Atrum Coal

COAL FOR STEEL

ANNUAL REPORT 2013

CONTENTS

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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 emerging coal producer, focused on the exploration and development of metallurgical coal projects in British Columbia. The Company owns 100% of the Groundhog Anthracite Project, the Peace River Coal Project, the Bowron River Coal Project and the Naskeena Coal Project, each located in British Columbia, Canada.

The Company's flagship Groundhog Anthracite Project (Groundhog) is located in north-west British Columbia in close proximity to key mining services and established infrastructure including rail, power, water, roads and port. Groundhog comprises 18 granted coal licenses and 8 coal license applications covering an area of approximately 22,815 hectares and boasts an enormous 1.57Bt JORC Measured, Indicated and Inferred resource.

The Company recently completed a Scoping Study (Study) for Groundhog which demonstrated robust indicative economic returns. A maiden reserve is expected during Q4 2013 and completion of a pre-feasibility study is expected in Q1 2014. Under the Study, Before-tax Free Cashflow for a 1.8Mtpa ROM base case model averages US$107 million per year (A$119 million) (over the initial five year production profile), and subject to further drilling and the maintenance of indicative yields, increases to US$293 million (A$326 million) per year in Before-tax Free Cashflow under Atrum's ultimate 3Mtpa saleable production target.

Subject to the receipt of applicable mining and environmental approvals, the Company is targeting full scale production at Groundhog by 2016. That said, 'development mining' at an annualised rate of less than 250,000 tonnes per year of ultra-high grade lump anthracite product has been fast-tracked targeting 2015.

The Company plans to undertake a commercial bulk sample during Q4 2014 of up to 100,000 tonnes of ultra-high grade lump anthracite product. This presents an opportunity to generate early cashflow and secure sales contracts with high grade and ultra-high grade anthracite customers. The Company is currently in discussions with respect to off-take contracts.

The Company recently secured port capacity at the Port of Stewart, located 150km direct distance from the Groundhog Project. The Company has signed a Land Reservation and Terminal Services Agreement with Stewart Bulk Terminals Ltd for 1.5Mtpa secured capacity from an existing berth for the export of anthracite products to Asia and South America. The Company has also entered into a Memorandum of Understanding with Stewart World Port for an additional 5Mtpa from a new proposed berth.

Stewart is a large deep water port capable of loading handymax, panamax and cape size vessels and is in close proximity to the potential Groundhog mine. This will assist the Company in its efforts to maintain a low capital entry into production as well as providing a cost-effective transportation route for the export of ultra-high grade and high grade anthracite and ultra-low volatile PCI coals to key consumers worldwide.

The Board believes Groundhog will transform the Company into a highly profitable mid-tier ultra-high grade and high grade anthracite lumps and fines producer in a safe mining-friendly jurisdiction.

On 3 August 2013, the Company received the Deloitte WA Index High Growth Award at the Diggers and Dealers Conference in Kalgoorlie.

The Company has built a strong Canadian operations team and is well placed to deliver shareholders with a smooth transition from explorer to developer to producer. The recent appointment of Dr. Eric Lilford as Managing Director marks an important milestone for the Company and Dr. Lilford's pre-feasibility and feasibility study, production and operating, and mining engineering background will be instrumental in enabling the Company to deliver at Groundhog.

On behalf of the Board, I would like to thank our shareholders for their continued support during an exciting and busy past 12 months. Your Board is committed to delivering a world class mine.

James Chisholm
Chairman

Tim Richards (left), Lead Audit Partner (Deloitte), awards Dr Lilford (right), Managing Director (Atrum Coal), the Deliotte High Growth Award for 2012 / 2013.

01 DIRECTORS REPORT

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 Anthracite Project located in British Columbia. On or about 27 February 2012, the Company exercised the Option and completed the acquisition.

The Groundhog Anthracite Project (Groundhog) comprises 18 granted coal leases over an area of approximately 8,322 hectares. In addition, the Company has two coal lease applications covering an additional 6,150 hectares. On 13 December 2012, the Company entered into an acquisition agreement with Panstone Mines and Minerals Inc. (Panstone) to acquire 6 additional contiguous coal lease applications covering an additional 8,343 hectares, providing the Company with a total land holding of 22,815 contiguous hectares in one of the largest anthracite basins worldwide. This acquisition was completed on 31 December 2012.

Prior to acquiring the Panstone Licences, the Company completed a drill campaign of 15 diamond drill holes and intersected coal across the entire area at Groundhog. On average, 20m of cumulative net coal was encountered with some holes intersecting up to 36m of cumulative net coal. The average depth of the drill holes was 330m with several holes remaining open at depth for additional resource definition. The program also suggested the coal bearing geology extends outside the original project area which led the Company to acquire the contiguous Panstone Licences. The program also yielded more than 800 samples which were submitted for testing with initial coal quality results confirming a premium pure anthracite coal rank at Groundhog with vitrinite reflectance values (RoVmax) generally ranging from 3% to 5%. At least 25 individual coal seams have been identified with the thickest seams up to 7m.

The Groundhog Project which possesses a 1.57Bt JORC Measured, Indicated and Inferred resource is a high ranking anthracite deposit, capable of delivering a sub-10% ash product with ultra-low volatile content, high calorific value, low sulphur, high fixed carbon and very low inherent moisture with wash yields up to 75%. Anthracite is a widely used high value input in the steel manufacturing process, replacing between 10% and 30% of coke used in the blast furnace. It can also be used in the manufacture of specialty steels and alloys, electric arc furnaces, ore sintering, charge carbon, reductants and cathode pastes as an alternative to graphite.

The export strategy of the Company has been demonstrated by the recent achievement in securing port capacity at the Port of Stewart, located 150km direct distance from the Groundhog Project. The Company has signed a Land Reservation and Terminal Services Agreement with Stewart Bulk Terminals Ltd for 1.5Mtpa secured capacity and an additional 5Mtpa has been agreed under a Memorandum of Understanding with Stewart World Port.

The accessibility of this large deep water port capable of loading handymax, panamax and cape size vessels in close proximity to the potential Groundhog mine will enable the Company to maintain its low capital entry into production and provides a cost-effective transportation route for the export of ultra-high grade and high grade anthracite and ultra-low volatile PCI coals to key consumers worldwide.

In August 2013, the Company announced the results of the Scoping Study for Stage 1 on the Groundhog Project which demonstrated robust indicative economic returns. Before-tax Free Cashflow for the 1.8Mtpa ROM base case model averages US$107 million per year (A$119 million) (over the initial five year production profile), and subject to further drilling and the maintenance of indicative yields, increases to US$293 million (A$326 million) per year in Before-tax Free Cashflow under Atrum's ultimate 3Mtpa saleable production target. The Scoping Study was based on mining a single seam, being the Seam #70, out of a total of 15 to 20 mineable seams and concentrated on an area that is less than 5% of the total land position of 22,815 hectares.

The Company plans to undertake a bulk sample during Q4 2014 of up to 100,000 tonnes of ultra-high grade lump anthracite product as an opportunity to generate early cash flow and secure sales contracts with high grade and ultra-high grade anthracite customers. The Company is in discussions with respect to off-take contracts.

Following the receipt of mining and environmental approvals, the Company expects to commence full scale production at Groundhog by 2016. That said, 'development mining' at an annualised rate of 250,000 tonnes per year of ultra-high grade lump anthracite product is targeted during 2015.

Atrum is continuing with the development of the Groundhog Project and has completed a 43 diamond drill hole program as part of its reserve definition / infill drilling campaign for 2013. Environmental studies continue to advance with a number of weather monitoring stations installed, groundwater hydrology studies, hydrogeological studies, gas desorption testing and wildlife surveys.

The Company is anticipating the delineation of a maiden reserve during Q4 2013 and the completion of its pre-feasibility study in early Q1 2014.

Atrum owns 100% of three other projects that are located in close proximity to existing exploration projects and operating mines. These projects are targeting metallurgical coals including coking and PCI coals.

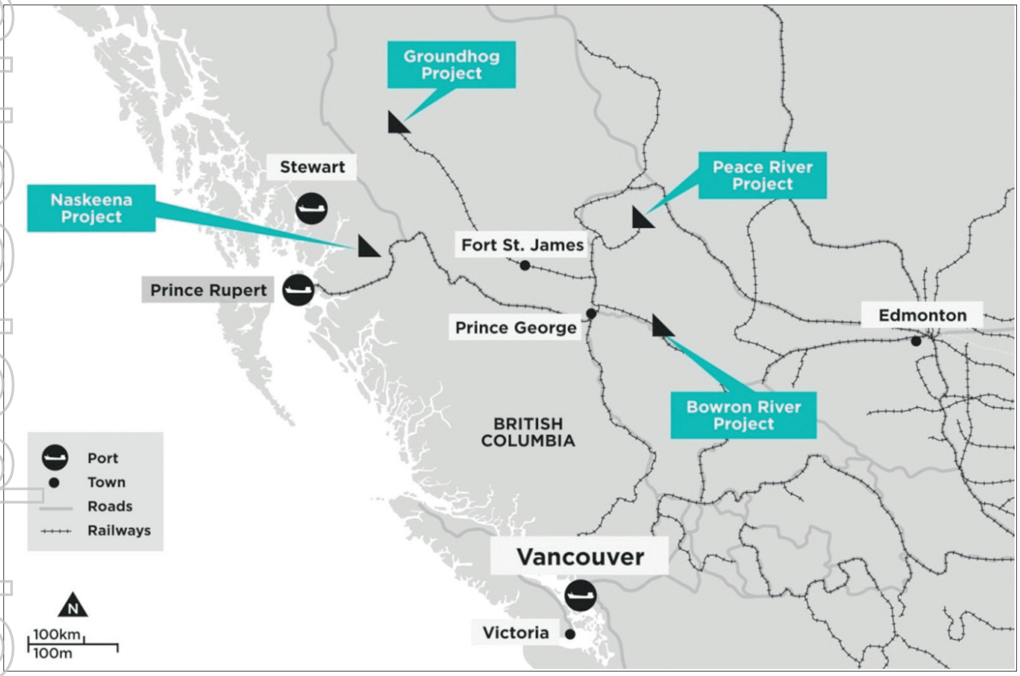
The 11,400 hectare Naskeena Anthracite Project (Naskeena) is located in western British Columbia, approximately 50km from the town of Terrace and 140km from the Port of Prince Rupert, and has an Exploration Target of between 200Mt and 250Mt (in accordance with Section 18 of the JORC guidelines). Historic drilling includes 25 diamond drill holes for 2,525m completed over the period 2007 to 2008 that intersected individual coal seams of between 0.3m and 2.4m. Historical mapping, trenching, sampling and drilling by previous explorers suggests strong project potential. Naskeena boasts excellent road infrastructure with direct access to deep sea ports, high ranking coal, numerous coal exposures, simple 'truck and shovel' operation potential, and offers significant exploration upside with untested areas.

On 7 August 2012, the Company acquired the historical exploration database relating to the Naskeena project.

The 5,325 hectare Peace River Project (Peace River) is located approximately 30km west of the Wapiti Coal Project, approximately 40km east of the operating Brule Coal Mine, 35km north of the Perry Creek/Wolverine Coal Mine and only 16km north of the mining hub at Tumbler Ridge. It has an Exploration Target of between 0Mt and 25Mt (in accordance with Section 18 of the JORC guidelines) and is prospective for coking coal.

The 3,750 hectare Bowron River Project (Bowron River) is located 60km east of the town of Prince George and is accessible from Prince George by 50km of paved road and then by 10km of all-weather gravel road. Prince George is a large industrial and commercial hub in north central British Columbia, with scheduled commercial airline transportation. It serves as a major staging point for both British Columbia Rail and the Canadian National Railway. Bowron River is prospective for PCI coals.

In March 2013, the Company commissioned Norwest Corporation to undertake a review of the Naskeena, Bowron River and Peace River Coal Projects with the results suggesting that the projects warranted further exploration. The Company has prioritized the projects and will be allocating additional funds to the exploration and development of these projects, in order of priority.



Atrum Coal NL – Project Location Map

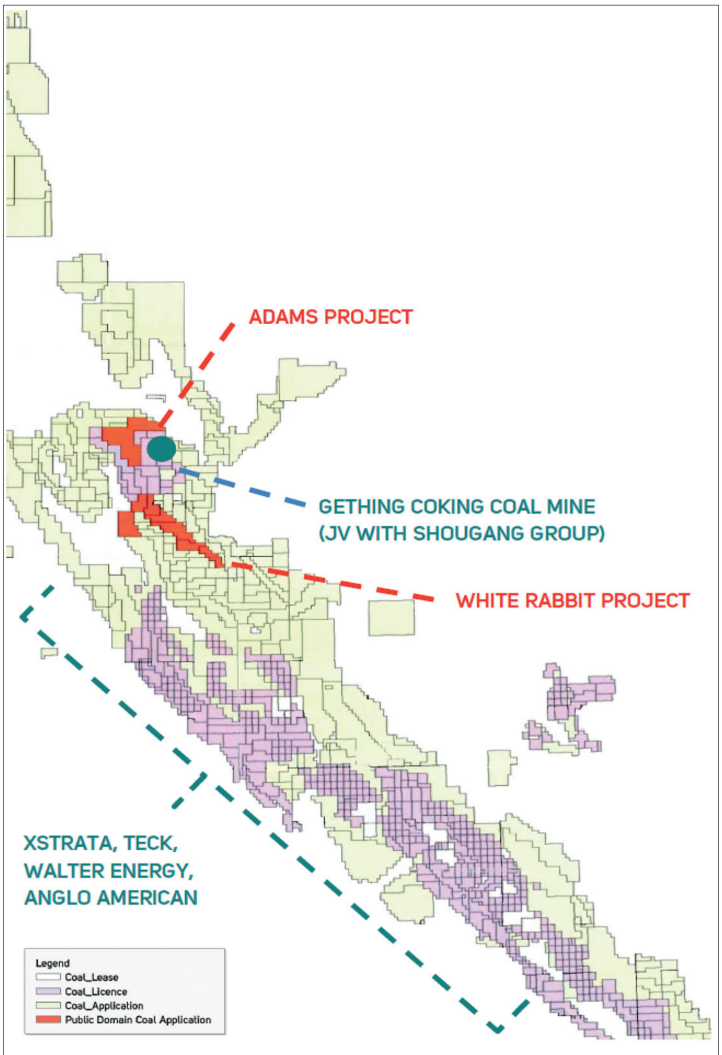
In addition to the four wholly-owned metallurgical coal projects, Atrum also holds an option to acquire the Adams and White Rabbit Coal Projects, located in the Peace River Coalfield, British Columbia.

The Adams Project includes one (1) coal licence application covering 8,315 hectares and the White Rabbit Project includes seven (7) coal licence applications covering 12,561 hectares. The White Rabbit Project has been historically explored and the Company has acquired the associated historical exploration data.

The White Rabbit and Adams projects are located in close proximity to key infrastructure and are immediately contiguous (north and south respectively) with the Gething Mine, a proposed 3Mtpa coking coal mine in partnership with Shougang Group, China's largest steel producer.

Historical exploration on the White Rabbit and Adams projects consists of some regional drilling in and around the project areas as well as trenching and sampling field exploration. Both project areas exhibit coking coal characteristics, and form part of the geological Gething Formation, which accounts for a majority of the coking coal exports from British Columbia.

The location of the Adams and White Rabbit projects with respect to the proposed Gething Mine and Peace River coalfields in general, are shown below:



Adams and White Rabbit projects under option in red

Adams and White Rabbit Project Location Map

Other coal project developers and producers in the Peace River region include:

- Xstrata Coal
- Posco
- Canadian Dehua International
- Teck Resources
- Walter Energy
- Anglo American
- Winsway
- Marubeni
- JX Nippon

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) 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.

(ii) On 13 September 2012, the Company appointed Mr. Lyle Hobbs as Chief Executive Officer of the North American operations. Subsequently on 8 July 2013 the Company announced the resignation of Mr Hobbs.

(iii) On 13 December 2012, the Company announced that it had acquired an additional 8,343 hectares contiguous with the Company's existing Groundhog Anthracite Project, providing the Company with a total land position of 22,815 hectares. This acquisition was completed on 31 December 2012.

(iv) On 16 January 2013, the Company increased the JORC resources at the Groundhog Project by 113% to 338Mt JORC Indicated and Inferred. This was subsequently increased by a further 460% to 1.57Bt JORC Measured, Indicated and Inferred on 3 April 2013.

(v) On 4 March 2013, the Company released coal quality results confirming a premium pure anthracite coal rank at Groundhog with vitrinite reflectance values (RoVmax) generally ranging from 3% to 5%.

(vi) On 22 April 2013, the Company successfully canvased the cancellation of a class of mini-warrants on the underlying securities of the Company that had been created by Credit Suisse.

(vii) On 3 May 2013, the Company secured an option to acquire the Adams and White Rabbit Coal Projects located in the Peace River Coalfield of British Columbia, Canada.

(viii) On 12 June 2013, the Company announced that Chairman, Mr. James Chisholm, had increased his voting power in the Company to 19.98% through the conversion of 3,150,000 partly paid shares.

(ix) On 30 June 2013, the Company entered into an Offset Loan Agreement with Chairman, Mr. James Chisholm. Pursuant to the Offset Loan Agreement, Mr. Chisholm entered into an arrangement to loan the Company $2,681,427.

(x) Subsequent to 30 June 2013, on 8 July 2013 the Company announced the appointment of Dr. Eric Lilford as Managing Director. This marked a milestone for Atrum and enabled the acceleration of the pre-feasibility study. Dr. Lilford was previously Non-Executive Technical Director.

(xi) Subsequent to 30 June 2013, on 29 July 2013 the Company announced that it had entered into a Land Reservation and Terminal Services Agreement with Stewart Bulk Terminals Ltd and a Memorandum of Understanding with Stewart World Port to secure port capacity of up to 6.5Mpta.

(xii) Subsequent to 30 June 2013, on 3 August 2013 the Company received the Deloitte WA Index High Growth Award at the Diggers and Dealers Conference in Kalgoorlie.

(xiii) Subsequent to 30 June 2013, on 27 August 2013 the Company announced the results of the Scoping Study for Stage 1 on the Groundhog Project which demonstrated robust economic returns.

(xiv) Subsequent to 30 June 2013, on 18 September 2013 the Company announced plans to spin-out its Naskeena, Bowron River and Peace River coal assets ("Exploration Assets"), located in British Columbia, Canada.

PROJECT OVERVIEW

Atrum Coal is an Australian-based exploration company established to explore and develop metallurgical coal projects. The Company owns 100% of the Groundhog Anthracite 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 infrastructure. The Directors consider that the assets in British Columbia represent an exciting exploration and development opportunity with defined targets and a clear development strategy.

Atrum has specifically targeted British Columbia as its 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 Groundhog Anthracite Project (Groundhog) is located in north-west British Columbia in close proximity to key mining services and established infrastructure including rail, power, water, roads and port. The Groundhog Project comprises 18 granted coal licenses and 8 coal lease applications covering an area of approximately 22,815 hectares and possesses a 1.57Bt JORC Measured, Indicated and Inferred resource.

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.

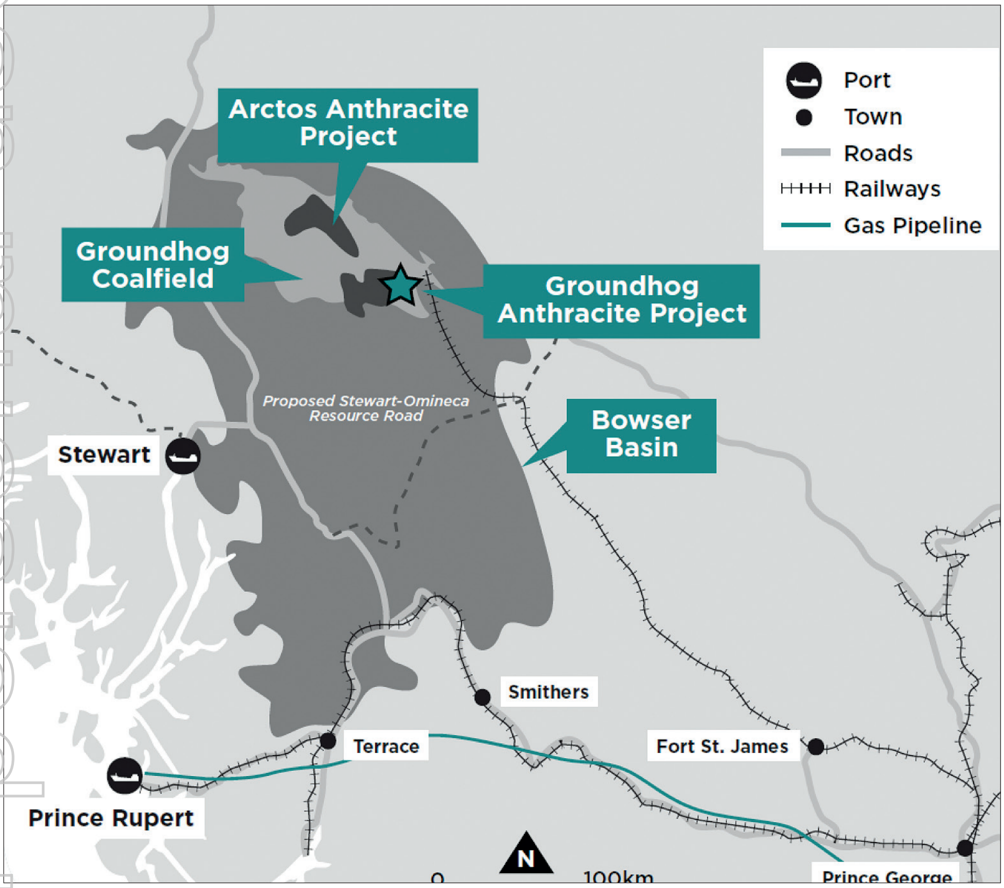
Coal producers in British Columbia operate under long-term arrangements with the two rail operators in the region, Canadian Pacific Rail (CP) and Canadian National Rail (CN).

GROUNDHOG ANTHRACITE PROJECT OVERVIEW

The Groundhog Anthracite 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 8 coal lease applications covering an area of 22,815 hectares located in close proximity to key mining infrastructure including rail, port, road, power and water facilities.

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 / rail subgrade, 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 "Arctos" anthracite project, located approximately 80 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 permitted a fixed wing airstrip located approximately six (6) kilometres from the central zone at Groundhog. The airstrip has been restored and cleared of low lying vegetation to enable immediate use allowing the Company to fast-track development of the Groundhog Project. The fixed wing airstrip provides excellent access to the Groundhog Project and is being utilized as the service hub for the Company's exploration activities.



Groundhog Anthracite Project Location Plan

JORC MEASURED, INDICATED AND INFERRED RESOURCES

Coal resources at Groundhog have increased substantially during the financial year following recent interpretation and resource modelling that combined all historical exploration data with results from the Company's 2012 drilling and analysis program. The 2012 program consisted of 15 diamond core drill holes for approximately 5,000m and identified a number of coal seam intersections ranging from 1.5m to 8.2m in thickness. Overall, both the number of coal seam intersections and respective seam thicknesses were much higher than expected.

This, combined with extensions to both lateral and downhole exploration has resulted in a significant resource upgrade that solidifies Groundhog as one of the world's largest undeveloped, high ranking anthracite deposits.

The JORC resources at Groundhog have increased from 338Mt to 1.57Bt, as summarised in the table below:

JORC CATEGORY	PREVIOUS RESOURCE (MT)	UPGRADED RESOURCE (MT)
Measured	-	16
Indicated	106.9	553
Inferred	230.9	998
Total	**338Mt**	**1,567Mt**

JORC Resource at Groundhog

Coal resource estimation parameters:

› 0.3m seam thickness cut-off

› 100m river setback

Groundhog is amenable to open cut mining with 415Mt occurring between 0 and 100m depth and 90% of the total 1.57Bt resource occurring between 0 and 300m depth.

The table below illustrates the depth cut-off of the JORC resource at Groundhog:

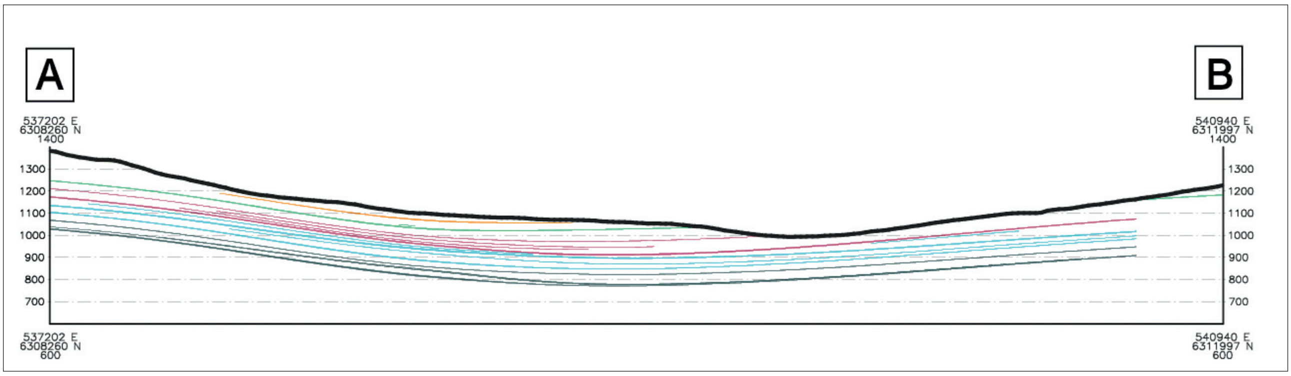
JORC RESOURCE BREAKDOWN BY DEPTH (MT)	
< 50m	154
< 100m	415
< 200m	993
< 300m	1,420
Unrestricted	1,567

JORC Resource at Groundhog by depth

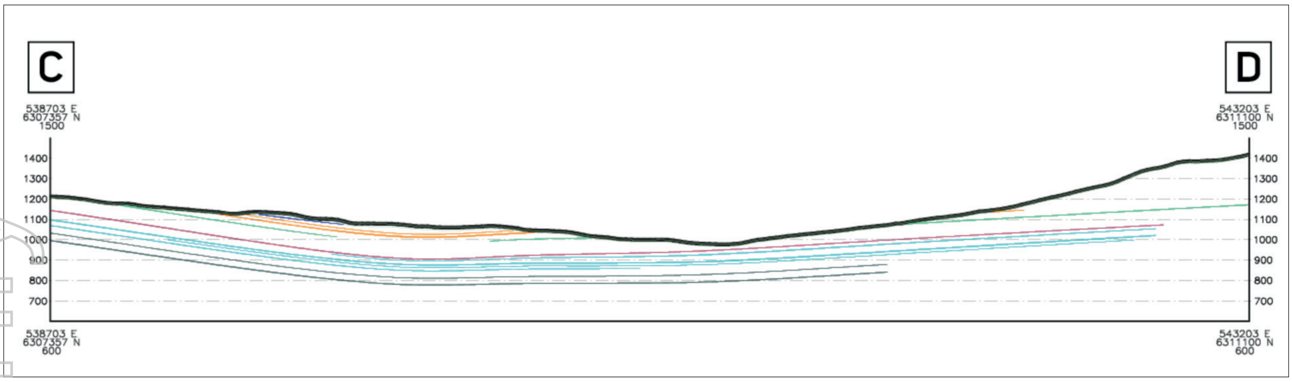
COAL SEAM CROSS SECTIONS

Multiple thick near surface coal seams have been identified at Groundhog confirming either adit-entry underground or open-pit mining potential. The relatively flat lying coal seams and geographic continuity demonstrates potential to deliver a low-cost, high value mining operation. Indicative strip ratios are very attractive compared to existing and developing coal mining operations on a global stage, few of which host high quality metallurgical coal targets.

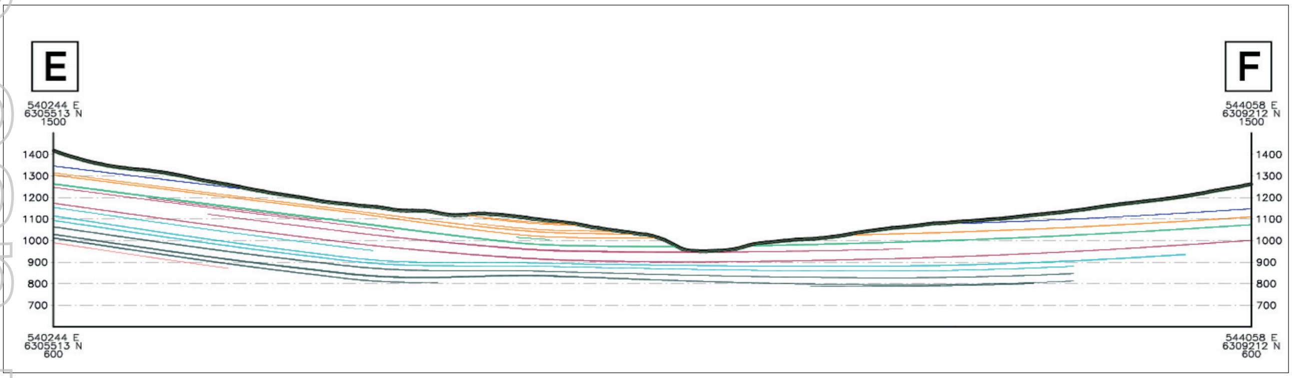
The following diagrams represent cross sections of the coal resource at Groundhog, referencing the final diagram in this section. Cross sections were generated using Minescape software and are representative of the overall trend.



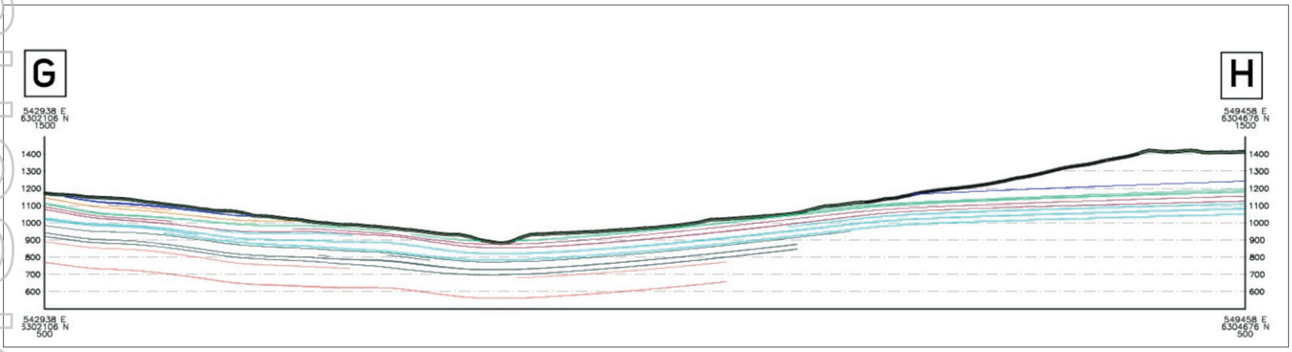
Cross Section (A-B) at Groundhog



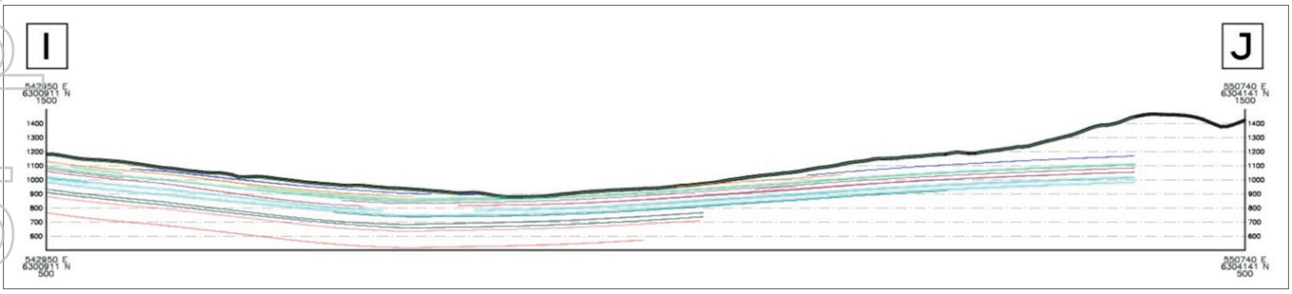
Cross Section (C-D) at Groundhog



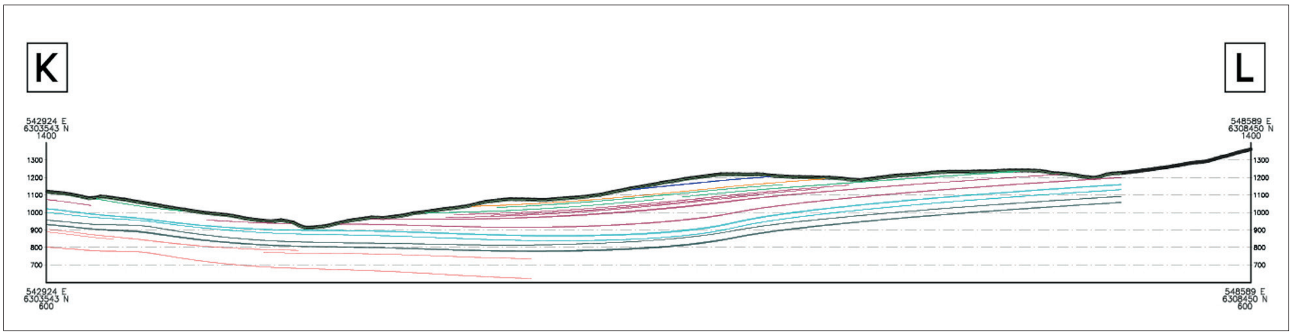
Cross Section (E-F) at Groundhog



Cross Section (G-H) at Groundhog

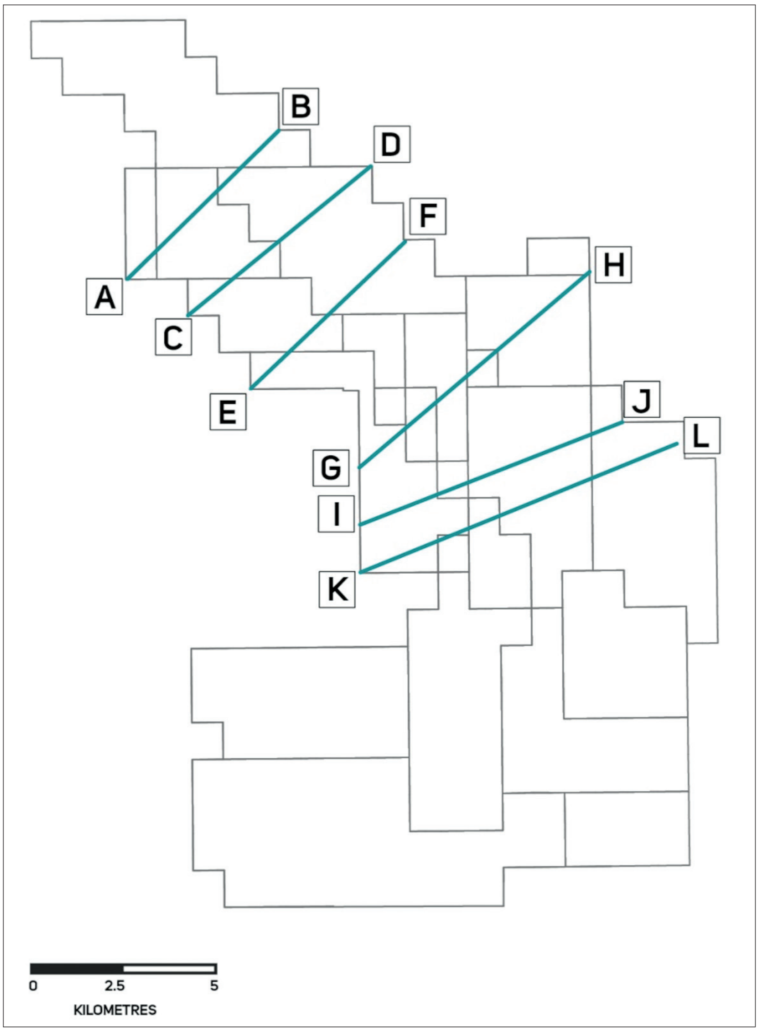


Cross Section (I-J) at Groundhog



Cross Section (K-L) at Groundhog

The diagram below illustrates the location of the forementioned cross sections within the project area.



Section lines at Groundhog

The coal appears to gently dip from surface where in most cases it is known to outcrop and/or sub-crop before re-approaching the surface.

The coal seams demonstrate continuity across the project area in both east to west and north to south directions.

COAL QUALITY ANALYSIS

The Ro Max Index (Reflectance Index) on the samples tested ranges from 3.9 to greater than 5 confirming the presence of high ranking anthracite. The typical cut-off for classification of coals as an anthracite using the Ro Max Index is 3. These results signify the presence of high ranking, high value anthracite at Groundhog.

The coal samples were taken from numerous drill holes across the entire project area starting at surface down to a depth of 350m confirming the anthracite rank of the coal both stratigraphically (down-hole) and geographically (across the entire project).

The vitrinite content of the coal samples confirms high ranking anthracite for use in the steel and ferro-metals industry and specialist anthracite markets. These results together with the previous coal quality results which confirmed a high carbon, high energy, low volatile matter and low impurity coal demonstrates that the Groundhog Project is well-poised to supply the steel and specialty metal markets of Japan, Korea, China and South America.

The results from the recent petrographic analysis are consistent with historical testing across the Groundhog Project and confirm the Company's belief that the Groundhog Project possesses a significant high ranking, high value anthracite resource.

The Company continues to receive coal quality results for coal samples taken during the 2012 exploration program. Optimisation tests have been undertaken at a variety of fraction sizes and floatation gravities and yields continue to improve.

A composite sample targeting the #70 seam yielded the following results at a 1.80 relative density float (air dry basis):

PROXIMATE ANALYSIS									
	Yield	Basis	H2O	V.M.	Ash	F.C.	S	Kj/Kg	HGI
+0.15mm									
-1,80 Flt	75.37	A.D.	0.48	8.76	10.91	79.85	0.43	30,266	45
		Dry		8.80	10.96	80.24	0.43	30,412	
ULTIMATE ANALYSIS									
			C	H	N	Ash	S	O	
		A.D.	77.98	2.42	0.86	10.91	0.43	6.92	
		Dry	78.36	2.42	0.86	10.96	0.43	6.96	

Composite sample is currently interpreted as s70, the uppermost seam in the coal package, 2012 drill hole

Coal quality testing and product simulation at Groundhog is designed to produce a sub 10% ash product suitable for supply to metallurgical export markets in Japan, Korea, China and the Americas.

Anthracite has wide metallurgical applications in the steel and ferro-alloy industries including:

› Direct coke replacement

› Ultra low volatile PCI

› Sinter

› Metallurgical reductant / charge carbon

› Filter media

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.

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.

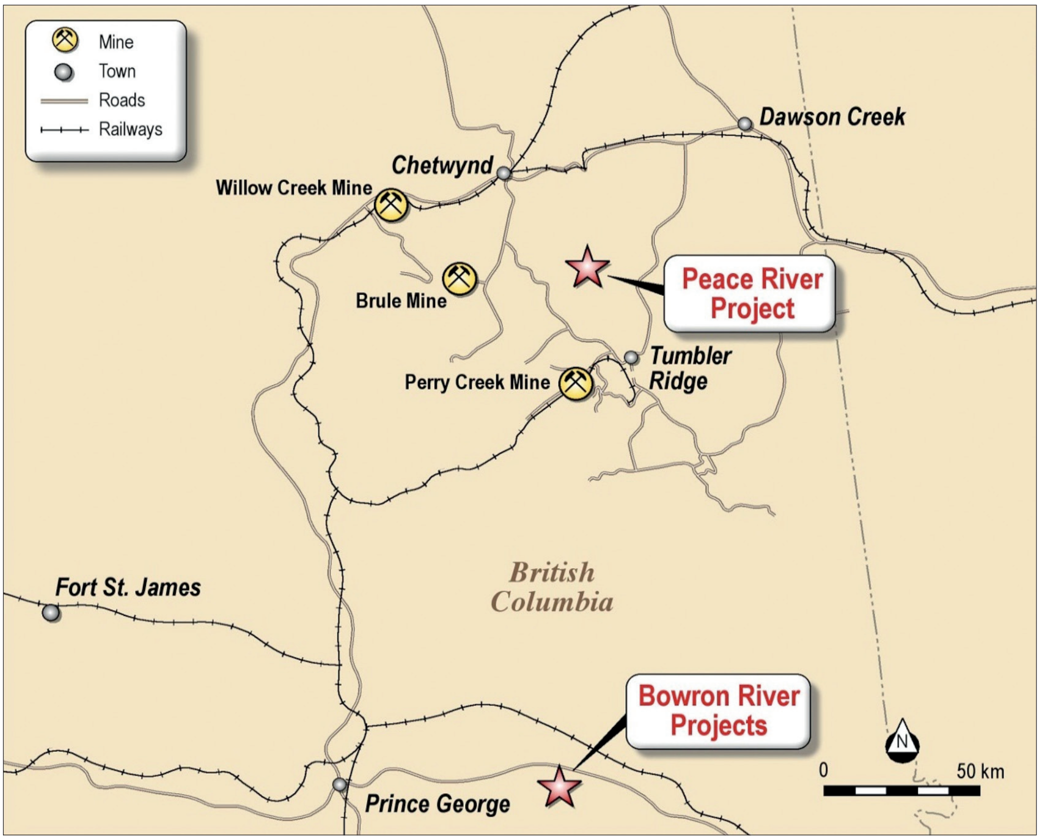
BOWRON RIVER COAL PROJECT OVERVIEW

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.

The diagram below shows the location of the Peace River Coal Project and the Bowron River Coal Project including the surrounding road and rail infrastructure.



Peace River Coal Project and Bowron River Coal Project Locations

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.

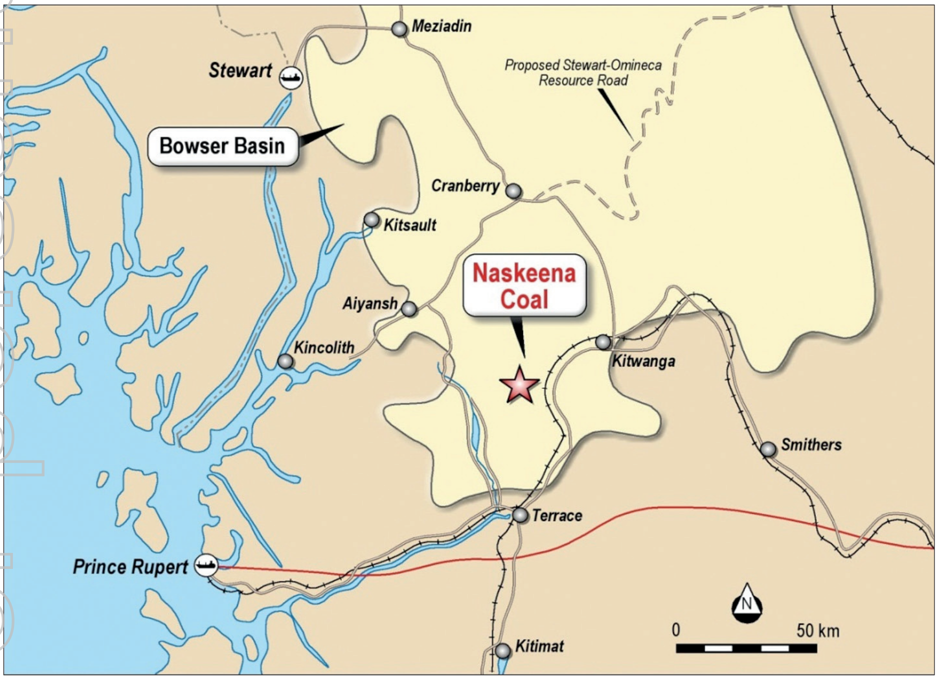
The Middle seam is thinner and lacks lateral continuity. Its thickness ranges between 0.3 m and 3 m and is approximately 25 m above the Lower seam. The Upper coal seam is approximately 50 m above the Lower seam and is composed of two plies separated by a relatively thick stone parting averaging 1 m. 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. The diagram below shows the location of the Naskeena Coal Project including the surrounding road and rail infrastructure.



Naskeena Coal Project Location Map

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 outcrops were identified. The table below summarises the exploration carried out on the project area to date. The 2007 exploration concentrated on the eastern margin of the bounding fault.

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.

On 11 July 2012, the Company completed the acquisition of the Naskeena Central and Naskeena North coal projects including the acquisition of the historical exploration database, which included geophysical logs, descriptive logs, strip logs, mapping data and trenching data.

Exploration and development continued at the Groundhog Project with the Company completing a fifteen (15) diamond drill hole program during the 2012 exploration field season which resulted in a substantial increase to the JORC resources to 1.57Bt including the delineation of a maiden JORC Measured resource. On 13 December 2012, the Company announced that it had acquired an additional 8,343 hectares contiguous with the Company's existing Groundhog Anthracite Project, providing the Company with a total land position of 22,815 hectares. This acquisition was completed on 31 December 2012.

The Company released coal quality results from its 2012 exploration field season confirming a premium pure anthracite coal rank at Groundhog with vitrinite reflectance values (RoVmax or Ro Max) generally ranging from 3% to 5%.

Adding to the portfolio of high quality metallurgical coal assets, on 3 May 2013, the Company secured an option to acquire the Adams and White Rabbit Coal Projects located in the Peace River Coalfield of British Columbia, Canada.

Subsequent to the end of the financial year, on 8 July 2013 the Company announced the appointment of Dr. Eric Lilford as Managing Director. This marked a milestone for Atrum and enabled the acceleration of the pre-feasibility study. Dr. Lilford was previously Non-Executive Technical Director.

The Company announced its export plans for Groundhog on 29 July 2013 when the Company announced that it had entered into a Land Reservation and Terminal Services Agreement with Stewart Bulk Terminals Ltd and a Memorandum of Understanding with Stewart World Port to secure a collective port capacity of up to 6.5Mpta.

In a significant achievement in the development profile at Groundhog, on 27 August 2013 the Company announced the results of the Scoping Study for Stage 1 on the Groundhog Project which demonstrated robust economic returns.

The Company continues with the ongoing development at the Groundhog Project and during the 2013 field season, completed an infill / reserve definition drill program comprising 43 standard core diamond drill holes and 7 large core diameter drill holes. This program will enable the Company to further support the robust economics demonstrated through the Scoping Study on the north-west zone of Groundhog and will form part of the pre-feasibility study (PFS). The Company is expecting the delineation of a maiden reserve in Q4 2013 and the completion of the PFS during Q1 2014.

GROUNDHOG EXPLORATION DRILLING RESULTS – 2012 FIELD SEASON

In October 2012, Atrum completed geophysical logging of its fifteen (15) diamond core drill hole program at Groundhog. Results were better than expected with significant cumulative coal encountered throughout the entire $83km^2$ target area.

Up to 36.0m of cumulative coal in multiple seams to a depth of 400m with individual coal intersections of up to 8.2m (DDH-GH-12-11) were encountered.

Drill hole DDH-GH-12-09, which was drilled in the north-west area of the project, intersected 30.4m of cumulative coal to a depth of approximately 400m, including an individual coal intersection of 7m.

An average of 20m of cumulative coal across multiple seams was encountered throughout the 15 drill hole program. The average depth of the holes drilled was 330m with many holes remaining open at depth for further extension of the coal resources.

Significant **near-surface coal seam** intercepts include:

- **2.3m** of coal between **19.65m and 23.20m in** DDH-GH-12-07
- **3.7m** of coal between **48.42m and 52.95m in** DDH-GH-12-08
- **3.5m** of coal between **58.55m and 62.40m in** DDH-GH-12-07
- **3.1m** of coal between **74.10m and 77.23m in** DDH-GH-12-06
- **3.5m** of coal between **90.15m and 93.60m in** DDH-GH-12-08
- **3.2m** of coal between **124.40m and 127.55m in** DDH-GH-12-12
- **2.7m** of coal between **138.60m and 144.30m in** DDH-GH-12-02
- **3.4m** of coal between **140.87m and 145.30m in** DDH-GH-12-11
- **4.2m** of coal between **142.00m and 148.01m in** DDH-GH-12-10
- **3.4m** of coal between **147.68m and 154.22m in** DDH-GH-12-04
- **2.3m** of coal between **147.28m and 149.90m in** DDH-GH-12-11
- **2.5m** of coal between **149.92m and 153.40m in** DDH-GH-12-10
- **3.2m** of coal between **186.78m and 191.00m in** DDH-GH-12-12
- **4.4m** of coal between **200.25m and 208.62m in** DDH-GH-12-05
- **3.3m** of coal between **219.60m and 224.07m in** DDH-GH-12-15

SCOPING STUDY RESULTS AT FLAGSHIP GROUNDHOG ANTHRACITE PROJECT

On 27 August 2013 the Company announced the Scoping Study results for the Stage 1 development of the Groundhog Project. The Scoping Study is focused on the North-West zone of Groundhog. A conceptual mine plan for a 1.8Mtpa ROM operation has been modelled with initial anthracite mining and extraction from the key seam #70 which ranges in thickness from 1.3m to 5.5m and is known to sub-crop close to surface along at least a 6km strike length with no significant oxidisation of the coal seam.

Atrum has a clear strategy to take its 1.57 billion tonne JORC Resource (Measured and Indicated (569Mt) and Inferred (998Mt)) and ultimately deliver 3Mtpa saleable production and beyond.

Note: 3Mtpa is an aspirational target and significant work is required to achieve this, with no certainty of success.

The Scoping Study prepared by Xstract Mining Consultants incorporates a geological model based on historical drilling and trenching and the Company's 2012 drill program.

Due to timing of drilling and the early commencement of the Scoping Study, the planned 43 drill holes to be completed in 2013 have not been included in the Scoping Study, but will be included in the Groundhog PFS.

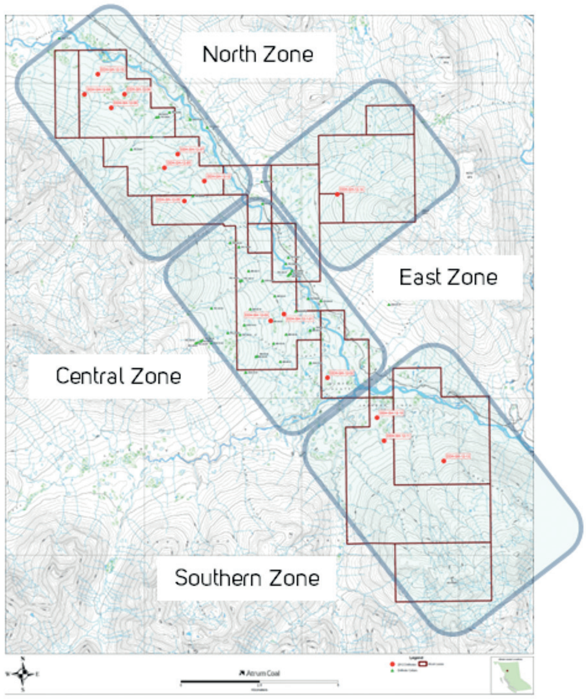
These include the following significant shallow coal intersections:

- 5.49m at 18.75m depth in DHGH13-15
- 6.8m at 30.4m depth in DHGH13-03

The remaining holes completed to date, are broadly consistent with predictions made from the current geological model that incorporates the 2012 drilling.

Other significant coal seam intercepts include:

- **4.1m** of coal between **260.19m and 265.72m in** DDH-GH-12-12
- **6.5m** of coal between **270.50m and 277.00m in** DDH-GH-12-05
- **4.4m** of coal between **270.16m and 276.80m in** DDH-GH-12-10
- **7.0m** of coal between **347.82m and 354.80m in** DDH-GH-12-09
- **3.2m** of coal between **356.71m and 359.90m in** DDH-GH-12-14
- **3.2m** of coal between **362.05m and 367.30m in** DDH-GH-12-11
- **8.2m** of coal between **369.61m and 378.37m in** DDH-GH-12-11



2012 Groundhog Drill hole Location Plan

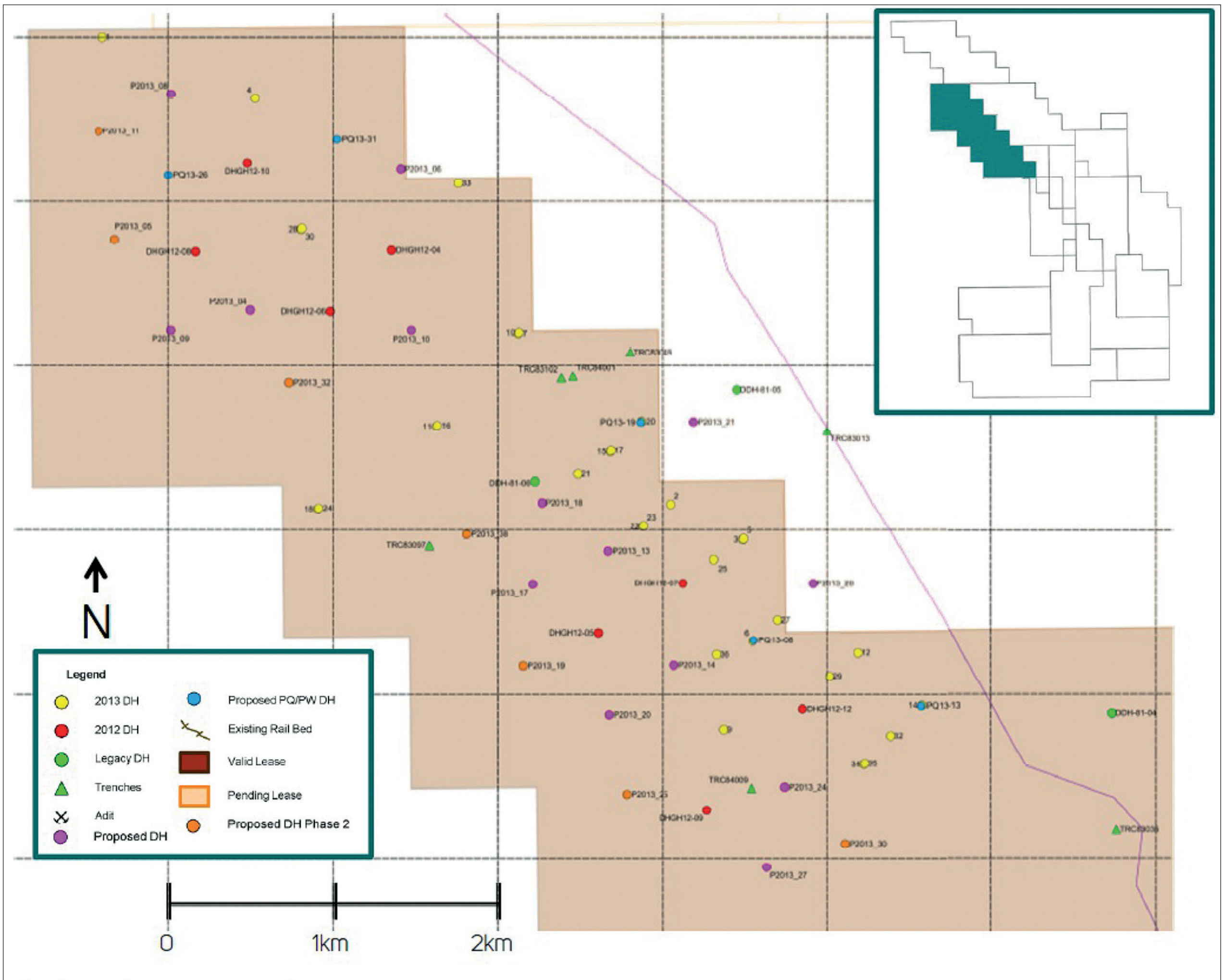
SCOPING STUDY METRICS	RESULTS FIRST 5 YEARS
Product Mix: Anthracite Lumps	70%
Product Mix: Anthracite Fines	30%
CAPEX (US$)	$62 million
Average Yield	60%
Anthracite Lumps Price Range (US$/t)	$190 – $208
Anthracite Fines Price Range (US$/t)	$137 – $150
OPEX (US$/t FOB)	$85
Annual Before-tax Free Cashflow at 1.8Mtpa ROM (US$/year)*	$107 million
Annual Before-tax Free Cashflow at 3Mtpa Saleable (US$/year)*	$293 million

#Extrapolated estimated based result based on Atrum's aspirational target to deliver 3Mtpa saleable production under comparable mining cost structure.

Dr Lilford commented:

"With such encouraging drilling results, the Company is confident of reporting upside in the PFS compared to the Scoping Study. It is important to note that the Scoping Study considers only one seam of 16 potential economic and mineable coal seams, from approximately 5% of the Company's 22,815 hectare contiguous land holding, leaving potential upside in future economic analyses."

The diagram below highlights the North-West zone of Groundhog where the Scoping Study is focused. The diagram also illustrates the density of the drilling pattern for the 2013 PFS / Reserve definition program.



North-west zone of Groundhog

Atrum's strategy is to ramp up production under Canada's 'development mining' regime with the first 70,000t planned to commence Q4 2014. Despite an enormous endowment of 1.57 billion tonnes, the Company maintains a 'lean and mean' approach towards development expenditure with a focus on delineating only sufficient future Reserves for commencement of initial low CAPEX production. Future free cashflow generated during production has been earmarked for broader future Reserve delineation and expansion drilling to enable the Company to achieve its target of 3Mtpa saleable and beyond.

Upfront CAPEX is estimated at US$62 million and includes the construction of access roads to and around the proposed mine site, surface infrastructure and portal development to access the key seam #70.

In addition to applying free cashflow generated during production to additional development and future Reserve delineation, the Company plans to utilise surplus cash to acquire plant and equipment, enabling Atrum to become an owner-operator and reduce unit operating costs. Atrum intends to utilise contractors and Build-Own-Operate-Transfer (BOOT) options with key equipment and services suppliers to minimise initial CAPEX.

Through increased production, the Company plans to further diversify the product offering at Groundhog beyond ultra-high grade anthracite lumps and high grade anthracite fines, to higher specification products with targeted applications such as filtration media, charge carbon / reductant and electrode pastes to maximise value and returns.

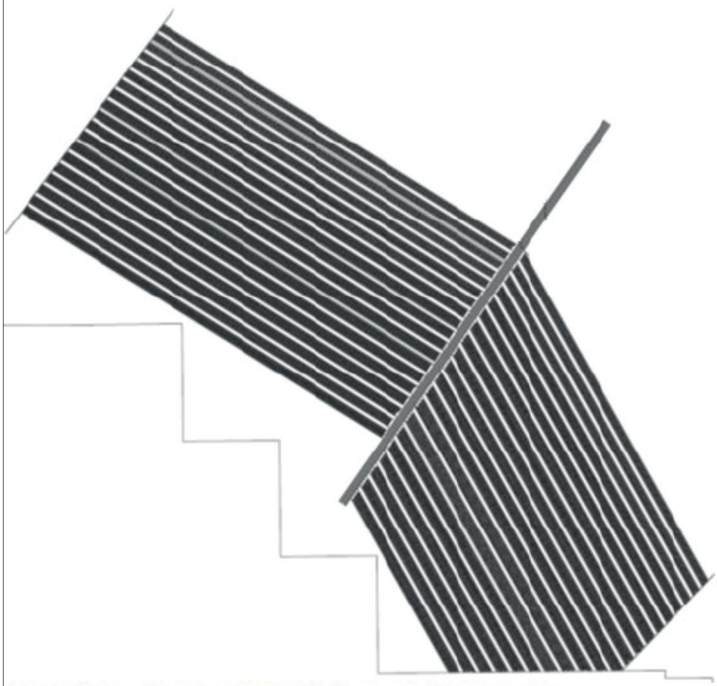
Bulk sampling will assist the Company secure sales contracts with high grade and ultra-high grade anthracite customers. Sales contracts for potential ULV PCI (ultra-low volatile pulverised coal injection) product at Groundhog are not expected to require bulk sampling. The Company is in discussions with respect to offtake contracts.

The Company is anticipating working under Canada's 'development mining' regime which would allow the Company an opportunity to market and refine its metallurgical product offering as well as generate early cashflow from coal shipments commencing in Q4 2014.

To deliver on the Company's low CAPEX model, development at Groundhog will initially target underground mining of the high ranking seam #70 by 'room and pillar' method. Based on an initial five year production profile (including ramp up), indicative ROM yields range from 57% to 63% (61% weighted average) for premium anthracite lumps and fines. Under the Scoping Study, and as a secondary offering, ULV PCI can be produced with ROM yields of 76% to 83%. To deliver on Atrum's 3Mtpa saleable production target expansion by open pit mining and/or additional portals will likely be required.

Note: At this stage, the Company has not delineated Ore Reserves at Groundhog and the Scoping Study assumes the definition of a minimum coal tonnage to support the anticipated mining operation.

Under the conceptual mine plan (right), panels have been laid out running parallel to the sub-crop, which allows the panels to run at approximately consistent elevation for their entire length. This optimises the extraction percentage.



Approximate panel layout for Northern area

Based on an initial five year production profile (including ramp up), for a base case 1.8Mtpa ROM mine plan producing a two stage product mix of 70% anthracite lumps and 30% anthracite fines, the Scoping Study forecasts all-in mining, processing and transportation charges to be less than US$85 / product tonne (FOB) on a contractor basis. Atrum has an aspirational LOM target of less than US$70 / product tonne (FOB) on an owner-operator basis when the mine achieves a saleable target of 3Mtpa.

The Scoping Study assumes conservative forecast sales prices of US$190 to US$208/tonne (nominal) for anthracite lumps and US$137 to US$150/tonne (nominal) for anthracite fines over the initial five year production profile (including ramp up).

The upcoming PFS will potentially model thicker near surface coal intersections from the 2013 Reserve definition drilling program and is expected to deliver economic upside beyond the Scoping Study model.

Before-tax free cashflow for the 1.8Mtpa ROM base case model averages US$107 million per year (A$119 million) (over the initial five year production profile). Subject to further drilling and the maintenance of indicative yields, this compares to US$293 million per year (A$326 million) in before-tax free cashflow under Atrum's ultimate 3Mtpa saleable production target.

It is important to note that the upcoming PFS could include thicker near surface coal intersections from the 2013 Reserve definition drilling program and this could lead to further improvements in economics.

PORT CAPACITY SECURED FOR EXPORT STRATEGY AT GROUNDHOG ANTHRACITE PROJECT

On 28 July 2013, the Company executed a Land Reservation and Terminal Services Agreement with Stewart Bulk Terminals ("SBT") and separately executed a Memorandum of Understanding with Stewart World Port ("SWP").

Commenting on this momentous achievement, Chairman, Mr James Chisholm stated:

"Groundhog boasts more than 1.5 billion tonnes of high ranking anthracite with a defined transport solution to our key export markets. Sitting only 150km away from the project, an export operation through the Port of Stewart can meet the Company's low capital entry to production model."

Mayor of Stewart, Galina Durant, stated:

"Stewart is ready for the opportunities presented by the clean, environmentally friendly mining industry. Mining is an important part of our economy and we look forward to working with Atrum to unlock the economic potential of the region."

STEWART BULK TERMINALS

The Company has executed a Terminal Services Agreement and Land Reservation Agreement with SBT ("SBT Agreements"). This secures the shipping requirements for storage and loading of anthracite coal mined and transported from the proposed Groundhog mine approximately 150km away, through the Port of Stewart, British Columbia.

Under the SBT Agreements, Atrum can export up to 1.5Mtpa of anthracite from SBT at agreed and competitive port handling charges, on a non 'take or pay' arrangement.

There are also provisions for the allocation to Atrum of higher coal handling volumes at SBT in the event that an upgrade to capacity beyond its allocated 1.5Mtpa occurs.

Anthracite coal extracted from the proposed Groundhog mine can be transported by truck initially using a coal haulage road from the mine site to Highway 37, an existing paved two-lane highway used by other resource companies to transport commodities such as copper and nickel concentrate to SBT.

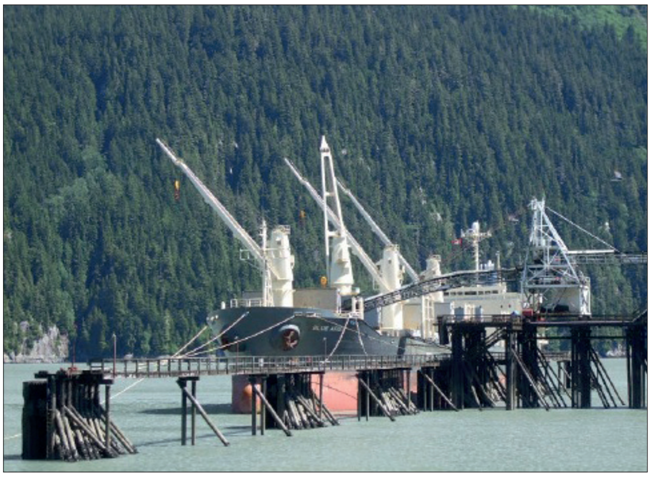
SBT has a berthing structure that can receive panamax and handymax vessels, ideally suited to the transport of high value anthracite lump and fines.

Vessel loading rates are currently 700 to 800 tonnes per hour equating to a full ship loading cycle of 31.3 to 57.1 hours. There is scope to optimise the berth handling and loading rates.

The SBT Agreements include provisions for the reservation of land and appropriate space for the construction and maintenance of a coal storage silo(s) including an area of approximately 2,500m^2, as well as the use of the existing loading facilities to meet the anticipated monthly loading requirements of the proposed Groundhog mine.

Under the SBT Agreements, SBT will construct and maintain the coal storage silo(s) for exclusive use by Atrum.

The proposed expansion area at SBT provides the ideal location for the coal storage silo(s) due to its close proximity to the loading berth. SBT is currently excavating and building the foundations at the expansion site.



Stewart Bulk Terminal existing loading nerth

Stewart Bulk Terminal existing storage facility

Stewart Bulk Terminal proposed expansion site

STEWART WORLD PORT

The Company has signed a Memorandum of Understanding ("MOU") with SWP for the export of up to a further 5Mtpa of anthracite and associated high quality coal products from the proposed Groundhog mine.

SWP is currently under construction and is expected to be able to supply the Company's planned expanding coal handling needs from 2016.

SWP is currently accessible by barge and has started the first of two construction phases, as follows:

› Phase I construction will extend the existing Cassiar Dock to deep water and will significantly improve barge access to the port. Phase I construction is expected to be completed by year end 2013 and be operational by early 2014.

› Permitting for Phase II construction is underway. Once Phase II construction is complete, the facility will provide for mineral concentrate loading, RORO, and all manner of inbound and outbound break bulk cargo.

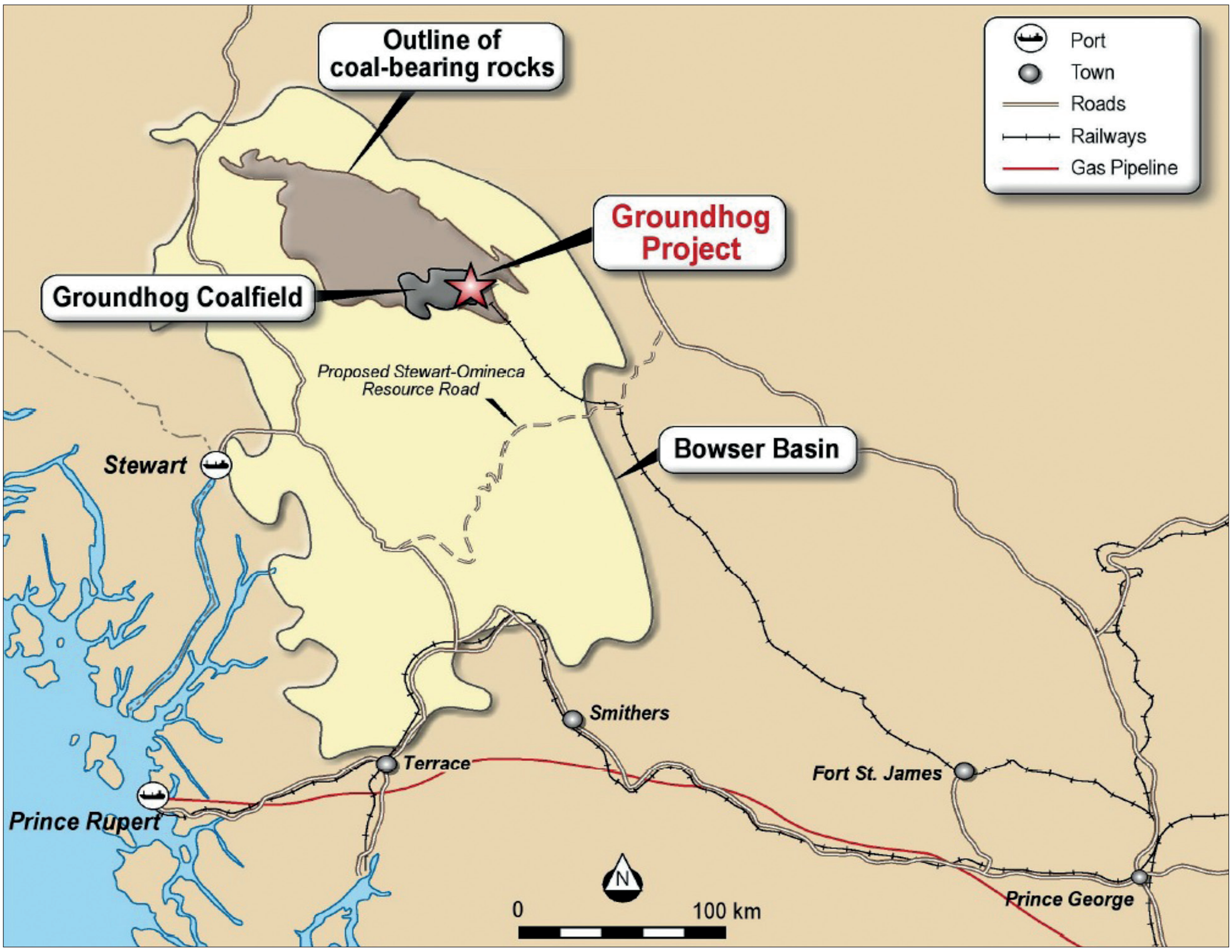
SWP will be a modern facility offering the latest in loading, storage, and crane technology to ensure customer cargo is handled efficiently and effectively.

Stewart World Port dock under cinstruction

Stewart World Port dock arial view

The MOU with SWP provides Atrum with the flexibility required during the ramp up phases of production at Groundhog. It is proposed that anthracite will similarly be transported by road from the Groundhog mine to SWP using a combination of existing paved highways, Forest Service Roads and private coal haulage roads, the majority of which are already constructed and being maintained.

The deep sea Port of Stewart provides coal handling capacity for 365 days of the year with no freezing restrictions. It has the depth capacity of handling panamax and cape size vessels and is in close proximity to the proposed Groundhog mine. SBT and SWP will enable the Company to maintain a low capital entry to production and take advantage of cost-effective transportation and export of its high quality anthracite and ULV PCI coals to key consumers.



Port of Stewart location relative to Groundhog

PFS / RESERVE DEFINITION DRILLING AT GROUNDHOG ANTHRACITE PROJECT

Drilling commenced on 21 July 2013 following construction of the camp and drill pads. The focus of this drill program was to complete in-fill reserve definition drilling, to identify the preferred target area for a bulk sample and to further define the potential product suite at Groundhog.

This exploration program has enabled the Company to further its discussions with key consumers of high grade anthracite and following the collection of the bulk sample via large diameter core drilling, the Company is currently in the process of simulating a run-of-mine wash scenario to aid in optimising a yield and product specification matrix.

The Company completed the drilling of forty three (43) standard core diamond drill holes and seven (7) large core diamond drill holes in late September / early October 2013 with exceptional results recorded for Groundhog's coal seams.

The material extracted from the large core diamond drill holes is being used to simulate a run-of-mine wash scenario. This will allow the Company to confirm the coal product suite at Groundhog, which is expected to include premium grade anthracite and premium ULV PCI for use in the steel industry.

Drilling at Groundhog this year has been focused to intercept the #70 coal seam at shallow depths. Many sites have both an inclined and a vertical drill hole to fully resolve the structure and ensure good seam control.

The #70 seam is interpreted to be a shallow and wide coal seam, exhibiting a high yield within the Coal Seam package as well as excellent coal qualities akin to a premium grade anthracite and an ULV PCI coal. The #70 seam is the target seam from which the Company plans to complete a bulk sample to enable the Company to further its discussions with anthracite and ULV PCI consumers.

The key #70 coal seam has been encountered in significantly thicker and shallower intersections with results including drilled net coal thicknesses of 6.8m from 30.4 to 42.2m depth in DHGH13-03 and 3.4m from 10.65m to 19.1m depth in DHGH13-05.

Additional results encountered to date demonstrate significant near surface coal seam intersections (apparent drilled thickness) including 5.49m of net coal from 19.51m to 25.30m in drill hole DHGH13-15.

The Company is currently refining the geological model based on the drilling and surface mapping to date and is anticipating the delineation of a maiden reserve during Q4 2013 ahead of the completion of a pre-feasibility study.

Core from the first 15 holes of this year's program have yielded 593 coal samples, including roof and floor and ply samples, which have been sent to Loring Laboratories in Calgary. The Company is working with a third party consulting group designing a detailed analysis program to fully evaluate all aspects of the quality and potential products. Analyses include proximate analysis, ultimate analysis, density, sulphur, calorific value and mineralogy, as well as size and washability testing to determine a variety of product qualities and yields. Initial results are expected in the next few weeks and will be disclosed to the market once available.

The Company is working with its environmental consultants with baseline monitoring studies including hydrogeology, hydrology and geotechnical assessments continuing. The Company has also recently installed a weather station that will be used to monitor changes in weather patterns and conditions during the different seasons, with these results being utilised as part of the mine planning and engineering design programs.

OPTION TO ACQUIRE ADAMS AND WHITE RABBIT COAL PROJECTS

During the year, Atrum announced that it had secured an option to acquire 100% of both the Adams Project and White Rabbit Project in the coking coal rich Peace River region of British Columbia, Canada.

Commenting on the acquisition, Chairman James Chisholm stated:

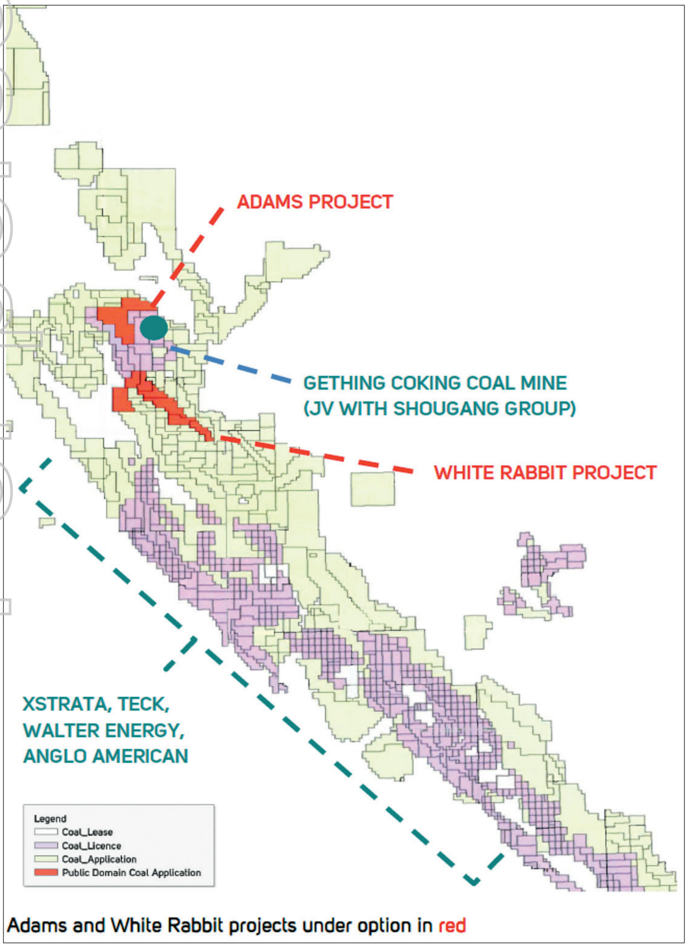
"Atrum is committed to becoming a strategic metallurgical coal producer. The acquisition of Adams and White Rabbit fits within our strategy to deliver a range of high value metallurgical coals to the domestic and world markets."

The Adams Project includes one (1) coal licence application covering 8,315 hectares and the White Rabbit Project includes seven (7) coal licence applications covering 12,561 hectares. The White Rabbit Project has been historically explored and the Company has acquired the associated historical exploration data.

The White Rabbit and Adams projects are located proximate to key infrastructure and are immediately contiguous (north and south respectively) with the Gething Mine, a proposed 3Mtpa coking coal mine in partnership with Shougang Group, China's largest steel producer.

Historical exploration on the White Rabbit and Adams projects consists of some regional drilling in and around the project areas as well as trenching and sampling field exploration. Both project areas exhibit coking coal characteristics, and form part of the geological Gething Formation, which accounts for the majority of coking coal exports from British Columbia.

The location of the Adams and White Rabbit projects with respect to the proposed Gething Mine and Peace River coalfields in general, are shown below:



Adams and White Rabbit Project Location Map

Other coal project developers and producers in the Peace River region include:

- Xstrata Coal
- Posco
- Canadian Dehua International
- Teck Resources
- Walter Energy
- Anglo American
- Winsway
- Marubeni
- JX Nippon

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 provided 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 which was internally reviewed and passed across to Norwest Corporation Ltd ("Norwest") to prepare a set of recommendations for an exploration field program, with a view to advance resource modelling.

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.

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 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.

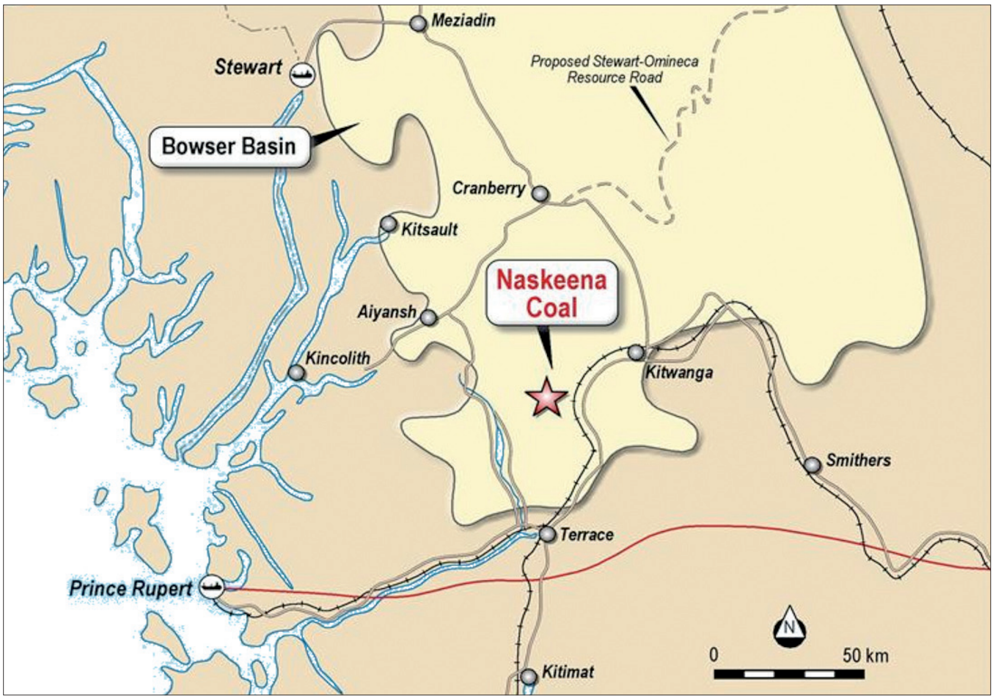
Most supplies and services are readily available in the area. A high voltage power transmission line traverses through the western portion of the coal tenures. In addition, water from rivers and creeks is also readily available within the Naskeena Project.

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.



Naskeena Coal Project Location Map


Big Cedar Creek 1.5m coal outcrop


Hadenschild Creek 1m+ coal outcrop

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 provided the Company with valuable insight into the geological structures at Naskeena and has assisted in the identification of coal seam continuity, seam correlation, seam thicknesses and geophysical interpretations. This Data Set was reviewed internally by the Company's technical team and passed across to Norwest Corporation Ltd ("**Norwest**") to prepare a set of recommendations for an exploration field program 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 a drill campaign at Naskeena.

STRATEGIC REVIEW OF NASKEENA, PEACE RIVER AND BOWRON RIVER COAL PROJECTS

During the financial year, the Company undertook a strategic review of the Naskeena, Peace River and Bowron River coal projects with a view to formulating exploration programs on each of the three projects, in order of project priority, based on the level of geological understanding of the project and its overall area of influence.

To assist in the review, the Company engaged Norwest Corporation Ltd ("**Norwest**") to prepare a due diligence report on each of the three project areas, covering exploration history, key findings and suggestions for exploration programs to be implemented on each of the project areas.

The Company provided Norwest with all of the geological information that was in its possession including the database pertaining to the Naskeena coal project. This was supplemented by Norwest with the inclusion of open public file reports on the geological history of the project areas and other exploration programs and key findings that had been undertaken in and around the project areas. The purpose of the report from Norwest was to enable the Company to understand the priority focus areas of each of the three projects and to undertake an exploration program on the projects, in order of project priority, thereby allowing the Company to appropriately allocate funds in an efficient manner.

Based on this report, the Company has implemented a number of potential pathways for development, and as announced to the ASX on 18 September 2013, plans to spin-out these projects into a new ASX listed company. This new company would have a new management team and would be able to allocate funds to exploration on these three project areas, allowing the Company to focus on the development of the Groundhog Project, which is currently undergoing a pre-feasibility study.

SPIN-OUT OF NASKEENA, PEACE RIVER AND BOWRON RIVER COAL PROJECTS

On 18 September 2013, Atrum announced plans to spin-out its Naskeena, Bowron River and Peace River coal assets ("Exploration Assets"), located in British Columbia, Canada.

Commenting on the spin-out plan, Managing Director Dr Eric Lilford stated:

"This is a huge win for shareholders. They will benefit from additional returns by way of shares in an exciting new exploration venture in one of the most attractive mining jurisdictions in the world, leaving Atrum free to focus its management time and balance sheet on developing the tier 1 Groundhog Project."

The Company is currently finalising the capital structure and management team for the spin-out vehicle as well as determining the timing for an Atrum shareholders meeting to approve and facilitate the timetable and subsequent ASX listing.

The spin-out will allow Atrum to concentrate on the development of Groundhog, which is currently in the process of completing a pre-feasibility study, together with providing shareholders with exposure to the exploration upside of the Naskeena, Peace River and Bowron River coal projects.

"The Board and management of Atrum consider this to be the most appropriate method of delivering long term shareholder value whilst enabling exploration funding to be allocated to these three exciting projects," said Dr Lilford.

CORPORATE

RESIGNATION OF MR. LYLE HOBBS AS CHIEF EXECUTIVE OFFICER

On 8 July 2013, Mr. Lyle Hobbs resigned from the position of Chief Executive Officer (North America) with the Company to pursue other mining and corporate interests. The Company wished Mr. Hobbs every success in his future endeavors and thanked Mr. Hobbs for his contribution to the overall success of the Company since joining Atrum as Chief Operating Officer (North America).

APPOINTMENT OF DR. ERIC LILFORD AS MANAGING DIRECTOR

On 8 July 2013, Atrum announced the appointment of Dr Eric Lilford as Managing Director.

Dr Lilford, PhD (Mineral Economics), NHD (Coal Mining), BSc and MSc Engineering (Mining), has served the Company as Non-Executive Technical Director since February 2012 and until June 2013 served an ASX-listed diversified mine, rail and infrastructure company as Director of Corporate Development.

Prior to this, he held the position of Partner, Corporate Finance, and National Head of Mining for Deloitte Touche Tohmatsu. He has over 25 years operational and investment banking experience across the global resources sector.

Dr Lilford has mine production experience at multi-billion dollar gold, platinum, copper and coal mines. Specifically, he was Director of Business Development at BSGR, a producer of copper, cobalt and ferro-nickel, and was an underground Manager for Randcoal Limited's Reitspruit and Khutala coal mines where he was responsible for producing over 3Mtpa of coal from three operating underground sections.

Dr Lilford's experience includes the completion of both PFS and bankable feasibility studies (BFS). He jointly managed the full bankable feasibility study of the Nikanor copper and cobalt project in the Democratic Republic of Congo and later served its publicly, London-listed holding company, Nikanor Plc, as Non-Executive Director before relinquishing the role on emigration to Australia.

Dr Lilford has been charged with taking the Company's 1.57Bt Groundhog Anthracite Project through feasibility and into production. He is based in Perth with fellow Executive Directors Russell Moran and Gino D'Anna.

As Managing Director and while Atrum continues progressing Groundhog through the necessary phases of assessment and development, Dr Lilford will be paid a day rate of A$1,000 per working day for a minimum of 12 working days per calendar month, effective 1 July 2013.

The Company has issued Dr Lilford Performance Rights which, upon their achievement, will convert into shares (on a one for one basis). The milestones attached to the Performance Rights are set out below:

› Class 3: 350,000 Performance Rights (includes 150,000 Performance Rights already issued to Dr Lilford and represents an increase of 200,000) 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 5: 350,000 Performance Rights (includes 150,000 Performance Rights already issued to Dr Lilford and represents an increase of 200,000) 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: 350,000 Performance Rights (includes 150,000 Performance Rights already issued to Dr Lilford and represents an increase of 200,000) 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: 350,000 Performance Rights (includes 150,000 Performance Rights already issued to Dr Lilford and represents an increase of 200,000) will convert into Shares upon the Company completing a positive BFS at any of the projects the Company has a beneficial interest in; and

› Class 8: 450,000 Performance Rights (includes 250,000 Performance Rights already issued to Dr Lilford and represents an increase of 200,000) 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.

The employment agreement otherwise contains standard terms and conditions for agreements of this nature including notice periods in the event of termination and expense reimbursements.

CHAIRMAN INCREASES VOTING POWER IN ATRUM TO 19.98%

During the financial year, Atrum announced that Lenark Pty Ltd ("Lenark"), an associated entity of Chairman, James Chisholm (for the purposes of the Corporations Act) has increased its interest in the Company from 18,948,500 fully paid ordinary shares (17.64%) to 22,098,500 fully paid ordinary shares (19.98%).

The increase has occurred as a result of the conversion of 3,150,000 partly paid ordinary shares in the Company to fully paid ordinary shares. Pursuant to the conversion, Lenark paid $629,748 to the Company and these funds will be applied to the Company's existing cash reserves.

Lenark retains a further 13,412,500 partly paid ordinary shares.

EXECUTION OF OFFSET LOAN AGREEMENT WITH CHAIRMAN

During the financial year, Atrum announced that it has executed an Offset Loan Agreement ("Loan Agreement") with Lenark Pty Ltd ("Lenark"), an entity associated with Chairman Mr James Chisholm.

The effective date of the Loan Agreement is 30 June 2013 and provides for a facility limit of $2,681,927 which, upon advancement, will be used to offset the outstanding balance owing against the 13,412,500 partly paid shares currently held by Lenark Pty Ltd.

The facility accrues capitalised interest at a rate of 6% per annum and matures on the date by which the partly paid shares have been converted to fully paid ordinary shares or 31 December 2016, whichever occurs first. The funds advanced under the Loan Agreement can either be repaid in cash, converted to fully paid shares, or a combination of both at the election of the Company.

In accordance with the Corporations Act 2001 (Cth), funds advanced under the Loan Agreement can be used to offset the outstanding balance owing against the partly paid shares on 30 June and 31 December of each year, subject to the voting power of Lenark not increasing by more than 3% per 6 month period as a result of the conversion to fully paid ordinary shares.

Funds advanced pursuant to the Loan Agreement will be applied to the ongoing development of the Groundhog Anthracite Project as the Company continues to progress the pre-feasibility study.

The Company is currently working with Mr Russell Moran and Mr Gino D'Anna, Directors of the Company, to secure similar offset loan agreements which will in effect provide the Company with access to a further $4,310,775.

The Company is also expecting Canadian government rebates on previous exploration expenditure which will further increase cash reserves by $731,917.

EXECUTION OF DEBT CAPITAL RAISING MANDATE WITH ARGONAUT LIMITED

On 12 June 2013 the Company entered into a debt capital raising mandate with Argonaut Limited to raise between $10 million and $20 million in debt capital. It is expected that the Company will secure these additional funds during Q1 of 2014 pursuant to completion of due diligence by financiers. The debt funds raised under the mandate with Argonaut Limited will be applied to the development of Groundhog and the preparation of the project area for bulk sample and completion of a BFS.

To date the Company has built a due diligence data-room for financiers to review the Company's progress in relation to the exploration and development of the Company's assets, and particularly the Groundhog Project. The Company has not yet formally launched the process to raise the debt capital pursuant to the mandate with Argonaut Limited. The Directors remain confident that they will be successful in the placement of the debt capital to facilitate the continued development of the Groundhog Project.

Argonaut is currently being paid $15,000 per month (plus GST), capped at $60,000 (plus GST) as well as a cash payment success fee equivalent to 3% of the debt capital raised, subject to a minimum cash payment success fee of $300,000.

DELOITTE WA INDEX HIGH GROWTH AWARDS 2013

On 3 August 2013 the Company received a Deloitte WA Index High Growth Award for 2013 at the Diggers and Dealers Conference in Kalgoorlie. Atrum saw an increase in its market capitalisation by 235.6% from AU$27m to AU$90m during the year ended 30 June 2013. Other companies to receive an award pursuant the Deloitte WA Index High Growth class were Sirius Resources NL, Hot Chili Limited, BC Iron Limited and Base Resources Limited.

EXTENSION OF CREDIT FACILITY PURSUANT TO OFFSET LOAN AGREEMENT

Subsequent to 30 June 2013, on 30 September 2013, the Company entered into a variation to the Offset Loan Agreement in place with Lenark Pty Ltd. Pursuant to the variation that was executed, Lenark Pty Ltd increased the credit available pursuant to the Offset Loan Agreement through an additional $2 million. Therefore, as at 30 September 2013, the total available credit under the Offset Loan Agreement is $2,686,427.

Your directors present their report on the Company and its controlled entities for the period from 1 July 2012 to 30 June 2013.

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) Managing Director (appointed 8 July 2013)

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, holding a degree in electrical engineering, 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 (now Fertoz Limited ASX: FTZ) and Ebony Coal Limited.

Mr Chisholm is currently chairman of ASX listed Fertoz Limited (ASX: FTZ) and is currently a director of unlisted Ebony Coal Limited and former company secretary Ebony Coal Limited.

As at 30 September 2013, Mr Chisholm currently holds 22,723,500 fully paid ordinary shares in the Company together with an additional 13,412,500 partly paid ordinary shares and 1,062,500 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 and Director of unlisted Durus Copper Limited.

As at 30 September 2013, Mr Moran currently holds 18,477,500 fully paid ordinary shares in the Company together with an additional 16,562,500 partly paid ordinary shares and 1,062,500 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 Auroch Resources Limited (ASX: AOU) and ASX Listed SWW Energy Limited (ASX: SWW). Mr D'Anna is a current Director of unlisted Durus Copper Limited and former Director of FerroAlloy Limited.

Mr D'Anna holds a Bachelor of Commerce (Honors) from UWA and an Advanced Diploma of Applied Finance and Investment from Kaplan.

As at 30 September 2013, Mr D'Anna currently holds 6,680,500 fully paid ordinary shares in the Company together with an additional 5,000,000 partly paid ordinary shares and 1,062,500 performance rights.

Eric Lilford – Non Executive Director (Appointed Managing Director – 8 July 2013)

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 banking 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 was also previously 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 the 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 is a current Director of ASX Listed Naracoota Resources Limited (ASX: NRR).

As at 30 September 2013, Dr Lilford currently holds 981,250 fully paid ordinary shares in the Company together with no partly paid shares in the Company and 1,150,000 performance rights.

CORPORATE INFORMATION

Corporate Structure

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

Atrum Coal NL

Atrum Coal

- Project evaluation and due diligence of North American export quality metallurgical coal opportunities

Atrum Coal Groundhog Inc.

- Owns 100% of the Groundhog Coal Project in British Columbia (18 granted Licences and 8 Lease Applications)
- 1.57Bt JORC Measured, Indicated and Inferred Resource

Atrum Coal Peace River Inc.

- Owns 100% of the Peace River Coal Project (1 Lease Application)
- Owns 100% of the Bowron River Coal Project (2 Lease Applications)
- 0 – 25Mt Exploration Target (Peace River)

Atrum Coal Naskeena Inc.

- Owns 100% of Naskeena Coal Project (9 Lease Applications)
- 200 – 250Mt Exploration Target

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 $6,434,764 (2012: $929,322).

Financial Position

At 30 June 2013, the Group had cash reserves of $2,143,501 (2012: $372,545).

Note that on 30 June 2013, the Company entered into an Offset Loan Agreement with Chairman, Mr. James Chisholm. Pursuant to the Offset Loan Agreement, Mr. Chisholm entered into an arrangement to loan the Company $2,681,427.

In addition to the Offset Loan Agreement in place with Mr. Chisholm, the Company is working with each of Mr. Russell Moran and Mr. Gino D'Anna to secure additional loan funds, with such funds offsetting the outstanding balance of the partly paid shares held by each of Mr. Moran and Mr. D'Anna. Funds secured by way of these loan agreements will be applied to the ongoing working capital of the Company. This will provide the Company with access to an additional $4,310,775.

On 12 June 2013 the Company entered into a debt capital raising mandate with Argonaut Limited to raise between $10 million and $20 million in debt capital. It is expected that the Company will secure these additional funds during Q1 of 2014 pursuant to completion of due diligence by financiers. The debt funds raised under the mandate with Argonaut Limited will be applied to the development of Groundhog and the preparation of the project area for bulk sample and completion of a BFS.

On 30 September 2013, the Company entered into a deed of variation with Lenark Pty Ltd pursuant to the Offset Loan Agreement. Under the deed of variation, Lenark Pty Ltd agreed to extend the credit facility available by a further $2 million. Therefore, at 30 September 2013, the total credit available under the Offset Loan Agreement is $2,686,427.

Financing and Investing Activities

The Company issued the following securities during the period:

- On 11 July 2012, the Company issued 1,275,000 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 150,000 ordinary fully paid shares to Mr. Glenn Collick (Chief Relationships Officer) pursuant to an employment agreement between Atrum Coal Groundhog Inc. and Mr. Collick
- 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 (grant date of 1 January 2012), the Company issued 11,050,000 Performance Rights
- On 28 December 2012, the Company issued 750,000 ordinary fully paid shares to vendors of the Panstone (Groundhog) tenure applications
- On 30 January 2013, the Company issued 3,350,000 ordinary fully paid shares to the Directors, Key Management and Staff of the Company in satisfaction of the Class 1 and Class 2 Performance Rights Milestone. This equivalent number of Performance Rights was also cancelled
- On 30 January 2013, the Company issued 150,000 unlisted options each with an exercise price of 30 cents and with an expiry date being three years from the date of issue
- On 23 April 2013, the Company issued 1,605,000 ordinary fully paid shares to the Directors, Key Management and Staff of the Company in satisfaction of the Class 4 Performance Rights Milestone. The Company also cancelled 1,575,000 Performance Rights
- On 23 April 2013, the Company issued 120,000 Performance Rights
- On 7 June 2013, the Company issued 3,150,000 ordinary fully paid shares to Lenark Pty Ltd in satisfaction of the payment of the outstanding balance on an equivalent number of partly paid shares. The remaining number of partly paid shares held by Lenark was therefore reduced by an equal number, and presently amounts to 13,412,500 partly paid shares
- On 10 July 2013, the Company cancelled 1,250,000 Performance Rights following the resignation of Mr. Lyle Hobbs
- On 10 July 2013, the Company issued 1,343,750 Performance Rights following the appointment of Dr. Eric Lilford as Managing Director of the Company
- On 1 September 2013, the Company issued 400,000 Performance Rights to Mr. Gregory J Bell, Project Manager for the North American operations of the Company, to participate in the Class 3 and Class 5 through Class 8 (inclusive) Performance Rights Milestones
- On 27 September 2013, the Company issued 3,382,500 ordinary fully paid shares to the Directors, Key Management and Staff of the Company in satisfaction of the Class 5 and Class 6 Performance Rights Milestone. The Company also cancelled 3,382,500 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 Group 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 Group's operations in future financial years, or
2. the results of those operations in future financial years, or
3. the Group's state of affairs in future financial years.

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

EVENTS SUBSEQUENT TO REPORTING DATE

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

Offset Loan Agreement

On 30 June 2013, the Company entered into an Offset Loan Agreement with Chairman, Mr. James Chisholm. Pursuant to the Offset Loan Agreement, Mr. Chisholm entered into an arrangement to loan the Company $2,681,427. As at 30 September 2013, the Company had drawn-down a total of $1,995,000. Therefore, the total remaining available credit pursuant to the Offset Loan Agreement is $686,427.

In addition to the Offset Loan Agreement in place with Mr. Chisholm, the Company is working with each of Mr. Russell Moran and Mr. Gino D'Anna to secure additional loan funds, with such funds offsetting the outstanding balance of the partly paid shares held by each of Mr. Moran and Mr. D'Anna. Funds secured by way of these loan agreements will be applied to the ongoing working capital of the Company. This will provide the Company with access to an additional $4,310,775.

Debt Capital Raising Mandate with Argonaut Limited

On 12 June 2013 the Company entered into a debt capital raising mandate with Argonaut Limited to raise between $10 million and $20 million in debt capital. It is expected that the Company will secure these additional funds during Q1 of 2014 pursuant to completion of due diligence by financiers. The debt funds raised under the mandate with Argonaut Limited will be applied to the development of Groundhog, the preparation of the project area for bulk sample and completion of a bankable feasibility study.

Proposed Spin-out of Naskeena, Peace River and Bowron River Coal Projects

On 18 September 2013, Atrum announced plans to spin-out its Naskeena, Bowron River and Peace River coal assets ("Exploration Assets"), located in British Columbia, Canada.

The Company is currently finalising the capital structure and management team for the spin-out vehicle as well as determining the timing for an Atrum shareholders meeting to approve and facilitate the timetable and subsequent ASX listing.

The spin-out will allow Atrum to concentrate on the development of Groundhog, which is currently in the process of completing a pre-feasibility study, together with providing shareholders with exposure to the exploration upside of the Naskeena, Peace River and Bowron River coal projects.

Appointment of Dr. Eric Lilford as Managing Director

Subsequent to 30 June 2013, on 8 July 2013 the Company announced the appointment of Dr. Eric Lilford as Managing Director. This marked a milestone for Atrum and enabled the acceleration of the pre-feasibility study. Dr. Lilford was previously Non-Executive Technical Director of the Company.

Execution of Terminal Services Agreement and Land Reservation Agreement and Memorandum of Understanding

Subsequent to 30 June 2013, on 29 July 2013 the Company announced that it had entered into a Land Reservation and Terminal Services Agreement with Stewart Bulk Terminals Ltd and a Memorandum of Understanding with Stewart World Port to secure port capacity of up to 6.5Mpta.

Deloitte WA Index High Growth Awards 2013

On 3 August 2013 the Company received a Deloitte WA Index High Growth Award for 2013 at the Diggers and Dealers Conference in Kalgoorlie. Atrum saw an increase in its market capitalisation by 235.6% from AU$27m to AU$90m during the year ended 30 June 2013. Other companies to receive an award pursuant the Deloitte WA Index High Growth class were Sirius Resources NL, Hot Chili Limited, BC Iron Limited and Base Resources Limited.

Announcement of Scoping Study for Stage 1 Development at Groundhog Anthracite Project

Subsequent to 30 June 2013, on 27 August 2013 the Company announced the results of the Scoping Study for Stage 1 on the Groundhog Project which demonstrated robust economic returns.

Re-organisation of Performance Rights

On 10 July 2013, the Company cancelled 1,250,000 Performance Rights following the resignation of Mr. Lyle Hobbs. In addition, on 10 July 2013, the Company issued 1,343,750 Performance Rights following the appointment of Dr. Eric Lilford as Managing Director of the Company.

On 1 September 2013, the Company issued 400,000 Performance Rights to Mr. Gregory J Bell, Project Manager for the North American operations of the Company, to participate in the Class 3 and Class 5 through Class 8 (inclusive) Performance Rights Milestones.

Conversion of Class 5 and Class 6 Performance Rights

Subsequent to 30 June 2013, on 27 September 2013, the Company issued 3,382,500 ordinary fully paid shares to the Directors, Key Management and Staff of the Company in satisfaction of the Class 5 and Class 6 Performance Rights Milestone.

The Company also cancelled 3,382,500 Performance Rights.

Extension of Credit Facility pursuant to Offset Loan Agreement

Subsequent to 30 June 2013, on 30 September 2013, the Company entered into a variation to the Offset Loan Agreement in place with Lenark Pty Ltd. Pursuant to the variation that was executed, Lenark Pty Ltd increased the credit available pursuant to the Offset Loan Agreement through an additional $2 million. Therefore, as at 30 September 2013, the total available credit under the Offset Loan Agreement is $2,686,427.

Mining Exploration Tax Credit (METC) – British Columbia Exploration Expenditure

The Group is also expecting Canadian government rebates on previous exploration expenditure which will further increase cash reserves by $731,917.

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.

The Company continues with the ongoing development at the Groundhog Project and during the 2013 field season, completed an infill / reserve definition drill program comprising 43 standard core diamond drill holes and 7 large core diameter drill holes. This program will enable the Company to further support the robust economics demonstrated through the Scoping Study on the north-west zone of Groundhog and will form part of the PFS. The Company is expecting the delineation of a maiden reserve in Q4 2013 and the completion of the PFS during Q1 2014.

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	8	8
R Moran	8	8
G D'Anna	8	8
E Lilford	8	8

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. The current maximum aggregate amount as approved by shareholders at the Company's general meeting held on 20 April 2013 is $250,000 per annum. However, to align directors' interests with shareholders interests, the directors are encouraged to hold shares and options in the Company.

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

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

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

In accordance with its remuneration policy, the Company granted performance rights to Key Management Personnel and Employees as disclosed in Part 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 — Short Term Incentives
The purpose of the short term incentive plan is to reward achievement of business objectives on a year by year basis. Each financial year the board, in conjunction with senior management, sets the business objectives aimed to be achieved during the year to implement the Company's business plan.

The business objectives are clearly defined outcomes in product development and commercialisation, achievement of which can be readily and objectively measured at the end of the financial year. Measurement of achievement of the business objectives does not involve comparison with factors external to the Company.

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

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

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.

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

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 (from 1 July 2012 to 8 July 2013)
$144,000 per annum (from 8 July 2013 onwards)

All contract terms are for a 24 month period with no superannuation payments. The contracts allow for standard termination benefits of three months' salary to be paid and written notice and termination by either the Company or the consultant to be paid in compliance with the Corporations Act 2001 and standard notice periods of three months where termination can either be by the Company or the consultant.

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 Chairman
Russell Moran Executive Director
Gino D'Anna Executive Director
Eric Lilford Non-Executive Director (from 1 July 2012 to 8 July 2013)
Managing Director (from 8 July 2013 onwards)

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		
		Salary and fees	Superannuation	Performance Rights	Total	Remuneration consisting of performance rights during the year
	YEAR	$	$	$	$	%
DIRECTORS						
J Chisholm	2013	30,000	-	68,750	98,750	69.62%
R Moran	2013	259,000	-	68,750	327,750	20.98%
G D'Anna	2013	209,143	-	68,750	277,893	24.74%
E Lilford	2013	33,000	-	20,625	53,625	38.46%
Total	2013	531,143	-	226,875	758,018	29.93%

		Short Term Benefits	Post Employment	Share Based Payments		
		Salary and fees	Superannuation	Performance Rights	Total	Remuneration consisting of performance rights during the year
	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%

Details of Performance Rights:

(i) Terms and conditions of each grant affecting remuneration in the current and future reporting period as follows:

Grant date	Performace right Class	Vesting period[1] (years)	Expiry	Value per right[2]	Performance condition achieved?	% vested[3]
1/01/12	1	-	N/A	$0.080	Yes	100%
1/01/12	2	-	N/A	$0.080	Yes	100%
1/01/12	3	-	N/A	$0.080	No	0%
1/01/12	4	2	N/A	$0.060	Yes	100%
1/01/12	5	2	N/A	$0.050	No	0%
1/01/12	6	2	N/A	$0.050	No	0%
1/01/12	7	-	N/A	$0.080	No	0%
1/01/12	8	-	N/A	$0.080	No	0%
30/01/13	3	-	N/A	$0.340	No	0%
30/01/13	5	2	N/A	$0.330	No	0%
30/01/13	6	2	N/A	$0.320	No	0%
30/01/13	7	-	N/A	$0.340	No	0%
30/01/13	8	-	N/A	$0.340	No	0%

1 "Vesting probability is assessed at grant date as being 0% for the non-market conditions. 0% indicates no expense is being recognised until the performance condition is met.

For market conditions, no probability is attached, and it was assessed that these will vest over 2 years (being the estimated vesting period at grant date)"

2 "Value of performance rights with non-market conditions is based on share price at the date of grant.
Value of performance rights with market conditions is calculated using a Hoadley Barrier valuation methodology."

3 Once the performance right conditions are achieved, the shares are held in escrow for 24 months

Performance rights granted carry no dividend or voting rights. When vesting conditions relative to the performance right is met, each performance right is issued with 1 ordinary share for nil consideration. Prior to the issue of shares, the shares are held in escrow for 24 months from the date the vesting conditions are met.

(ii) Details of the performance rights provided to each KMP:

		# PERFORMANCE RIGHTS GRANTED							
KMP	YEAR OF GRANT	Market based (Class 4, 5, 6)	Non-market based (Class 1, 2, 3, 7, 8)	TOTAL	Total value at grant date[1]	No of right vested during the year	No of right forfeited during the year	Vested %	Maximum value yet to vest
James Chisholm	2012	937,500	1,687,500	2,625,000	$153,750.00	937,500	-	36%	$61,563
Russell Moran	2012	937,500	1,687,500	2,625,000	$153,750.00	937,500	-	36%	$61,563
Gino D'Anna	2012	937,500	1,687,500	2,625,000	$153,750.00	937,500	-	36%	$61,563
Eric Lilford	2012	281,250	506,250	787,500	$46,125.00	281,250	-	36%	$18,469
Eric Lilford	2013	512,500	831,250	1,343,750	$282,625.00	-	-	0%	$282,625
TOTAL		3,606,250	6,400,000	10,006,250	$790,000	3,093,750			$485,781

1 Value based on grant date value per performance right and class as disclosed above
2 The value of rights forfeited is nil due to no expense being recognised for unvested non-market condition Rights and prior expense recognised for rights for market conditions are not allowed to be reversed under the accounting standards AASB2.

(iii) The following are details on vesting conditions of performance rights issued in 2012 and 2013:

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.

(iv) Shares issued on vesting of rights

As at 30 June 2013, a total of 3,093,750 performance rights held by KMP's and employees have vested. Each performance right is issued with 1 ordinary share for nil consideration. Shares issued as are held in escrow for 24 months from the vesting date.

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

	BALANCE AT THE START OF THE YEAR	GRANTED AS REMUNERATION	DISPOSED / LAPSED/ FORFEITED	BALANCE AT THE END OF THE YEAR	VESTED[1]
(a) Year ended 2013					
Directors					
James Chisholm	2,625,000	-	-	2,625,000	937,500
Russell Moran	2,625,000	-	-	2,625,000	937,500
Gino D'Anna	2,625,000	-	-	2,625,000	937,500
Eric Lilford	787,500	1,343,750	-	2,131,250	281,250
TOTAL	8,662,500	1,343,750	-	10,006,250	3,093,750
(b) Year ended 2012					
Directors					
James Chisholm	2,625,000	-	-	2,625,000	-
Russell Moran	2,625,000	-	-	2,625,000	-
Gino D'Anna	2,625,000	-	-	2,625,000	-
Eric Lilford	787,500	-	-	787,500	-
TOTAL	8,662,500	-	-	8,662,500	-

1. 3,093,750 shares are held in escrow at 30 June 2013

During the Financial Year

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, but not vested.

On 30 January 2013, the Company issued 3,350,000 ordinary fully paid shares to the Directors, Key Management and Staff of the Company in satisfaction of the Class 1 and Class 2 Performance Rights Milestone. This equivalent number of Performance Rights was also cancelled.

On 23 April 2013, the Company issued 1,605,000 ordinary fully paid shares to the Directors, Key Management and Staff of the Company in satisfaction of the Class 4 Performance Rights Milestone. The Company also cancelled 1,575,000 Performance Rights.

On 23 April 2013, the Company issued 120,000 Performance Rights.

As at 30 June 2013, the Company had on issue 8,525,000 Performance Rights on issue to Directors, Key Management and Staff.

Subsequent to the end of the Financial Year

On 10 July 2013, the Company cancelled 1,250,000 Performance Rights following the resignation of Mr. Lyle Hobbs.

On 10 July 2013, the Company issued an additional 1,343,750 Performance Rights following the appointment of Dr. Eric Lilford as Managing Director of the Company.

On 1 September 2013, the Company issued 400,000 Performance Rights.

Details of remuneration for the year

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.

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.

G. Voting and comments made at the Company's 2012 Annual General Meeting

The Company received 100% of votes "for" the adoption of the remuneration report for the 2012 financial period. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

H. Additional Information

The variable component of executive remuneration is linked to the Company's financial performance, project specific performance and milestones being achieved and general market conditions.

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

› 150,000 options expiring 30 January 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, except for a claim made against Atrum Groundhog Inc. (wholly owned subsidiary) on April 26, 2013 at the British Columbia Supreme Court (Civil) in Vancouver; Atrum Groundhog filed a response on May 29, 2013 (the "**Claim**").

Summary of Claims
Plaintiff: ResourceEye Services Inc. ('**ResourceEye**")

Defendants: West Hawk Development Corp. ("**West Hawk**"), Atrum Coal Groundhog Inc. ("**Atrum Groundhog**")

Notice of Civil Claim (April 26, 2013):

The plaintiff, ResourceEye, entered into an agreement on August 15, 2008 with West Hawk to provide certain geological services relating to exploration activities on the "Groundhog" project. Atrum Groundhog took over the Groundhog site from Clive Brookes in February 2011, and is continuing exploration and development of resources at that site.

ResourceEye claims that West Hawk did not fully pay ResourceEye for their services, and that Atrum Groundhog used the geological data produced without licence, permission and authorisation, in breach of confidentiality and copyright. ResourceEye claimed damages of at least $250,000 based on the unpaid value of the West Hawk contract, and exposure from information used in securities regulatory filings.

Response to Civil Claim (May 29, 2013):

West Hawk responded that the contract with ResourceEye stated that: a) ResourceEye could withhold its findings and materials until paid in full; and b) that ResourceEye neither provided the materials to West Hawk in confidence, nor was it required by contract to keep the materials confidential. Atrum Groundhog responded that it was given information from various sources relating to the Groundhog project, and the information was acquired without notice that the information was confidential. Atrum Groundhog responded that ResourceEye had no copyright in the materials allegedly used by Atrum Groundhog, and that if they are subject to copyright, that Atrum Groundhog did not breach the copyright. Atrum Groundhog further denies that ResourceEye has suffered exposure to liability.

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

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

	CONSOLIDATED	
	2013	2012
	$	$
Auditors' Remuneration		
(a) Audit Services		
The auditor of Atrum Coal NL is BDO Audit (WA) Pty Ltd		
An audit and review services	**35,000**	15,000
	35,000	15,000
(b) Non-Audit Services	**47,253**	14,280
Amounts received by BDO for non-audit services	**47,253**	14,280

AUDITOR'S DECLARATION OF INDEPENDENCE

The auditor's independence declaration for the period ended 30 June 2013, 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, 30 September 2013

CORPORATE GOVERNANCE STATEMENT

02

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 summarises 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 principle 6.	7 (a),7 (b)	Yes

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 three executives and one non-executive. 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.

03 CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

		CONSOLIDATED	
		2013	2012
	Note	**$**	$
Revenue from continuing operations			
Interest Income		**203,277**	5,640
Expenses			
Administration expense		**(344,229)**	(71,606)
Compliance & Regulatory expense		**(39,353)**	(7,463)
Consultancy expense		**(640,919)**	(193,125)
Depreciation & Amortisation		**(12,697)**	(2,130)
Directors' fees		**(586,703)**	(152,500)
Employee benefit expense		**(448,360)**	(129,987)
Exploration expenditure		**(3,606,928)**	(113,944)
Occupancy expense		**(94,153)**	(6,592)
Public Relations expense		**(76,063)**	-
Share based payments expense		**(491,949)**	(159,000)
Travel expenditure		**(296,685)**	(98,615)
Loss before income tax expense		**(6,434,764)**	(929,322)
Income tax expense	2	**-**	**-**
Loss after income tax expense		**(6,434,764)**	**(929,322)**
Other comprehensive income/(loss)			
Items that will not be reclassified subsequently to profit or loss		**-**	-
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**(348,281)**	-
Other comprehensive loss for the year, net of tax		**(348,281)**	-
Total comprehensive loss for the year attributable to members		**(6,783,045)**	(929,322)
Basic (loss) per share – cents per share	4	**(0.11)**	(1.65)

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

04 CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

		CONSOLIDATED	
		2013	2012
	Note	**$**	$
ASSETS			
Current Assets			
Cash and cash equivalents	5	**2,143,501**	372,545
Trade and other receivables	6	**1,544,015**	8,252,812
Total Current Assets		**3,667,516**	8,625,358
Non-Current Assets			
Property, Plant and Equipment	7	**30,213**	16,127
Exploration and Evaluation Expenditure	8	**1,018,559**	422,926
Total Non-Current Assets		**1,048,772**	439,053
TOTAL ASSETS		**4,716,288**	9,064,411
LIABILITIES			
Current Liabilities			
Trade and other payables	9	**1,309,445**	311,196
Total Current Liabilities		**1,309,445**	311,196
TOTAL LIABILITIES		**1,309,445**	**311,196**
NET ASSETS		**3,406,842**	**8,753,215**
EQUITY			
Issued capital	10	**9,795,161**	9,523,537
Reserves	18	**975,768**	159,000
Accumulated losses	19	**(7,364,087)**	(929,322)
TOTAL EQUITY		**3,406,842**	8,753,215

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

05 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

2013 Consolidated	Issued Capital $	Share-Based Payment Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2012	9,523,537	159,000	-	(929,322)	8,753,215
Other Comprehensive Income					
Movement in reserve	-	-	(348,281)	-	(348,281)
Loss for the year	-	-	-	(6,434,764)	(6,434,764)
Total comprehensive income/(loss) for the year	-	-	(348,281)	(6,434,764)	(6,783,045)
Transactions with equity holders:					
Securities issued during the year	1,038,498				1,038,498
Capital raising costs	(766,874)				(766,874)
Share-based payments/Options	-	1,165,049			1,165,049
Total contribution by equity holders	271,624	1,165,049			1,436,673
Balance as at 30 June 2013	**9,795,161**	**1,324,049**	**(348,281)**	**(7,364,087)**	**3,406,842**

2012 Consolidated	Issued Capital $	Share-Based Payment Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2011	-	-	-	-	-
Other Comprehensive Income					
Movement in reserve	-	-	-	-	-
Loss for the year	-	-	-	(929,322)	(929,322)
Total comprehensive income/(loss) for the year	-			(929,322)	(929,322)
Transactions with equity holders:					
Securities issued during the year	10,316,100				10,316,100
Capital raising costs	(792,563)				(792,563)
Share – based payments	-	159,000			159,000
Total contribution by equity holders					
Balance as at 30 June 2012	**9,523,537**	**159,000**	**-**	**(929,322)**	**8,753,215**

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

06

CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2013

		CONSOLIDATED GROUP	
		2013	2012
	Note	$	$
Cash flows from operating activities			
Payments to suppliers and employees		**(1,311,489)**	(539,994)
Interest received		**(534,652)**	6,151
Exploration expenditure		**(6,389,580)**	-
Net cash used in operating activities	5(a)	**(8,235,720)**	(533,843)
Cash flows from investing activities			
Purchase of plant and equipment		**(26,783)**	(18,257)
Acquisition of mining interests		**(926,064)**	(422,926)
Payment of security bond		**-**	(10,376)
Proceeds from borrowings		**-**	-
Net cash used in investing activities		**(952,847)**	(451,559)
Cash flows from financing activities			
Proceeds from issue of shares		**10,612,436**	2,170,510
Payment of capital raising costs			(83,125)
Capital raising costs			(709,438)
Foreign Exchange movement		**307,088**	-
Net cash provided by financing activities		**10,919,524**	1,377,947
Net decrease in cash and cash equivalents		**1,730,957**	392,545
Cash and cash equivalents at the beginning of the year		**392,545**	-
Cash and cash equivalents at the end of the year	5	**2,143,501**	392,545

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

07 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

a. Basis of Preparation

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. Atrum Coal NL is a for-profit entity for the purpose of preparing the financial statements.

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

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

When required by the Accounting Standards, comparative figures have been adjusted to confirm to changes in presentation for the current financial year.

b. Going Concern

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

c. Adoption of new and revised standards

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

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the period ended 30 June 2013. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

d. Statement of Compliance

The financial report was authorised for issue by the Directors on 30 September 2013.

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

e. Basis of consolidation

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

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

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

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

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

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

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

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.

f. Foreign Currency Translation

Fuctional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

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

Group companies

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

g. Revenue recognition

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

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

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

h. Cash and cash equivalents

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

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

i. Trade and other receivables

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

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

j. Income Tax

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

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

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

› when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

› when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

› when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

› when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

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

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

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

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

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

k. Goods and Services Tax

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

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

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

l. Leasehold Improvements, Plant and Equipment

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

Leasehold improvements	Lease term
Plant & equipment	20-50%

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

m. 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.

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

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.

o. 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.

p. 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.

q. Issued Capital

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

r. Earnings per Share

i. Basic earnings per share

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

ii. Diluted earnings per share

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

s. 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 profit or loss and other comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

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

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.

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.

(a) Performance Rights

The consolidated entity issued performance rights to its Key management personnel and employees during 2012 and 2013 financial year as part of their remuneration as required in the service/employment agreement.

Each Performance right gives the holder a right to one share upon vesting conditions being met. Shares are issued upon Performance rights which vests but held in escrow for 24 months before they are released to the Key management personnel and employees.

(i) Terms and conditions attached to the performance rights issued during the year and prior year are as follows:

Service criteria

Continued employment

Performance criteria:

Class 1: Performance Rights will be issued to the Consultant or its nominee and 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 be issued to the Consultant or its nominee and 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 be issued to the Consultant or its nominee and 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 be issued to the Consultant or its nominee and will convert into Shares upon:

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

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

Class 5: Performance Rights will be issued to the Consultant or its nominee and will convert into Shares upon the VWAP of the Company's Shares as traded on the ASX over 20 days being equal to or exceeding 90 cents.

Class 6: Performance Rights will be issued to the Consultant or its nominee and will convert into Shares upon the VWAP of the Company's Shares as traded on the ASX over 20 days being equal to or exceeding $1.20.

Class 7: Performance Rights will be issued to the Consultant or its nominee and will convert into Shares upon the Company completing a positive BFS at any of the projects in which the Company has a beneficial interest in.

Class 8: Performance Rights will be issued to the Consultant or its nominee and 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.

(ii) The assessed fair value of the performance rights granted and model inputs used in calculating the fair values are as follows:

Market Conditions (Classes 4, 5, 6)

The fair value at grant date of performance rights issued during the reporting period was determined using a Hoadley Barrier valuation methodology with the following inputs:

Granted during 2012

- Average share price: $0.05
- Exercise price: $0.00
- Volatility: 100%
- Life: 7 years
- Average risk free rate: 2.70%

Granted during 2013
- Average share price: $0.28
- Exercise price: $0.00
- Volatility: 100%
- Life: 7 years
- Average risk free rate: 2.70%

Non-Market Conditions (Classes 1, 2, 3, 7, 8)

The fair value at grant date of performance rights issued during the reporting period was determined using the share price at grant date.

Granted during 2013

- Average share price: $0.256

Granted during 2012

- Average share price: $0.08

Expenses arising from the issue of performance rights recognised during the current year totalled $491,949 (2012: $159,000). Details of other performance rights movements and balances are set out in Note 10.

(b) Options

During the year the following options were issued to consultants for capital raising cost:

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

› 150,000 options expiring 30 January 2016, exercisable at 30 cents each

The Group has rebutted the presumption that the fair value of service can be a reliable measure and as a result the options have been separately valued and the fair value determination is as follows:

The assessed fair value of options issued for the capital raising costs amounted to $673,100 at grant date. It was independently determine using the black-scholes option pricing model.

Set out below are the model inputs:

	2013
Share price at grant date:	$0.20
Life of option:	4 years
Expected share price volatility:	100%
Risk free rate:	2.86%

u. 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.

v. 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 profit or loss and other comprehensive income and its share of post-acquisition movements in reserves is recognised in associates reserve.

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

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.

x. Critical accounting estimates

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 using a Hoadley barrier valuation methodology. Should the assumptions used in these calculations differ, the amounts recognised could significantly change.

The Company issued performance based rights to Key Management Personnel during the year ended 30 June 2013 based upon conditions outlined in note 1. The Company follows the guidelines of AASB 2 'Share Based Payments' and takes into account market and non-market vesting conditions and estimates the probability and expected timing of achieving the performance conditions.

REFERENCE	TITLE	NATURE OF CHANGE	APPLICATION DATE OF STANDARD	IMPACT ON ATRUM COAL FINANCIAL STATEMENTS	APPLICATION DATE FOR ATRUM COAL
AASB 9 (issued December 2009 and amended December 2010)	Financial Instruments	Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.	Periods beginning on or after 1 January 2015	Adoption of AASB 9 is only mandatory for the year ending 30 June 2016. The Group has not yet made an assessment of the impact of these amendments.	1 July 2015
AASB 10 (issued August 2011)	Consolidated Financial Statements	Introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present: › Power over investee (whether or not power used in practice) › Exposure, or rights, to variable returns from investee › Ability to use power over investee to affect the Group's returns from investee. › Introduces the concept of 'defacto' control for entities with less than 50% ownership interest in an entity, but which have a large shareholding compared to other shareholders. This could result in more instances of control and more entities being consolidated.	Annual reporting periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the Group does not have any special purpose entities. The 'Entity' does not have 'defacto' control of any entities with less than 50% ownership interest in an entity.	1 July 2013

AASB 12 (issued August 2011)	Disclosure of Interests in Other Entities	Combines existing disclosures from AASB 127 Consolidated and Separate Financial Statements, AASB 128 Investments in Associates and AASB 131 Interests in Joint Ventures. Introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for unconsolidated structured entities.	Annual reporting periods commencing on or after 1 January 2013	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required for interests in associates and joint arrangements, as well as for unconsolidated structured entities.	1 July 2013
AASB 13 (issued September 2011)	Fair Value Measurement	AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes in the financial statements. Additional disclosures required for items measured at fair value in the statement of financial position, as well as items merely disclosed at fair value in the notes to the financial statements. Extensive additional disclosure requirements for items measured at fair value that are 'level 3' valuations in the fair value hierarchy that are not financial instruments	Annual reporting periods commencing on or after 1 January 2013	When this standard is adopted for the first time for the year ended 30 June 2014, additional disclosures will be required about fair values.	1 July 2013
AASB 119 (reissued September 2011)	Employee Benefits	Employee benefits expected to be settled (as opposed to due to settled under current standard) wholly within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave not expected to be used wholly within 12 months of end of reporting period will in future be discounted when calculating leave liability	Annual periods commencing on or after 1 January 2013	When this standard is first adopted for 30 June 2014 year end, annual leave liabilities will be recalculated on 1 July 2012 as long-term benefits because they are not expected to be settled wholly within 12 months after the end of the reporting period. This will result in a reduction of the annual leave liabilities recognised on 1 July 2012, and a corresponding increase in retained earnings at that date	1 July 2013
AASB 2010-8 (issued December 2010)	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets (AASB 112)	For investment property measured using the fair value model, deferred tax assets and liabilities will be calculated on the basis of a rebuttable presumption that the carrying amount of the investment property will be recovered through sale.	Periods commencing on or after 1 January 2012	The Group does not have any investment property measured using the fair value model. There will therefore be no impact on the financial statements when	1 July 2013

AASB 2011-4 (issued July 2011)	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	Amendments to remove individual key management personnel (KMP) disclosure requirements from AASB 124 to eliminate duplicated information required under the Corporation Act 2001	Annual periods commencing on or after 1 July 2013	When this standard is first adopted for the year ended 30 June 2014 the Group will show reduced disclosures under Key Management Personnel note to the financial statements	1 July 2013
Interpretation 20 (issued November 2011)	Stripping Costs in the Production Phase of a Surface Mine	Clarifies that costs of removing mine waste materials (overburden) to gain access to mineral ore deposits during the production phase of a mine must be capitalised as inventories under AASB 102 Inventories if the benefits from stripping activity is realised in the form of inventory produced. Otherwise, if stripping activity provides improved access to the ore, stripping costs must be capitalised as a non-current, stripping activity asset if certain recognition criteria are met.	Annual periods commencing on or after 1 January 2013	The Group does not operate a surface mine. There will therefore be no impact on the financial statements when this interpretation is first adopted.	1 July 2013
AASB 2012-5 (issued June 2012)	Annual Improvements to Australian Accounting Standards 2009-2011 Cycle	Non-urgent but necessary changes to IFRSs (IAS1, IAS 16 & IAS 32) e.g: AASB 116 clarifies that items such as spare parts, stand-by or service equipment are required to be classified as property, plant and equipment and not inventory	Periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2014, there will be no material impact.	I July 2013
IFRS (issued December 2011)	Mandatory Effective Date of IFRS 9 and Transition Disclosures	Entities are no longer required to restate comparatives on first time adoption. Instead, additional disclosures on the effects of transition are required.	Annual reporting periods commencing on or after 1 January 2015	As comparatives are no longer required to be restated, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required on transition, including the quantitative effects of reclassifying financial assets on transition.	1 July 2015
AASB 2012-9 (issued December 2012)	Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039	Deletes Australian Interpretation 1039 Substantive Enactment of Major Tax Bills In Australia from the list of mandatory Australian Interpretations to be applied by entities preparing financial statements under the Corporations Act 2001 or other general purpose financial statements.	Annual reporting periods beginning on or after 1 January 2013	There will be no impact on first-time adoption of this amendment as the Group does not account for proposed changes in taxation legislation until the relevant Bill has passed through both Houses of Parliament, which is consistent with the views expressed by the Australian Accounting Standards Board in their agenda decision of December 2012.	1 January 2013

	CONSOLIDATED 2013 $	2012 $
2. Income Tax		
(a) Income Tax Expense		
Current Tax Expense	**-**	-
Deferred Tax Expense	**-**	-
	-	-
(b) Reconciliation of income tax expense to prima facie tax payable		
Net Loss before income tax	**(6,434,764)**	(929,322)
Income tax at 30%	**(1,930,429)**	(278,797)
Effect of expenses not deductible in determining taxable income	**1,537,593**	36,500
Effect of tax rates in foreign jurisdictions (i)	**245,251**	27,687
Tax losses not recognised	**147,585**	214,610
Total income tax expense/(benefit)	**-**	-

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

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

	2013 $	2012 $
(c) Unrecognised deferred tax assets arising on timing difference and losses		
(ii) Losses – Revenue	**165,466**	163,622
Foreign losses - Revenue	**1,553,065**	-
Other	**34,644**	23,301
Exploration Assets	**-**	27,687

iii) 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.

	CONSOLIDATED 2013 $	2012 $
3. Auditors' Remuneration		
(a) Audit Services		
The auditor of Atrum Coal NL is BDO Audit (WA) Pty Ltd		
An audit and review services	**35,000**	15,000
	35,000	15,000
(b) Non-Audit Services		
Amounts received by BDO for non-audit services		
Preparation and lodgment of income tax returns		
Canada	**22,723**	
Australia	**6,120**	
United States	**-**	
Preparation of independent experts report	**18,360**	14,280
	47,253	14,280

	CONSOLIDATED	
	2013	2012
	$	$
4. Earnings per Share (EPS)		
Basic loss per share – cents	**(0.11)**	(1.65)
Loss used in calculation of basic loss per share	**(6,434,764)**	(929,322)
Weighted average number of ordinary shares outstanding during the year used In the calculation of basic and diluted loss per share	**59,388,596**	56,274,347
5. Cash and Cash Equivalents		
Cash at bank		
Deposits at call	**224,797**	372,545
	1,898,704	-
	2,123,501	372,545

Cash at bank earns interest at floating rates based on daily deposit rates.
This should be read in conjunction with note 17 on Financial Risk Management.

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

	2013	2012
Loss for the year	**(6,434,764)**	(929,322)
Changes in assets and liabilities		
Depreciation	**12,697**	2,130
Share Based Payments	**491,949**	159,000
Movements in trade and other receivables	**(1,436,792)**	(76,847)
Movement in trade and other payables	**(868,810)**	311,196

(b) Non-cash financing and investing activities

During the year, the Company:

- Issued 1,000,000 ordinary shares to vendors of Groundhog Project on 11 July 2012
- Issued 275,000 ordinary shares to vendors of Naskeena (North and Central) Project on 11 July 2012
- Issued 150,000 ordinary shares to Mr G.Collick pursuant to an employment agreement on 11 July 2012
- Issued 750,000 ordinary shares to vendors of Panstone Mines and Minerals Inc for Groundhog applications on 28 December 2012
- Issued 3,350,000 upon satisfaction of Class 1 and 2 Performance Rights Milestone ordinary shares held in escrow until 24th July 2014 on 30 January 2013
- Issued 1,605,000 upon satisfaction of Class 4 Performance Right Milestone ordinary shares held in escrow until 24th July 2014 on 23 April 2013
- Issued 3,150,000 upon conversion of partly paid ordinary shares with Lenark Pty Ltd on 7 June 2013

Subsequent to 30 June 2013:

- On 27 September 2013, the Company issued 3,382,500 ordinary fully paid shares to the Directors, Key Management and Staff of the Company in satisfaction of the Class 5 and Class 6 Performance Rights Milestone. The Company also cancelled 3,382,500 Performance Rights

	CONSOLIDATED	
	2013	2012
	$	$
6. Trade & other receivables		
Current		
Deposits – Bond Hay Street	**10,375**	10,375
Term Deposit	**20,000**	20,000
GST receivables	**490,114**	76,687
Other Debtor – Blackwood Capital	**-**	8,145,590
Environmental Bond Deposit	**79,390**	-
Accrued Interest & Accrued Mining Exploration Tax Credit	**737,929**	-
Groundhog Royalty Prepayment	**103,103**	-
Construction and Equipment Loan – Wilps Geel	**103,103**	
	1,544,015	8,252,652

Terms and conditions relating to the above financial instruments:

- There are no past due and impaired trade receivables.
- The above amounts do not bear interest and their carrying value amount is equivalent to their fair value.
- The Company is expecting a Mining Exploration Tax Credit from the Canadian Government in relation to exploration expenditure incurred in 2012.
- On 17 May 2013, the Company entered into a construction and equipment loan with Wilps Geel, a Gitxsan First Nation member, which provides the Company with camp management and camp construction services. The principal amount of the loan was CAD$100,000 and was put in place to enable Wilps Geel to secure hardware and construction equipment for the construction of the exploration camp at the Groundhog Project as well as provide general working capital. No interest is payable under the loan agreement and the loan is repaid in 4 equal instalments, with the first instalment due 30 days after the camp is deemed to have become fully operational. The method of repayment is such that an instalment of CAD$25,000 is withheld from invoices due and payable to Geel Enterprises Inc. in connection with camp management services, which the Company has in place a contract between Atrum Coal Groundhog Inc. and Geel Enterprises Inc. As at 24 September 2013, CAD$75,000 had been repaid, leaving a remaining balance equal to one final instalment.

Information about the Group's exposure to credit risk is disclosed in Note 17.

	CONSOLIDATED	
	2013	2012
	$	$
7. Non Current Assets		
Electronic Equipment	**19,587**	18,257
Electronic Equipment – Accumulated Depreciation	**(9,735)**	(2,130)
Closing Balance	**9,852**	16,127
Leasehold Improvements	**25,776**	-
Leasehold Improvements – accumulated amortisation	**(5,414)**	-
Closing Balance	**20,362**	-
Opening balance	**18,257**	
Additions in Period	**27,105**	18,257
Depreciation	**(15,149)**	(2,130)
Closing Balance	**30,213**	16,127

	ELECTRONIC EQUIPMENT $	LEASEHOLD IMPROVEMENTS $	TOTAL $
As at 1 July 2012			
Cost	18,257	-	18,257
Accumulated depreciation	(2,130)	-	(2,130)
Net book amount	**16,127**	**-**	**16,127**
Year ended 30 June 2013			
Opening net book amount	16,127	-	16,127
Additions	1,330	25,776	29,235
Depreciation charge	(7,605)	(5,414)	(15,149)
Closing net book amount	**9,852**	**20,362**	**30,213**
Year ended 30 June 2013			
Cost	19,587	25,776	47,492
Accumulated depreciation	(9,735)	(5,414)	(17,279)
Net book amount	**9,852**	**20,362**	**30,213**

	CONSOLIDATED	
	2013	2012
	$	$
8. Exploration and Evaluation Expenditure		
Peace River -Adams Project – Option Fee	**25,776**	-
Peace River - White Rabbit Project – Option Fee	**25,766**	-
Naskeena (North) Coal Project - Completion	**103,103**	101,153
Naskeena (North) Coal Project – Option Fee	**25,776**	24,540
Naskeena (Central) Coal Project – Option Fee	**15,466**	14,111
Naskeena (Central) Coal Project - Completion	**106,093**	-
Naskeena Exploration Database	**10,310**	-
Groundhog Coal Project – Completion Fee	**618,620**	196,109
Groundhog Coal Project – Option Fee	**87,638**	87,013
	1,018,559	422,926
Opening balance	**422,926**	-
Foreign exchange translation differences	**5,633**	
Additions in Period	**590,000**	422,926
Closing Balance	**1,018,559**	422,926

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

	CONSOLIDATED	
	2013	2012
	$	$
9. Trade & Other Payables		
Current	**1,170,578**	205,881
Trade Creditors	**249**	19,876
Other Creditors	**-**	2,699
Other Creditors – Health Fund	**33,283**	5,072
PAYG Withholding Payable	**-**	3,753
Employee Superannuation	**4,492**	10,440
Employee – Medicare & Social Security	**17,704**	3,475
Employee benefits	**5,142**	-
Business credit card	**77,997**	60,000
Accrued Expenses	**1,309,445**	311,196

Terms and conditions relating to the above financial instruments:

- All amounts are expected to be settled.
- Trade payables are non-interest bearing and are normally settled on 30 day terms.
- Due to the short term nature of trade payable and accruals, their carrying value is assumed to approximate their fair value.

Information about the Group's exposure to credit risk is disclosed in Note 17.

	CONSOLIDATED	
	2013	
	Number	$
10. Issued Capital		
(a) Issued and paid up capital		
Ordinary shares – fully paid	**110,592,500**	
(b) Movement in ordinary shares on issue		
Ordinary shares – fully paid		
Balance as at 1 July 2011		
Issued for cash – April 20, 2012	**48,562,500**	716,100
Issued for cash – May 1, 2012	**5,875,000**	470,000
Issued for cash – May 8, 2012	**375,000**	30,000
Issued for cash pursuant to prospectus – June 20, 2012	**45,500,000**	9,100,000
Capital raising costs		(792,563)
Balance at 30 June 2012	**100,312,500**	9,523,537
Issued to vendors of Groundhog Project – July 11, 2012	**1,000,000**	200,000
Issued to vendors of Naskeena (North and Central) Project – July 11, 2012	**275,000**	55,000
Issued to Mr G. Collick pursuant to employment agreement – July 11, 2012	**150,000**	30,000
Issued to vendors of Panstone Mines and Minerals Inc – Groundhog applications – December 28, 2012	**750,000**	123,750
Issued upon satisfaction of Class 1 and 2 Performance Rights	**3,350,000**	-
Milestone – January 30, 2013		
Issued upon satisfaction of Class 4 Performance Rights	**1,605,000**	-
Milestone –April 23, 2013		
Issued upon conversion of partly paid ordinary shares with	**3,150,000**	629,748
Lenark Pty Ltd – June 7, 2013		
Capital raising costs		(766,874)
Balance at end of year	**110,592,500**	(9,795,161)

(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 in the statement of financial position.

For details of the Group's capital risk management refer to Note 17.

(d) Movements in Options issued capital

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 30 January 2013, the Company issued 150,000 unlisted options each with an exercise price of 30 cents and with an expiry date being three years from the date of issue.

(e) Movements in Ordinary Shares on Issue following satisfaction of Performance Rights milestones

On 30 January 2013, the Company issued 3,350,000 ordinary fully paid shares to the Directors, Key Management and Staff of the Company in satisfaction of the Class 1 and Class 2 Performance Rights Milestone.

On 23 April 2013, the Company issued 1,605,000 ordinary fully paid shares to the Directors, Key Management and Staff of the Company in satisfaction of the Class 4 Performance Rights Milestone.

Subsequent to 30 June 2013, on 27 September 2013, the Company issued 3,382,500 ordinary fully paid shares to the Directors, Key Management and Staff of the Company in satisfaction of the Class 5 and Class 6 Performance Rights Milestone.

(f) Movements in Partly Paid Shares

On 7 June 2013, the Company issued 3,150,000 ordinary fully paid shares to Lenark Pty Ltd in satisfaction of the payment of the outstanding balance on an equivalent number of partly paid shares. The remaining number of partly paid shares held by Lenark was therefore reduced by an equal number, and presently amounts to 13,412,500 partly paid shares.

(g) Movements in Performance Rights

On 23 April 2013, the Company issued 120,000 Performance Rights. On 23 April 2013, the Company cancelled 1,575,000 Performance Rights.

On 10 July 2013, the Company cancelled 1,250,000 Performance Rights following the resignation of Mr. Lyle Hobbs. In addition, on 10 July 2013, the Company issued 1,343,750 Performance Rights following the appointment of Dr. Eric Lilford as Managing Director of the Company.

On 1 September 2013, the Company issued 400,000 Performance Rights to Mr. Gregory J Bell, project manager for the North American operations of the Company, to participate in the Class 3 and Class 5 through Class 8 (inclusive) Performance Rights Milestones. On 27 September 2013, the Company cancelled 3,382,500 Performance Rights.

BALANCE AT START OF YEAR	# GRANTED DURING THE YEAR	VESTED	FORFEITED	CLOSING BALANCE
(a) Year ended June 2013				
11,050,000	3,713,750	4,895,000	1,250,000	8,618,750
	1	2		
11,050,000	**3,713,750**	**4,895,000**	**1,250,000**	**8,618,750**
(b) Year ended June 2012				
-	11,050,000	-	-	11,050,000
-	**11,050,000**	**-**	**-**	**11,050,000**
1	Performance right Class 4, 5, 6			1,352,500
	Performance right Class 1, 2, 3, 7, 8			2,361,250
				3,713,750
2	Performance right Class 4, 5, 6			1,605,000
	Performance right Class 1, 2, 3, 7, 8			3,290,000
				4,895,000
3	Performance right Class 4,5,6			3,975,000
	Performance right Class 1, 2, 3, 7, 8			7,075,000
				11,050,000

11. Commitments

Exploration Commitments

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

The Company has minimum annual rents due on its projects as follows:

TENURE NUMBER	OWNER NUMBER	MAP NUMBER	STATUS	MINING DIVISION	AREA (HECTARES)	ANNUAL FEE	DUE DATE
417520	147498	104A089	License	Omineca	212	$2,120.00	12/09/2013
417521	147498	104A089	License	Omineca	142	$1,420.00	12/09/2013
417522	147498	104A089	License	Omineca	71	$710.00	12/09/2013
417523	147498	104A089	License	Omineca	354	$3,540.00	12/09/2013
417079	147498	104A089	License	Omineca	991	$9,910.00	21/10/2013
417080	147498	104A089	License	Omineca	565	$5,650.00	21/10/2013
417081	147498	104A099	License	Omineca	636	$6,360.00	21/10/2013
417082	147498	104A099	License	Omineca	212	$2,120.00	21/10/2013
417084	147498	104A099	License	Omineca	708	$7,080.00	21/10/2013
417085	147498	104A089	License	Omineca	1031	$10,310.00	21/10/2013
417086	147498	104A088	License	Omineca	142	$1,420.00	21/10/2013
417088	147498	104A089	License	Omineca	777	$7,770.00	21/10/2013
417089	147498	104A099	License	Omineca	142	$1,420.00	21/10/2013
417090	147498	104A079	License	Omineca	568	$5,680.00	21/10/2013
417094	147498	104A089	License	Omineca	71	$710.00	21/10/2013
417095	147498	104A089	License	Omineca	425	$4,250.00	21/10/2013
417096	147498	104A089	License	Omineca	71	$710.00	21/10/2013
417098	147498	104A079	License	Omineca	1204	$12,040.00	21/10/2013
418103	147497	093H071	Application	Cariboo	1875	N/A	-
418104	147498	104A079	Application	Omineca	2775	N/A	-
418106	147497	093P015	Application	Liard	5325	N/A	-
418122	147498	104A080	Application	Omineca	3375	N/A	-
418136	147497	093H072	Application	Cariboo	1875	N/A	-
						$ 83,220.00	

Operating Lease Agreements

Leases as lessee

Non-cancellable operating lease rentals are payable as follows;

	2013	2012
	$	$
Less than one year	**63,357**	8,333
Between one and five years	**174,503**	141,653
More than five years	**-**	-
	237,860	149,985

The Company leases office premises in Victoria, British Columbia and Perth, Western Australia under an operating lease. The lease periods run for 3 years, and commenced on February 1, 2013 and May 1, 2012 respectively.

During the year ended 30 June 2013 an amount of $94,152 (2012: $6,592) was recognised as an expense in the statement of comprehensive income in respect of operating leases.

12. Contingent Liabilities

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

Groundhog Coal Project

Annual Royalty	CAD$100,000 per annum (until production royalty commences, at which stage it is offset against future production royalties)
Performance Bonus	CAD$1,000,000 (upon the delineation of the first 200Mt of coal of a JORC Indicated status - to the extent that it can be considered a proven reserve)
	CAD$500,000 (upon the delineation of each subsequent 100Mt of coal of a JORC Indicated status - to the extent that it can be considered a proven reserve)
BFS Bonus	CAD$1,000,000 (upon completion of a positive BFS, paid 50% cash and 50% shares at the election of the Company)
Production Bonus	CAD$1,000,000 (upon commencement of production, paid 50% cash and 50% shares at the election of the Company)
Production Royalty	1% of ex-mine gate price of all saleable coal

Naskeena (North) Coal Project

Performance Bonus	CAD$100,000 (upon the delineation of the first 20Mt of coal of a JORC Indicated status)
	CAD$50,000 (upon the delineation of each subsequent 10Mt of coal of a JORC Indicated status)
BFS Bonus	CAD$500,000 (upon completion of a positive BFS, paid 50% cash and 50% shares at the election of the Company)

Adams / White Rabbit Project (Peace River)

Shares	450,000 share consideration
Purchase Price	CAD$200,000 to be paid on completion date
Rent Reimbursement	CAD$148,302 of rental amounts to be reimbursed
Royalty	From completion, and subject to the commencement of commercial production, a royalty of $0.80/tonne of saleable coal (based on the tonnes of coal actually produced and sold) is to be paid to the Grantor every reporting period (quarterly).

13. Financial Reporting by Segments

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

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

› Corporate Overheads

› Mineral Exploration in Canada.

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

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

2013	Exploration	Corporate	Consolidated
Segment loss	6,513,783	79,020	6,434,764
Segment assets	2,440,002	2,683,637	5,123,639
Segment liabilities	(959,271)	(350,174)	(1,309,445)
Other segment information included in segment loss			
Interest revenue	-	203,277	203,277
Depreciation and amortisation	(5,092)	(7,605)	(12,697)
Central administration costs & Directors Fees	(6,508,691)	(116,652)	(6,625,343)

14. Related Party Transactions

Associated Entity of Chairman Increases Shareholding in Company

During the financial year, Atrum announced that Lenark Pty Ltd ("Lenark"), an associated entity of Chairman, James Chisholm (for the purposes of the Corporations Act) has increased its interest in the Company from 18,948,500 fully paid ordinary shares (17.64%) to 22,098,500 fully paid ordinary shares (19.98%).

The increase has occurred as a result of the conversion of 3,150,000 partly paid ordinary shares in the Company to fully paid ordinary shares. Pursuant to the conversion, Lenark paid $629,748 to the Company and these funds will be applied to the Company's existing cash reserves.

Lenark retains a further 13,412,500 partly paid ordinary shares.

Execution of Offset Loan Agreement with Chairman

During the financial year, Atrum announced that it has executed an Offset Loan Agreement ("Loan Agreement") with Lenark Pty Ltd ("Lenark"), an entity associated with Chairman Mr James Chisholm.

The effective date of the Loan Agreement is 30 June 2013 and provides for a facility limit of $2,681,927 which, upon advancement, will be used to offset the outstanding balance owing against the 13,412,500 partly paid shares currently held by Lenark Pty Ltd.

The facility accrues capitalised interest at a rate of 6% per annum and matures on the date by which the partly paid shares have been converted to fully paid ordinary shares or 31 December 2016, whichever occurs first. The funds advanced under the Loan Agreement can either be repaid in cash, converted to fully paid shares, or a combination of both at the election of the Company.

In accordance with the Corporations Act 2001 (Cth), funds advanced under the Loan Agreement can be used to offset the outstanding balance owing against the partly paid shares on 30 June and 31 December of each year, subject to the voting power of Lenark not increasing by more than 3% per 6 month period as a result of the conversion to fully paid ordinary shares.

Funds advanced pursuant to the Loan Agreement will be applied to the ongoing development of the Groundhog Anthracite Project as the Company continues to progress the pre-feasibility study.

As at 30 June 2013, the Company had not drawn from the offset loan agreement. Therefore, the total remaining available credit pursuant to the Offset Loan Agreement is $2,681,427.

Extension of Credit Facility pursuant to Offset Loan Agreement

Subsequent to 30 June 2013, on 30 September 2013, the Company entered into a variation to the Offset Loan Agreement in place with Lenark Pty Ltd. Pursuant to the variation that was executed, Lenark Pty Ltd increased the credit available pursuant to the Offset Loan Agreement through an additional $2 million. Therefore, as at 30 September 2013, the total available credit under the Offset Loan Agreement is $2,686,427.

(a) Subsidiaries

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

	COUNTRY OF INCORPORATION	% EQUITY INTEREST	
		2013	2012
Atrum Coal Groundhog Inc	Canada	100	100
Atrum Coal Peace River Inc	Canada	100	100
Atrum Coal Naskeena Inc	Canada	100	100
Atrum Coal USA Inc	USA	100	100

Atrum Coal Groundhog Inc, Atrum Coal Peace River Inc, Atrum Coal Naskeena Inc and Atrum Coal USA Inc have financial years of 31 December.

There are no significant restrictions on the ability of the subsidiaries to transfer funds to the parent entity to pay dividends or loans.

Management Fee Agreements between Atrum Coal NL and each of Atrum Coal Groundhog Inc., Atrum Coal Naskeena Inc. and Atrum Coal Peace River Inc.

On 1 July 2012 the Company entered into Management Agreements with each of Atrum Coal Groundhog Inc., Atrum Coal Naskeena Inc. and Atrum Coal Peace River Inc. Pursuant to the Management Agreements, the Company is to provide management services to each of the Canadian subsidiaries in relation to project administration, accounting, corporate services and day-to-day management and oversight of principal activities on the project areas.

On and from the commencement date, in consideration of the provision of management services to the Canadian subsidiaries, the Canadian subsidiaries agree to pay the Company a management fee. The management fee is equal to 5% of the administration costs, expenses and overheads incurred by the day to day operations of Atrum Group's offices located in Canada and in Australia, charged to the Canadian subsidiaries at a rate of 80% to Atrum Coal Groundhog Inc., 10% to Atrum Coal Naskeena Inc. and 10% to Atrum Coal Peace River Inc. and accruing on a monthly basis (Management Fee).

The Management Fee will not be payable in funds but instead will be treated for accounting purposes as an intercompany debt owed by the Canadian subsidiaries to the Company which will accrue on a monthly basis and be reflected as a 'liability' on the Canadian subsidiaries statement of financial position and as an 'asset' on the Company's statement of financial position.

On 31 December 2012 the Company terminated the Management Agreements with each of Atrum Coal Groundhog Inc., Atrum Coal Naskeena Inc. and Atrum Coal Peace River Inc.

(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 16.

15. Parent Entity Disclosures

(a) Summary financial information

	CONSOLIDATED	
	2013	2012
	$	$
Financial Position		
Assets		
Current assets	**9,845,681**	8,625,198
Non-current assets	9,852	439,213
Total Assets	9,855,533	9,064,411
Liabilities	**248,645**	311,196
Current liabilities	**-**	-
Non-current liabilities	**248,645**	311,196
Total Current Liabilities		
Equity		
Issued capital	**9,795,161**	9,364,537
Accumulated losses	**(1,512,322)**	(770,322)
Share Based Payment Reserve	**1,324,049**	159,000
Total Equity	**9,606,888**	8,735,215
Financial Performance		
Loss for the period	**(863,025)**	(929,322)
Other comprehensive loss	**-**	-
Total comprehensive income	**(863,025)**	(929,322)

(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 12.

16. 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	Managing 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.

16. Director and Executive Disclosures (cont.)

(b) Shareholdings of Key Management Personnel

	BALANCE 01/07/12	RECEIVED AS REMUNERATION	OPTIONS EXERCISED	ACQUIRED/ (DISPOSED)	TOTAL VALUE AT GRANT DATE	BALANCE
James Chisholm	17,126,000	937,500	-	4,035,000	-	22,098,500
Russell Moran	16,716,000	937,500	-	199,000	-	17,852,500
Gino D'Anna	5,062,000	937,500	-	61,415	-	6,060,915
Eric Lilford	-	281,250	-	-	-	281,250

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 01/07/12	RECEIVED AS REMUNERATION	ACQUIRED/ (DISPOSED)	NET CHANGE OTHER	BALANCE
James Chisholm	2,625,000	937,500	-	-	1,687,500
Russell Moran	2,625,000	937,500	-	-	1,687,500
Gino D'Anna	2,625,000	937,500	-	-	1,687,500
Eric Lilford	787,500	281,250	-	-	506,250
TOTAL	8,662,500	3,093,750		10,006,250	5,568,750

Refer to note 18 for further details.

(d) Loans with Key Management Personnel

Execution of Offset Loan Agreement with Chairman

During the financial year, Atrum announced that it has executed an Offset Loan Agreement ("Loan Agreement") with Lenark Pty Ltd ("Lenark"), an entity associated with Chairman Mr James Chisholm.

The effective date of the Loan Agreement is 30 June 2013 and provides for a facility limit of $2,681,927 which, upon advancement, will be used to offset the outstanding balance owing against the 13,412,500 partly paid shares currently held by Lenark Pty Ltd.

The facility accrues capitalised interest at a rate of 6% per annum and matures on the date by which the partly paid shares have been converted to fully paid ordinary shares or 31 December 2016, whichever occurs first. The funds advanced under the Loan Agreement can either be repaid in cash, converted to fully paid shares, or a combination of both at the election of the Company.

In accordance with the Corporations Act 2001 (Cth), funds advanced under the Loan Agreement can be used to offset the outstanding balance owing against the partly paid shares on 30 June and 31 December of each year, subject to the voting power of Lenark not increasing by more than 3% per 6 month period as a result of the conversion to fully paid ordinary shares.

Funds advanced pursuant to the Loan Agreement will be applied to the ongoing development of the Groundhog Anthracite Project as the Company continues to progress the pre-feasibility study.

As at 30 June 2013, the Company had not drawn from the offset loan agreement. Therefore, the total remaining available credit pursuant to the Offset Loan Agreement is $2,681,427.

Extension of Credit Facility pursuant to Offset Loan Agreement

Subsequent to 30 June 2013, on 30 September 2013, the Company entered into a variation to the Offset Loan Agreement in place with Lenark Pty Ltd. Pursuant to the variation that was executed, Lenark Pty Ltd increased the credit available pursuant to the Offset Loan Agreement through an additional $2 million. Therefore, as at 30 September 2013, the total available credit under the Offset Loan Agreement is $2,686,427.

17. Financial Risk Management

The Consolidated entity's principal financial instruments comprise receivables, payables, cash, short-term deposits and the Offset Loan Agreement. 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.

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

17. Financial Risk Management (cont'd)

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

Market Risk

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

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

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 variable rate interest bearing borrowings its exposure to interest rate movements is limited to the amount of interest income it can potentially earn on surplus cash deposits. The Offset Loan Agreement charges an interest rate of 6% per annum on outstanding balances, capitalised until the maturity of the loan. The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

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)	**2,143,501**
Net exposure	**2,143,501**

At 30 June 2013, the Company earned interest on post tax profit or equity relating to financial assets of the Consolidated entity.

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

30 June 2013	Weighted Average Effective Interest Rate	Less than 1 month	1 to 3 month	3 months to 1 year	1 to 5 years	Total
Financial Assets						
Non-interest bearing		1,544,015	**-**	-	-	-
Variable interest rates instruments		2,143,501	-	-	-	-
Fixed interest rates instruments		-	-	-	-	-
	3.88%	3,687,516	-	-	-	-
Financial Liabilities						
Non-interest bearing		1,309,445	-	**-**	-	-
Net Financial Assets		**1,309,445**	-	**-**	-	-

Net fair value of financial assets and liabilities

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

17. Financial Risk Management (cont'd)

Interest Rate Sensitivity Analysis

At 30 June 2013, the effect on loss and equity as a result of changes in the interest rate, with all other variable remaining constant would be as follows:

	2013 $
CHANGE IN LOSS	
Increase in interest rate by 1%	(175,627)
Decrease in interest rate by 1%	175,627

	2013 $
CHANGE IN EQUITY	
Increase in interest rate by 1%	(175,627)
Decrease in interest rate by 1%	175,627

Liquidity Risk

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

The Consolidated entity has no significant exposure to liquidity risk as there is effectively no debt. As at 30 June 2013, the Company had not drawn-down from the Offset Loan Agreement. 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 $
2013				
Financial Liabilities:				
Non-interest bearing	**1,309,445**	-	-	-
	1,309,445	-	-	-

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 Group operates in the mining exploration sector; it therefore does not have trade receivables and is not exposed to credit risk in relation to trade receivables. The Group does not have any significant credit risk exposure to any single counterparty or any Company of counterparties having similar characteristics.

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

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

Commodity Price Risk

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

Foreign Currency Risk

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

The Group hedges against the foreign currency exposure through the use of Foreign Exchange Contracts ("FEC").

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.

18. Share Based Payments

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

(i) Directors Performance Rights

During the financial year an amount equal to $491,949 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	1,645,000	$ 0.08	100%	Non-market	$170,700	-	-
Class 2	1,645,000	$ 0.08	100%	Non-market	$170,700	-	-
Class 3	1,911,250	$ 0.08	0%	Non-market	-	-	-
Class 4	1,605,000	$ 0.06	-	Market	$143,853	2	-
Class 5	1,861,250	$ 0.05	-	Market	$191,573	2	$191,573
Class 6	1,861,250	$ 0.05	-	Market	$186,820	2	$186,820
Class 7	1,861,250	$ 0.08	0%	Non-market	-	-	-
Class 8	2,373,750	$ 0.08	0%	Non-market	-	-	-
	14,763,750				**$863,646**		**$378,393**

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

(ii) Options

During the year the following options were issued to consultants for capital raising cost:

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

› 150,000 options expiring 30 January 2016, exercisable at 30 cents each

The Group has rebutted the presumption that the fair value of service can be a reliable measure and as a result the options have been separately valued and the fair value determination is as follows:

The assessed fair value of options issued for the capital raising costs amounted to $673,100 at grant date. It was independently determine using the black-scholes option pricing model.

Set out below are the model inputs:

	2013
Share price at grant date:	
Life of option:	$0.20
Expected share price volatility:	4 years
Risk free rate:	100%
	2.86%

(iii) Reserves

The reserves include:

Balance as at 1 July 2012	$159,000
Options at fair value	$673,100
Share-based payments reserves (Performance Rights at fair value)	$491,949
Foreign currency translation	($348,281)
Reserve as at 30 June 2013	**$975,768**

19. Accumulated Losses

Opening Balance on Incorporation	(929,322)
Losses for the period	(6,434,764)
Closing Balance	**(7,364,087)**

20. Events Subsequent to Reporting Date

Offset Loan Agreement

On 30 June 2013, the Company entered into an Offset Loan Agreement with Chairman, Mr. James Chisholm. Pursuant to the Offset Loan Agreement, Mr. Chisholm entered into an arrangement to loan the Company $2,681,427. As at 30 September 2013, the Company had drawn-down a total of $1,995,000. Therefore, the total remaining available credit pursuant to the Offset Loan Agreement is $686,427.

In addition to the Offset Loan Agreement in place with Mr. Chisholm, the Company is working with each of Mr. Russell Moran and Mr. Gino D'Anna to secure additional loan funds, with such funds offsetting the outstanding balance of the partly paid shares held by each of Mr. Moran and Mr. D'Anna. Funds secured by way of these loan agreements will be applied to the ongoing working capital of the Company. This will provide the Company with access to an additional $4,310,775.

Debt Capital Raising Mandate with Argonaut Limited

On 12 June 2013 the Company entered into a debt capital raising mandate with Argonaut Limited to raise between $10 million and $20 million in debt capital. It is expected that the Company will secure these additional funds during Q1 of 2014 pursuant to completion of due diligence by financiers. The debt funds raised under the mandate with Argonaut Limited will be applied to the development of Groundhog, the preparation of the project area for bulk sample and completion of a bankable feasibility study.

Proposed Spin-out of Naskeena, Peace River and Bowron River Coal Projects

On 18 September, Atrum announced plans to spin-out its Naskeena, Bowron River and Peace River coal assets ("Exploration Assets"), located in British Columbia, Canada.

The Company is currently finalising the capital structure and management team for the spin-out vehicle as well as determining the timing for an Atrum shareholders meeting to approve and facilitate the timetable and subsequent ASX listing.

The spin-out will allow Atrum to concentrate on the development of Groundhog, which is currently in the process of completing a pre-feasibility study, together with providing shareholders with exposure to the exploration upside of the Naskeena, Peace River and Bowron River coal projects.

Re-organisation of Performance Rights

On 10 July 2013, the Company cancelled 1,250,000 Performance Rights following the resignation of Mr. Lyle Hobbs. In addition, on 10 July 2013, the Company issued 1,343,750 Performance Rights following the appointment of Dr. Eric Lilford as Managing Director of the Company.

On 1 September 2013, the Company issued 400,000 Performance Rights to Mr. Gregory J Bell, project manager for the North American operations of the Company, to participate in the Class 3 and Class 5 through Class 8 (inclusive) Performance Rights Milestones.

Conversion of Class 5 and Class 6 Performance Rights

Subsequent to 30 June 2013, on 27 September 2013, the Company issued 3,382,500 ordinary fully paid shares to the Directors, Key Management and Staff of the Company in satisfaction of the Class 5 and Class 6 Performance Rights Milestone.

The Company also cancelled 3,382,500 Performance Rights.

Therefore, as at 30 September 2013, the number of performance rights outstanding is 5,636,250.

08 DIRECTORS DECLARATION

DIRECTORS DECLARATION

The Directors of the company declare that:

1. The financial statements, comprising the statement of profit and loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the Corporations Act 2001 and:
    a. comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
    b. give a true and fair view of the consolidated entity's financial position as at 30 June 2013 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, 30 September 2013

09 INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ATRUM COAL NL

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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 2013, the consolidated statement profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 entities it controlled at the year's end or from time to time during the financial year.

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, 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 company'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 company'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 2013 and of its performance for the year 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.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2013. 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 year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

Peter Toll

Director

Perth, 30 September 2013

AUDITOR'S INDEPENDENCE DECLARATION TO THE BOARD OF DIRECTORS OF ATRUM COAL NL

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

As lead auditor of Atrum Coal NL for the year ended 30 June 2013, 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, 30 September 2013

SECURITIES EXCHANGE INFORMATION

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HOLDINGS AS AT 27 SEPTEMBER 2013

SPREAD OF HOLDINGS		SECURITIES	% OF ISSUED CAPITAL
NIL holding			
1 - 1,000	62	30,961	0.03%
1,001 - 5,000	139	445,718	0.39%
5,001 - 10,000	178	1,534,068	1.35%
10,001 - 100,000	362	14,270,938	12.52%
100,001 -	113	97,693,315	85.71%
Total on register	**854**	**113,975,000**	**100.00%**
Total overseas holders	**40**	**7,225,434**	**6.34%**

Number of holders of less than a marketable parcel	**21**
Percentage of the 20 largest holders	**64.33%**

Substantial Shareholders

The company has been notified of the following substantial shareholdings:

	Number	
Lenark Pty Ltd (and associated entities)	22,723,500	19.94%
Russell Harold Moran (and associated entities)	18,477,500	16.21%
Gino D'Anna (and associated entities)	6,680,500	5.86%

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 27 SEPTEMBER 2013:

RANK	HOLDER NAME	DESIGNATION	SECURITIES	%
1	LENARK PL	LENARK INV A/C	22,653,500	19.88%
2	MORAN RUSSELL HAROLD		16,861,500	14.79%
3	D'ANNA GINO	INTERNATZIONALE A/C	6,665,915	5.85%
4	JP MORGAN NOM AUST LTD		3,668,400	3.22%
5	LUJETA PL	MARGARET ACCOUNT	3,060,000	2.68%
6	UBS NOM PL		2,788,707	2.45%
7	HURST DOUGLAS CULMER		2,154,000	1.89%
8	TOPSFIELD PL		2,000,000	1.75%
9	WILLSTREET PL		1,575,000	1.38%
10	WALLIS-MANCE PL	WALLIS-MANCE FAM A/C	1,550,000	1.36%
11	CARROLL LOUIS THOMAS		1,540,000	1.35%
12	CTSF PL	VC SUPER FUND A/C	1,227,569	1.08%
13	HSBC CUSTODY NOM AUST LTD		1,132,165	0.99%
14	BEN ROTH ENTPS PL	BEN ROTH FAM A/C	1,020,774	0.90%
15	ASHABIA PL	ASHABIA S/F A/C	1,000,000	0.88%
16	DR ERIC VERNON LILFORD	DR EVL & CO A/C	981,250	0.86%
17	MINCO HLDGS PL		952,500	0.84%
18	RIDGE BRADLEY		878,629	0.77%
19	CITICORP NOM PL		810,758	0.71%
20	KAYBRI RESOURCE MANAGEMENT LTD		800,000	0.70%
		TOP 20 TOTAL	**73,320,667**	**64.33%**
		TOTAL ISSUED CAPITAL	**113,975,000**	**100.00%**

PARTLY PAID SHARES

Details of partly paid shareholders are as follows:

	Number	
Lenark Pty Ltd (and associated entities)	13,412,500	38.35%
Russell Harold Moran (and associated entities)	16,562,500	47.36%
Gino D'Anna (and associated entities)	5,000,000	14.30%
Total	34,975,000	100%

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 Holdings of more than 20% of this class	5,300,000	2
› Blackwood Capital Limited	5,000,000	
› Avitus Capital Pty Ltd	300,000	
Options exercisable at 30 cents each on or before 30 January 2016	150,000	1
Holdings of more than 20% of this class		
› Mr. Nathan William Ryan	150,000	

RESTRICTED SECURITIES

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

Fully Paid Ordinary Shares

46,213,750	Fully paid ordinary shares escrowed until 24/07/2014
4,955,000	Fully paid ordianry shares escrowed until 24/07/2014

Partly Paid Ordinary Shares

34,975,000	Partly paid ordinary shares escrowed until 24/07/2014

Unlisted Options

5,300,000	Unlisted Options expiring on 01/07/2016 exercisable at 30 cents each and escrowed until 24/04/2014

Performance Rights

5,636,250	Performance Rights escrowed until 24/07/2014

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.

12 INTERESTS IN MINING TENEMENTS

ATRUM COAL GROUNDHOG INC.

RANK	OWNER NAME		MAP NUMBER	STATUS	MINING DIVISION	AREA
417079	Atrum Coal Groundhog Inc.	100%	104A089	Good Standing	15 OMINECA	991 ha
417080	Atrum Coal Groundhog Inc.	100%	104A089	Good Standing	15 OMINECA	565 ha
417081	Atrum Coal Groundhog Inc.	100%	104A099	Good Standing	15 OMINECA	636 ha
417082	Atrum Coal Groundhog Inc.	100%	104A099	Good Standing	15 OMINECA	212 ha
417084	Atrum Coal Groundhog Inc.	100%	104A088	Good Standing	15 OMINECA	708 ha
417085	Atrum Coal Groundhog Inc.	100%	104A089	Good Standing	15 OMINECA	1031 ha
417086	Atrum Coal Groundhog Inc.	100%	104A088	Good Standing	15 OMINECA	142 ha
417088	Atrum Coal Groundhog Inc.	100%	104A089	Good Standing	15 OMINECA	777 ha
417089	Atrum Coal Groundhog Inc.	100%	104A099	Good Standing	15 OMINECA	142 ha
417090	Atrum Coal Groundhog Inc.	100%	104A079	Good Standing	15 OMINECA	568 ha
417094	Atrum Coal Groundhog Inc.	100%	104A089	Good Standing	15 OMINECA	71 ha
417095	Atrum Coal Groundhog Inc.	100%	104A089	Good Standing	15 OMINECA	425 ha
417096	Atrum Coal Groundhog Inc.	100%	104A089	Good Standing	15 OMINECA	71 ha
417098	Atrum Coal Groundhog Inc.	100%	104A079	Good Standing	15 OMINECA	1204 ha
417520	Atrum Coal Groundhog Inc.	100%	104A089	Good Standing	15 OMINECA	212 ha
417521	Atrum Coal Groundhog Inc.	100%	104A089	Good Standing	15 OMINECA	142 ha
417522	Atrum Coal Groundhog Inc.	100%	104A089	Good Standing	15 OMINECA	71 ha
417523	Atrum Coal Groundhog Inc.	100%	104A089	Good Standing	15 OMINECA	354 ha
418104	Atrum Coal Groundhog Inc.	100%	104A079	Good Standing	15 OMINECA	2775 ha
418122	Atrum Coal Groundhog Inc.	100%	104A080	Good Standing	15 OMINECA	3375 ha
417968	Atrum Coal Groundhog Inc.	100%	104A099	Good Standing	15 OMINECA	1411 ha
417970	Atrum Coal Groundhog Inc.	100%	104A099	Good Standing	15 OMINECA	1412 ha
417993	Atrum Coal Groundhog Inc.	100%	104A099	Good Standing	15 OMINECA	1273 ha
417994	Atrum Coal Groundhog Inc.	100%	104A099	Good Standing	15 OMINECA	1415 ha
417981	Atrum Coal Groundhog Inc.	100%	104A099	Good Standing	15 OMINECA	1416 ha
417980	Atrum Coal Groundhog Inc.	100%	104A099	Good Standing	15 OMINECA	1416 ha
TOTAL	**ATRUM COAL GROUNDHOG INC.**					**22815 ha**

ATRUM COAL PEACE RIVER INC.

RANK	OWNER NAME		MAP NUMBER	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.

RANK	OWNER NAME		MAP NUMBER	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

COAL FOR STEEL

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