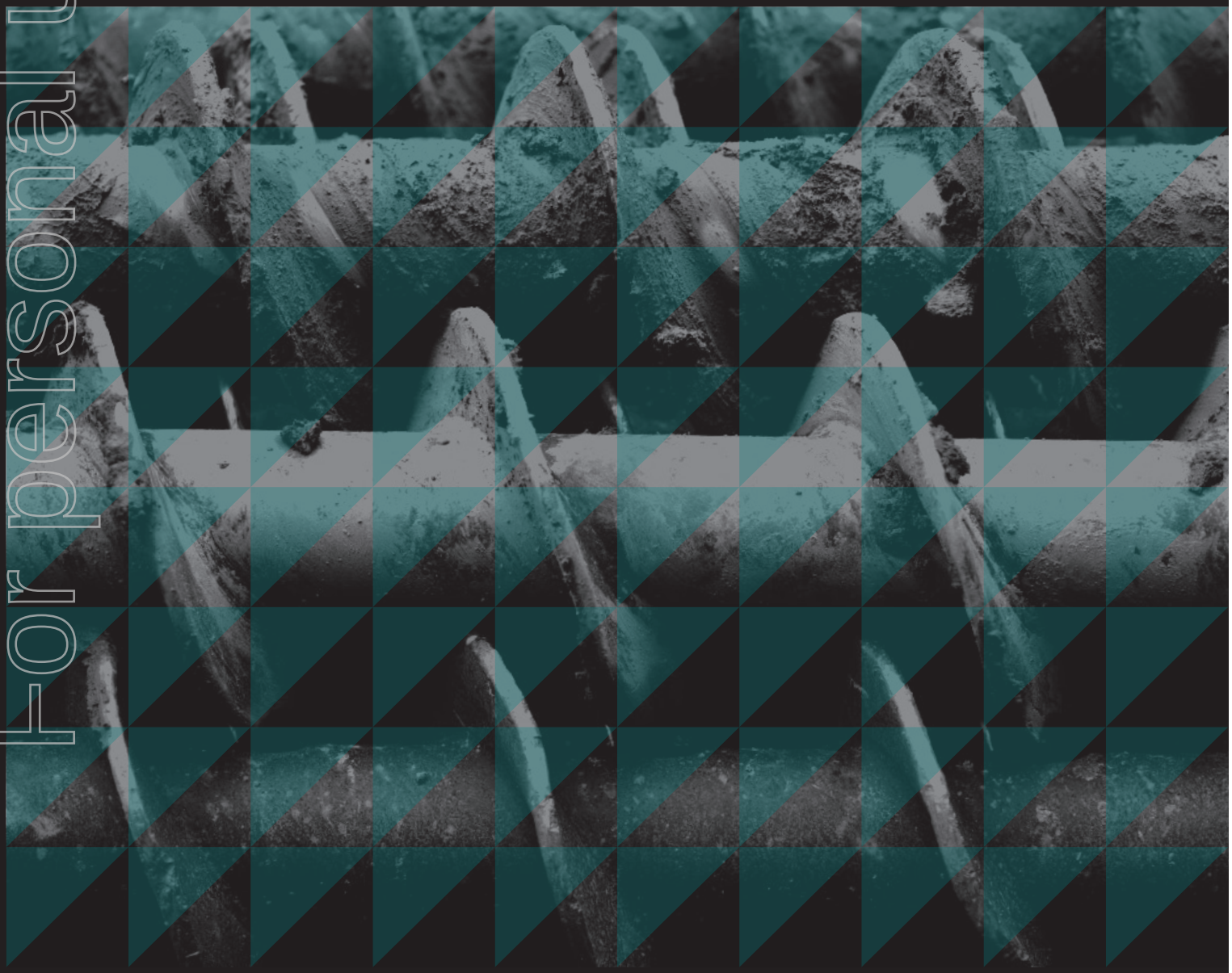
Atrum Coal

Emerging metallurgical coal explorer

ANNUAL REPORT 30 JUNE 2012



CONTENTS

CORPORATE DIRECTORY

DIRECTORS

James Chisholm (Chairman)
Russell Moran
Gino D'Anna
Eric Lilford

COMPANY SECRETARY

Gino D'Anna

REGISTERED AND PRINCIPAL OFFICE

Ground Floor
510 Hay Street
Subiaco WA 6008

Telephone: (08) 9388 3131

Website: www.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

AUSTRALIAN SECURITIES EXCHANGE

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

LETTER FROM THE BOARD OF DIRECTORS TO SHAREHOLDERS

Dear Shareholders

Atrum Coal is an Australian-based exploration company established to explore and develop metallurgical and high quality export coal projects. The Company owns 100% of the Groundhog Coal Project, the Peace River Coal Project, the Bowron River Coal Project and the Naskeena Coal Project, each located in British Columbia, Canada.

During its first year in existence the Company successfully completed its initial public offering, raising $9,100,000 (before costs) through the issue of 45,500,000 shares at $0.20 per share.

The Company was admitted to the Official List of ASX Limited on 20 July 2012 and official quotation of the Company's securities commenced on 24 July 2012.

The Groundhog Coal Project is the Company's flagship asset and hosts a **159Mt JORC Indicated and Inferred Resource** and is the focus of the Company given its clear development profile. The Naskeena Coal Project has an **Exploration Target** of **200Mt to 250Mt**. In addition, the Peace River Coal Project has an **Exploration Target** of **0 – 25Mt**.

Each of the Company's projects are proximate to road, rail and port solutions. The Directors consider that the assets in British Columbia represent exciting exploration projects with defined targets and a clear development strategy.

Since listing, the Company has entered into a data sharing arrangement with neighbouring Anglo Pacific Plc at the Groundhog Coal Project, marking a significant milestone for the Company. This has enabled the Company to better understand the scale at Groundhog and prioritise current and future drilling campaigns. Approval for the NoW exploration permit received from the British Columbia Ministry of Energy and Mines was received in early September 2012 providing the Company with three-years exploration access at Groundhog. Drilling for the 2012 field exploration season is currently underway comprising of 16 to 18 diamond drill holes designed to increase the resource base at Groundhog across JORC Measured, Indicated and Inferred categories.

The Board considers this to be an excellent opportunity for the Company to transform into an emerging metallurgical coal explorer and, on the basis of the Company having exploration success, potential producer in one of the world's prime coal producing regions.

The Company has built a strong Canadian operations team with in excess of 50 years of collective coal experience in British Columbia and is well placed to transition from explorer to developer. The recent appointment of Mr Lyle Hobbs as Chief Executive Officer marks an important milestone for the Company and Mr Hobbs' infrastructure experience will assist the Company in developing these exciting projects.

On behalf of the Board, I would like to thank all shareholders for their contribution to the successful listing of the Company. I would also like to thank our shareholders for their support. We look forward to continuing the exploration and development of the Groundhog Coal Project as well as each of the Naskeena, Peace River and Bowron River Coal Projects.

We look forward to sharing further positive developments in the year ahead.

Gino D'Anna
Executive Director

1 REVIEW OF OPERATIONS

COMPANY OVERVIEW

The Company was incorporated on 25 October 2011.

On or about 17 November 2011, the Company entered into an Option Agreement with Mr Clive Brookes, giving the Company the right to acquire 100% of the Groundhog Coal Project located in British Columbia. On or about 27 February 2012, the Company exercised the Option and completed the acquisition.

The Groundhog Coal Project comprises 18 coal concessions over an area of approximately 8,322 hectares. In addition, the Company lodged two coal lease applications with the British Columbia Ministry of Energy and Mines covering an additional 6,150 hectares.

On or about 10 January 2012 and 25 February 2012, the Company entered into Option Agreements with Golden River Resources Inc and Hanam Canada Marketing Corporation respectively, giving the Company the right to acquire 100% of the Naskeena Coal Project located in British Columbia. On or about 31 July 2012 the Company exercised the Option and completed these acquisitions.

The Naskeena Coal Project comprises of Naskeena North and Naskeena Central representing an area of approximately 11,400 hectares.

The Company has applied for coal leases in the Peace River and Bowron River regions. The Peace River Coal Project comprises a land holding of approximately 5,325 hectares whilst the Bowron River Coal Project comprises a land holding of approximately 3,750 hectares.

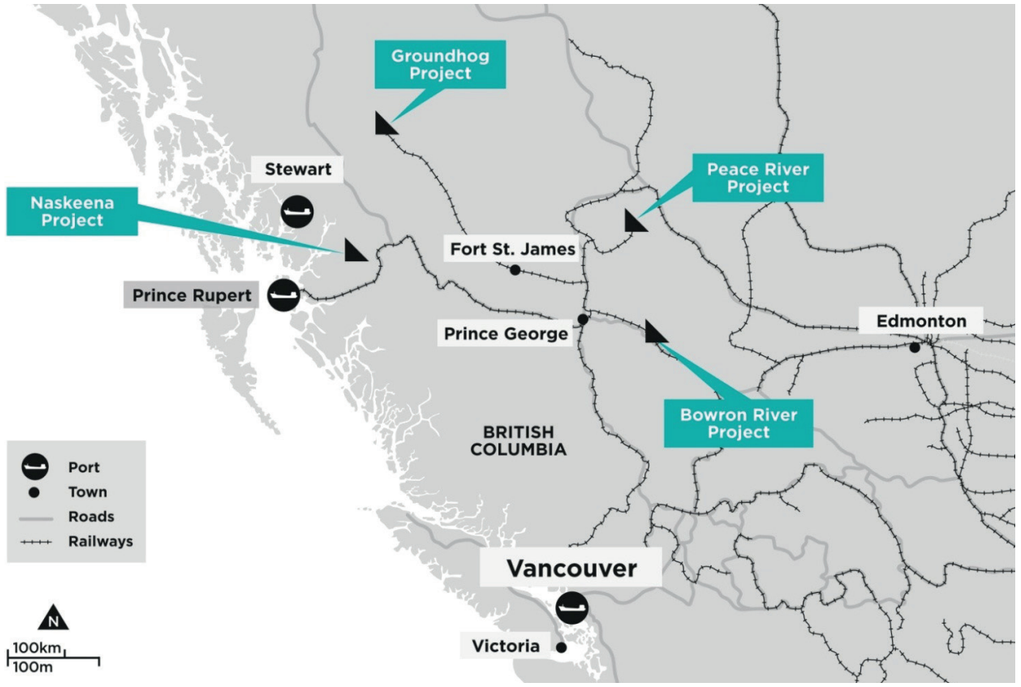


Figure 1: Atrum Coal NL – Project Location Map

The Company successfully completed its initial public offering of 45,500,000 shares at $0.20 per share to raise $9,100,000 (before costs) and was admitted to the Official List of ASX Limited on Monday, 24 July 2012.

CORPORATE

During the year:

(i) The Company was incorporated on 25 October 2011.

(ii) The Company lodged a Second Replacement Prospectus with ASIC dated 25 May 2012 which replaces a Replacement Prospectus dated 18 May 2012 and a Prospectus dated 9 May 2012, for an Initial Public Offer (IPO) for the issue of 40,000,000 fully paid ordinary shares at $0.20 each, raising $8,000,000 (before expenses of the issue);

(iii) Oversubscriptions of up to a further 15,000,000 shares at an issue price of $0.20 each to raise up to an additional $3,000,000 (before expenses of the issue) were also accepted under the Second Replacement Prospectus;

(iii) The Company closed oversubscribed over the minimum subscription and on 20 June 2012 issued 45,500,000 shares raising $9,100,000 (before the expenses of the issue); and

(iv) On 20 July 2012, the Company was admitted to the official list of ASX Limited and official quotation of The Company's securities commenced on 24 July 2012.

PROJECT OVERVIEW

Atrum Coal is an Australian-based exploration company established to explore and develop metallurgical and high quality export coal projects. The Company owns 100% of the Groundhog Coal Project, the Peace River Coal Project, the Bowron River Coal Project and the Naskeena Coal Project, each located in British Columbia, Canada.

Each of the Company's projects are proximate to road, rail and port solutions. The Directors consider that the assets in British Columbia represent exciting exploration projects with defined targets and a clear development strategy. Atrum has specifically targeted British Columbia as its initial project focus due to its relative (i) abundance of high quality coking and metallurgical coal; (ii) well developed rail and port infrastructure with excess capacity; (iii) access to deep sea ports; (iv) competitive shipping distance to Asia; and (v) positive government stance on mining.

The Company's flagship asset, the Groundhog Coal Project, has a **JORC Indicated and Inferred Resource of 159Mt**. Of this resource, the Company has delineated a maiden **57.1Mt JORC Indicated Resource**. This is a significant milestone for the Company and demonstrates an increase in the confidence of the resource, underpinning the development path for the Groundhog Project.

The Company also retains 100% ownership of three additional exploration projects. The Exploration Targets in accordance with Section 18 of the JORC Code are as follows:

	Exploration Targets (Mt)
Naskeena Project	200 – 250
Peace River Project	0 – 25
Bowron River Project	0
TOTAL	**200 – 275**

Note: *The methodology for calculation of the above resource and exploration target numbers is set out in the Independent Geologist's Report. The exploration targets set out above are not a Coal Resource as defined by the JORC code. The exploration targets are conceptual in nature and there has been insufficient exploration carried out to define a Coal Resource and it is uncertain if further exploration will result in the exploration target(s) being delineated as Coal Resources as defined by the JORC code.*

Western Canada provides excellent opportunities for supply diversification in a low risk jurisdiction with well-established rail and port infrastructure. Hard coking coal is a geologically scarce commodity and the majority of well-endowed regions suffer from inadequate rail and port infrastructure or heightened sovereign risk.

Canada is one of the world's leading coking coal suppliers to the seaborne market. Coal is currently exported to the North American, European and Asian markets from British Columbia's ports. With two world class railways and three expanding deep water ports, the infrastructure for exporting coal from British Columbia is well established. Most of the coking coal shipped from these ports is mined from the East Kootenay and Peace River regions, which produce a similar quality coal to those exported from Australia.

Coal producers in British Columbia operate under long-term arrangements with the two rail operators in the region, Canadian Pacific Rail (CP) and Canadian National Rail (CN).

GROUNDHOG COAL PROJECT OVERVIEW

The Groundhog Coal Project is located in the Groundhog Coalfield in the northern part of the Bowser Basin in north-western British Columbia, approximately 890 km northwest of Vancouver, 150 km northeast of Stewart, and 300 km northeast of Prince Rupert. The Groundhog Project comprises 18 coal licenses and 2 coal lease applications covering an area of 14,472 hectares located in close proximity to key mining infrastructure including rail, port, road, power and water facilities.

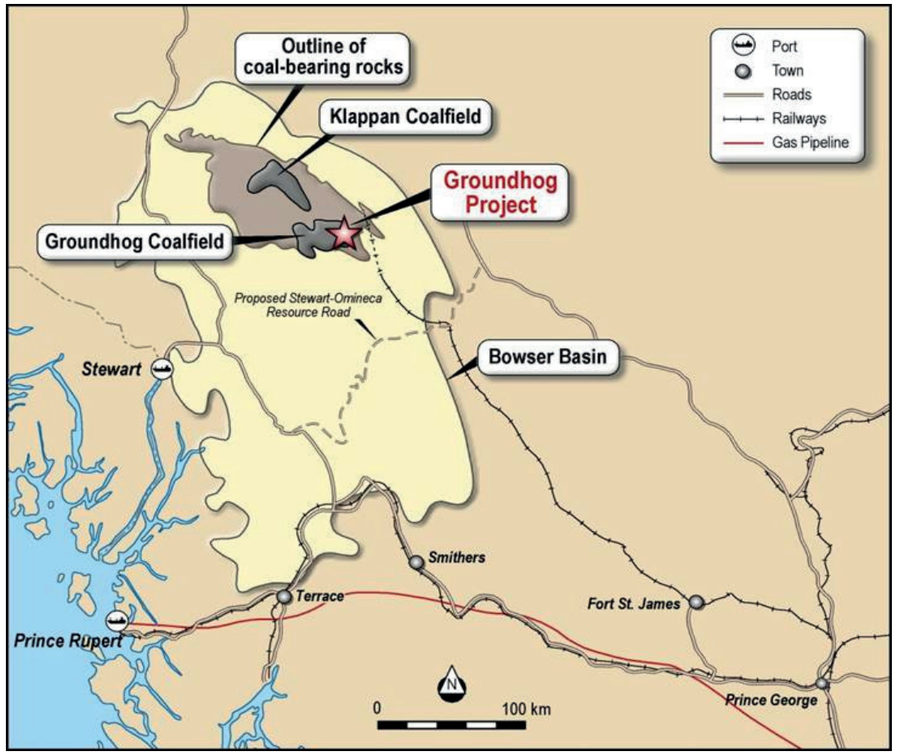


Figure 2: Groundhog Coal Project Location Plan

The infrastructure centre relevant to the Groundhog Project is the deep sea port town of Stewart which lies approximately 150 km southwest of the property. However, the southern boundary of the properties is in close proximity (~30 km) to the British Columbia Railway (BCR) foundation, which connects southwards with train services to the Prince Rupert coal terminal. In 2005, the Canadian National Railway acquired BCR, and submitted a proposal to extend the track through the Groundhog project to access Fortune Mineral's "Mt. Klappan" coal project, located approximately 50 km north of the Groundhog Project. The distance by rail from the Groundhog Project to Fort St. James is 381 km, to Prince George 497 km, to Prince Rupert via the British Columbia and the Canadian National railways 1,234 km and to Vancouver 1,294 km.

The Company recently permitted a fixed wing airstrip located approximately six (6) kilometres from the central core area at Groundhog. The airstrip has recently been restored and cleared of low lying vegetation to enable immediate use and will allow the Company to fast-track development of the Groundhog Project. The fixed wing airstrip provides excellent access to the Groundhog Project and will be utilized as the service hub for the Company's exploration activities in the future.

JORC INDICATED AND INFERRED RESOURCES

The JORC resources at Groundhog have increased 220% from 50Mt JORC Inferred to 159Mt JORC Indicated and Inferred, as summarised in the table below.

JORC Category	Previous Resource (Mt)	Upgraded Resource (Mt)
Indicated	-	57.1
Inferred	50	101.9
Total	**50**	**159**

Figure 3: JORC Resources at Groundhog

A maiden JORC Indicated resource of 57.1Mt has been delineated at Groundhog, improving the confidence of the development path as the project transitions through resource expansion, reserve definition, feasibility and production.

The Company is now focused on further improving the confidence of the resources through this current drilling campaign, which has been designed to expand the JORC resource across Measured, Indicated and Inferred categories. The Company also plans to undertake product and market assessment upon completion of the current drill campaign.

This interim resource upgrade has resulted from a data sharing arrangement that the Company entered into with Anglo Pacific Plc ("**Anglo Pacific**") in July 2012. Under the arrangement, Atrum secured access to a resource model related to the neighbouring Discovery Project owned by Anglo Pacific, and with it was able to compile 2008 drilling data at Groundhog as well as regional historical data from 1970 to 1985, and produce an updated resource model.

The updated resource model re-enforces the strong development potential at Groundhog. The 159Mt JORC Indicated and Inferred resource is considered to be true open cut with more than 90% of the current resource occurring between 0 and 150m:

JORC Resource Breakdown By Depth			
0 – 50m	0 – 100m	0 – 150m	0 – 200m
29.7%	67%	91.5%	99.9%
47.2Mt	**106.5Mt**	**145.5Mt**	**158.8Mt**

Figure 4: JORC Resources by depth at Groundhog

Coal quality testing by previous exploration companies from a drill hole proximate to the central core area at Groundhog, demonstrated potential to wash the coal and achieve a 65% yield (average at 1.65SG) with low impurities (sulphur and phosphorous), less than 10% ash, low volatile matter, a fixed carbon content in excess of 85% and calorific value ranging from 7,500Kcal to 8,000Kcal. Testing was based on four core samples taken at 29.3m, 72.3m, 79.1m and 136.6m depth.

Eight economic coal seams have been identified between 0 and 200m depth. The Company believes there is significant potential to further extend the coal measures by testing for additional resources at depth through this current drill program.

A typical cross section of the coal occurrences at Groundhog is illustrated below. Coal seams occur at near surface and have a tendency to dip down gently before re-approaching the surface. Topography (solid black line), conceptual resource pit outline (dotted black line) and coal seams (coloured lines) are shown in the figure below:

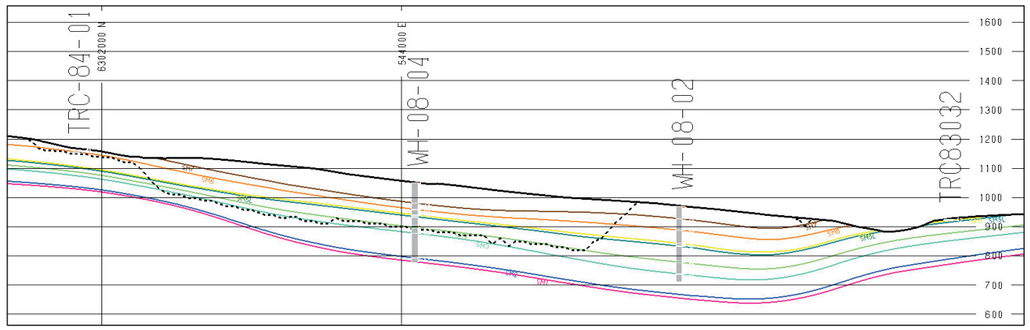


Figure 5: Typical cross-section of resource pit at Groundhog

Moose Mountain Technical Services ("**MMTS**") has been commissioned to complete a full technical report with respect to the resource upgrade. This is expected to be complete by the end of October 2012.

PREVIOUS EXPLORATION

Coal exploration in the area began in 1970, with further work carried out in 1981, 1983-4 and most recently in 2008. Following is a brief description of the historical work carried out:

- 1970 National Coal Corp diamond drill program.
- 1981 Imperial Metals Corp exploration drill program.
- 1983 Suncor Inc. trench sampling program.
- 1983-84 Gulf Canada Resources Inc. trench sampling program.
- 1984 Groundhog Coal Ltd trench sampling program.

The most recent phase of exploration was completed in 2008 which involved the drilling of eleven partially cored holes within coal license 417085. Figure 6 shows the locations of drill holes and trench samples taken in the various phases of exploration.

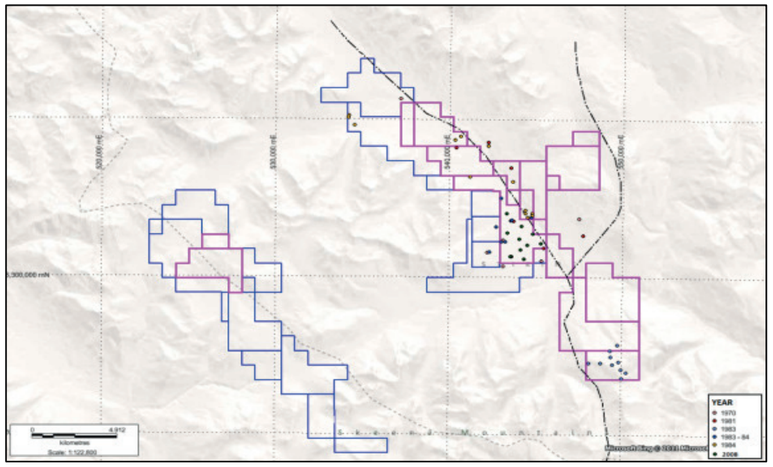


Figure 6: Location of Exploration Drilling and Sampling within the Groundhog Project
**Atrum Licenses in pink, Coal Licenses held by other companies in blue (Prepared with data sourced from the Ministry of Energy and Mines, British Columbia, Canada and Atrum)*

PEACE RIVER COAL PROJECT OVERVIEW

The Peace River Project is located approximately 30 km west of the Wapiti Coal Project, owned by Hillsborough Resources Limited, approximately 40 km east of the operating Brule Mine, owned by Walter Energy Inc, and 35 km north of the Perry Creek/Wolverine Mine, owned by Walter Energy Inc. It is located on the western margin of the Western Canadian Sedimentary Basin and the eastern fringe of the Rocky Mountain foothills fold belt.

Atrum has lodged a coal license application covering an area of 5,325 hectares.

The Atrum coal license application area is approximately 300 km north east of Prince George. The Chetwynd Highway (29) runs approximately 25 km to the west of the property and the Heritage Highway (52) runs approximately 10 km to the east of the property. Both highways connect at the locality of Tumbler Ridge, approximately 16 km south of the property.

Figure 7 shows the location of the Peace River Coal Project including the surrounding road and rail infrastructure.

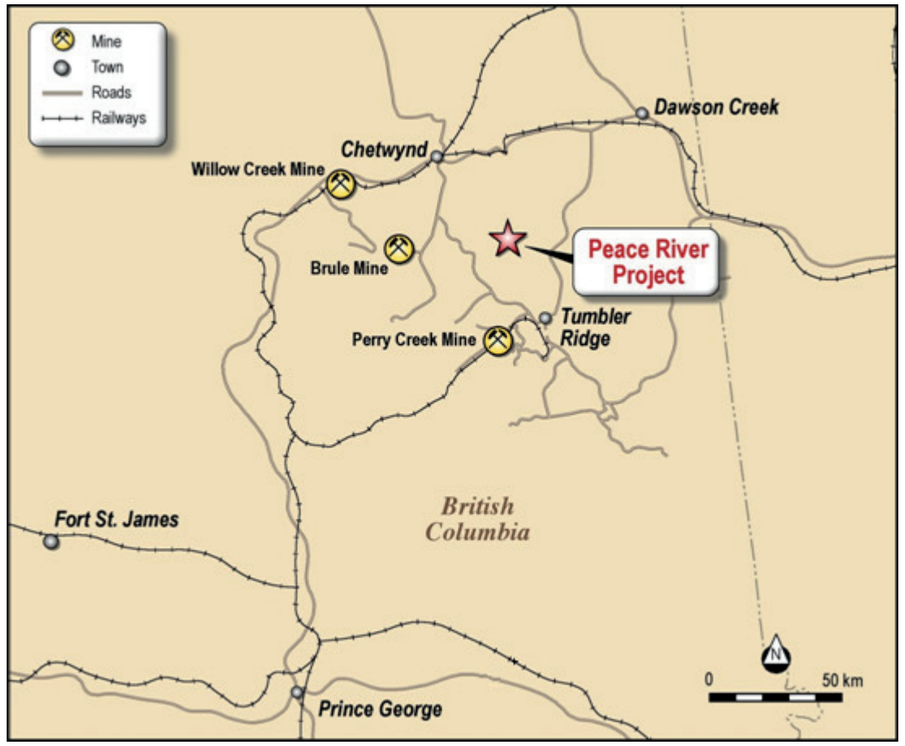


Figure 7: Peace River Coal Project Location

EXPLORATION TARGET

Currently the Peace River Coal Project contains an **Exploration Target** of between **0Mt and 25Mt** of coal. *This exploration target is not a Coal Resource as defined by the JORC code. The exploration target is conceptual in nature and there has been insufficient exploration carried out to define a Coal Resource and it is uncertain if further exploration will result in the exploration target being delineated as Coal Resources as defined by the JORC code.*

BOWRON RIVER COAL PROJECT OVERVIEW

The Bowron River Project is located approximately 60 km east of the town of Prince George, British Columbia within the Bowron Coal Measures of the Nechako Basin.

Atrum has lodged a coal License Application covering an area of 3,750 hectares.

The Bowron River Coal Project is accessible from Prince George by 50 km of paved road on Highway 16 and then by 10 km of all-weather gravel road. The closest access to rail is Hansard, a distance of 35 km to the north.

Prince George is a large industrial and commercial hub in north central British Columbia, with daily scheduled commercial airline transportation. It also serves as a major staging point for both British Columbia Rail and the Canadian National Railway.

Figure 8 shows the location of the Bowron River Coal Project including the surrounding road and rail infrastructure.

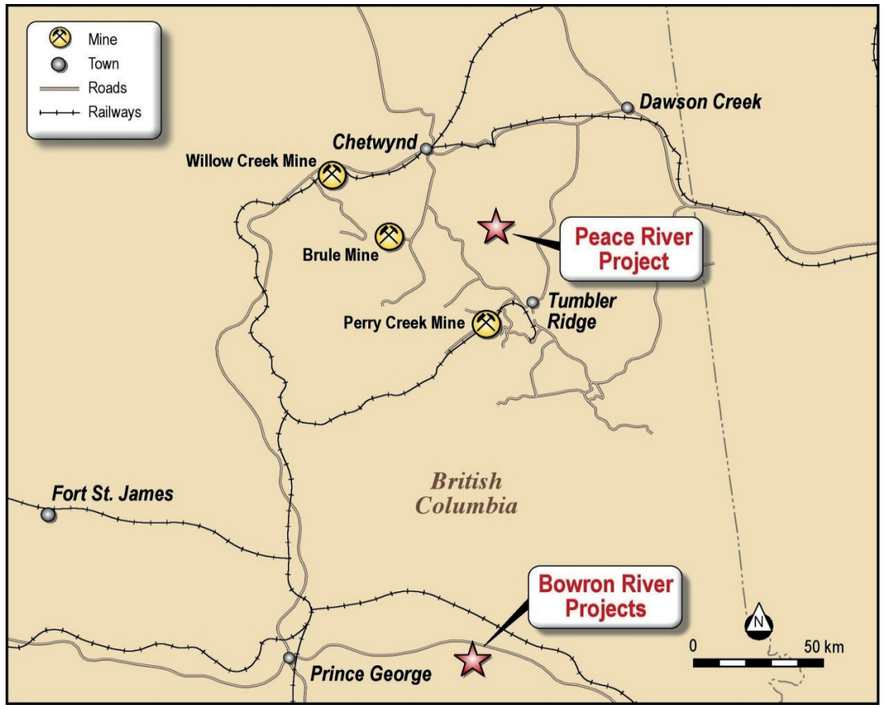


Figure 8: Bowron River Coal Project Location

EXPLORATION TARGET

Currently the Bowron River Coal Project does not contain an Exploration Target.

COAL SEAMS

Three main coal seams have been identified in the Bowron River Coal Measures, the Upper, Middle and Lower, all occurring in the lower 100 m of the sedimentary sequence.

The Lower coal seam occurs approximately 100 m above the Antler Formation and contains coal plies interbedded with stone plies. The average thickness of the seam is 3.4 m. Exploration drilling carried out in the 1981 phase demonstrated

the continuity of the seam in the south and east of the project area. A major stone band develops in the southern portion of the area, splitting the seam into two seams.

The Middle seam is thinner and lacks lateral continuity. Its thickness ranges between 0.3 m and 3 m and is approximately 25 m above the Lower Seam.

The Upper coal seam is approximately 50 m above the Lower seam and is composed of two plies separated by a relatively thick stone parting averaging 1 m. The average thickness of the coal is 2.4 m.

NASKEENA COAL PROJECT OVERVIEW

The Naskeena Coal Project is located approximately 50 km north of the town of Terrace, British Columbia in the southern Bowser Basin. The Naskeena Coal Project is comprised of nine separate tenures covering an area of 11,400 hectares.

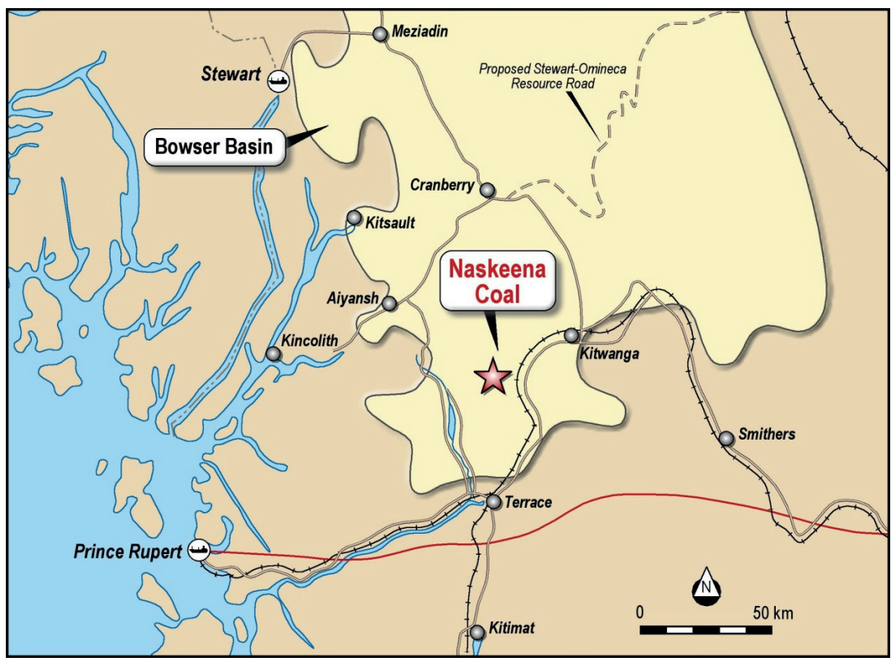
Initial coal exploration in the area was conducted in 1914 in which a number of surface outcroppings were identified. Between 2006 and 2008, Jet Gold Corp completed 25 diamond drill holes and 8 trench samples.

The Naskeena Coal Project has good year round road access from the city of Terrace located 50 km to the south. Highway 113, a two lane paved road traverses through the western portion of the coal tenures. Logging roads provide good access to the rest of the coal tenures.

The City of Terrace is a central service hub with approximate population of 20,000 (2001 census) within the surrounding area. The city is serviced by a regional airport which has daily flights to Vancouver, B.C.

The Port of Prince Rupert, with the Ridley Island coal handling facility and the container port is approximately 200 km away. The port of Kitimat is located approximately 100 km to the south. Rail lines and major highways connect Terrace with Kitimat, Prince Rupert and Prince George.

Figure 9 shows the location of the Naskeena Coal Project including the surrounding road and rail infrastructure.



EXPLORATION TARGET

Currently the Naskeena Coal Project contains an **Exploration Target** of between **200Mt and 250Mt** of coal. *This exploration target is not a Coal Resource as defined by the JORC code. The exploration target is conceptual in nature and there has been insufficient exploration carried out to define a Coal Resource and it is uncertain if further exploration will result in the exploration target being delineated as Coal Resources as defined by the JORC code.*

COAL SEAMS

Seven drill holes completed in 2007 intersected multiple coal seams ranging in thickness from 0.3 m – 1.5 m.

PREVIOUS EXPLORATION

Initial coal exploration in the area was conducted in 1914 in which a number of surface outcroppings were identified. Table 1 summarises the exploration carried out on the project area to date. The 2007 exploration concentrated on the eastern margin of the bounding fault.

Table 1: Summary of Exploration in the Naskeena Project

Year	Diamond Drill Holes	Trench Samples
2006		8
2007	16	
2008	9	
TOTAL	**25**	**8**

EXPLORATION ACTIVITIES SUMMARY

Atrum Coal commenced trading on 24 July 2012 following the issue of 45,500,000 shares at an issue price of 20 cents each raising $9,100,000 before costs. During the year the Company progressed with the development of the Groundhog Project and completed the acquisition of the Naskeena Central and Naskeena North projects, located in British Columbia, Canada.

LODGEMENT OF NOTICE OF WORKS PROGRAM – GROUNDHOG COAL PROJECT

In July 2012, the Company lodged its NoW program detailing its exploration activity at Groundhog with the British Columbia Ministry of Energy and Mines.

The NoW includes a staged drilling program designed to delineate the extent of the coal resources at Groundhog. It includes a total of 80 drill holes, with approximately 16-18 diamond drill holes for 5,000 metres to be completed as part of the 2012 field exploration program.

The program has been designed to:

a. expand the current JORC Indicated and Inferred Resource through exploratory drilling;
b. enhance the quality and confidence of the existing resource through close grid drilling to delineate Measured Resources; and
c. test additional resources at depth.

In addition to drilling, the Company plans to undertake comprehensive mapping and sampling of surface exposures to verify and add to the historic exploration database. No trenching is planned in 2012, however it may be considered in subsequent field programs. Surface trenching can provide the Company with additional targets for future drilling and assist in correlating coal seams and stratigraphic horizons.

Drilling with heli-portable core machines will enable the Company to collect core samples to be used in connection with the coal quality analysis. The majority of the drill holes will be less than 200 meters in total drilled depth with a small

number as deep as 400m for stratigraphic control. The Company will also be completing downhole geophysical logging of the drill holes for accurate coal seam definition and to gather information to assist with litholigic logging and geotechnical assessment.

Some of the drilling is designed to be infill to increase the confidence level of the coal resources in the central area (between Evans Creek and Currier Creek where previous drilling occurred) and exploratory drilling will assess coal potential to the north (north of Evans Creek) and south (south of Currier Creek) of the central area.

The Groundhog project has previously been mapped, trenched, sampled and drilled extensively, particularly in the central core area of the project.

Figure 10 (*right*) highlights the concentration of drilling in the central core area.

Remnant clearings from previous exploration will be utilised as landing pads for access where possible.

New drill pads will be required on 8m x 8m platforms to long line in the drill rig and supplies.

The Company has finalised contracts with drilling operators, helicopter operators and camp site logistic managers.

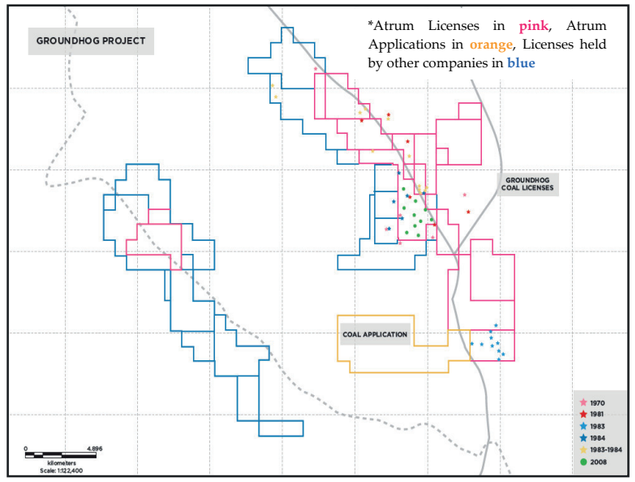


Figure 10: Historical drilling and sampling at Groundhog
Source: Ministry of Energy and Mines (British Columbia) and Atrum

Moose Mountain Technical Services ("**MMTS**") have been retained to support the Company's Canada based technical team during the exploration program. MMTS have extensive coal experience in British Columbia and particularly in the Groundhog Coalfield.

The Company's recently appointed Chief Technical Officer, Mr Brad Van Den Bussche has significant experience in the coal industry in British Columbia. Brad has held a number of senior management and corporate executive positions including Exploration/Mine Geologist with Gulf Canada Resources Ltd for 4 years and Chief Geologist with Norwest Mines Services Ltd for 6 years.

The Company has strengthened its long term relationship with its First Nations stakeholders through progressive direct employment and training platforms. This is a significant milestone for the Company and a crucial step towards forging a clear path to production at Groundhog.

Resource evaluation at Groundhog continues, including assessment of the Anglo Pacific Plc resource model which the Company acquired in July 2012. As a result, drill targets for this current program have been further refined to ensure optimal exploration success, and the Company's broader understanding of the geology at Groundhog has improved significantly.

On 7 September 2012, the Company received approval from the British Columbia Ministry of Energy and Mines for its NoW detailing its activity at Groundhog. The NoW will enable Atrum to undertake comprehensive exploration at Groundhog for 3 years including drilling, mapping, trenching and the potential to remove a bulk sample for testing and marketing purposes with potential customers.

The field exploration program for 2012 will include 16 - 18 diamond drill holes for 5,000 meters designed to expand the current JORC Resource across Inferred, Indicated and Measured categories, as well as test additional coal resource inventory at depth.

Figure 11: Camp and airstrip at Groundhog

Drilling commenced at Groundhog on 17 September 2012 and two drill rigs are now fully operational with 30 personnel on site. The image on the left depicts the site camp and airstrip.

The program remains on schedule to be completed by the end of October 2012 and subsequent coal quality results expected before the end of 2012. A further upgrade to the JORC resource at Groundhog is expected Q1 2013.

Figure 12: First drill pad at Groundhog

DATA SHARING ARRANGEMENT WITH ANGLO PACIFIC PLC

In early July 2012, the Company entered into a data sharing arrangement with Anglo Pacific PLC ("**Arrangement**") who own the neighbouring Discovery and Panorama coal projects within the Groundhog Coalfield.

Under the Arrangement, the Company has access to a resource model that was completed by Anglo Pacific PLC on the Discovery and Panorama coal projects. The Company and MMTS have recently completed a review of this resource model and have compiled the historical drilling, trenching and sampling within the Groundhog Coalfield. MMTS has evaluated this data together with data from the 2008 drilling program that was completed on the central core area at Groundhog by a previous explorer.

A full technical report by MMTS has been commissioned and is expected in the last quarter of 2012. The preliminary results of this technical report have been utilised in further refining the drill hole locations and priorities for the 2012 drilling program as well as provide valuable insight into the project size and scale at Groundhog.

KEY CONTRACTS AWARDED FOR EXPLORATION PROGRAM - GROUNDHOG

The Company has awarded key contracts in relation to the planned activity at the Groundhog Coal Project ("**Groundhog**") for the 2012 field exploration program.

Highly experienced Driftwood Diamond Drilling has been awarded the drilling contract, with rig mobilisation to take place on 13 September 2012. CJL Enterprises Limited has been awarded the camp construction and logistics management contract, with camp construction already well advanced and due to complete prior to drill rig mobilisation later this week. Lakelse Air Limited has been awarded the helicopter operator contract to facilitate drill rig mobilisation, demobilisation and crew mobilisation. Each of the contractors were selected based upon strict criteria including relevant Groundhog Coalfield experience, technical ability and relationships within the local community.

The award of these contracts is a significant milestone for the Company. The choice of contractors has strengthened the relationship between the Company and local service providers.

Early engagement with First Nations has been a key driver and to this end, the Company has launched a range of initiatives. Direct hiring, contract sharing and training programs will provide immediate community benefit and long term employment and growth opportunities. The Company looks forward to growing these initiatives as the Company develops.

Camp construction has now been completed on a recently permitted fixed wing airstrip located approximately six (6) kilometres from the central core area at Groundhog with crew mobilisation to take place ahead of drilling, which commenced on 17 September 2012. The airstrip has recently been restored and cleared of low lying vegetation to enable immediate use. The Company has fast-tracked construction and crew mobilisation to ensure it is able to commence drilling on time and within budget.

The drilling program is expected to take five (5) weeks to complete with ultimate, proximate and petrographic coal quality results expected before the end of 2012.

ACQUISITION AND CONSOLIDATION OF STRATEGIC NASKEENA PROJECT

During the year the Company completed the acquisition of the Naskeena (North) Coal Project and the Naskeena (Central) Coal Project located in British Columbia, Canada. The Completion of the acquisition provides the Company a consolidated position in excess of 11,000 hectares of contiguous coal tenure prospective for metallurgical coal. The consolidation of these attractive project areas secures a significant land foot-print within the Naskeena Coalfield and 'locks-up' a substantial region of coal bearing geology.

The Naskeena Coal Project ("**Naskeena**") has been historically mapped, trenched, sampled and drilled by previous explorers demonstrating the significant potential of this prospective region and its exploration upside. In addition to the completion of the acquisition, the Company has successfully acquired the exploration database and is currently reviewing this information with a view to advance resource modelling as first priority.

The Naskeena Coal Project is located approximately 50 km north of Terrace in British Columbia and consists of nine contiguous Coal Tenure Applications located in the Skeena Mining Division covering an area of 11,400 hectares in the Kitsumkalum valley.

The historic Naskeena coal showing on the Little Cedar River was discovered in 1913.

The Naskeena Coal Project is located in the 5 kilometre wide Kitsumkalum valley. Both sides of the Kitsumkalum valley have been cut by parallel north/northwest faults. Along the faults the bedrock has been exposed.

Previous explorers have identified six occurrences of exposed coal seams (Clear Creek, Big Cedar River (2), Trenches – Big Cedar River, Hadenschild Creek, and Highway 113) on the western and eastern sides of the Kitsumkalum valley.

The broad Kitsumkalum valley basin is interpreted to have had minimal structural disruption.

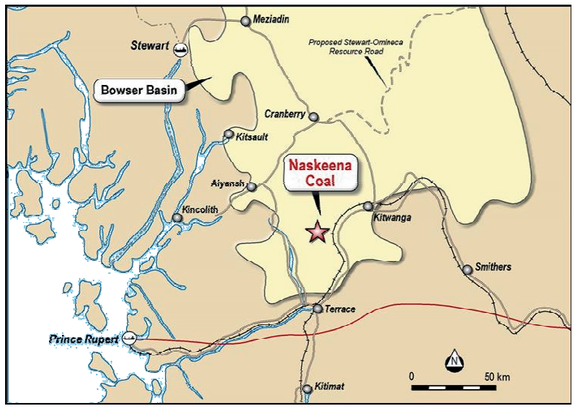


Figure 13: Naskeena Coal Project Location Map

Figure 14: Big Cedar Creek 1.5m coal outcrop

The Naskeena Project has good year round road access from the city of Terrace located 50 kilometres to the south. A two lane paved road traverses through the western portion of the coal tenures whilst logging roads provide good access to the rest of the coal tenures.

The Naskeena Project has good year round road access from the city of Terrace located 50 kilometres to the south. The City of Terrace is a central service hub and is serviced by a regional airport which has daily flights to Vancouver.

The Port of Prince Rupert, with the Ridley Island coal handling facility and container port, is approximately 200 kilometres away. The port of Kitimat is located approximately 100 kilometres to the south. Rail lines and major highways connect Terrace with Kitimat, Prince Rupert and Prince George.

Figure 15: Hadenschild Creek 1m+ coal outcrop

Most supplies and services are readily available in the area. A high voltage power transmission line traverses through the western portion of the coal tenures. In addition, water from rivers and creeks is also readily available within the Naskeena Project.

The Naskeena Coal Project hosts a current Exploration Target of 200Mt to 250Mt, in accordance with JORC guidelines.

The Naskeena Coal Project has undergone limited historical exploration, however, historical mapping, trenching, sampling and drilling by previous explorers has demonstrated the significant potential of the Naskeena Coal Project and its exploration upside.

Five trenches were hand dug in the river bank just north of the Big Cedar River coal showing in 2007. The trenches exposed the weathered coal seam for a strike length of 30 meters.

Coal is visible on the banks of Haddenschild Creek and is also visible along Clear Creek, and on the Little Cedar River.

In 2007, Jet Gold Corp. drilled sixteen vertical Diamond Drill holes on the Naskeena Coal Project totalling 1,215 meters.

Thirteen of the holes were drilled in the vicinity of the historic Naskeena showing beside the Big Cedar River. Seven of the drill holes intersected multiple coal beds ranging from 0.3 meters to 1.5 meters in thickness. One of the drill holes, DDH6 intersected seven coal beds.

An additional three diamond drill holes were drilled 2.5 kilometres south of the historic Naskeena showing. One of the drill holes, DDH16 was drilled about 500 meters west of the Clear Creek showing and passed through a 1.1 meter thick seam of coal at a depth of 31 meters.

The 2007 diamond drilling was done close to the eastern bounding regional fault system. Close to the bounding fault, the bedding was found to dip steeply. To the west of the bounding fault the bedding flattens out and the coal seams are more numerous and thicker.

With good road access, high ranking coal, numerous coal exposures and the wide untested valley, the Naskeena Coal Project offers significant exploration upside.

ACQUISITION OF HISTORICAL EXPLORATION DATABASE – NASKEENA PROJECT

In addition to the completion of the consolidation of the Naskeena Project, the Company acquired the historical exploration database ("**Data Set**") covering Naskeena.

The acquisition of this Data Set provides the Company with valuable insight into the geological structures at Naskeena and assists in the identification of coal seam continuity, seam correlation, seam thicknesses and geophysical

interpretations. This Data Set is currently being reviewed by the Company's technical team with a view to advance resource modelling.

A trenching program conducted in 2007 by a previous explorer identified a surface coal seam with a strike length of 30m. In addition, 25 diamond drill holes for 2,525m completed by Jet Gold Corp in 2007 and 2008 intersected multiple coal seams ranging from 0.3m to 2.4m thick, at depths from surface down to 70m.

The Company believes the compilation and analysis of this Data Set could lead to the delineation of a resource in accordance with JORC Guidelines. The drill hole locations, physical drill core and drill hole intersections will also assist the Company in formulating and implementing its own drill campaign at Naskeena.

CORPORATE

APPOINTMENT OF LYLE HOBBS AS CHIEF EXECUTIVE OFFICER

During the year, the Company announced the appointment of Mr Lyle Hobbs P.Eng MBA as Chief Executive Officer. This marks a significant milestone for the Company as it makes the transition from explorer to developer. Mr Hobbs has a strong background in logistics and project development which was a key driver for the appointment.

Mr Hobbs has 24 years' experience in engineering, operations and project management within the natural resources industry. He has fulfilled a number of senior management roles with Ambre Energy, AMEC Americas, Shell Canada, Luscar Coal, and Fording Coal.

Mr Hobbs spent 18 years at the Highvale/Whitewood coal mines where he was responsible for managing the 13.5Mtpa coal operation, one of Canada's largest coal operations. Most recently he was Chief Engineer for Ambre Energy's North American Alternative Fuels venture where he managed the North American Coal to Liquids and Shale Oil activities. Most notably, he was the Project Manager for the acquisition and infrastructure upgrade of the Washington coal port.

Your directors present their report on the company and its controlled entities for the period from incorporation on 25 October 2001 to 30 June 2012.

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:

James Chisholm – Non-Executive Chairman (appointed 25 October 2011)
Russell Moran – Executive Director (appointed 25 October 2011)
Gino D'Anna – Executive Director and Company Secretary (appointed 25 October 2011)
Eric Lilford – Non-Executive Director (appointed 29 February 2012)

Directors were appointed on the formation of the Company until the date of this report unless otherwise stated.

The particulars of the qualifications, experience and special responsibilities of each director are as follows:

James Chisholm – Non Executive Chairman

James Chisholm is a qualified engineer who has worked in the engineering and mining sectors for the past 28 years, initially in engineering, then management, then M&A roles. James was a seed shareholder of Doyles Creek Mining (now NuCoal Resources ASX:NCR). He co-founded The Chairmen1 Pty Ltd (which is the largest shareholder of Guildford Coal Limited ASX:GUF), Ebony Iron Pty Ltd (now part of Strategic Minerals PLC, AIM:SML), Fertoz Pty Ltd and Ebony Coal Limited.

Over the past three years, Mr Chisholm has not served on the board of any listed companies. Mr Chisholm currently holds 17,126,000 fully paid ordinary shares in the Company together with an additional 16,562,500 partly paid ordinary shares and 2,625,000 performance rights.

Russell Moran – Executive Director

Russell Moran has specific experience in mining transaction management, capital raisings, public reconstructions and recapitalisations, and strategic business development. He has provided a range of consulting services to private and ASX listed companies.

Mr Moran is currently Non-Executive Director of unlisted Ebony Coal Limited. Over the past three years, Mr Moran has not served on the board of any listed companies. Mr Moran currently holds 16,716,000 fully paid ordinary shares in the Company together with an additional 16,562,500 partly paid ordinary shares and 2,625,000 performance rights.

Gino D'Anna – Executive Director and Company Secretary

Gino D'Anna has significant offshore coal experience having been former Executive Director of ZYL Limited (ASX: ZYL) which is developing the Kangwane and Mbila anthracite coal projects in South Africa.

Mr D'Anna was formerly Executive Director of ASX Listed Ferrum Crescent Limited (ASX: FCR), ASX Listed ZYL Limited (ASX:ZYL), ASX Listed Terranova Minerals Limited (ASX: TNV) and ASX Listed SWW Energy Limited (ASX: SWW).

Mr D'Anna currently holds 5,062,000 fully paid ordinary shares in the Company together with an additional 5,000,000 partly paid ordinary shares and 2,625,000 performance rights.

Eric Lilford – Non Executive Director

Dr Eric Lilford was formerly Chairman of Segue Resources Ltd (ASX: SEG) and Managing Director of ZYL Limited (ASX: ZYL) where he was responsible for developing anthracite coal projects in South Africa. Prior to this, he held the positions of National Head of Mining and was a Corporate Finance Partner at Deloitte Touche Tohmatsu.

He has over 27 years of operational and investment experience across the global resources sector, including mine production experience at gold, platinum, copper and coal mines. Dr Lilford was Director of Project and Business Development at BSGR, where he managed aspects of a large copper-cobalt mine and refinery in Zambia. Additionally, he has open pit and underground production experience at Randcoal Limited's Rietspruit and Khutala coal mines.

Dr Lilford's experience also includes the completion of prefeasibility and bankable feasibility studies in numerous jurisdictions, mine production as well as corporate advisory and debt arranging for mining companies. Dr Lilford jointly managed the bankable feasibility study of the Nikanor Plc copper and cobalt project in the DRC and was appointed Non-Executive Director of AIM-listed Nikanor, a role he relinquished on emigration to Australia.

Dr Lilford is currently the Corporate Development Director for Calibre Global. He holds a PhD (Mineral Economics), NHD (Coal Mining), BSc and MSc Eng (Mining) and is a member of AICD.

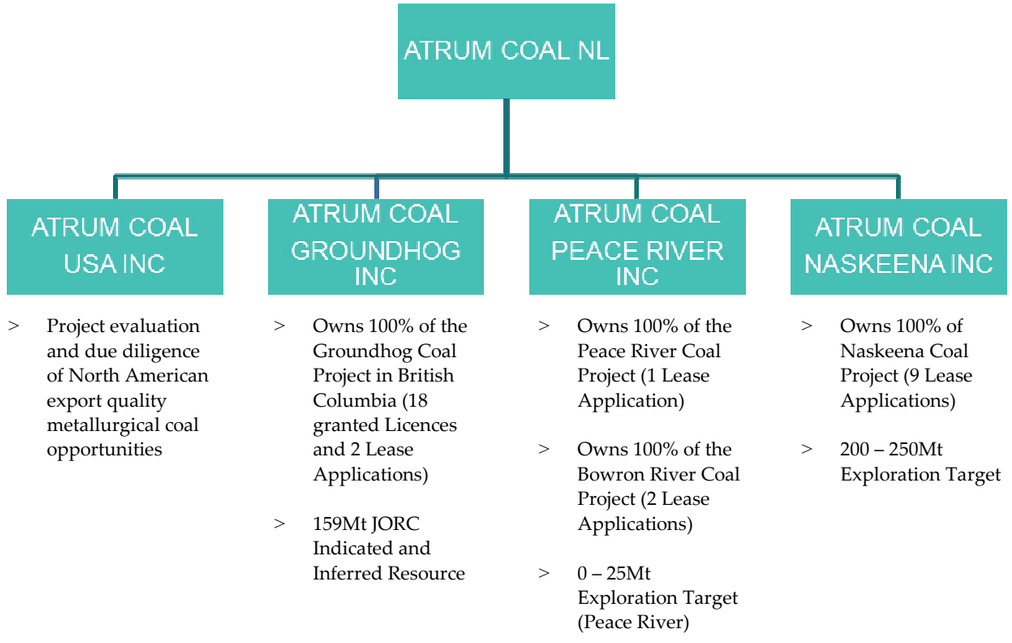
Over the past three years, Dr Lilford has been on the board of ASX Listed ZYL Limited (ASX: ZYL) and ASX Listed Segue Resources Limited (ASX: SEG).

Dr Lilford currently holds no fully paid ordinary shares in the Company together with no partly paid shares in the Company and 787,500 performance rights.

CORPORATE INFORMATION

Corporate Structure

Atrum is a no liability company that is incorporated and domiciled in Australia.



Nature of Operations and Principal Activities

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

OPERATING AND FINANCIAL REVIEW

Review of Operations

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

Operating Results

Consolidated loss after income tax for the period was $929,322.

Financial Position

At 30 June 2012, the Group had cash reserves of $392,545. Note that post year end the Company listed on the ASX raising $9.1 million before costs.

Financing and Investing Activities

The company issued the following securities during the period:

- On 2 March 2012, the Company issued 38,850,000 ordinary fully paid shares and 30,500,000 ordinary partly paid shares at an issue prices of $0.0001 each, $0.05 each and $0.10 each
- On 20 April 2012, the Company reconstructed its share capital structure on a 5-for-4 basis resulting in the reconstruction of its ordinary fully paid shares and ordinary partly paid shares such that the Company had 48,562,500 ordinary fully paid shares on issue and 38,125,000 ordinary partly paid shares on issue
- On 1 May 2012, the Company issued 5,875,000 ordinary fully paid shares at an issue price of $0.08 each
- On 8 May 2012, the Company issued 375,000 ordinary fully paid shares at an issue price of $0.08 each
- On 20 June 2012, the Company issued 45,500,000 ordinary fully paid shares at an issue price of $0.20 each, raising $9,100,000

Subsequent to the period end the following shares were issued:

- On 11 July 2012, the Company issued 1,425,000 ordinary fully paid shares to vendors of the Groundhog Project, the Naskeena (North) Project and the Naskeena (Central) Project
- On 11 July 2012, the Company issued 5,300,000 unlisted options each with an exercise price of 30 cents and with an expiry date being four years from the date of issue
- On 11 July 2012, the Company issued 11,050,000 Performance Rights

Dividends

No dividends were paid during the period and no recommendation is made as to dividends.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the company during the period 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 Company's operations in future financial years, or
2. the results of those operations in future financial years, or
3. the Company'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 SUBSEQUENT TO REPORTING DATE

The Company was admitted to the Official List of ASX Limited on 20 July 2012 and official quotation of the Company's securities commenced on 24 July 2012.

On 2 August 2012 the Company completed on the 100% acquisition of 11,400 hectares of coal tenure that make up the Naskeena Coal Project.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

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 were as follows:

	Board of Directors	
	Number eligible to attend	Number attended
J Chisholm	2	2
R Moran	2	2
G D'Anna	2	2
E Lilford	2	2

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

REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each director and executive of Atrum Coal NL. 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.

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.

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. However, to align directors' interests with shareholders interests, the directors are encouraged to hold shares and options in the company.

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

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

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

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

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, 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.

Remuneration consists of a fixed remuneration and a long term incentive portion as considered appropriate.

Compensation may consist of the following key elements:

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

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 — 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.

Long term incentives (LTI's) granted to directors/ executives are delivered in the form of options. These options are issued at an exercise price determined by the Board at the time of issue. The employee share options generally vest over a selected period.

The objective of the granting of options is to reward Executives in a manner which aligns the element of remuneration with the creation of shareholder wealth. As such LTI's are made to Executives who are able to influence the generation of shareholder wealth and thus have an impact on the Company's performance.

The level of LTI granted is, in turn, dependent on the Company's recent share price performance, the seniority of the Executive, and the responsibilities the Executive assumes in the Company.

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.

C. Employment contracts of directors and senior executives

The employment arrangements of the directors are contained in formal contracts of employment. Included in these contracts, amongst other things, are reference to the performance rights plan and participation. The contract details of each of the Key Management Personnel are as follows:

James Chisholm	$36,000 per annum
Russell Moran	$180,000 per annum
Gino D'Anna	$150,000 per annum
Eric Lilford	$36,000 per annum

All contract terms are for a 12 month period with no superannuation payments. The contracts allow for standard termination benefits to be paid in compliance with the Corporations Act 2001 and standard notice periods.

All amounts are in Australian Dollars unless specified.

D. Details of remuneration for period

Directors
The following persons were directors of Atrum Coal NL during the period:

James Chisholm	Non-Executive Chairman
Russell Moran	Executive Director
Gino D'Anna	Executive Director
Eric Lilford	Non-Executive Director

There were no other persons that fulfilled the role of a key management person, other than those disclosed as Directors.

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

		Short Term Benefits	Post Employment	Share Based Payments		
	Year	Salary and fees $	Superannuation $	Performance Rights $	Total $	Remuneration consisting of options during the year %
Directors						
J Chisholm	**2012**	15,000	-	25,000	**40,000**	63%
R Moran	**2012**	75,000	-	25,000	**100,000**	25%
G D'Anna	**2012**	62,500	-	25,000	**87,500**	29%
E Lilford	**2012**	-	-	7,500	**7,500**	100%
Total	**2012**	152,500	-	82,500	**235,000**	35%

For further details of Performance rights granted to KMP's during the period see note 19.

Name	Number of performance rights granted during the year	Value of performance rights at grant date	Number of Performance rights vested during the year	Value yet to vest
Directors				
J Chisholm	1,250,000	25,000	1,250,000	37,500
R Moran	1,250,000	25,000	1,250,000	37,500
G D'Anna	1,250,000	25,000	1,250,000	37,500
E Lilford	375,000	7,500	375,000	11,250
Total	**4,125,000**	**82,500**	**4,125,500**	**123,750**

In addition to the above, 4,537,500 (non-market) performance rights have been granted as at 1 January 2012 to the above Directors . Based upon the probability assessment no value has been attributed to these rights. Refer to note 19 for further details.

On 1 January 2012 the company granted 11,050,000 Performance Rights to the Board and Key Management. Subsequently, on 11 July 2012, these rights were issued.

D. Details of remuneration for period (cont)

These Performance Rights which, upon their achievement, will convert into shares (on a one for one basis). Milestones attached to the Performance Rights are as follows:

Class 1: Performance Rights will convert into Shares upon the achievement of a JORC Inferred Mineral Resource of not less than 200Mt of metallurgical coal over the projects in which the Company has a beneficial interest;

Class 2: Performance Rights will convert into Shares upon the achievement of a JORC Indicated Mineral Resource of not less than 100Mt of metallurgical coal over the projects in which the Company has a beneficial interest;

Class 3: Performance Rights will convert into Shares upon the achievement of a JORC Measured Mineral Resource of not less than 50Mt of metallurgical coal over the projects in which the Company has a beneficial interest;

Class 4: Performance Rights will convert into Shares upon:

(a) the Company successfully completing an initial public offering on ASX; and

(b) the Volume Weighted Average Price (VWAP) of the Company's Shares as traded on ASX over 20 days being equal to or exceeding 60 cents;

Class 5: Performance Rights will convert into Shares upon the VWAP of the Company's Shares as traded on ASX over 20 days being equal to or exceeding 90 cents;

Class 6: Performance Rights will convert into Shares upon the VWAP of the Company's Shares as traded on ASX over 20 days being equal to or exceeding $1.20;

Class 7: Performance Rights will convert into Shares upon the Company completing a positive BFS at any of the projects the Company's has a beneficial interest in; and

Class 8: Performance Rights will convert into Shares upon the Company successfully securing a binding unconditional off-take agreement with a suitable party as agreed by the Company in respect of any of the projects in which the Company has a beneficial interest.

E. Compensation options to key management personnel

No options were granted to key management personnel during the period.

Performance rights were granted to KMP's during the period for additional details see part D of the remuneration report and note 19.

F. Shares issued to key management personnel on exercise of compensation options

No shares were issued to Directors on exercise of compensation options during the period.

This is the end of the Audited Remuneration Report.

INSURANCE OF OFFICERS

The Company has in place an insurance policy insuring 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 year options were issued as follows:

- 5,300,000 options expiring 11 July 2016, exercisable at 30 cents each

During the period and up to the date of this report, no options have been exercised and no options have expired.

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

The company was not a party to any legal proceedings during the period.

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 period.

ENVIRONMENTAL REGULATIONS

The company is not currently subject to any specific environmental regulation. There have not been any known significant breaches of any environmental regulations during the period under review and up until the date of this report.

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 4 to the financial statements as per the requirements of the Corporations Act 2001. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

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

AUDITOR'S DECLARATION OF INDEPENDENCE

The auditor's independence declaration for the period ended 30 June 2012, 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.

Gino D'Anna
Executive Director
Perth, 28 September 2012

3 CORPORATE GOVERNANCE STATEMENT

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). Where a recommendation has not been followed, that fact is disclosed, together with the reasons for the departure.

The table below summaries the Company's compliance with the Corporate Governance Council's Recommendations:

Principle #	ASX Corporate Governance Council Recommendations	Reference	Comply
Principle 1	**Lay solid foundations for management and oversight**		
1.1	Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	(1)Board Charter	Yes
1.2	Disclose the process for evaluating the performance of senior executives.	2(h), 3(b), Remuneration Report	Yes
1.3	Provide the information indicated in the Guide to reporting on principle 1.	1(e), 1(l) Remuneration Report	Yes
Principle 2	**Structure the board to add value**		
2.1	A majority of the board should be independent directors.	3 (5)Code of Conduct	Yes
2.2	The chair should be an independent director.	5(c) Membership and composition	Yes
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	5(c) Membership and composition	Yes
2.4	The Board should establish a nomination committee.	11 Nomination Committee	No Refer 2.4 below
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors.	9 Performance Evaluation Practises	Yes
2.6	Provide the information indicated in the Guide to reporting on principle 2.	1(i), 1(l),	Yes
Principle 3	**Promote ethical and responsible decision-making**		
3.1	Establish a code of conduct and disclose the code or a summary as to:	3	Yes
	• the practices necessary to maintain confidence in the company's integrity;	3(e)	Yes
	• the practices necessary to take into account the company's legal obligations and the reasonable expectations of its stakeholders; and	2(c),(vi)	Yes
	• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	3	Yes
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy.	2(c) Corporate Governance Policy. Refer to Diversity Policy – Atrum Coal	Yes
3.3	Disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	2(c) Corporate Governance Policy. Refer to Diversity Policy – Atrum Coal	No Refer to 3.3 below
3.4	Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	2(c) Corporate Governance Policy. Refer to Diversity Policy – Atrum Coal	Yes
3.5	Provide the information indicated in the Guide to reporting on principle 3.	2(c) Corporate Governance Policy. Refer to Diversity Policy – Atrum Coal	Yes
Principle 4	**Safeguard integrity in financial reporting**		
4.1	The Board should establish an audit committee.	5	Yes
4.2	The audit committee should be structured so that it:		
	• consists only of non-executive directors;	5 Membership and composition	Yes
	• consists of a majority of independent directors;	5 Membership and composition	Yes
	• is chaired by an independent chair, who is not chair of the Board; and	5 Membership and composition	Yes
	• has at least three members.	5 Membership and composition	Yes
4.3	The audit committee should have a formal charter	3(a)	Yes
4.4	Provide the information indicated in the Guide to reporting on principle 4.	3(a)	Yes
Principle 5	**Make timely and balanced disclosure**		
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	6	Yes
5.2	Provide the information indicated in the Guide to reporting on principle 5.	6(a), 6(b)	Yes
Principle 6	**Respect the rights of shareholders**		
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of that policy.	7	Yes
6.2	Provide the information indicated in the Guide to reporting on	7 (a),7 (b)	Yes

	principle 6.		
Principle 7	**Recognise and manage risk**		
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	8(c)	Yes
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	8(b), 8(c)	Yes
7.3	The Board should disclose whether it had received assurance from the chief executive officer and the chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	6(c)	Yes
7.4	Provide the information indicated in the Guide to reporting on principle 7.	6(a), 6(b), 6(c), 6(d)	Yes
Principle 8	**Remunerate fairly and responsibly**		
8.1	The Board should establish a remuneration committee.	10	No
8.2	Remuneration Committee should be structured so that it: • consists of a majority of independent directors • is chaired by an independent director; and • has at least three members.	10, Functions and responsibilities	No Refer to section 8 below.
8.3	Clearly distinguish the structure on non-executive directors' remuneration from that of executive directors and senior executives.	10, Remuneration Report	Yes
8.4	Provide the information indicated in the Guide to reporting on principle 8.	10	Yes

2.4 Nomination Committee

The Company does not comply with ASX Recommendation 2.4. 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.

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.

3.3 Workplace Diversity Policy

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The company is committed to diversity and recognises the benefits arising from employee and board diversity and the importance of benefiting from all available talent. Accordingly, the company has established a diversity policy which is available on the company's website.

The Board has a commitment to promoting a corporate culture that is supportive of diversity and encourages the transparency of Board processes, review and appointment of Directors. The Board is responsible for developing policies in relation to the achievement of measurable diversity objectives and the extent to which they will be linked to the Key Performance Indicators for the Board, Managing Director and senior executives.

The Company's strategies may include:

- recruiting from a diverse range of candidates for all positions, including senior executive roles and Board positions;
- reviewing pre-existing succession plans to ensure that there is a focus on diversity;
- encourage female participation across a range of roles across the Company;
- review and report on the relative proportion of women and men in the workforce at all levels of the Company;
- articulate a corporate culture which supports workplace diversity and in particular, recognizes that employees at all levels of the Company may have domestic responsibilities;
- develop programs to encourage a broader pool of skilled and experienced senior management and Board candidates, including, workplace development programs, mentoring programs and targeted training and development; and
- any other strategies that the Board or the Nomination Committee develops from time to time.

At the date of this report the Company has only two executives and two non-executives. No women are currently represented on the Board.

Due to the current size, nature and scale of the Company's activities the Board has not yet developed 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.

7.1 Board oversight of the risk management system

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.

The Board is responsible for approving and overseeing the risk management system. The Board reviews, at least annually, the effectiveness of the implementation of the risk management controls and procedures.

The principle aim of the system of internal control is the management of business risks, with a view to enhancing the value of shareholders' investments and safeguarding assets. Although no system of internal control can provide absolute assurance that the business risks will be fully mitigated, the internal control systems have been designed to meet the Company's specific needs and the risks to which it is exposed.

Annually, the Board is responsible for identifying the risks facing the Company, assessing the risks and ensuring that there are controls for these risks, which are to be designed to ensure that any identified risk is reduced to an acceptable level.

The Board is also responsible for identifying and monitoring areas of significant business risk. Internal control measures currently adopted by the Board include:

- monthly reporting to the Board in respect of operations and the Company's financial position, with a comparison of actual results against budget; and
- regular reports to the Board by appropriate members of the management team and/or independent advisers, outlining the nature of particular risks and highlighting measures which are either in place or can be adopted to manage or mitigate those risks.

7.3 Chief Executive Officer and Chief Financial Officer Certification

The Chief Executive Officer and Chief Financial Officer, or equivalent, provide to the Board written certification that in all material respects:

- The Company's financial statements present a true and fair view of the Company's financial condition and operational results and are in accordance with relevant accounting standards;
- The statement given to the Board on the integrity of the Company's financial statements is founded on a sound system of risk management and internal compliance and controls which implements the policies adopted by the Board; and
- The Company's risk management an internal compliance and control system is operating efficiently and effectively in all material respects.

8. Remuneration Committee

The role of a Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees.

The Board has not established a separate Remuneration Committee due to the size and scale of its operations. This does not comply with Recommendation 8.1 however the Board as a whole takes responsibility for such issues.

The responsibilities include setting policies for senior officers 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 Managing Director's performance.

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 best practice corporate governance, the structure of Non-Executive Director and Executive compensation is separate and distinct.

In determining remuneration, the Board has taken a view that the full Board will hold special meetings or sessions 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.

CONSOLIDATED STAMENT OF COMPREHENSIVE INCOME

	Note	Consolidated 2012 $
Revenue		**5,640**
Expenses		
Directors fees and benefits expense		**(152,500)**
Other expenses	2(a)	**(782,462)**
Loss before income tax expense		**(929,322)**
Income tax expense	3	**-**
Net loss for period		**(929,322)**
Other comprehensive income		**-**
Other comprehensive income for the period, net of tax		**-**
Total comprehensive income/(loss) attributable to members of the Atrum Coal NL		**(929,322)**
		Cents
Basic loss per share	5	**(1.65)**

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	Note	Consolidated 2012 $
ASSETS		
Current Assets		
Cash and cash equivalents	6	**392,545**
Trade and other receivables	7	**8,232,653**
Total Current Assets		**8,625,198**
Non-Current Assets		
Property Plant and Equipment including depreciation	8	**16,127**
Exploration and Evaluation Expenditure	9	**422,926**
Other Receivables		**160**
Total Non-Current Assets		**439,213**
Total Assets		**9,064,411**
LIABILITIES		
Current Liabilities		
Trade and other payables	10	**311,196**
Total Current Liabilities		**311,196**
Total Liabilities		**311,196**
Net Assets		**8,753,215**
EQUITY		
Issued capital	11	**9,523,537**
Share Based Payment Reserve	19	**159,000**
Accumulated losses	20	**(929,322)**
Total Equity		**8,753,215**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2012

Consolidated	Issued Capital $	Accumulated Losses $	Other Reserves $	Total $
Balance at Incorporation	-	-	-	-
Loss for period	-	(929,322)	-	(929,322)
Total comprehensive loss for the year	-	(929,322)	-	(929,322)
Securities issued during the year	10,316,100	-	-	10,316,100
Capital raising costs	(792,563)	-	-	(792,563)
Cost of share based payments	-	-	159,000	159,000
Balance at 30 June 2012	9,523,537	(929,322)	159,000	8,753,215

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2012

	Note	Consolidated 2012 $
		Inflows/ (Outflows)
Cash flows from operating activities		
Payments to suppliers and employees		(539,994)
Interest Received		6,151
Net cash (used in) operating activities	6(i)	(533,843)
Cash flows from investing activities		
Acquisition of mining interests		(422,926)
Payment for plant and equipment		(18,257)
Payment of security bond		(10,376)
Net cash (used in) investing activities		(451,559)
Cash flows from financing activities		
Proceeds from issue of shares		2,170,510
Payment of capital raising costs		(83,125)
Capital Raising Costs		(709,438)
Net cash provided by financing activities		1,377,947
Net increase in cash held		392,545
Cash at beginning of the period		-
Cash at end of period	6	392,545

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012

1. *Summary of Significant Accounting Policies*

(a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

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.

Atrum Coal NL ("Company" or "Parent Entity") is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Group are described in the Directors' Report.

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

The financial statements have been prepared on a going concern basis. The going concern basis contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. The ability of the company to continue to adopt the going concern basis is dependent on a number of matters including the successful raising in the future of necessary funding and/or the successful exploration and subsequent exploitation of the Group's tenements. In the event that the Group is unable to raise future funding requirements there exists a material uncertainty that may cast doubt on the Group's ability to continue as a going concern with the result that the company may be required to realise its assets at amounts different to those currently recognised, settle liabilities other than in the ordinary course of business and make provision for costs which may arise as a result of cessation or curtailment of normal business operations.

No comparative amounts have been included as the Company was incorporated on 25 of October, 2011 as such the accounting period is only 25/11/2011 to 30/6/2012.

(b) Adoption of new and revised standards

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

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the period ended 30 June 2012. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

(c) Statement of Compliance

The financial report was authorised for issue on 28 September 2012.

The financial report complies with 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).

1. *Summary of Significant Accounting Policies*

(d) Basis of consolidation

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

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

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

Business combinations have been accounted for using the acquisition method of accounting (refer note 1(e)).

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 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 profit or 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) Revenue recognition

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

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

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

1. *Summary of Significant Accounting Policies (Cont.)*

(f) Cash and cash equivalents

Cash comprises 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.

(g) Trade and other receivables

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

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

(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

1. *Summary of Significant Accounting Policies (Cont.)*

(h) Income Tax (Cont.)

- 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.

(i) Other taxes

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

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

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

Cash flows are included in the 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.

1. *Summary of Significant Accounting Policies (Cont.)*

(j) Financial assets

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

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

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(ii) Available-for-sale investments

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

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

(k) Mineral exploration and evaluation expenditure

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met:

(a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or

(b) exploration and evaluation activities in the area have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence, or otherwise, of economically recoverable reserves and active and significant operations in, or relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

1. *Summary of Significant Accounting Policies (Cont.)*

(k) Mineral exploration and evaluation expenditure (Cont)

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.

(l) 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.

(m) 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.

1. Summary of Significant Accounting Policies (Cont.)

(n) 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 assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of 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.

(o) 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).

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. The fair value is determined by an external valuer 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 NL (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 comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

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.

1. Summary of Significant Accounting Policies (Cont.)

(o) Share-based payment transactions (Cont.)

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

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

(p) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration.

(q) 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.

(r) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(s) Investment accounted for using equity method

Associates are all entities over which the consolidated entity has significant influence but not control. Investments in associate companies are accounted for in the parent entity using the cost method and in the consolidated entity using the equity method of accounting. The equity method of accounting recognises the consolidated entity's share of post-acquisition profits or losses in the statement of comprehensive income and its share of post-acquisition movements in reserves is recognised in associates reserve.

1. *Summary of Significant Accounting Policies (Cont.)*

(t) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:
Plant and equipment – over 5 to 10 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end

(i) *Impairment*

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. 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.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the assets belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the statement of comprehensive income.

(ii) *Derecognition and disposal*

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized

(u) ***Significant accounting judgments***

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

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 comprehensive income.

1. *Summary of Significant Accounting Policies (Cont.)*

(u) ***Significant accounting judgments (Cont)***

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(i) Impairment of assets

In determining the recoverable amount of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows using asset-specific discount rates and the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

(ii) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined from market value using the Black Scholes method.

In relation to the valuation of performance rights judgments are used to assess the probabilities of meeting non-market conditions.

	Consolidated
	2012
	$
2. *Revenue and Expenses*	**5,640**

(a) Expenses

Communications	**5,201**
Employment Expenses	**129,987**
Insurance	**32,248**
IT Expenses	**14,109**
Professional Fess	**193,125**
Travel Expenses	**98,615**
Other Expenses	**309,178**
	782,463

3. *Income Tax*

	2012
	$
(a) Income Tax Expense	
Current Tax Expense	-
Deferred Tax Expense	-
	-
(b) Reconciliation of income tax expense to prima facie tax payable:	
Profit/(Loss) before income tax	**(929,322)**
Prima facie income tax at 30%	**(278,797)**
Tax effects of amounts not deductible in calculating taxable income	**36,500**
Difference in overseas tax rates	**27,687**
Tax losses not recognised	**214,610**
Total income tax expense/(benefit)	-
(c) Unrecognised deferred tax assets arising on timing difference and losses	
Losses - Revenue	**163,622**
Other	**23,301**
Exploration Asset	**27,687**

The benefit for tax losses will only be obtained if:

(i) the Group derives future assessable income in Australia 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
(iii) there are no changes in tax legislation in Australia which will adversely affect the Group in realising the benefit from the deductions for the losses.

3. *Income Tax (cont'd)*

At 30 June 2012, there is no recognized or unrecognized deferred income tax liability for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has no liability for additional taxation should such amounts be remitted.

4. *Auditors' Remuneration*

	2012
	$
(a) Audit Services	
The auditor of Atrum Coal NL is BDO Audit (WA) Pty Ltd.	
Amounts, received or due and receivable by BDO Audit (WA) Pty Ltd for:	
- an audit or review services	**15,000**
	15,000
(b) Non-Audit Services	
Amounts received by BDO for non-audit services	
Investigating Accountants Report	**14,280**
	14,280

5. *Earnings per Share (EPS)*

	Cents
Basic loss per share	**(1.65)**

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:

Earnings – Net loss for year	**(929,322)**
	No.
Weighted average number of ordinary shares used in the calculation of basic EPS	**56,274,347**

6. *Cash and Cash Equivalents*

	Consolidated 2012 $
Cash at bank	392,545

Cash at bank earns interest at floating rates based on daily bank deposit rates. This should be read in conjunction with note 18 on Financial Risk Management

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

Loss for the period	(929,322)
Changes in assets and liabilities	
Depreciation	2,130
Share Based Payment	159,000
Movements in trade and other receivables	(76,847)
Movement in trade and other payables	311,196
Net cash flows from operating activities	(533,843)

Changes in assets and liabilities

Issue of 300,000 options exercisable at $0.30 each expiring 4 years from the date of issue for services performed by Avitus Capital

Issue of 5,000,000 options exercisable at $0.30 each expiring 4 years from the date of issue for services performed by Blackwood Capital

7. *Trade and other receivables*

Current	
Deposits – Bond Hay Street	10,375
GST Paid	76,688
Other Debtor – Blackwood Capital	8,145,590
	8,232,653

Terms and conditions relating to the above financial instruments:

- Other receivables are non-interest bearing and generally repayable within 30 days.
- No receivables are past due or impaired
- As at 30 June 2012 IPO proceeds were held in trust by Blackwood Capital.

Information about the Group's exposure to credit risk is disclosed in Note 18

8. *Property, Plant & Equipment*

	Consolidated 2012 $
Electronic Equipment – at Cost	18,257
Electronic Equipment – Accumulated Depreciation	(2,130)
Closing Balance	16,127
Opening Balance on Incorporation	-
Additions in Period	18,257
Depreciation	(2,130)
Closing Balance	16,127

9. *Exploration and Evaluation Expenditure*

Naskeena (North) Coal Project – Completion	101,153
Naskeena (North) Coal Project – Option Fee	24,540
Naskeena (Central) Coal Project – Option Fee	14,111
Groundhog Coal Project – Completion	196,109
Groundhog Coal Project – Option Fee	87,013
	422,926
Opening Balance on Incorporation	-
Additions in Period	422,926
Closing Balance	422,926

10. *Trade and other payables*

Current	
Trade Creditors	205,881
Employee Benefits	25,439
Other Creditors	79,876
	311,196

Terms and conditions relating to the above financial instruments:

- 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 18.

11. *Issued Capital*

	2012 Number	2012 $
(a) **Issued and paid up capital**		
Ordinary shares - fully paid	100,312,500	

(b) **Movement in ordinary shares on issue**	2012 Number	2012 $
(i) Ordinary shares – fully paid		
Balance at beginning of year	-	-
Issued for cash – April 20, 2012	48,562,500	716,100
Issued for cash – 1 May 2012	5,875,000	470,000
Issued for cash – 8 May 2012	375,000	30,000
Issued for cash pursuant to prospectus – 20 June, 2012	45,500,000	9,100,000
Capital Raising Costs		(792,563)
Balance at end of year	100,312,500	9,523,537

All options were granted during the financial year.

(c) **Terms and conditions of issued capital**

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

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

For details of the groups capital risk management refer to Note 18.

12. *Commitments*

Exploration Commitments

Under Canadian legislation there is no minimum expenditure commitments in relation to the tenements held by the Company.

Lease Commitments
Non-cancellable operating lease rentals are payable for the next 4 years totaling $49,995 per annum.

13. *Contingent Liabilities*

It is not possible that native title, as defined in the Native Title Act 1993, might exist over land in which the company has an interest as the tenements are located in British Columbia.

14. *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 phase of operation within the mining industry. For management purposes, the Group has organised its operations into two reportable segments on the basis of stage of development as follows:

- Development assets
- Exploration and evaluation assets, which includes assets that are associated with the determination and assessment of the existence of commercial economic reserves.

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

During the period ended 30 June 2012, the Group had no development assets. The Board considers that it has only operated in one segment, being mineral exploration within Canada.

Where applicable, corporate costs, finance costs, interest revenue and foreign currency gains and losses are not allocated to segments as they are not considered part of the core operations of the segments and are managed on a Group basis.

The consolidated entity is domiciled in Australia. All revenue from external customers is generated from Australia only. Segment revenues are allocated based on the country in which the customer is located.

15. ***Related Party Transactions***

The Company has not entered into any related party transaction.

(a) Subsidiaries

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

	County of Incorporation	% Equity Interest
		2012
		%
Atrum Coal Groundhog Inc.	Canada	100
Atrum Coal Peace River Inc.	Canada	100
Atrum Coal Naskeena Inc.	Canada	100
Atrum Coal USA Inc.	USA	100

(b) Parent entity

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

(c) Key management personnel

Disclosures relating to key management personnel are set out in Note 19.

16. ***Parent Entity Disclosures***

(a) Summary financial information

(i) Financial Position	Parent 2012 $
Assets	
Current Assets	8,625,198
Non-current asset	439,213
Total assets	9,064,411
Liabilities	
Current Liabilities	311,196
Non - Current Liabilities	-
Total liabilities	311,196
Equity	
Issued Capital	9,523,537
Accumulated losses	(770,322)
Total equity	8,753,215
Total liabilities and equity	9,064,411
Financial Performance	
Loss for the period	(929,322)
Other comprehensive income	-
Total comprehensive income	(929,322)

16. ***Parent Entity Disclosures (Cont.)***

b) Guarantees

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

c) Other Commitments and Contingencies

Atrum Coal NL has no commitments to acquire property, plant and equipment, and has no contingent liabilities apart from the amounts disclosed in note 13.

17. ***Director and Executive Disclosures***

(a) Details of Key Management Personnel

Directors

James Chisholm	Chairman
Russell Moran	Executive Director
Gino D'Anna	Executive Director
Eric Lilford	Non-Executive Director

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the consolidated entity's key management personnel for the period.

(b) Shareholdings of Key Management Personnel

	Balance 25/10/11	Received as Remuneration	Options Exercised	Acquired/ (disposed)	Net Change Other	Balance 30/06/12
James Chisholm	-	-	-	17,126,000	-	17,126,000
Russell Moran	-	-	-	16,716,000	-	16,716,000
Gino D'Anna	-	-	-	5,062,000	-	5,062,000
Eric Lilford	-	-	-	787,500	-	787,500

All equity transactions with key management personnel have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

(c) Performance Rights of Key Management Personnel

	Balance 25/10/11	Received as Remuneration	Acquired/ (disposed)	Net Change Other	Balance 30/06/12
James Chisholm	-	1,250,000	-	-	1,250,000
Russell Moran	-	1,250,000	-	-	1,250,000
Gino D'Anna	-	1,250,000	-	-	1,250,000
Eric Lilford	-	375,000	-	-	375,000
Total		**4,125,000**			**4,125,000**

In addition to the above, 4,537,500 (non-market) performance rights have been granted as at 1 January 2012 to the above Directors . Based upon the probability assessment no value has been attributed to these rights. Refer to note 19 for further details.

(d) Loans with Key Management Personnel

There were no loans to key management personnel or their related entities during the financial year.

18. *Financial Risk Management*

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

The main risks arising from the Consolidated entity's financial instruments are interest rate risk, credit risk and liquidity risk. The Consolidated entity does not speculate in the trading of derivative instruments. The Consolidated entity 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.

18. *Financial Risk Management(cont'd)*

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.

Risk Exposures and Responses

Interest rate risk
The Consolidated entity's exposure to risks of changes in market interest rates relates primarily to the Consolidated entity's cash balances. The Consolidated entity 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 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 following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

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

	Consolidated
	2012
	$
Financial Assets	
Cash and cash equivalents (interest-bearing accounts)	**392,545**
Net exposure	**392,545**

No sensitivity analysis has been completed on the interest rate risk exposures as The Company was not earning interest on post tax profit or equity relating to financial assets of the Consolidated entity at the reporting date.

At 30 June, The Company was not earning interest on post tax profit or equity relating to financial assets of the Consolidated entity therefore would not have been affected.

18. *Financial Risk Management(cont'd)*

Liquidity Risk

The Consolidated entity has no significant exposure to liquidity risk as there is effectively no debt. The Consolidated entity 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.

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

Consolidated	Less than 1 month $	1 – 3 Months $	3 months – 1 year $	1 – 5 years $
2012				
Financial Liabilities:				
Non-interest bearing	**311,196**	**-**	**-**	**-**
	311,196	**-**	**-**	**-**

Credit risk
Credit risk arises from the financial assets of the Consolidated entity, which comprise deposits with banks and trade and other receivables. The Consolidated entity'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 Consolidated entity's maximum exposure to credit risk in relation to those assets.

The Consolidated entity does not hold any credit derivatives to offset its credit exposure which is considered appropriate for a junior explorer.

The Consolidated entity trades only with recognised, credit worthy third parties and as such collateral is not requested nor is it the Consolidated entity'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 Consolidated entity does not have a significant exposure to bad debts.

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

Capital Management Risk
Management controls the capital of the Consolidated entity 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 Consolidated entity'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 no external loan debt facilities other than trade payables. There have been no changes in the strategy adopted by management to control capital of the Consolidated entity since the prior year.

Commodity Price and Foreign Currency Risk
The Consolidated entity's exposure to price and currency risk is minimal given the Consolidated entity is still in the exploration phase.

18. ***Financial Risk Management(cont'd)***

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.

19. ***Share Based Payments***

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

(i) Directors Performance Rights
During the financial year, $159,000 was recognised as a share based payment made to the Directors of the Company.

The fair value of these Directors Performance Rights was calculated by using a probability based valuation methodology with reference to the share price at the grant date to issue the Directors Performance Rights.

	Number	Value Per Share	Probability	Condition	Total Value	Vesting Period (Years)	Value Not Vested
Class 1	1,325,000	$ 0.08	100%	Non-market	$ 106,000	-	-
Class 2	1,325,000	$ 0.08	0%	Non-market	$ -	-	-
Class 3	1,325,000	$ 0.08	0%	Non-market	$ -	-	-
Class 4	1,325,000	$ 0.06	-	Market	$ 79,500	2	$ 59,625
Class 5	1,325,000	$ 0.05	-	Market	$ 66,250	2	$ 49,688
Class 6	1,325,000	$ 0.05	-	Market	$ 66,250	2	$ 49,688
Class 7	1,325,000	$ 0.08	0%	Non-market	$ -	-	-
Class 8	1,775,000	$ 0.08	0%	Non-market	$ -	-	-
	1,050,000				**$ 318,000**		**$ 159,000**

Refer to the Remuneration Report for the conditions relating to the classes of Performance Rights disclosed within the above table.

20. ***Accumulated Losses***

Opening Balance on Incorporation	-
Losses for the period	**(929,322)**
Closing Balance	**(929,322)**

21. ***Events Subsequent to Reporting Date***

The Company was admitted to the Official List of ASX Limited on 20 July 2012 and official quotation of the Company's securities commenced on 24 July 2012.

On 2 August 2012 the Company completed on the 100% acquisition of 11,400 hectares of coal tenure that make up the Naskeena Coal Project.

IPO Options
Subsequent to year end, $866,020 was recognised as a share based payment made to parties which assisted with the ASX Listing of the Company.

The fair value of these IPO Options was calculated as $0.1634 each by using the Black-Scholes option valuation methodology.

Other than those disclosed above there are no other subsequent events to the date of this report.

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

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

AASB 9 - Financial Instruments

Application Date of the standard 1 January 2013

Application Date for the Group 1 July 2013

AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below.

(a) Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria.

(b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

AASB 10 - Consolidated Financial Statements

Application Date of the standard 1 January 2013

Application Date for the Group 1 July 2013

AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and Interpretation 112 Consolidation – Special Purpose Entities.

The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This is likely to lead to more entities being consolidated into the group.

AASB 11 - Joint Arrangements

Application Date of the standard 1 January 2013

Application Date for the Group 1 July 2013

AASB 11 replaces AASB 131 Interests in Joint Ventures and Interpretation 113 Jointly- controlled Entities – Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition AASB 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the group.

AASB 12 - Disclosure of Interests in Other Entities

Application Date of the standard 1 January 2013

Application Date for the Group 1 July 2013

AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.

AASB 13 – Fair Value Measurement

Application Date of the standard 1 January 2013

Application Date for the Group 1 July 2013

AASB 13 establishes a single source of guidance under Australian Accounting Standards for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under Australian Accounting Standards when fair value is required or permitted by Australian Accounting Standards. Application of this definition may result in different fair values being determined for the relevant assets.

AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

AASB 119 - Employee Benefits

Application Date of the standard 1 January 2013

Application Date for the Group 1 July 2013

The main changes to accounting for defined benefit plans are:

- to eliminate the option to defer the recognition of gains and losses (the 'corridor method');
- requiring remeasurements to be presented in other comprehensive income; and
- enhancing the disclosure requirements relating to defined benefit plans for Tier 1 entities. The AASB has provided relief from certain disclosure requirements for entities that adopt Tier 2 Reduced Disclosure Requirements.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements

Application Date of the standard 1 July 2013

Application Date for the Group 1 July 2013

This Amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies.

5 DIRECTORS' DECLARATION

The Directors of the company declare that:

1. The financial statements, comprising the statement of comprehensive income, balance sheet, 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 consolidated entity's financial position as at 30 June 2012 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.

Gino D'Anna
Executive Director

Perth, 28 September 2012

6 INDEPENDENT AUDIT REPORT & INDEPENDENCE DECLARATION

BDO

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ATRUM COAL NL

Report on the Financial Report

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

Directors' Responsibility 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 Note 1(c), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

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

Independence

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

Opinion

In our opinion:

(a) the financial report of Atrum Coal NL is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the period ended on that date; and
   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

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

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the period ended 30 June 2012. 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.

Opinion

In our opinion, the Remuneration Report of Atrum Coal NL for the period ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

Peter Toll
Director

Perth, Western Australia
Dated this 28th day of September 2012

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

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

28 September 2012

The Directors
Atrum Coal NL
Level 1, 6 Thelma Street
WEST PERTH WA 6005

Dear Sirs,

DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF ATRUM COAL NL

As lead auditor of Atrum Coals NL for the period ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

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

Peter Toll
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

7 SECURITIES EXCHANGE INFORMATION

HOLDINGS AS AT 25 SEPTEMBER 2012

Spread of holdings		Securities	% of Issued Capital
NIL holding			
1 - 1,000	3	45	0.00%
1,001 - 5,000	7	24,168	0.02%
5,001 - 10,000	97	959,705	0.94%
10,001 - 100,000	185	9,080,200	8.93%
100,001 -	133	91,673,382	90.11%
Total on register	**425**	**101,737,500**	**100.00%**
Total overseas holders	**29**	**5,708,629**	**5.61%**

Number of holders of less than a marketable parcel	6
Percentage of the 20 largest holders	62.64%

Substantial Shareholders

The company has been notified of the following substantial shareholdings:

	Number	
Russell Harold Moran	16,667,500	16.38%
Lenark Pty Ltd	16,562,500	16.28%
Gino D'Anna	5,000,000	4.91%

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.

20 Largest Holders of Securities as at 25 September 2012:

	Holder name	Securities	% of issued
1	MORAN RUSSELL HAROLD	16,667,500	16.38%
2	LENARK PL	16,562,500	16.28%
3	D'ANNA GINO	5,000,000	4.91%
4	JP MORGAN NOM AUST LTD	3,000,000	2.95%
5	LUJETA PL	3,000,000	2.95%
6	SEASPIN PL	2,500,000	2.46%
7	HSBC CUSTODY NOM AUST LTD	2,236,000	2.20%
8	TOPSFIELD PL	2,000,000	1.97%
9	NATIONAL NOM LTD	1,940,000	1.91%
10	WISEVEST PL	1,535,000	1.51%
11	CHIFLEY PORTFOLIOS PL	1,250,000	1.23%
12	WALLIS-MANCE PL	1,250,000	1.23%
13	HURST DOUGLAS CULMER	1,200,000	1.18%
14	ASHABIA PL	1,000,000	0.98%
15	RIDGE BRADLEY	878,629	0.86%
16	MOGAL HLDGS PL	812,500	0.80%
17	WILLSTREET PL	750,000	0.74%
18	BEN ROTH ENTPS PL	739,760	0.73%
19	GRAEME BEISSEL & ASSOC PL	697,985	0.69%
20	FERNLAND HLDGS PL	690,000	0.68%
		63,709,874	**62.64%**

Unlisted Options

Details of unlisted option holders are as follows:

Class of unlisted options	Number of Options	Number of Holders
Options exercisable at 30 cents each on or before 24 July 2016	5,300,000	2
Holdings of more than 20% of this class		
- Blackwood Capital Limited	5,000,000	
- Avitus Capital Pty Ltd	300,000	

Restricted Securities

The company has the following restricted securities on issue as at the date of this report:

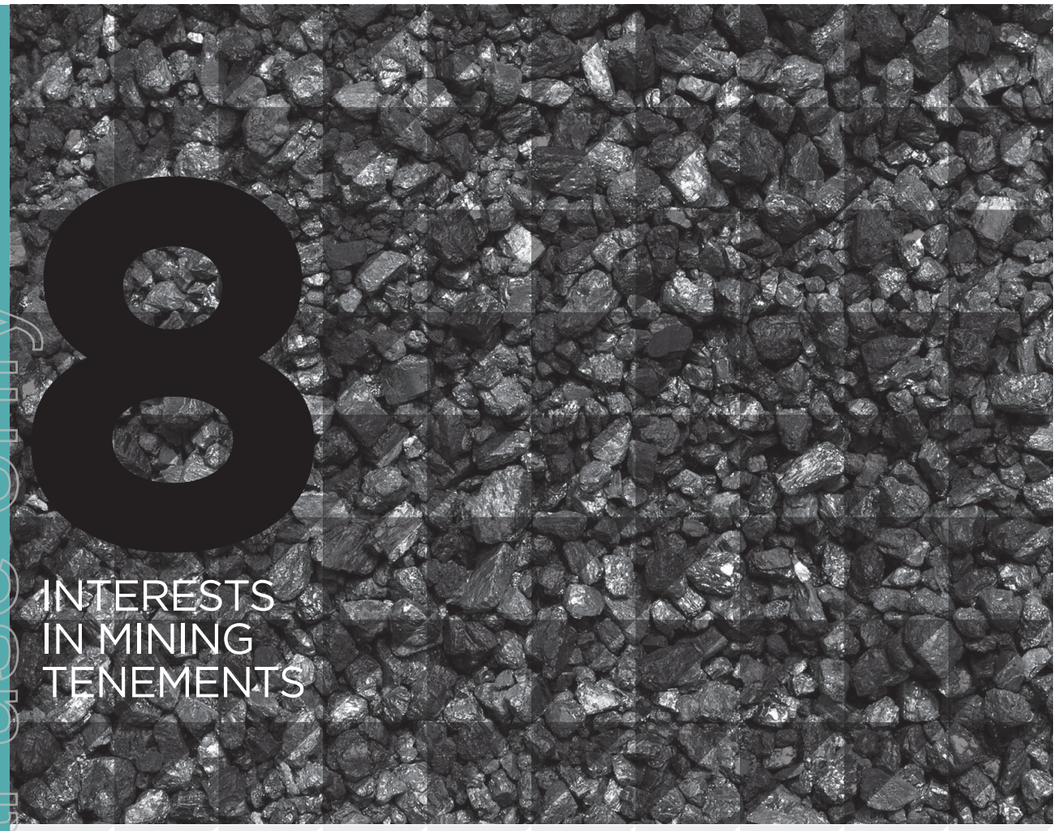
FULLY PAID SHARES	ESCROWED 12 MONTHS FROM ISSUE DATE (15/11/11)	1,900,000
	ESCROWED 12 MONTHS FROM ISSUE DATE (15/02/12)	4,162,500
	ESCROWED 12 MONTHS FROM ISSUE DATE (21/04/12)	3,243,750
	ESCROWED 12 MONTHS FROM ISSUE DATE (10/07/12)	1,000,000
	ESCROWED 12 MONTHS FROM ISSUE DATE (09/07/12)	275,000
	ESCROWED 24 MONTHS FROM QUOTATION	39,606,250
PERFORMANCE RIGHTS	ESCROWED 24 MONTHS FROM QUOTATION	11,050,000
UNLISTED OPTIONS	ESCROWED 24 MONTHS FROM QUOTATION	5,300,000
PARTLY PAID SHARES	ESCROWED 24 MONTHS FROM QUOTATION	38,125,000

On-market Buy-back

Currently there is no on-market buy-back of the Company's securities.

Consistency with business objectives

The company has used its cash and assets in a form readily convertible to cash that it had at the time of listing in a way consistent with its stated business objectives.



8 INTERESTS IN MINING TENEMENTS

ATRUM COAL GROUNDHOG INC.

Tenure Number	Owner Name		Map Number	Work Recorded To	Status	Mining Division	Area
417079	Atrum Coal Groundhog Inc.	100%	104A089	21.10.2012	Good Standing	15 OMINECA	991 ha
417080	Atrum Coal Groundhog Inc.	100%	104A089	21.10.2012	Good Standing	15 OMINECA	565 ha
417081	Atrum Coal Groundhog Inc.	100%	104A099	21.10.2012	Good Standing	15 OMINECA	636 ha
417082	Atrum Coal Groundhog Inc.	100%	104A099	21.10.2012	Good Standing	15 OMINECA	212 ha
417084	Atrum Coal Groundhog Inc.	100%	104A088	21.10.2012	Good Standing	15 OMINECA	708 ha
417085	Atrum Coal Groundhog Inc.	100%	104A089	21.10.2012	Good Standing	15 OMINECA	1031 ha
417086	Atrum Coal Groundhog Inc.	100%	104A088	21.10.2012	Good Standing	15 OMINECA	142 ha
417088	Atrum Coal Groundhog Inc.	100%	104A089	21.10.2012	Good Standing	15 OMINECA	777 ha
417089	Atrum Coal Groundhog Inc.	100%	104A099	21.10.2012	Good Standing	15 OMINECA	142 ha
417090	Atrum Coal Groundhog Inc.	100%	104A079	21.10.2012	Good Standing	15 OMINECA	568 ha
417094	Atrum Coal Groundhog Inc.	100%	104A089	21.10.2012	Good Standing	15 OMINECA	71 ha
417095	Atrum Coal Groundhog Inc.	100%	104A089	21.10.2012	Good Standing	15 OMINECA	425 ha
417096	Atrum Coal Groundhog Inc.	100%	104A089	21.10.2012	Good Standing	15 OMINECA	71 ha
417098	Atrum Coal Groundhog Inc.	100%	104A079	21.10.2012	Good Standing	15 OMINECA	1204 ha
417520	Atrum Coal Groundhog Inc.	100%	104A089	12.09.2012	Good Standing	15 OMINECA	212 ha
417521	Atrum Coal Groundhog Inc.	100%	104A089	12.09.2012	Good Standing	15 OMINECA	142 ha
417522	Atrum Coal Groundhog Inc.	100%	104A089	12.09.2012	Good Standing	15 OMINECA	71 ha
417523	Atrum Coal Groundhog Inc.	100%	104A089	12.09.2012	Good Standing	15 OMINECA	354 ha
418104	Atrum Coal Groundhog Inc.	100%	104A079	12.09.2012	Good Standing	15 OMINECA	2775 ha
418122	Atrum Coal Groundhog Inc.	100%	104A080	12.09.2012	Good Standing	15 OMINECA	3375 ha
TOTAL	**ATRUM COAL GROUNDHOG INC.**						**14472 ha**

ATRUM COAL PEACE RIVER INC.

Tenure Number	Owner Name		Map Number	Work Recorded To	Status	Mining Division	Area
418103	Atrum Coal Peace River Inc.	100%	093H071		Good Standing	03 CARIBOO	1875 ha
418106	Atrum Coal Peace River Inc.	100%	093P015		Good Standing	09 LIARD	5325 ha
418136	Atrum Coal Peace River Inc.	100%	093H072		Good Standing	03 CARIBOO	1875 ha
TOTAL	**ATRUM COAL PEACE RIVER INC.**						**9075 ha**

ATRUM COAL NASKEENA INC.

Tenure Number	Owner Name		Map Number	Work Recorded To	Status	Mining Division	Area
417838	Atrum Coal Naskeena Inc.	100%	103I096		Good Standing	19 SKEENA	1500 ha
417839	Atrum Coal Naskeena Inc.	100%	103I096		Good Standing	19 SKEENA	1500 ha
417840	Atrum Coal Naskeena Inc.	100%	103I096		Good Standing	19 SKEENA	1500 ha
417841	Atrum Coal Naskeena Inc.	100%	103I086		Good Standing	19 SKEENA	1500 ha
417842	Atrum Coal Naskeena Inc.	100%	103I086		Good Standing	19 SKEENA	1200 ha
417843	Atrum Coal Naskeena Inc.	100%	103I086		Good Standing	19 SKEENA	1500 ha
417844	Atrum Coal Naskeena Inc.	100%	103I086		Good Standing	19 SKEENA	1275 ha
417845	Atrum Coal Naskeena Inc.	100%	103I087		Good Standing	19 SKEENA	1125 ha
417726	Atrum Coal Naskeena Inc.	100%	103I096		Good Standing	19 SKEENA	300 ha
TOTAL	**ATRUM COAL NASKEENA INC.**						**11400 ha**

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Atrum Coal

Emerging metallurgical coal explorer

ACN 153 876 861 | 510 Hay Street, Subiaco WA 6008 | T +61 400 408 878 | www.atrumcoal.com