inc.	Groundhog	Licence	1,418
418952	Atrum Coal Groundhog Inc.	Groundhog	Licence	1,417
418953	Atrum Coal Panorama Inc.	Panorama North	Licence	1,346
418955	Atrum Coal Groundhog Inc.	Groundhog	Licence	1,265
418957	Atrum Coal Panorama Inc.	Panorama North	Licence	1,415
418958	Atrum Coal Panorama Inc.	Panorama North	Licence	1,345
418961	Atrum Coal Panorama Inc.	Panorama North	Licence	71
418962	Atrum Coal Groundhog Inc.	Panorama South	Licence	1,136
419192	Atrum Coal Groundhog Inc.	Groundhog	Application	600
419264	Atrum Coal Peace River Inc.	Bowron River	Licence	1,070
419265	Atrum Coal Peace River Inc.	Bowron River	Licence	1,374
120019501	Elan Coal Ltd.	Elan	Coal Lease Application	1,536
120019502	Elan Coal Ltd.	Elan	Coal Lease Application	1,616
120019503	Elan Coal Ltd.	Elan	Coal Lease Application	1,724
120019504	Elan Coal Ltd.	Elan	Coal Lease Application	1,662
120019505	Elan Coal Ltd.	Elan	Coal Lease Application	1,536
120019506	Elan Coal Ltd.	Elan	Coal Lease Application	768
120019507	Elan Coal Ltd.	Elan	Coal Lease Application	1,629
120071201	Elan Coal Ltd.	Elan	Coal Lease Application	1,936
120071202	Elan Coal Ltd.	Elan	Coal Lease Application	64
120071203	Elan Coal Ltd.	Elan	Coal Lease Application	1,840
120071204	Elan Coal Ltd.	Elan	Coal Lease Application	1,645
120071205	Elan Coal Ltd.	Elan	Coal Lease Application	1,582
120071206	Elan Coal Ltd.	Elan	Coal Lease Application	112
120071207	Elan Coal Ltd.	Elan	Coal Lease Application	960
120071208	Elan Coal Ltd.	Elan	Coal Lease Application	1,687
120286501	Elan Coal Ltd.	Elan	Coal Lease Application	16
120286502	Elan Coal Ltd.	Elan	Coal Lease Application	16
120286503	Elan Coal Ltd.	Elan	Coal Lease Application	64
120286504	Elan Coal Ltd.	Elan	Coal Lease Application	208
120286505	Elan Coal Ltd.	Elan	Coal Lease Application	48
120286506	Elan Coal Ltd.	Elan	Coal Lease Application	114
120286507	Elan Coal Ltd.	Elan	Coal Lease Application	144
120286508	Elan Coal Ltd.	Elan	Coal Lease Application	853
130011401	Elan Coal Ltd.	Elan	Coal Lease Application	256
130011402	Elan Coal Ltd.	Elan	Coal Lease Application	128
130011403	Elan Coal Ltd.	Elan	Coal Lease Application	97
130011404	Elan Coal Ltd.	Elan	Coal Lease Application	128