Atrum Coal
COAL FOR STEEL

Interim Financial Report
Six months ended 30 June 2019

CONTENTS

DIRECTORS' REPORT

The Directors of Atrum Coal Limited (the "Company") are pleased to present their report together with the consolidated interim financial statements of the consolidated entity ("Atrum" or the "Group"), being the Company and the entities it controlled for the six months ended 30 June 2019, and the auditor's review report thereon.

DIRECTORS

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

DIRECTORS

Charles Blixt (Non-Executive Chairman)
Richard Barker (appointed on 4 February 2019)
James Chisholm (resigned on 26 June 2019)
George Edwards
Charles Fear
Max Wang (Managing Director)

PRINCIPAL ACTIVITIES

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

FINANCIAL REVIEW AND RESULTS OF OPERATIONS

FINANCIAL REVIEW

During the six months ended 30 June 2019, the Company completed a placement and an entitlement issue, raising $20M in cash before costs, through the issuance of 114,285,714 shares. The Company also retired the outstanding Lenark debt and recovered essentially all the remaining receivable from ACG. Cash at hand at 30 June 2019 amounted to $20.7 M.

FINANCIAL RESULTS

The Group recorded a net loss after tax for the six months to 30 June 2019 of $8,247,372 (30 June 2018: $1,666,770), of which $4.0M was for impairment of Exploration and evaluation properties (30 June 2018: $Nil), $1.4M of share based payment (30 June 2018: $48K) and exploration expenditure of $2.2M (30 June 2018: $1.1M). Losses are a typical feature of an exploration company such as Atrum at the pre-production stage, as expenditures are made towards exploration and development of mining assets.

Please see notes 9(c) and 9(d) for details of the share-based payment.

FINANCIAL POSITION

At 30 June 2019, the Group had cash reserves of $20,696,962 (31 December 2018: $3,101,677).

The net assets of the Group increased by $13,258,564 during the six months from $16,050,018 to $29,308,582. This increase was principally a result of an increase in cash following the placement.

During the six months ended 30 June 2019, the Company received $559,528 (USD 392,869) as complete settlement from the receivable it held at 31 December 2018. The Company also retired all the outstanding debts it carried at 31 December 2018 (see below).

FINANCING AND INVESTING ACTIVITIES

During the six months ended 30 June 2019, the Company issued a total of 114,537,714 shares from two tranches of a placement, raising $20,000,000 in cash.

Repayment of Lenark Loan

During the six months ended 30 June 2019, the Company repaid the remaining balance on the Lenark loan of $141,371.

Kuro Convertible Note

The Company also issued 250,000 shares in order to redeem the remaining $25,000 outstanding on the Kuro Coal Convertible Notes.

REVIEW OF OPERATIONS

The Directors provide the following comments on the operations of the Group for the six months ended 30 June 2019.

HEALTH, SAFTEY AND ENVIRONMENT

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

ELAN PROJECT – Crowsnest Pass, Alberta, Canada

Following the successful raise of $20M, the Group has decided to accelerate the exploration and development of Elan with a planned drilling of 20,000m in 2019 (vs 6,500m in 2018). The Group is also undertaking a dual project approach by planning to conduct a significant expansion and infill drilling at the northern Elan tenements, namely the highly prospective Isolation South area where an existing JORC Resource of 120Mt is already defined concurrently with the Elan South project. Coal quality testing has also been planned for both Elan South and Isolation South, while the former is to expand the quality testing from a wider area in order to develop the product specifications and the latter is designed to validate the extensive historical coal quality testing to confirm Tier 1 hard coking coal in the area.

Elan South

The Company started construction of access roads and drill sites at Elan South after receiving the regulatory approvals in early June 2019. Road construction has revealed additional thick shallow coal outcrops around the Elan South area.

Drilling at Elan South started in the first week of July and has so far been focussed on areas at the Oil Pad Ridge and South East Corner till 23 August, with a total of 63 holes completed at Elan South before moving the two rigs to Isolation South.

Drilling will return to Elan South in mid-September at the northern end of the Oil Pad Ridge trend and the Fish Hook areas. The Company started coring of coal seam samples for further detailed coal quality and washability testwork for Elan South in mid-August, with initial focus on the South East Corner.

Results for 63 drill holes have been processed. These results have been published in our news releases, *Elan South Drilling Update*, dated 15 July 2019; *Outstanding Results from Initial Drilling at South East Corner of Elan South,* dated 17 August 2019; and, *Further Outstanding Drilling Results from the South East Corner of Elan South*, dated 2 September 2019.

The real highlight of the drilling results is the discovery of an outstanding potential at the South East Corner where all 46 drill holes intersected significant shallow coal seams, with an average apparent total thickness of 16.4m. A specialised coring rig was mobilised to the South East Corner and has drilled five holes to collect core samples for analytical testwork. Details from these five cored holes were published in our news release *Further Outstanding Drilling Results from the South East Corner of Elan South*, dated 2 September 2019.

The Group is really excited about the significant development potential in this approximate 2 square kilometres. JORC resource update for Elan South is planned for Q4 2019. In June, the Group also started a full scope environmental baseline study to collect data at Elan South site.

Isolation South

At the end of July, the Company received the exploration permit for Isolation South. Approximately 7,000 m drilling (35 drill holes) is planned for the 2019 program. The objective is to extend the current resource of 120Mt (39Mt Indicated and 81Mt Inferred) resource and to upgrade the resource through infill drilling. Coal quality test work is programmed after the drilling in order to confirm historical results that indicate Tier 1 hard coking coal quality.

The decision to advance Isolation South along with Elan South reflects the Company's objective of advancing multiple large Tier 1 hard coking coal developments in the Elan area.

As of 30 August 2019, a total of approximately 20km of exploration roads have been completed and 7 drill holes completed.

PANORAMA PROJECT – British Columbia, Canada

Panorama North

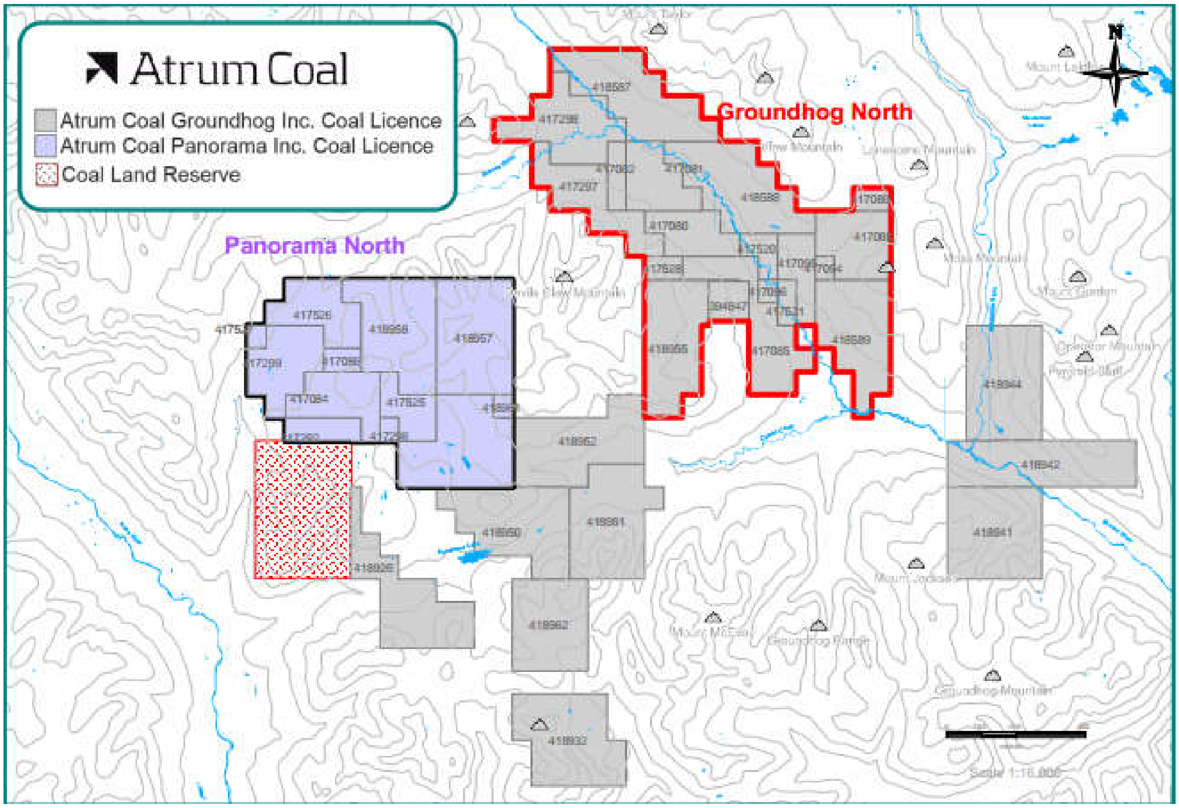
The Panorama North Project is located south-west of Groundhog North in British Columbia, Canada. It consists of 12 titles and covers an area of 74 Km2. The Company has a joint venture exploration agreement with Japan Oil, Gas and Metals National Corporation (JOGMEC). Under the agreement, JOGMEC can earn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

During the six months ended 30 June 2019, the JOGMEC earned in the 35% interest in the project. The third year JV exploration with JOGMEC at Panorama North with a budget of $1,89M, fully funded by JOGMEC, was completed in Q1 2019. In 2019, the Group and JOGMEC are working on a high-level scoping study to examine the mining options before deciding on the next steps for the project.

GROUNDHOG ANTHRACITE PROJECT – British Columbia, Canada

The Groundhog Anthracite Project (Groundhog) is in the Groundhog Coalfield in north-western British Columbia, Canada. During the six months ended 30 June 2019, the Company has relinquished further non-core areas in the Groundhog and Panorama South areas, thus reducing significantly the lease costs payable.

The Company continues to seek Joint Venture arrangement or opportunities to further explore and develop the Panorama and Groundhog anthracite projects.



Map of the updated tenements in the Groundhog and Panorama areas

CORPORATE

During the six months ended 30 June 2019, Mr. Richard Barker was appointed director and Mr James Chisholm resigned from the Board.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

MATTERS SUBSEQUENT TO REPORTING PERIOD

Other than as noted below, no matters or circumstances have arisen since 30 June 2019 which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group.

- 5,000,000 listed options, exercisable at a price of $0.20 on or before 31 March 2021, were issued pursuant to a consultant as consideration for services under a long-term arrangement

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 11 and forms part of this Directors' Report for the six months ended 30 June 2019.

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

Max Wang
Director

12 September 2019

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

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

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

As lead auditor for the review of Atrum Coal Limited for the half-year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

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

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

Neil Smith

Director

BDO Audit (WA) Pty Ltd

Perth, 12 September 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Note	Six months to 30 June 2019 $	Six months to 30 June 2018 $
Revenue			
Interest income		19,441	4,509
Expenses			
Administration		(43,383)	(34,713)
Compliance and regulatory		(151,466)	(196,627)
Consulting		-	(52,531)
Depreciation and amortisation		-	(68,103)
Director fees		(102,596)	(80,039)
Staffing costs		(129,388)	(120,708)
Exploration expenditure	6	(2,214,130)	(1,071,070)
Finance costs		(2,394)	(51,157)
Foreign exchange gain/(loss)		300	518
Impairment	6	(4,040,719)	-
Debt settlement		-	332,304
Fair value loss on financial asset at fair value through profit or loss	5	(46,434)	(52,016)
Occupancy		(2,753)	(81,777)
Public relations and marketing		(28,037)	(53,055)
Share-based payments	9	(1,403,704)	(47,871)
Travel		(102,110)	(94,434)
Loss before income tax expense		(8,247,373)	(1,666,770)
Income tax expense		-	-
Net loss after income tax expense		**(8,247,373)**	**(1,666,770)**
Other comprehensive income (loss)			
Items that may be reclassified to profit or loss			
Exchange differences arising from translation of foreign operations		593,042	93,775
Other comprehensive income for the period, net of tax		593,042	93,775
Total comprehensive loss for the period attributable to owners of the Company		**(7,654,331)**	**(1,572,995)**
Loss per share		**Cents**	**Cents**
Basic and diluted loss per share	3	(1.96)	(0.6)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	30 June 2019 $	31 December 2018 $
ASSETS			
Current Assets			
Cash and cash equivalents		20,696,962	3,101,677
Trade and other receivables	4	205,184	285,061
Financial asset at amortised cost	5	-	599,122
Total Current Assets		**20,902,146**	**3,985,860**
Non-Current Assets			
Exploration and evaluation expenditure	6	9,157,413	12,622,419
Reclamation bonds		169,774	161,721
Total Non-Current Assets		**9,327,187**	**12,784,140**
Total Assets		**30,229,333**	**16,770,000**
LIABILITIES			
Current Liabilities			
Trade and other payables	7	920,751	553,611
Other financial liabilities	8(a)	-	141,371
Borrowings	8(b)	-	25,000
Total Current Liabilities		**920,751**	**719,982**
NET ASSETS		**29,308,582**	**16,050,018**
EQUITY			
Issued capital	9	103,506,611	83,997,420
Reserves – Share based payments		6,178,503	4,774,799
Translation reserve		930,593	337,551
Accumulated losses		(81,307,125)	(73,059,752)
TOTAL EQUITY		**29,308,582**	**16,050,018**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2019

30 June 2019 Consolidated	Issued Capital $	Share-Based Payment Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total Equity $
Balance as at 1 January 2019	**83,997,420**	**4,774,799**	**337,551**	**(73,059,752)**	**16,050,018**
Other Comprehensive Income					
Share-based payments/Options	-	1,403,704	-	-	1,403,704
Movement in reserve	-	-	593,042		593,042
Loss for the period	-	-	-	(8,247,373)	(8,247,373)
Total comprehensive loss for the period	-	1,403,704	593,042	(8,247,373)	(6,250,627)
Transactions with equity holders:					
Securities issued during the period	20,025,400	-	-	-	20,025,400
Capital raising costs	(516,209)	-	-	-	(516,209)
Total contribution by equity holders	19,509,191	-	-	-	19,509,191
Balance as at 30 June 2019	**103,506,611**	**6,178,503**	**930,593**	**(81,307,125)**	**29,308,582**

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**
Other Comprehensive Income					
Movement in reserve	-	-	265,300		265,300
Loss for the year	-	-	-	(4,663,313)	(4,663,313)
Total comprehensive income/(loss) for the year	-	-	265,300	(4,663,313)	(4,398,013)
Transactions with equity holders:					
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)
Total contribution by equity holders	12,771,184	119,437	-	-	12,890,621
Balance as at 31 December 2018	**83,997,420**	**4,774,799**	**337,551**	**(73,059,752)**	**16,050,018**

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

CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	30 June 2019 $	30 June 2018 $
Cash flows from operating activities		
Receipts from authorities (METC and GST refunds)	281,450	76,674
Payments to suppliers and employees	(1,043,145)	(521,758)
Receipts from ACG	559,528	650,970
Interest received	19,441	4,509
Exploration expenditure (net amount)	(1,425,454)	(1,071,070)
Net cash used in operating activities	**(1,608,180)**	**(860,675)**
Cash flows from investing activities		
Acquisition of mining interest (see notes 6(i) and (ii))	(109,200)	(3,133,047)
Net cash used in investing activities	**(109,200)**	**(3,133,047)**
Cash flows from financing activities		
Proceeds from issue of shares	20,000,400	9,598,763
Payment of capital raising costs	(516,209)	(643,440)
Repayment of borrowings	(141,371)	(1,071,168)
Interest paid	-	(51,157)
Net cash provided by/(used in) financing activities	**19,342,820**	**7,832,998**
Net increase/(decrease) in cash and cash equivalents	17,625,440	3,839,276
Cash and cash equivalents at beginning of the period	3,101,677	2,019,636
Effect of foreign currency translation on cash held	(30,155)	(3,299)
Cash and cash equivalents at end of the period	**20,696,962**	**5,855,613**

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

1. REPORTING ENTITY

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

The consolidated interim financial report of the Company for the six months ended 30 June 2019 comprises the Company and its controlled entities (together referred to as the "Group").

A copy of the consolidated audited financial report of the Group as at and for the year ended 31 December 2018 is available upon request from the Company's registered office at Unit 1B, 205-207 Johnston Street Fitzroy, VIC 3065 or at www.atrumcoal.com.

2. BASIS OF PREPARATION

Statement of Compliance

The consolidated interim financial report is a general-purpose financial report which has been prepared in accordance with Australian Accounting Standard AASB 134: Interim Financial Reporting, and the Corporations Act 2001.

The consolidated interim financial report does not include full disclosures of the type normally included in the annual financial report. Accordingly, it is recommended that this report be read in conjunction with the audited financial report of the Company for the year ended 31 December 2018 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the Corporations Act 2001.

The consolidated interim financial report was authorised for issue by the Directors on 12 September 2019

Use of Estimates and Judgements

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

The judgements, estimates and assumptions applied in preparing this consolidated interim financial report, including the key sources of estimation uncertainty, were consistent with those applied in the Group's audited financial report for the year ended 31 December 2018.

Changes in Accounting Policies and Accounting Standards

The accounting policies adopted in this report are consistent with those applied by the Group in its consolidated audited financial report for the year ended 31 December 2018.

In the current reporting period, the Group has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to its operations and effective for the current reporting period. The adoption of the following new and revised Standards and Interpretations which became effective on 1 January 2019 has not resulted in a significant or material change to the Group's accounting policies.

- *AASB 16 Leases.*

  AASB 16 was adopted from 1 January 2019. It results 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 Group has considered the current lease on office space it holds and considers them as short-term and low value.

3. EARNINGS PER SHARE

	30 June 2019	30 June 2018
Basic loss per share (cents)	**(1.96)**	(0.6)
Loss used to calculate basic and diluted earnings per share ($)	**(8,247,373)**	(1,666,770)
Weighted average number of ordinary shares used to calculate basic and diluted EPS	**420,017,866**	274,385,925

4. OTHER RECEIVABLES

	30 June 2019 $	31 December 2018 $
GST receivable and deposits	**107,666**	230,784
Deposits and payments in advance	**97,518**	54,277
	205,184	**285,061**

Terms and conditions relating to the above financial instruments:

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

5. FINANCIAL ASSET AT AMORTISED COST

	30 June 2019 $	31 December 2018 $
Inventory at start of period	-	**1,691,295**
Sale of inventory	-	**(653,711)**
Transferred to financial asset at amortised cost	-	**(1,037,584)**
Inventory at close of period	-	-
Financial asset at amortised cost		
Transferred from Inventory	**599,122**	**1,037,584**
Repayment received	**(559,528)**	**(375,186)**
Impairment/Expected credit loss provision	**(46,434)**	**(33,120)**
Exchange loss on translation	**6,840**	**(30,156)**
Balance at close of period	-	**599,122**

During the six months ended 30 June 2019, the Company received a total of $559,528 as full and final settlement of the receivable from ACG. Consequently, the balance remaining after the payment of $46,434 was impaired.

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6. EXPLORATION AND EVALUATION EXPENDITURE

	30 June 2019 $	31 December 2018 $
Naskeena Project	**-**	37,289
Groundhog Project (iii)	**861,542**	2,046,108
Panorama Project (iii)	**2,363,992**	4,888,524
Elan Project	**5,931,879**	5,650,498
	9,157,413	12,622,419
Reconciliation		
Balance at start of period	**12,622,419**	6,831,706
Acquisition of Elan (i)	**-**	5,394,840
Advanced royalty payment (ii)	**109,200**	101,066
Impairment (iii)	**(4,040,719)**	-
Foreign exchange translation differences	**466,513**	294,807
Balance at end of period	**9,157,413**	12,622,419

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

(ii) These amounts represent advanced annual royalty payments made with respect to the Groundhog Project, which is part of the terms of acquisition of the project. These amounts are only recoverable against future royalties from the Groundhog Project.

(iii) During the six months ended 30 June 2019, the Company relinquished several non-core tenements in the Groundhog and Panorama projects. The carrying values of the properties represent the acquisition costs of these tenements and as a result, the impairment has been calculated on the basis of land area relinquished.

The Group policy in relation to exploration and evaluation expenditure is to capitalise activities relating to capital acquisitions and development assets and to expense ongoing exploration costs. The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases are dependent on the successful development and commercial exploitation or sale of the respective areas.

During the six months ended 30 June 2019, the Group incurred total exploration costs of $2,214,130 (six months to June 2018: $1,071,070) of which an amount of $2,064,770 (six months to June 2018: $706,237) was incurred on its flagship Elan project, bringing the cumulative amount spent on the project at 30 June 2019 to $5,259,246 (31 December 2018: $3,194,476).

7. TRADE AND OTHER PAYABLES

	30 June 2019 $	31 December 2018 $
Trade payables	876,283	491,464
Other accruals	44,468	62,147
	920,751	**553,611**

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.

8(a). OTHER FINANCIAL LIABILITIES

	30 June 2019 $	31 December 2018 $
Other financial liabilities comprise:		
Kuro Coal Limited - Convertible Notes (i)	-	25,000
	-	**25,000**

During the six months to 30 June 2019, the remaining Convertible Notes holders, converted their notes into 250,000 shares of the Company.

8(b). BORROWINGS

	30 June 2019 $	31 December 2018 $
Offset Loan Agreement		
Due within 12 months	-	141,371
	-	**141,371**

During the six months ended 30 June 2019, the Company retired the outstanding loan to Lenark Pty Ltd., by making cash payments totaling $141,371 and interest payments of $2,394.

9. ISSUED CAPITAL

(a) Issued and paid up share capital

	30 June 2019		31 December 2018	
	Number	$	Number	$
Issued Capital				
Ordinary shares – fully paid	**475,368,492**	**103,506,611**	360,830,778	83,997,420
Total	**475,368,492**	**103,506,611**	360,830,778	83,997,420

(b) Movements in share capital:

	Number	$
Ordinary shares – fully paid		
Balance at 1 January 2019	360,830,778	83,997,420
Private placement[1]	114,285,714	20,000,000
Exercise of listed options [2]	2,000	400
Redemption of Kuro Notes	250,000	25,000
Capital raising costs	-	(516,209)
Balance at 30 June 2019	**475,368,492**	**103,506,611**

During the six months ended 30 June 2019, the Company

1. closed a placement, in two tranches, of a total of 114,285,714 shares at a price of $0.175 each.
2. issued 400 shares pursuant to an exercise of 2,000 listed options at a price of $0.20 each
3. issued 250,000 shares with respect to the conversion of the outstanding $25,000 convertible Kuro notes.

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

(c) Movements in unlisted performance rights:

	30 June 2019	31 December 2018
	Number	Number
Balance at the start of period	750,000	750,000
Granted	12,150,000	-
Balance at close of period	**12,900,000**	**750,000**

9. ISSUED CAPITAL (continued)

(c) Movements in unlisted performance rights:

During the six months ended, the Company issued 12,150,000 Performance Rights to the directors. Each Performance Right is a right to be issued with a single Share upon vesting of the Performance Right, free of encumbrances. No consideration will be payable upon the vesting or conversion of the Performance Rights.

The vesting conditions are as follows:

Class 34:
Performance Rights will vest and become convertible into Shares upon achievement of a 200mt JORC Measured and Indicated at an Elan project or projects i.e. this could be 200mt Measured and Indicated across one project (e.g. Elan South) or across multiple projects (e.g. Elan South plus Isolation South plus Wildcat). Needs to be verified by the Company's independent geologist and performance rights only vest once the independent JORC report is submitted and signed off by the Company's independent geologist.

Class 35:
Performance Rights will vest and become convertible into Shares upon achievement of a 100mt JORC Reserve on any Elan project i.e. this must be 100mt JORC Reserve on a single project. It must be verified by the Company's independent engineering consultant based on a preliminary feasibility study or feasibility study; it must consist of only JORC Measured and Indicated resource on a single project (e.g. Elan South, or Isolation South etc) and can be a combination of Proven and Probable Reserve under the JORC code.

Class 36:
Performance Rights will vest and become convertible into Shares upon the Company obtaining Alberta Government approval to allow Atrum to proceed with permitting an open cut mine at Elan – this can only be granted once a full Environmental Impact Study or Assessment is undertaken and submitted to the Alberta Government in preparation for a mining license. It will require at least two years of environmental monitoring of the site. It is granted by the relevant government authority.

Class 37:
Performance Rights will vest and become convertible into Shares upon the Company being granted a Mining Permit on any project at Elan – again, this can only be granted once a mining lease application has been submitted to the relevant government authority. The submission must include detailed mine plans, water management plans, environmental management plans, infrastructure plans, economic impact assessment etc. It is granted by the relevant government authority. Once granted, the Company may begin construction of a mine.

Class	Balance at start of period	# Granted during the period	Vested and Exercised	Cancelled/ Forfeited	Balance at end of period	Value Vested during the period ($)
7	312,500	-	-	-	312,500	-
8	437,500	-	-	-	437,500	-
34	-	2,800,000	-	-	2,800,000	25,530
35	-	2,800,000	-	-	2,800,000	13,962
36	-	2,800,000	-	-	2,800,000	12,765
37	-	3,750,000	-	-	3,750,000	16,485
	750,000	**12,150,000**	**-**	**-**	**12,900,000**	**68,742**

Year ended 31 December 2018

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	-
	750,000	**-**	**-**	**-**	**750,000**	**-**

9. ISSUED CAPITAL (continued)

(d) Movements in unlisted options

	30 June 2019		31 December 2018	
	Number	Price*	Number	Price*
Balance at the start of period	**17,730,000**	**$ 0.68**	28,846,824	$ 0.64
Granted to directors and employees under ESOP	**25,100,000**	**$ 0.40**	1,030,000	$ 0.10
Cancelled/Expired [1]	**(16,700,000)**	**$ 0.71**	(12,146,824)	$ 0.55
Balance at close of period	**26,130,000**	**$ 0.39**	17,730,000	$ 0.68

*** Weighted average prices**

[1] During the six months ended 30 June 2019, 13,700,000 options with an average exercise price of $0.87 were cancelled and 3,000,000 options with an average exercise price of $3.97 expired unexercised.

During the six months ended 30 June 2019, the Company granted

(i) 100,000 stock options with a fair value of $15,957 for the purchase of 100,000 shares at a price of $0.10 per share for a period of three years from the date of grant. The stock options vested immediately the grant date. The share price at the date of grant was $0.22;

(ii) 100,000 stock options with a fair value of $21,632 for the purchase of 100,000 shares at a price of $0.22 per share for a period of three years from the date of grant. The stock options vested immediately the grant date. The share price at the date of grant was $0.33;

(iii) 7,850,000 stock options with a fair value of $1,047,599 for the purchase of 7,850,000 shares at a price of $0.35 per share for a period of one year from the date of grant. The stock options vested immediately the grant date. The share price at the date of grant was $0.36;

(iv) 7,850,000 stock options with a fair value of $1,298,659 for the purchase of 7,850,000 shares at a price of $0.40 per share for a period of two years from the date of grant. The stock options will vest 12 months from the grant date. The share price at the date of grant was $0.36;

(v) 9,200,000 stock options with a fair value of $1,742,300 for the purchase of 9,200,000 shares at a price of $0.45 per share for a period of three years from the date of grant. The stock options will vest 24 months from the grant date. The share price at the date of grant was $0.36

Outstanding unlisted options at 30 June 2019 are as follows:

Expiry Date	Exercise Price*	Number of Options Outstanding	Number of Exercisable Options	Average Remaining Life (Years)
June 30, 2020	$ 0.35	7,850,000	7,850,000	1.00
June 30, 2021	$ 0.40	7,850,000	-	2.00
August 5, 2021	$ 0.10	1,030,000	1,030,000	2.10
February 20, 2022	$ 0.10	100,000	100,000	2.65
April 23, 2022	$ 0.22	100,000	100,000	2.82
June 30, 2022	$ 0.45	9,200,000	-	3.00
	$0.39	**26,130,000**	**9,080,000**	**2.06**

9. ISSUED CAPITAL (continued)

(d) Movements in unlisted options (continued)

The fair values of options granted during the period and year ended 30 June 2019 and December 31, 2018 were estimated at the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

	2019	2018
Expected annual volatility*	89%	89%
Risk-free interest rate	1.95%	1.95%
Expected life	1.08 -3.08 years	3 years
Stock Price at grant date	$0.1 -$0.45	$0.07
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.

10. SEGMENT REPORTING

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

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

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

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

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

Period ended 30 June 2019	Exploration $	All Other Segments $	Consolidated $
Segment loss	(6,503,821)	(1,743,552)	(8,247,373)
Segment assets	14,969,178	15,260,155	30,229,333
Segment liabilities	(695,968)	(224,783)	(920,751)
Other segment information included in segment loss			
Interest revenue	-	19,441	19,441
Finance costs	-	(2,394)	(2,394)
Impairment expense	(4,040,719)	-	(4,040,719)
Segment loss	(6,503,821)	(1,743,552)	(8,247,373)

10. SEGMENT REPORTING (continued)

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

As at 30 June 2019 and 2018, the Group had no development assets.

11. CONTINGENCIES AND COMMITMENTS

There are no changes in contingent liabilities that occurred during the six months ended 30 June 2019.

12. RELATED PARTY TRANSACTIONS

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

During the period ended 30 June 2019, the Company paid (i) capital raising fees of $501,229 (exclusive of GST) to Argonaut Capital Limited, a company of which a director was the Chairman at the time of payment and (ii) a bonus of C$150,000 to the managing director. Other than the foregoing, there was no additional related party transaction.

13. DIVIDENDS PAID OR PROVIDED FOR

No dividend has been paid or provided for during the six months ended 30 June 2019.

14. EVENTS OCCURRING AFTER THE REPORTING DATE

Other than as noted below, no matters or circumstances have arisen since 30 June 2019 which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group.

- 5,000,000 listed options, exercisable at a price of $0.20 on or before 31 March 2021, were issued pursuant to a consultant as consideration for services under a long-term arrangement

DIRECTORS’ DECLARATION

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

a) the financial statements and notes, as set out on pages 7 to 19, are in accordance with the *Corporations Act 2001*, including:

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

   (ii) giving a true and fair view of the Group’s financial position as at 30 June 2019 and of its performance for the half-year ended on that date, and

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

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

Max Wang
Director

Calgary, Canada
Date: 12 September 2019

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

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

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Atrum Coal Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Atrum Coal Limited and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the half-year ended on that date; and

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

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 30 June 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

BDO Audit (WA) Pty Ltd

BDO

Neil Smith

Director

Perth, 12 September 2019