Atrum Coal

COAL FOR STEEL

ANNUAL REPORT 2014

CORPORATE DIRECTORY

DIRECTORS

James Chisholm (Chairman)
Russell Moran
Gino D'Anna
Eric Lilford
Cameron Vorias (appointed 3 July 2014)
Steven Boulton (appointed 22 August 2014

COMPANY SECRETARY

Gino D'Anna

REGISTERED AND PRINCIPAL OFFICE

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AUSTRALIAN SECURITIES EXCHANGE

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

Dear Shareholders

It is my pleasure to present Atrum Coal NL's Annual Report for the 2014 Financial Year. The past 12 months have seen our Company take great strides towards our goal of developing metallurgical coal projects in British Columbia, Canada and bringing to life our vision to become the world's largest high-grade and ultra-high-grade anthracite producer.

Major milestones achieved during the development of our 1.57 billion tonne Groundhog Anthracite Project over 2014 included the completion of a Pre-Feasibility Study (PFS), which demonstrated robust economics for a peak 5.4Mtpa run-of-mine underground operation at Groundhog. The PFS demonstrated that pre-production costs at Groundhog would be approximately A$10 million in 2014/15, and ramp-up costs in 2015/16 would total US$70.6M under contract mining and build-own-operate-transfer (BOOT) arrangements. Using independent price forecasts and a discount rate of 8%, the project has a pre-tax Net Present Value (NPV) of A$2.1 billion (post-tax NPV of A$1.3 billion) and a pre-tax Internal Rate of Return (IRR) of 68% (post-tax IRR of 51%) based on power and road infrastructure CAPEX being funded by Atrum.

The infrastructure required will be optimised further through off-balance sheet funding provided by Atrum Infrastructure Pty Ltd further improving the NPV and IRR. The PFS for Groundhog focussed on the north-west zone and on just two seams from more than 20, representing less than 5% of the total project area, so potential for future growth remains.

An optimised PFS is due to be released taking into account attractive equipment financing terms currently being offered in the market which will result in reduced CAPEX and OPEX. The recent drilling and trenching program and geological correlation has highlighted the potential for Groundhog to support multiple mines and the Company is now undertaking concept studies for mines in other locations across the property.

Atrum's management has laid the foundation for our entry into the market as we continue to build relationships with key steel and specialty product manufacturers. Groundhog has the potential to deliver significant amounts of high-grade anthracite to steelmakers operating in a safe mining jurisdiction in a way that is currently not available, and many potential customers are excited about what the project offers.

We successfully completed maiden ship loading trials at Stewart Bulk Terminal to test storage, coal handling and loading facilities and this demonstrated that the existing equipment is capable of loading at least 1.5Mtpa of anthracite. The Company also has an agreement for a further 5Mtpa capacity at Stewart World Port (SWP), which is currently under construction. We plan to deliver first anthracite on ship through trial mining during 2015, and we are currently preparing market samples for customers.

We expanded our tenure in British Columbia during the year, initially with the granting of a further four coal licences, and then with the addition of 20 granted coal licences and one coal license application purchased from Anglo Pacific PLC. With the acquisition of the Anglo Pacific PLC licences, Atrum has succeeded in consolidating all the known anthracite-bearing tenure in the Groundhog and Panorama coalfields. The Company now holds approximately 800sqkm of contiguous licences in the World's largest known high grade and ultra-high grade anthracite resource, only 150km direct distance to a deep sea port that is open all year round.

In May, we announced that Kuro would develop the Panorama Anthracite Project under joint venture. However, after reviewing geological information for the Panorama region and in light of Atrum's strategy to be the world's largest producer and exporter of high-grade anthracite, we have decided to retain Panorama. The project has the potential to contribute significantly to our overall multi-mine plans and Atrum will begin exploration at Panorama pursuant to the recently granted Notice of Works.

As previously announced, the non-core assets currently held in Atrum (Naskeena, Peace River and Bowron River) are being moved into Kuro Coal Limited, with an IPO of Kuro planned prior to the end of 2014. Subsequent to the end of the financial year, Kuro added to its portfolio of exploration assets with the addition of an earn-in joint venture on a JORC compliant coking coal asset, Elan. Atrum shareholders will be eligible for one free Kuro share for every four Atrum shares held at the record date.

As we progress towards production, we made a number of significant Board and management appointments. Steven Boulton and Cameron Vorias became Non-Executive Directors of the Company, both with more than 30 years of experience in the industry. Steve is one of Australia's leading infrastructure executives and will assist the Board to deliver a low-cost infrastructure strategy initially at Groundhog as well as helping the Company develop infrastructure options for our multi-mine strategy. Cameron's experience in coal mining operations including new project development, resource management and risk management will also be invaluable to Atrum.

We established an Anthracite Marketing Advisory Committee (AMAC) and appointed leading coal marketing specialists George Edwards and Stephen Gye. Combined, they have more than 85 years' experience in global metallurgical coal and coke markets. AMAC will bring together industry experts to oversee our strategic off-take discussions and ensure the Board can maximise shareholder value.

Other strategic appointments include Peter Doyle as our VP Marketing and Business Development, Ben Smith as VP Operations and Rick Greene as Project Manager (Mining Operations) and Theo Renard (VP Commercial). Each of these appointments will play an important role in Atrum's future.

I thank our management and staff for their hard work over the past year, as well as my fellow Board members for their contributions. I also thank our Shareholders for their continued support and their belief in our vision and strategy. I believe we will see this come to fruition in the near future.

James Chisholm
Chairman

COMPANY OVERVIEW

On or about 27 February 2012, the Company exercised an option to acquire 100% of the Groundhog Anthracite Project located in British Columbia and in July 2012, listed on the Australian Securities Exchange under the ASX ticker code "ATU".

During the exploration season completed in 2012 and 2013, the Company undertook significant drilling at Groundhog covering both regional / exploration drilling across the project and infill drilling in the North West area of Groundhog. This was further complemented by additional coal quality analysis to further enhance the Company's understanding of the use and quality of the anthracite developed at Groundhog.

In January 2014, Atrum expanded upon its footprint in BC, through the acquisition of a further 11 coal licence applications from Panstone Mines and Minerals Ltd. This footprint was further expanded in September 2014 when the Company acquired a further 20 granted coal licences and a further 1 coal licence application from Anglo Pacific Group PLC, which covered an area of 10,235ha within the Groundhog and Panorama Coalfield.

In July 2014, Kuro Coal Panorama Inc. acquired an additional 10 coal licence applications covering an area of 13,787ha from Panstone Mines and Minerals Ltd. This acquisition complemented the existing land holding in the Panorama coalfield held by Kuro Coal Panorama Inc. which covered an area of 18,375ha. This has provided the Company with a total footprint in the Panorama coalfield of 33,012ha.

In addition, the Company received confirmation from the British Columbia Mines Department that Groundhog coal licence application 417980 (tenure number 418443), 417981 (tenure number 418444), 417994 (tenure number 418445) and 417993 (tenure number 418446) had been granted and converted to coal licences following consultation with local community, First Nations and ministerial stakeholders. This increased the total granted tenure at Groundhog by an additional 5,454 hectares.

The Groundhog Anthracite Project (**Groundhog**), including Panorama, now comprises 45 granted coal licences and 33 coal licence applications covering an area of 81,616 hectares.

The Groundhog project boasts a 1.57Bt JORC Measured, Indicated and Inferred resource and 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 table below provides a breakdown of the JORC resource according to the necessary classifications:

	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)
Groundhog Anthracite Project	16Mt	553Mt	998Mt	1,567Mt

The indicative quality specifications for the anthracite developed at the Groundhog project which is applicable to each of the resource classifications outlined above and compared to global indicative specifications is outlined below:

	Groundhog Anthracite Project (adb)	High-Grade Anthracite (adb)	Ultra-High Grade Anthracite (adb)	Chinese BF Coke (adb)
Moisture	<2%	15% (max)	13% (max)	12% (max)
Ash	10 - 12%	15% (max)	12% (max)	12% (max)
Volatiles	4 - 5%	10% (max)	5% (max)	2% (max)
Fixed Carbon	82 - 95%	75% (min)	80% (min)	86% (min)
Sulphur	0.4 - 0.7%	1% (max)	0.6% (max)	0.6% (max)
HGI	45 - 65			
Gross CV (kcal/kg)	7,200 – 8,000			
Classification	Ultra-High Grade / High Grade	Metallurgical Coal	Metallurgical Coal	Metallurgical Coke

The export strategy of the Company is supported by the 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 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 un-sized anthracite 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 S70, 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.

In November 2013, the Company received results from its 64 hole diamond core drilling program at Groundhog, that included 21 large-diameter core holes which extracted approximately 300kg of material for advanced run-of-mine wash testing and product simulation. The raw wash results confirmed the yield, carbon content, calorific value, volatile matter, inherent moisture and sulphur content are consistent with previous wash results determined in the 2012 drilling program targeting a sub-10% ash product.

In December 2013, Atrum identified two areas as potential shallow entry points into the high quality S70 seam for maiden production of a 100,000 tonne bulk sample, with these areas confirmed to host high grade anthracite.

In January 2014, key consultants were appointed to progress and finalise the pre-feasibility study, including Valzan Pty Ltd (mine planning, design and engineering), DMT Geosciences (bulk sample design and engineering) and Norwest Corporation (Coal Handling and Preparation Plant and process engineering design). Knight Piesold was retained to conduct the hydrogeological and environmental aspects of the baseline studies focused on water quality and water management during mining operations. SRK Consulting have been retained to carry out geochemical characterisation of the anthracite and the rock partings both above the anthracite and the partings between the anthracite seams. ERM Rescan was retained to conduct the ungulate studies, fish and fish habitat studies as well as soil and vegetation studies.

These analysis together with the analysis from Knight Piesold and ERM Rescan will enable the Company to compile its necessary reports to support its small scale mining application and the full EA process as the Company plans towards full scale commercial production during Q4 2016.

In May 2014, the Company completed a Pre-Feasibility Study (**PFS**) for Groundhog which demonstrated robust indicative economic net present values of $2.1 billion (pre-tax) and $1.3 billion (after-tax). Building on the Scoping Study, the PFS incorporated only two of the known coal seams present at Groundhog, and relates to an area of less than 5% of the Groundhog project licenses held by Atrum. The PFS is based on a total in-situ resource of 305Mt and assumes an initial 75Mt run-of-mine ("ROM") operation over 16 years, with a peak annual ROM rate of 5.4Mtpa. The PFS uses a nominal 8% discount rate and, assuming capital expenditure of A$10m and A$70m for the pre-production and ramp up phases, respectively, generates internal rates of return of 68% (pre-tax) and 51% (after-tax). The Company is working towards further revisions that may include the supply of ultra-high grade anthracite into specialty markets at prices significantly greater than those received for anthracite from the steel-making industry. The PFS revision will also seek to include additional mineable sections from the S70 and S40 seam but also importantly the expansion of the mine plan into newly developed areas and the inclusion of additional seams not currently included in the mine plan. The PFS revision will also look at optimisation for coal handling and storage and loading/unloading at the Stewart Bulk Terminals. These revisions to the PFS may also provide higher levels of confidence on capital estimates.

The Company is in discussions with respect to off-take contracts and is building stronger relationships with key steel and specialty metal producers.

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.

Environmental studies continue to advance with a number of weather monitoring stations installed, groundwater hydrology studies, hydrogeological studies, gas desorption testing and wildlife surveys.

Atrum owns 100% of four 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 12,900 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 of anthracite to semi-anthracite rank, in accordance with Section 17 and Section 38 of the JORC Guidelines 2012.

The Exploration Target quantity and quality is conceptual in nature. There has been insufficient exploration to define a mineral resource and it is uncertain if further exploration will result in the Exploration Target being delineated as a mineral resource.

This Exploration Target has been estimated using an estimate of 5 – 7 coal seams, with an average thickness of 1 m in an area of 4,457 hectares, equivalent to the area of the Jet Gold licenses and an RD of 1.6 gm/cc, discounted by 35%. Historical exploration completed at the Naskeena project includes 8 trench samples taken in 2006 together with historical drilling completed by Jet Gold, which drilled 16 diamond core drill holes in 2007 and a further 9 diamond core drill holes in 2008.

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. The Company has also acquired the historical exploration database relating to the Naskeena project.

Subject to the receipt of the necessary permits and approvals, the Company plans to undertake a drilling program at Naskeena aimed at twinning some of the historical drill holes to confirm coal seam thickness and coal quality. This additional information will also assist the Company in confirming the Exploration Target with a view to using modern exploration techniques to convert a part of the Exploration Target into a mineral resource in accordance with JORC 2012 guidelines.

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 17 of the JORC guidelines)* and is prospective for coking coal.

The Exploration Target quantity and quality is conceptual in nature. There has been insufficient exploration to define a mineral resource and it is uncertain if further exploration will result in the Exploration Target being delineated as a mineral resource.

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.

The Panorama project (**Panorama**) consists of 13 granted coal licenses and 14 coal license applications totaling 38,541 hectares of contiguous tenure. The Company's initial strategy for this project was to include it in the assets being demerged into Kuro Coal Limited. However, the Board now considers that this project presents strategic opportunities that are best suited to the Atrum Coal group of companies. The Panorama project hosts the only other known outcrop of the Groundhog Coalfield and is believed to be prospective for high grade anthracite. The Company recently received a granted Notice of Work for exploration activities at Panorama.

Atrum Coal NL – Project Location Map

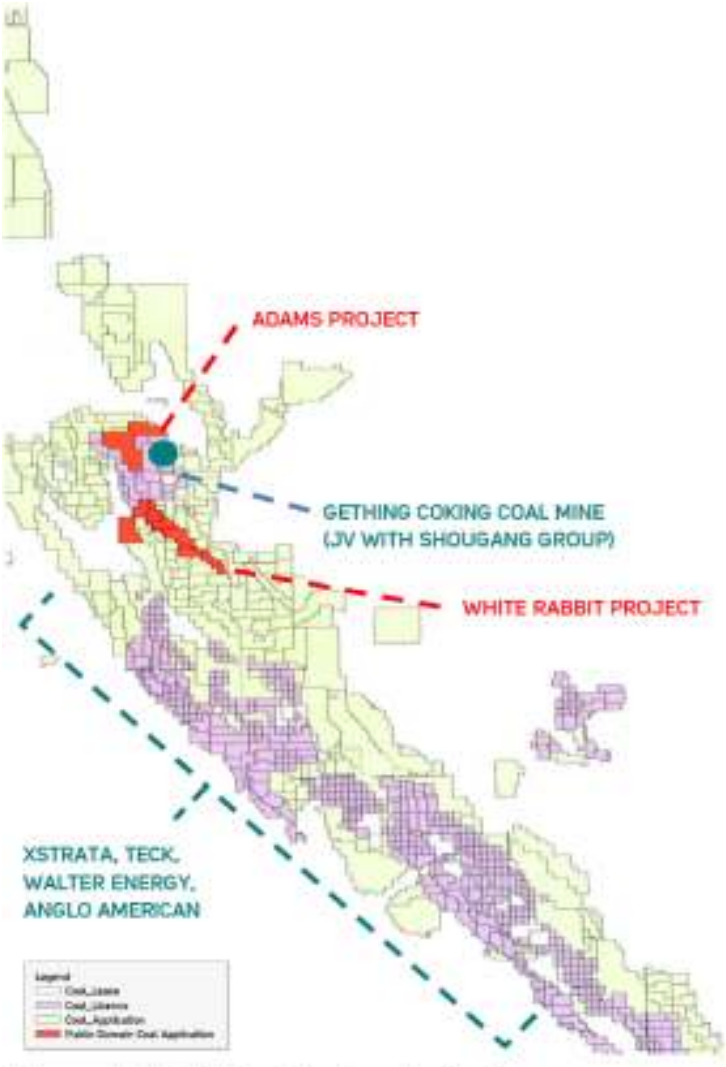
In addition to the four wholly-owned metallurgical coal projects, Atrum also holds an option to acquire the Adams and White Rabbit Coal Projects, located in the Peace River Coalfield, British Columbia.

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

CORPORATE

During the year:

(i) 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, completed during the year. Dr. Lilford was previously Non-Executive Technical Director.

(ii) 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.

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

(iv) 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.

(v) 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. Throughout the remainder of the financial year, the Company incorporated the spin out vehicle "Kuro Coal Limited", and was engaged in developing a complementary and suitable portfolio of assets for the spin out. As at the date of this report, the Group had finalised the suite of demerger assets with the joint venture over the Elan Coking Coal Project, based in Alberta, Canada, which was announced to the ASX on 3 September 2014. The Company now believes that Kuro Coal Limited possess a balanced asset portfolio from which to complete its IPO and listing on the ASX.

(vi) On 5 November 2013 the Company announced the successful completion of an $18.5 million capital raising. On 14 November 2013, due to excess demand, the Company issued a total of 13,399,592 shares at $1.40 per share to raise a total of $18.8 million.

(vii) In February 2014, the Company appointed Shane Uren as Chief Environmental Officer and Rob Mitchell as Infrastructure Business Development Manager.

(viii) On 7 March 2014, the Company announced that it had been included in the All Ordinaries Index of the ASX.

(ix) On 1 May 2014, Kuro Coal Limited appointed Mr Andrew Phillipps to the board as a non-executive director.

(x) On 6 May 2014 the Company released the results of its Pre-feasibility Study ("PFS"). The PFS demonstrated robust indicative economic net present values of $2.1 billion (pre-tax) and $1.3 billion (after-tax). The study incorporated only two of the known coal seams present at Groundhog, and relates to an area of less than 5% of the Groundhog project licenses held by Atrum.

(xi) On 20 May 2014, the Company announced that it had completed the phase 1 portal drilling at the bulk sample location for the Groundhog project.

(xii) On 2 June 2014, the Company appointed Peter Doyle as VP Marking and Business Development. In addition, Kuro Coal Limited appointed Mr John Wasik to the board as a non-executive director.

(xiii) On 5 June 2014, the Company appointed Ben Smith as VP Operations. In addition, the Company appointed Rick Greene as Project Manager (Mining Operations).

(xiv) On 17 June 2014, Mr Russell Moran (Executive Director), Mr James Chisholm (Chairman) and Mr Gino D'Anna (Executive Director) converted a total of 19,662,140 partly paid shares into fully paid ordinary shares investing an additional $3,930,855 into the Company. To date the Atrum Board has personally contributed more than $9 million in equity and working capital facilities over the past 12 months, demonstrating solid support for the Company and its future.

(xv) On 18 June 2014, the Company announced that it had received the granting of 4 additional coal licences at the Groundhog project, which have been included as part of the recent exploration program.

Subsequent to balance date:

(i) On 1 July 2014, the Company appointed Mr Cameron Vorias as an independent non-executive director.

(ii) In August 2014, the Company formed AMAC, the Anthracite Marketing Advisory Committee.

(iii) On 12 August 2014, the Company announced that it had commenced the stockpiling of anthracite on surface at the Groundhog project.

(iv) On 14 August 2014, the Company announced that it had concluded its maiden shiploader trials at the Stewart Bulk Terminal which demonstrated the efficiency of the existing equipment and the ability to load and transport high grade anthracite at the port.

(v) On 22 August 2014, the Company appointed Mr Steven Boulton as an independent non-executive director.

(vi) On 18 September 2014, the Company appointed Mr Theo Renard as VP Commercial.

PROJECT OVERVIEW AND ACTIVITIES SUMMARY

Atrum Coal is an Australian-based anthracite developer and near term producer 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, the Naskeena Coal Project and the Panorama Coal Project, each located in British Columbia, Canada. In addition, the Company retains an option to acquire the Adams and White Rabbit projects located in the Peace River Coalfield.

Through its wholly owned subsidiary, Kuro Coal Limited, which is to be separately listed on the ASX under the code "KCO", the Company also has a joint venture to earn a 70% interest in the Elan Coking Coal project, located in Alberta, Canada.

Each of the Company's projects is 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 initial project focus due to its relative

(i) abundance of high quality coking and metallurgical coal;
(ii) well developed rail and port infrastructure with excess capacity;
(iii) access to deep sea ports;
(iv) competitive shipping distance to Asia; and
(v) positive government stance on mining.

The Company's flagship 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 45 granted coal licenses and 33 coal lease applications covering an area of approximately 81,616 hectares and possesses a **1.57Bt JORC Measured, Indicated and Inferred resource**.

The table below provides a breakdown of the JORC resource according to the necessary classifications:

	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)
Groundhog Anthracite Project	16Mt	553Mt	998Mt	1,567Mt

The indicative quality specifications for the anthracite developed at the Groundhog project which is applicable to each of the resource classifications outlined above and compared to global indicative specifications is outlined below:

	Groundhog Anthracite Project (adb)	High-Grade Anthracite (adb)	Ultra-High Grade Anthracite (adb)	Chinese BF Coke (adb)
Moisture	<2%	15% (max)	13% (max)	12% (max)
Ash	10 - 12%	15% (max)	12% (max)	12% (max)
Volatiles	4 - 5%	10% (max)	5% (max)	2% (max)
Fixed Carbon	82 - 95%	75% (min)	80% (min)	86% (min)
Sulphur	0.4 - 0.7%	1% (max)	0.6% (max)	0.6% (max)
HGI	45 - 65			
Gross CV (kcal/kg)	7,200 – 8,000			
Classification	Ultra-High Grade / High Grade	Metallurgical Coal	Metallurgical Coal	Metallurgical Coke

The Company also retains 100% ownership of three exploration projects. The Exploration Targets in accordance with Section 17 of the JORC Code (2012) 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 AND ACTIVITIES SUMMARY

The Groundhog Anthracite Project (**Groundhog**) 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. At the time the Company first acquired the Groundhog project, it comprised 22 granted coal licenses covering an area of 13,776 hectares and 4 coal licence applications covering an area of 9,039 hectares, providing a total land holding of 22,815 hectares.

During the exploration season completed in 2012 and 2013, the Company undertook significant drilling at Groundhog covering both regional / exploration drilling across the project and infill drilling in the North West area of Groundhog. This was further complemented by additional coal quality analysis to further enhance the Company's understanding of the use and quality of the anthracite developed at Groundhog.

In January 2014, Atrum expanded upon its footprint in BC, through the acquisition of a further 11 coal licence applications from Panstone Mines and Minerals Ltd. This footprint was further expanded in September 2014 when the Company acquired a further 20 granted coal licences and a further 1 coal licence application from Anglo Pacific Group PLC, which covered an area of 10,235ha within the Groundhog and Panorama Coalfield.

In July 2014, Kuro Coal Panorama Inc. acquired an additional 10 coal licence applications covering an area of 13,787ha from Panstone Mines and Minerals Ltd. This acquisition complemented the existing land holding in the Panorama coalfield held by Kuro Coal Panorama Inc. which covered an area of 18,375ha. This has provided the Company with a total footprint in the Panorama coalfield of 33,012ha.

In addition, the Company received confirmation from the British Columbia Mines Department that Groundhog coal licence application 417980 (tenure number 418443), 417981 (tenure number 418444), 417994 (tenure number 418445) and 417993 (tenure number 418446) had been granted and converted to coal licences following consultation with local community, First Nations and ministerial stakeholders. This increases the total granted tenure at Groundhog by an additional 5,454 hectares.

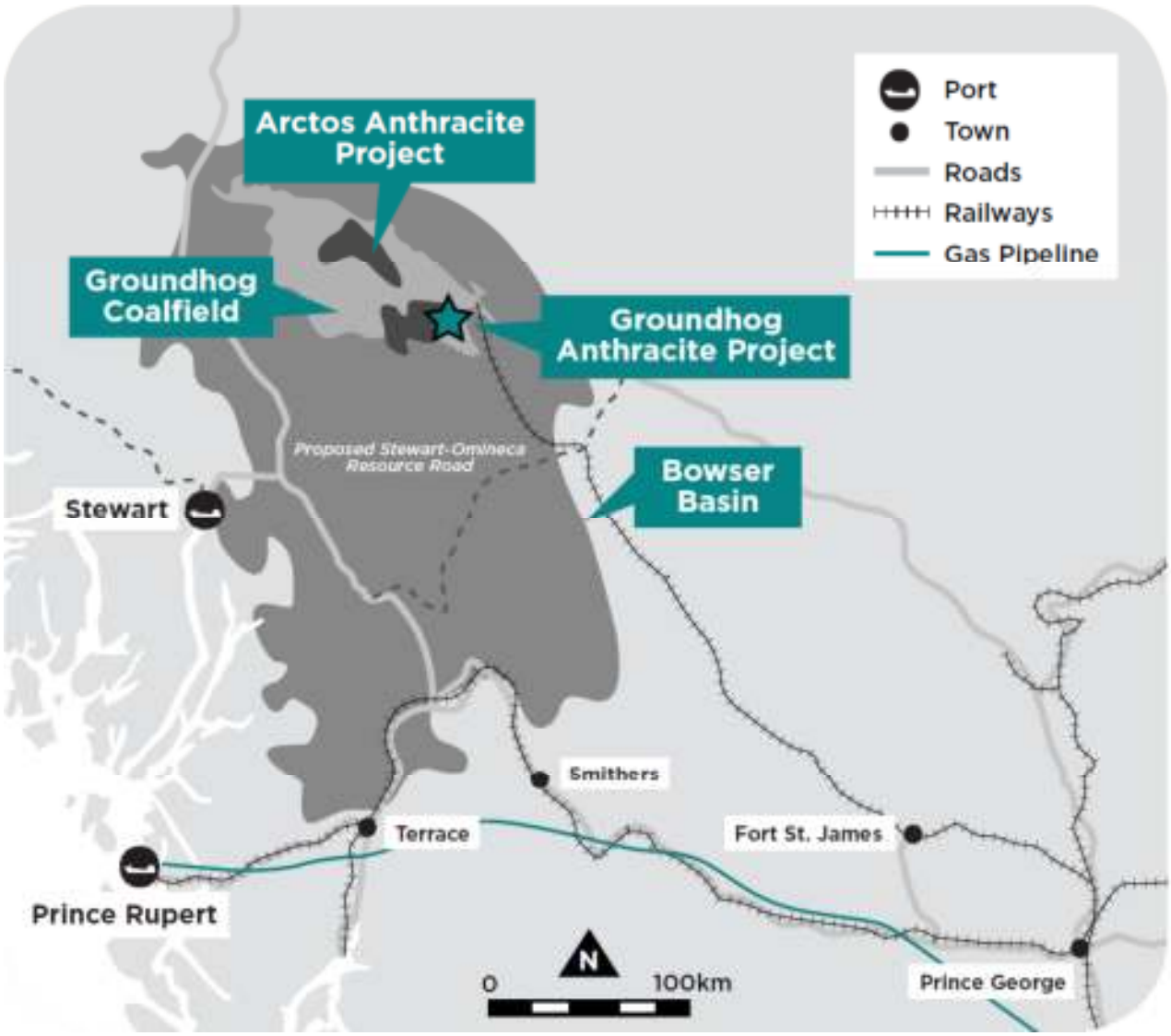
The Groundhog Anthracite Project (**Groundhog**), including Panorama, now comprises 45 granted coal licences and 33 coal licence applications covering an area of 81,616 hectares.

Groundhog is prospective for ultra-high grade anthracite suitable for application to the steel and ferro-alloy industries.

The Groundhog project is located in close proximity to key mining infrastructure including rail, port, road, power and water facilities. A rail easement or 'right-of-way' completed by the British Columbia Railway ("BCR") foundation runs adjacent to the project for approximately 30km southwards. At this point it connects with existing rail, at the Minaret Terminus, and continues on to the dedicated coal terminals at the deep sea ports of Prince Rupert and Port Metro Vancouver.

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.

CN Rail operates under a long term lease arrangement with BCR, and operates the rail line between Prince George and Port of Prince Rupert and on the Dease Lake Line to Minaret.



Groundhog Anthracite Project – location map

ANTHRACITE RESOURCES

The JORC resources at Groundhog are currently 1.57Bt, as summarised in the table below:

JORC Category	Upgraded Resource (Mt)
Measured	16
Indicated	553
Inferred	998
Total	**1,567Mt**

JORC Resource at Groundhog

Anthracite resource estimation parameters:
- 0.3m seam thickness cut-off
- 100m river setback

Groundhog is amenable to both shallow adit / underground and 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

ANTHRACITE QUALITY

The anthracite quality results received from the 2013 and 2014 PFS / infill drilling program at Groundhog were excellent and are in line with 2012 results. Wash yields on the anthracite produced at Groundhog range from 57% to 83% for a range of potential ultra-high grade and high grade anthracite, and ultra-low volatile PCI products.

Sub 10% ash anthracite lumps and fines target product mix for the bulk sample is expected to achieve yields of >57% (with further optimisation expected), very low inherent moisture, volatile matter content of less than 5%, fixed carbon in excess of 84% and low sulphur content (~0.6%).

Anthracite quality results at the two preferred bulk sample locations, based on 2013 data, is shown in the table below and clearly demonstrates ultra-high grade anthracite:

	Groundhog Anthracite Project (adb)	High-Grade Anthracite (adb)	Ultra-High Grade Anthracite (adb)	Chinese BF Coke (adb)
Moisture	<2%	15% (max)	13% (max)	12% (max)
Ash	10 - 12%	15% (max)	12% (max)	12% (max)
Volatiles	4 - 5%	10% (max)	5% (max)	2% (max)
Fixed Carbon	82 - 95%	75% (min)	80% (min)	86% (min)
Sulphur	0.4 - 0.7%	1% (max)	0.6% (max)	0.6% (max)
HGI	45 - 65			
Gross CV (kcal/kg)	7,200 – 8,000			
Classification	Ultra-High Grade / High Grade	Metallurgical Coal	Metallurgical Coal	Metallurgical Coke

A comparison of the potential anthracite specifications (notably carbon) at Groundhog with Chinese BF Coke, which is an essential input into blast furnace steel production, indicates an exceptional product on all specifications. High grade and ultra-high grade anthracite is a widely used input in the steel manufacturing process replacing between 10% and 30% of metallurgical coke used in the blast furnace.

Anthracite is also used in the manufacture of specialty steels and alloys, electric arc furnaces, ore sintering, charge carbon, reductant and cathode pastes as an alternative to graphite.

COMPLETION OF SEISMIC PROGRAM

A seismic program consisting of 9 lines for a total of 9,350m of "shallow focus reflection seismic survey" was completed within the North-West zone of Groundhog during the financial year.

The purpose of the seismic program was to:

- define the structural form of the anthracite seams;
- assist as a predictive tool for further drilling and mine planning; and
- define the depth of unconsolidated material and anthracite seam sub-crops (where the seams come to surface and meet the unconsolidated overlying surface material).

The quality of the data collected was excellent and preliminary processing shows good reflectors at depth, confirming the general structural interpretation in the North-West zone of Groundhog. Reprocessing is ongoing to focus on specific horizons, including very shallow features to map the depth to bedrock and clearly delineate anthracite seam surface traces.

ENVIRONMENTAL AND GEOCHEMICAL STUDIES

Knight Piésold Consulting continued hydrology testing to support the bulk sample and transition to small scale mining and into commercial production. Knight Piésold has installed vibrating wire piezometers and pressure transducers / data loggers and is continuing the collection of the groundwater samples from the monitoring wells. Groundwater samples from the wells are being taken on a regular basis monitoring any seasonal changes, with the results being analysed to facilitate long term mine management.

In addition, SRK Consulting continued with the geochemical characterisation and hydrogeologic model. The results of the geochemical characterisation program will assist in the finalisation of the environmental management plan for Groundhog to ensure mining occurs in an environmentally-sound manner.

COMPLETION OF DRILLING FOR EARLY 2014 FIELD SEASON

The early 2014 field season drilling program was completed during late April 2014 at the Groundhog Anthracite Project (**Groundhog**). The program was designed to delineate the strike of the main structure of the key seam S70. The Company continues to map the extent of the sub-crop and further enhance confidence around the portal and bulk sample locations where it plans to extract up to 100,000t of anthracite.

This early drilling program consisted of a combination of open rotary holes and cored holes with approximately one in every four holes being targeted for coring.

Each drill hole was positioned to:

- Confirm the depth and thickness of the S70 seam and increase the confidence in the geology / structural model to progress with bulk sample mine construction;
- Categorise the material above the target S70 seam including other coal seams, consolidated material and unconsolidated surficial material;
- Run an extensive suite of geophysical logs including density, neutron, gamma, dipmeter, sonic, and possibly televiewer assessments; and
- Categorize the stratigraphy of the S70 seam and S40 seam.

The cored holes were selected to ensure that:

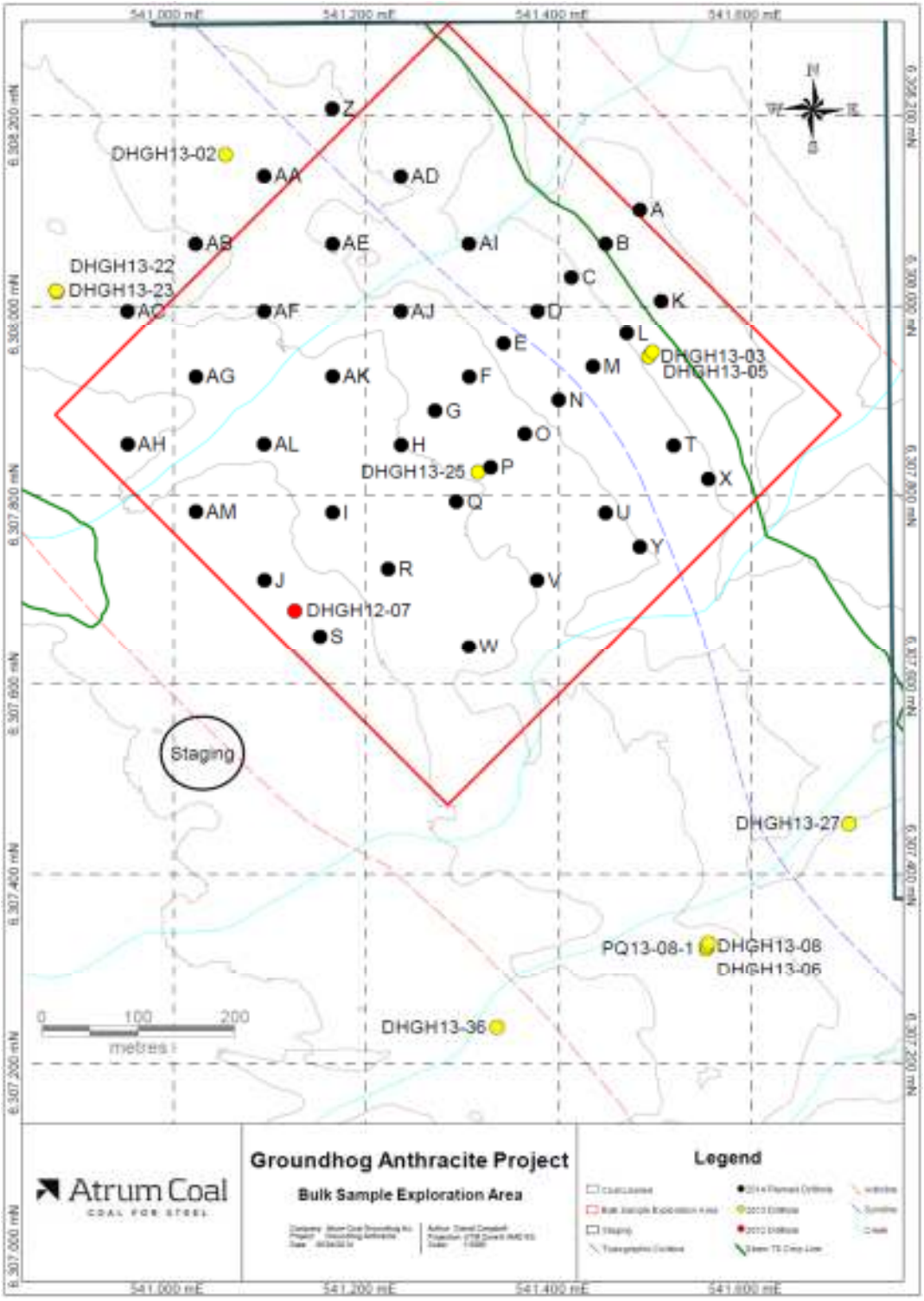
- They are fully described, photographed and sampled as required;
- At least three coal seam intersections are sampled for coal quality analysis, to deliver at least 5kg samples of quality anthracite from the target S70 seam to assist ongoing coal marketing and offtake discussions; and
- A representative selection of cored holes will be forwarded for additional geotechnical and geochemical testing.

In late March 2014, the Company completed its ground based seismic program designed to model the different coal seams above and below the key S70 seam based on the different densities and conductivity attributes of each seam.

This data was used in conjunction with the geophysical logs of the early drilling program to enhance the geological confidence around the proposed portal locations for the bulk sample.

Following completion of this concentrated drilling program, the Company ramped up its full summer drilling program in June 2014.

The following map identifies the locations of the drill holes which were completed within the planned bulk sample location in the north-west zone at Groundhog.



COMPLETION OF PHASE 1 PORTAL DRILLING AT GROUNDHOG

Following completion of the pre-production drilling program and contemporaneous with the bulk sample program, the Company relocated the drill rigs to undertake a combination of mine plan drilling as well as drilling on newly granted coal licences where further resource upside had been identified. The phase 1 portal drilling program included six HQ cored drill holes for a total distance of 714m ranging from 50m to 115m in drill depth. These were drilled in the bulk sample mine plan area and access portal location.

All holes were photographed as well as geophysically and descriptively logged for lithology and geotechnical purposes.

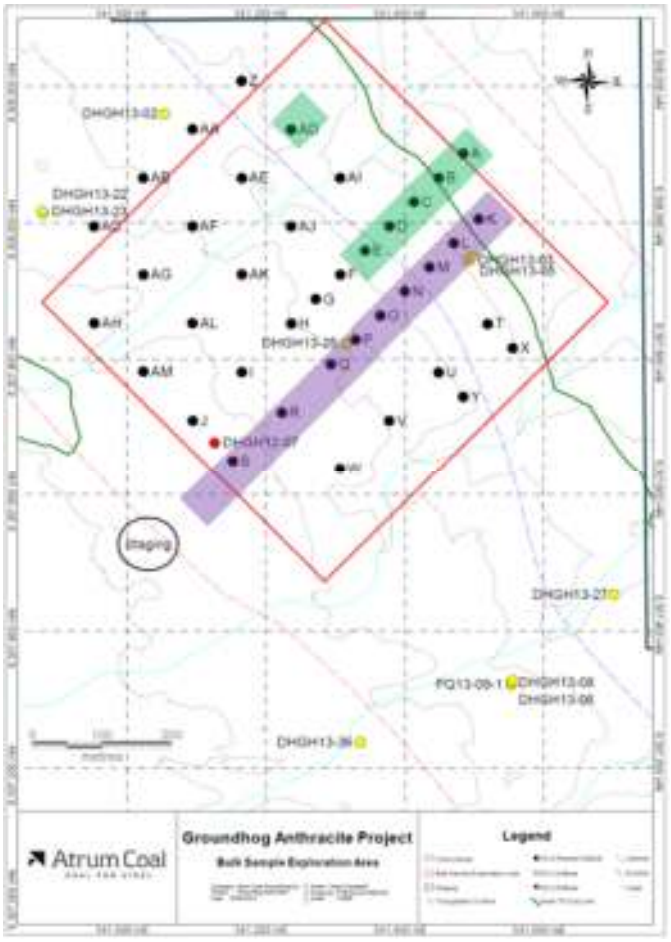
Samples were collected for anthracite quality and geotechnical analysis. A total of 18 geotechnical samples, including roof and floor samples, and 109 anthracite seam samples were submitted to ALS laboratory in Canada for quality and roof/floor geotechnical analysis.

Geophysical logging included acoustic televiewer and sonic assessments, to provide detailed geotechnical characterisation which will increase understanding of the roof and floor conditions immediately above and below the target S70 seam, enabling the Company to finalise its portal design specifications for the bulk sample.

Seam S70 was encountered at shallow depths ranging from 3.3m to 26m below surface with no evidence of oxidisation. Phase 2 portal drilling commenced at the end of May 2014 and tracked the seam S70 in a dip direction to the west within the bulk sample area. Within this area and its immediate surrounds, and based on our most recent results, seam S70 thicknesses range from 1.25m to 4.7m and average 2.13m, which is an excellent result for mine planning purposes.

The map (right) identifies the locations of the drill holes both completed (under **phase 1**) and planned (under **phase 2**) within the bulk sample location in the north-west zone at Groundhog.

The drilling program continued to fully define the bulk sample area in the summer program.



Portal and bulk sample drilling plan (completed & planned)

MOBILISATION OF HEAVY EQUIPMENT TO GROUNDHOG SITE

The Company mobilised heavy equipment to the staging platform in the North-West zone at Groundhog, including an articulated dump truck, excavator and dozer. The equipment was used to complete mechanical trenching.

The Company has also received approval to complete mechanical trenching near the bulk sample location under its extended Notice of Work.

Trenching and portal development machinery

IDENTIFICATION OF BULK SAMPLE LOCATION

The geological model at Groundhog has been updated to include seam correlation and anthracite quality interpretation of exploration results from the 64 diamond drill hole program completed in 2013.

Drilling targeted the thicker, near surface, higher quality S70 coal seam in the north-west zone where initial production is anticipated to commence with extraction of up to a 100,000 tonne bulk sample. The bulk sample permit application at Groundhog is nearing finalisation with lodgement expected to take place in the coming weeks.

The mine design and associated mine plan for the bulk sample is complete, utilising a simple room and pillar mining method accessed through an adit to provide the Company with a low-capital entry to production. It is likely that the adit will double as the access point for the commencement of small scale mining and future commercial production.

The preferred location of the bulk sample has been identified on the basis of seam thickness, anthracite quality, structural geology, shallow floor dip, ease of access and high product yield.

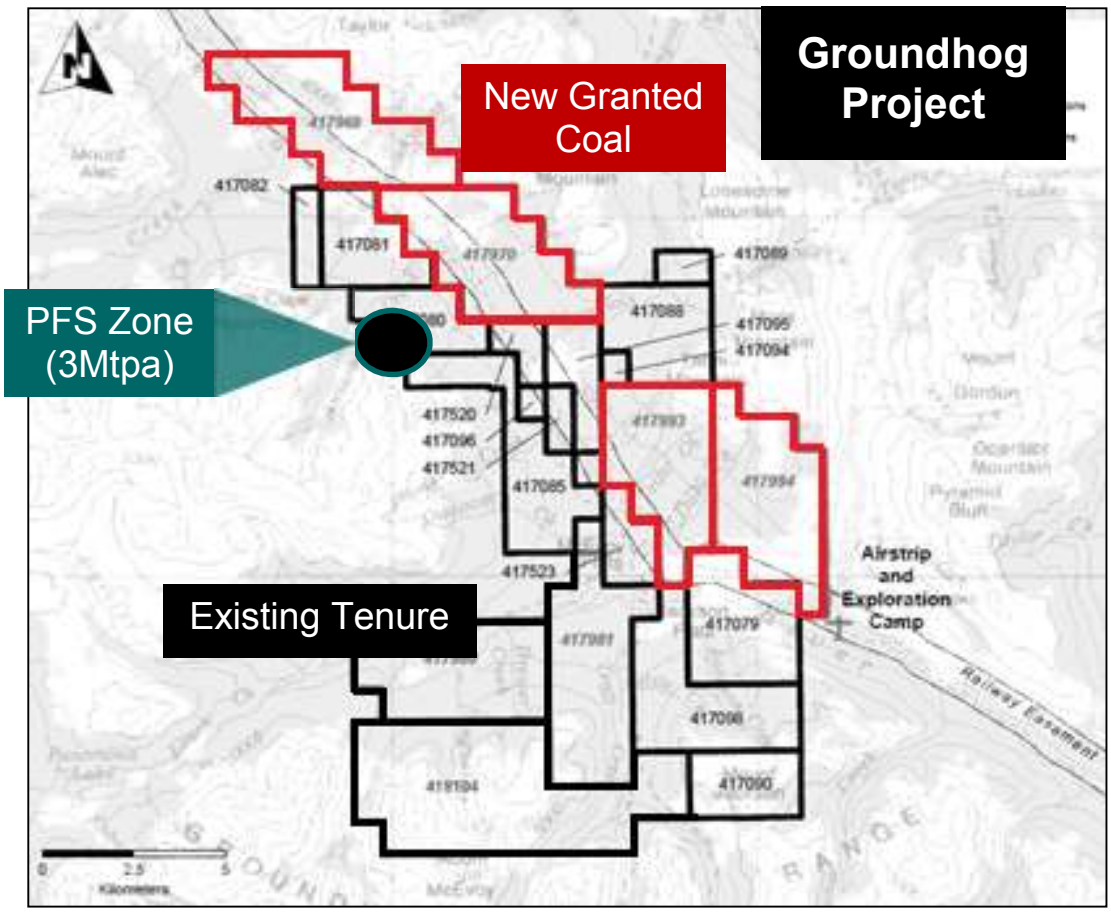
ATRUM COAL RECEIVES GRANT OF ADDITIONAL COAL LICENCES

During the financial year, the Company received approval from the BC Ministry of Energy and Mines in relation to the granting of additional coal licences at the Groundhog Anthracite Project, located in British Columbia, Canada.

The additional coal licences granted at Groundhog offer Atrum the opportunity to increase the anthracite inventory. Recent PFS results focused on only two of more than twenty anthracite seams in an area representing less than 5% of the total Groundhog Project. Longer term, we will seek to identify further areas at Groundhog, including the areas recently granted, that can provide low impact, mine expansion opportunities.

The newly granted coal licences are contiguous with the current coal licences at Groundhog and were approved following detailed consultation with the Tahltan and Gitxsan First Nations.

The map below illustrates the four additional licences that have recently been granted.



Groundhog Anthracite Project Tenure Map

A Notice of Work (**NoW**) had already been approved which enabled the Company to commence drilling on these licences.

Atrum owns 100% of a total of 45 coal licences and 33 coal licence applications at Groundhog. The Company incorporated these newly granted licences into its broader 2014 exploration program.

The Company also received approval from the BC Ministry of Energy and Mines to construct ground access trails at Groundhog. Drilling continues at the Pre-Feasibility Study site with encouraging results in terms of anthracite seam thickness and yields.

GROUNDHOG PRE-FEASIBILITY STUDY (PFS)

The PFS was independently authored by Valzan Pty Ltd (Valzan) and includes independent financial modelling undertaken by Deloitte Touche Tohmatsu. A summary of results is tabled below:

Production		
Anthracite ROM – North West Area	Mt	87.4
Life of Mine ROM Production – North West Area	Mt	75.0
Life of Mine – North West Area	Years	16
ROM Production Rate (Peak)	Mtpa	5.4
LOM Yield	%	60
Anthracite Lumps Production – LOM / Annual (ROM)	Mt / Mtpa	39.3 / 2.62
Anthracite Fines Production – LOM / Annual (ROM)	Mt / Mtpa	35.7 / 2.38

Source: Valzan

Capital Expenditure		
Mining Equipment (Contractor)	US$M	N/A
Water and Waste Management Facilities (Initial)	US$M	14.7
Office Buildings / Man Camp / Portal Facilities (Leased)	US$M	N/A
Surface Infrastructure	US$M	52.4
Coal Haulage Road	US$M	47.6
Mains Power Transmission Infrastructure	US$M	52.0
Clean Coal Storage Silo / Conveyor System / Truck Dump (Leased)	US$M	N/A
CHPP (under BOOT)	US$M	N/A
Waste Management Expansion (funded from Free Cash Flow) – Year 7 and Year 12	US$M	34.9
Mine Closure (funded from Free Cash Flow)	US$M	22.8
CAPEX Responsibility Scenario		
Pre-Production Capital – Atrum (2014 requirement)	US$M	10.0
Ramp-up Production Capital – Atrum	US$M	67.1
Infrastructure Capital – Atrum Infrastructure & Logistics (Low-High Range)	US$M	100-154

Source: Valzan

Operational Expenditure		
Mining (Owner Operator v Contractor basis)	US$/Product t	47.3 - 70.9
Processing (BOOT arrangement)	US$/Product t	8.2
Waste and Water Management	US$/Product t	1.2
Haulage / Transportation	US$/Product t	17.1
Port Handling Charges (Contractor basis)	US$/Product t	5.9
Power Consumption Charges	US$/Product t	4.1
Site Administration & Marketing	US$/Product t	3.0
Legacy Production Royalty (ex-mine gate)	%	1.0
Long Term FOB costs including royalty (Contractor / Owner Operator Basis)	US$/Product t	87

Source: Valzan - US$/Product tonne based on the road and power infrastructure CAPEX being funded by Atrum Coal NL

Financial Summary		
Average weighted anthracite sales price	US$/Product t	194
NPV_8 (nominal/pre-tax)	A$M	2,063
NPV_8 (nominal/post-tax)	A$M	1,256
IRR (nominal/pre-tax)	%	67.6
IRR (nominal/post-tax)	%	51.4

Source: Financial Model - based on the road and power infrastructure CAPEX being funded by Atrum Coal NL

PFS BACKGROUND

Atrum commissioned leading Australian-based mining and engineering consultants Valzan to carry out an independent PFS for the development of a steady-state 5Mtpa / peak 5.4Mtpa ROM operation at Groundhog. Although the deposit is shallow and amenable to large scale open-cut mining, in order to fast-track a low impact and low cost entry to production, an initial 'adit style' or 'cut and cover' underground mine methodology has been adopted.

The PFS is based on the underground mining of the S70 seam and the S40 seam in the north-west area of Groundhog, which represents less than 5% of the aerial extent of Groundhog and models only two seams out of a potential 20+ anthracite seams. Using bord and pillar roadway development and productive mini-wall mining techniques, an initial 87.4Mt of ROM anthracite has been defined with 75Mt of this modelled for extraction. Groundhog hosts a global JORC Resource of 1.57 billion tonnes of high grade anthracite.

Groundhog is located approximately 150km away from the deep sea port of Stewart where Atrum has secured 1.5Mtpa of port capacity under 'non-take or pay' terms at the existing Stewart Bulk Terminal and a further 5Mtpa secured under Memorandum of Understanding at the Stewart World Port (currently under construction).

Groundhog Anthracite Project – Location Map

PFS RESULTS

JORC Anthracite Resources

The anthracite resources contained within the north-west zone of Groundhog, as at 31 March 2014, are reported in accordance with the JORC Code 2012 and outlined in the table below. The relatively small focus area contains an estimated total resource of 305Mt of in situ anthracite with 128Mt of this resource contained in the main target seams, the S40 and S70 seams.

The resources contained in the north-west zone, according to JORC (2012) classification and category are outlined in the table below:

	Depth (m)	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)
Open Cut Mining	< 100	40.7	32.1	18.5	91.3
Underground Mining	> 100	59.4	97.0	57.5	213.9
Total by JORC Category		**100.1**	**129.1**	**76.0**	**305.2**

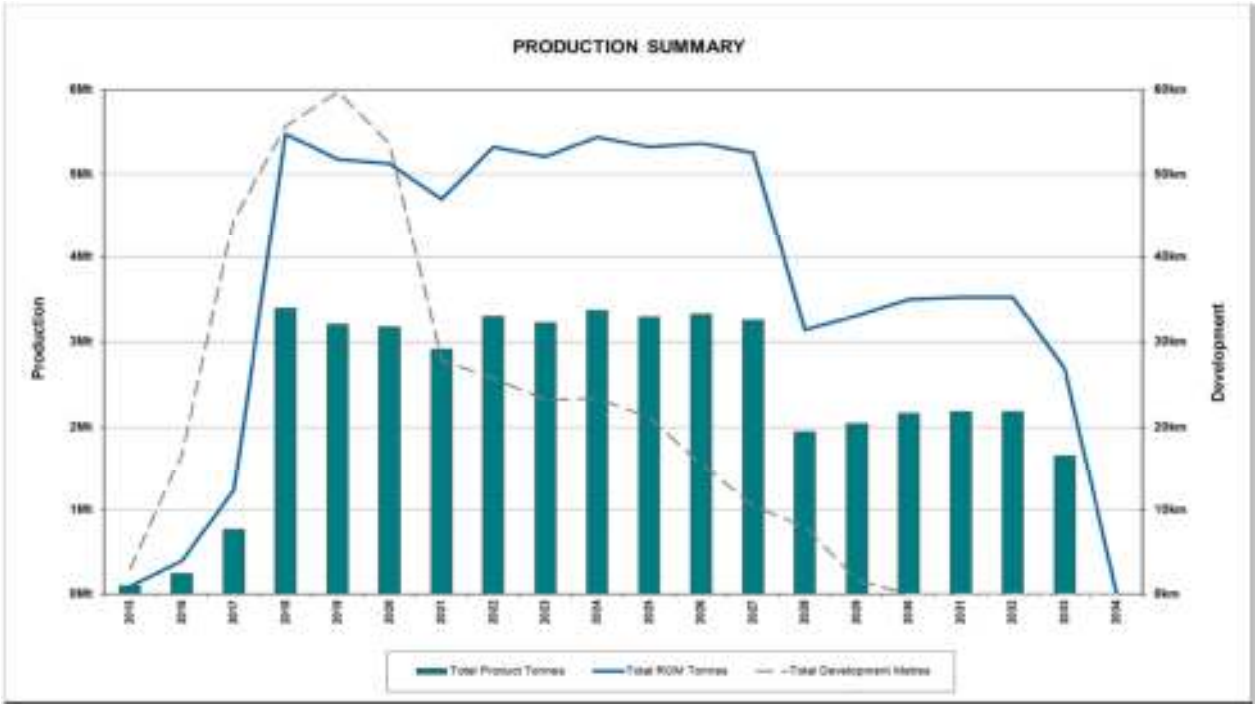
#Confidence in the estimate of 'Inferred' Mineral Resources is not sufficient to allow the results of the application of technical and economic parameters to be used for detailed planning in pre-feasibility studies, due to insufficient geological confidence. For this reason, there is no direct link from an 'Inferred' Mineral Resource to any category of Ore Reserve. Caution should be exercised if 'Inferred' Mineral Resources are used to support technical and economic studies.

Groundhog Anthracite JORC Resources – North-West Zone - Gordon Geotechniques

For the purposes of the PFS, a total of 87.4Mt ROM anthracite has been estimated to be contained in the north-west zone, of which 75Mt has been modelled and reflected in the ROM production schedule, meaning that an additional 12.4Mt remains as extractable anthracite, yet to be included in the production schedule from this small focus area.

Mining & Processing

The shallow underground mine, via an 'adit style' or 'cut and cover' portal, will utilise a system of mini-walls, conveyors, shuttle cars and dump trucks to mine and haul the anthracite. At peak production, the mine will produce approximately 5.4Mtpa ROM anthracite which, after washing through a coal handling and preparation plant (CHPP), is forecast to produce approximately 3.4Mtpa of product (or saleable) anthracite. The proposed production schedule including ramp up is outlined in the graph below:



PFS Production Schedule - Valzan

The mining and processing of anthracite at Groundhog requires the design and construction of purpose built facilities including:

- mine office and workshop facilities;
- a feed hopper, rock breaker and crusher;
- a CHPP with dense medium cyclones and concentrators;
- accommodation camp;
- fuel storage facilities;
- diesel power generators and associated electrical reticulation;
- clean anthracite stockpiling facilities;
- tailings and water treatment facilities;
- mine access road; and
- facility pads.

Coal Handling and Preparation Plant (CHPP)

The CHPP has been introduced as a two-phased approach designed to provide the project with flexibility in its ramp up and also its ability to produce tailored specialty anthracite products. The first phase of the CHPP is designed to process 2.5Mtpa ROM with the second phase designed to process an additional 2.5Mtpa ROM. The CHPP will be financed through an off-balance BOOT arrangement and will comprise an enclosed plant, stockpiles of ROM anthracite, product anthracite and coarse reject, feed and product conveyors.

The CHPP is to be located at the mine site in a centralised location which will service the two entry portals into seam S70 and the single entry into seam S40, with the final anthracite product trucked to the deep sea port of Stewart for seaborne export to Asia.

The CHPP has been designed to produce a sub-10% ash product with a composite make up of 52.4% high grade and ultra-high grade anthracite lumps across three size fractions and 47.6% high grade and ultra-high grade anthracite fines. The overall yield over the life-of-mine has been projected to be 60%.

As part of the pre-production phase and to enable the Company to wash anthracite on site as part of the small scale mining phase, a separate 400,00tpa wash plant will also be commissioned at Groundhog. This wash plant will be used to batch wash the specialised ultra-high grade anthracite which will then be supplied to the filter media, high tensile metals, cathode and electrode paste and pellet plant fuel markets. Prices for ultra-high grade anthracite in these markets range from US$1,000/t up to US$1,400/t.

Mine Site Infrastructure

Mine site infrastructure at Groundhog includes:

- office facilities located at the central mining industrial area;
- portal workshops located at the access / entry point of the S70 seam in the north and south location within the north west area;
- mine industrial area including the tailings storage facility, water treatment facility, clean anthracite storage facility and the sediment control pond;
- light vehicles for personnel transportation;
- mine and office personnel man camp; and
- site access roads.

Anthracite Haulage and Transportation

Clean anthracite will be transported from the mine site along a dedicated anthracite haulage road, which will connect with Highway 37, a provincially maintained highway, and continue south onwards to the deep sea port of Stewart Bulk Terminals.

The overall length of the road route, including the dedicated haul road is 219 km. Anthracite will be transported in B-double trucks with net carrying capacity of 50t. A single shift will see anthracite loaded onto the trucks through the truck load-out at the mine site, driven to Stewart Bulk Terminal, at which point it will be unloaded at the clean anthracite stockpile facilities.

Atrum will not be required to fund construction of the haul road. Instead, Atrum Infrastructure and Logistics (ATIL) will fund construction of the road and charge Atrum a service fee. ATIL will also seek secondary customers to charge for use of the road. The road is expected to double as a potential easement for the power line extension and if required, a new dedicated railway line to Stewart once production at Groundhog exceeds 'truckable' volumes. It is envisaged that ATIL will fund the construction and maintenance of any rail line, and will seek secondary customers for additional revenue. ATIL is currently in discussions with Atrum in relation to the infrastructure requirements for the development of the Panorama project.

The Company is assessing a number of options to fund ATIL, including an option to 'spin-out' the infrastructure unit through a public market transaction, where Atrum shareholders would receive a significant in specie stake. ATIL provides Atrum with a means of avoiding shareholder dilution by quarantining infrastructure capital expenditure and financing it in an external structure and simultaneously allowing Atrum to focus on its core activities, being mining, processing, marketing and selling anthracite.

The PFS results and the financial model have assumed that Atrum will fund the road infrastructure CAPEX associated with the mine site.

Power Infrastructure at Mine Site

Initially, Groundhog will use diesel generators to power the mine site, mining equipment and surface infrastructure.

Following the initial two years of operation, the Company will require a power transmission line to extend from Groundhog to the North-West Transmission Line (NTL) near Highway 37. The total length of the power transmission line is estimated at 103 km and will follow the road haulage route.

The NTL delivers low cost hydropower which is expected to save Groundhog US$10 million per annum in operating costs when compared to the sole use of diesel generators.

Atrum will not be required to fund the extension of the NTL. Instead, ATIL will fund construction of the power lines and charge Atrum an annual service fee. For cost efficiencies, the power lines will follow the easement created by the haulage road. ATIL may seek secondary customers for additional revenue, including Kuro Coal Limited.
The PFS results and the financial model have assumed that Atrum will fund the power infrastructure CAPEX associated with the mine site.

Port Optimisation and Anthracite Stockpiling Facility

As part of the PFS, the Company engaged a port and logistics engineering consultant to undertake a review of the current loading facility, including the ship loader and conveyor systems, and clean anthracite stockpiling area available at Stewart Bulk Terminal. The current facilities are capable of handling 1.5Mtpa with minimal upgrade.

The Company considered a number of options for expansion of the port facilities to efficiently handle larger volumes, well beyond the modelled annual anthracite throughput.

Atrum will not be required to fund any optimisation or upgrade associated with the port facilities. However, as an option, ATIL, SBT or Stewart World Port (SWP) could fund an optimisation including all engineering and construction and charge Atrum an annual service fee. If ATIL was to fund the optimisation, it could seek secondary port customers for additional revenue including Kuro Coal Limited and other mining operations in the region.

The PFS financial model includes an optimisation option with a CAPEX budget of US$54 million that could be applied to optimising the current ship loading system, conveyors and clean anthracite storage facilities.

Anthracite Product Suite and Quality

The PFS for Groundhog has been modelled on the assumption of four sized high grade and ultra-high grade anthracite products being 'Lumps', 'Large Nuts', 'Small Nuts' and 'Duff/Fines'. It is estimated that 52.4% of the anthracite produced at Groundhog will be made up of the three top sizes with the balance of 47.6% being Duff / Fines.

The overall yield at Groundhog over the life-of-mine is estimated at 60%. Indicative anthracite quality specifications for Groundhog are as follows:

Property	Value
Inherent Moisture (air dried)	< 2%
Volatile Matter (air dried)	3 - 6%
Fixed Carbon (air dried)	85-97%
Ash (air dried)	10%
Sulphur (air dried)	0.4 - 0.7%
HGI	45
Calorific Value (kcal/kg)	7,200 - 8,000
Classification	**HG/UHG**

Indicative Groundhog Anthracite Specifications - Valzan

Commencement of trial mining later this year will allow the Company further opportunity to refine its understanding of the anthracite quality at Groundhog.

Forecast Anthracite Pricing

Wood Mackenzie provided independent price forecasts for Groundhog's anthracite through the compilation of international trade statistics and benchmarks. For modelling simplicity and to be conservative, it was assumed that the three Lump size fractions of high grade anthracite command a uniform price in the global market, whilst the Duff / Fines material has a lower price due to the 'unsized' nature and application of the product. It is expected that with more detailed market research, higher prices could be achieved for individual sizes.

There is an opportunity for the Company to capitalise on significantly higher pricing for its sized anthracite products once specialty markets are defined and penetrated.

The opportunity for Atrum to supply ultra-high grade anthracite into the specialty markets including filter media, high tensile metals, cathode and electrode paste and pellet plant fuel presents additional significant upside for the project. Prices for ultra-high grade anthracite in these markets range from US$1,000/t up to US$1,400/t.

The anthracite market remains strong with high grade anthracite lumps currently trading at US$187/t compared to US$120/t for hard coking coal.

Current forecast prices (in 2014 real US dollar terms) FOB Western Canada, are as follows:

Year	Export Quality Coke (Benchmark)	Anthracite Lumps / Large Nuts / Small Nuts	Anthracite Duff / Fines	Blended Sales Forecast
2014	$330.6/t	$187.9/t	$123.9/t	$157.4/t
2015	$345.7/t	$202.0/t	$133.3/t	$169.3/t
2016	$352.7/t	$209.0/t	$138.2/t	$175.3/t
2017	$356.5/t	$214.1/t	$142.0/t	$179.8/t
2018	$358.0/t	$217.7/t	$146.9/t	$184.0/t
2019	$357.6/t	$220.3/t	$153.1/t	$188.3/t
2020	$357.0/t	$223.0/t	$159.5/t	$192.8/t
2021	$354.3/t	$224.8/t	$161.1/t	$194.5/t
2022	$349.9/t	$225.2/t	$162.0/t	$195.1/t
2023	$348.8/t	$227.9/t	$164.3/t	$197.6/t
2024	$345.8/t	$225.7/t	$165.9/t	$197.2/t
2025	$344.4/t	$224.7/t	$168.3/t	$197.9/t

Source: Wood Mackenzie 2014

Anthracite Uses and Applications

Groundhog anthracite can be sold into the steel manufacturing and specialty high tensile metals industries. Within these markets, high grade anthracite can replace between 10% and 15% of metallurgical coke requirements in a blast furnace and can be used as the sole input in an electric arc furnace. Recently, Atrum has been contacted by steel mills modelling higher replacement ratios. The market for these products is heavily supply constrained and Atrum is anticipating unconstrained seaborne demand.

In addition, the ultra-high grade anthracite produced at Groundhog can be used within the water filtration / filtration media sector, electrode and cathode paste and as a pellet plant fuel. These products command prices well over US$1,000/t (not modelled in this PFS).

Production Ramp-up Capital Funding

Atrum has multiple funding options for ramp-up production capital expenditure including:

- Offtake funding
- Conventional debt facilities
- A separately funded infrastructure company funding all infrastructure items (see 'ATIL')
- Atrum owns 100% of the Groundhog project and could consider direct minority investment in the project or into specific coal licences across the 38,000ha or 380sqkm Groundhog site.

Importantly, Atrum is well funded with cash at bank to deliver "first anthracite on ship" later this year.

Project Economics

The financial modelling indicates that when incorporating a nominal discount rate of 8%, the Groundhog project has a pre-tax NPV of approximately A$2.1 billion and a pre-tax IRR of 68%, assuming the road works and power capex is funded by Atrum rather than ATIL. The post-tax NPV and IRR is A$1.3 billion and 51% respectively. Total free cashflow is A$3.2 billion.

The following tables illustrate sensitivity analyses for the financial model:

Discount Rate	Post-tax NPV (A$M)
-2% / 6% (nominal)	1,564
Base Case / 8% (nominal)	**1,256**
+2% / 10% (nominal)	1,015

Source: Financial Model

Yield	Post -tax NPV (A$M)
-10% / 54%	993
Base Case / 60%	**1,256**
+10% / 66%	1,518

Source: Financial Model

Financial modelling was completed by Deloitte Touche Tohmatsu.

Given the magnitude of the Groundhog project, the fact that less than 5% of the aerial extent of the project has been modelled in this PFS, and that the PFS only models 2 of the 20+ anthracite seams, significant upside is expected to be presented.

EXPLORATION AT GROUNDHOG

Following completion of the Pre-Feasibility Study (PFS) within the North-West area of Groundhog, where initial production is expected to commence, the site activities has ramped up considerably with an intense drilling and extraction program.

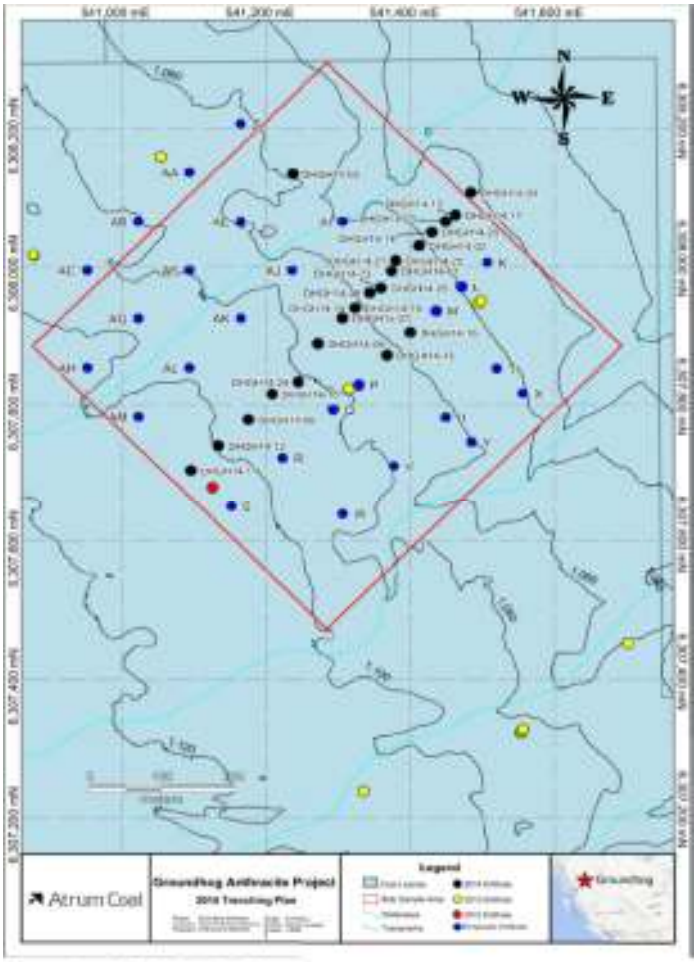
Close spaced diamond core drilling continues at Groundhog along section lines perpendicular to the strike of the main structure of the S70 seam as part of the portal development and main development headings. The Company continues to map the extent of the sub-crop and enhance understanding of the mine portal. A total of 28 diamond cored drill holes have been completed to date for this purpose within the portal area.

The map (right) provides an overview of the location of the drill holes that have been completed as part of the recent drilling campaign (black) as well as outlining the drill holes that are currently being drilled (blue).

The additional drilling is expected to be completed in the next six weeks with a large number of samples sent to the laboratory for proximate and ultimate analysis. This will add further anthracite quality data and help underpin the initial mine plan and marketing strategy.

Approximately 450 anthracite seam samples, including roof and floor samples, have been collected for quality analysis.

These samples have being sent to ALS' laboratory for weight, ash and moisture determination on a ply-by-ply basis. The returned information is then added to strip logs as it is received, which enables the Company to systematically update the mine plan and the geological model.



Groundhog 2014 Drilling Plan

Recent drilling data supports a structure which will allow the Company to expand a small scale shallow adit style underground mining operation within the portal area into a full scale mine.

Anthracite located in an S80 seam outcrop close to diamond drill hole DH14-06 has been extracted for customer samples and wash testing. Due to the homogenous nature of the Groundhog deposit, particularly in respect of 'coal rank', the S80 seam has comparable anthracite qualities to the S70 and S40 seam and provides an ideal source of Groundhog anthracite for customer testing. The S80 seam measured 4.7m at 3.3m depth. This represents potential upside for the PFS mine – Groundhog North.

The S70 seam has been encountered at depths ranging from 14m to 101m below surface with a net anthracite thickness ranging from 1.0m to 6.4m and averaging approximately 2.5m.

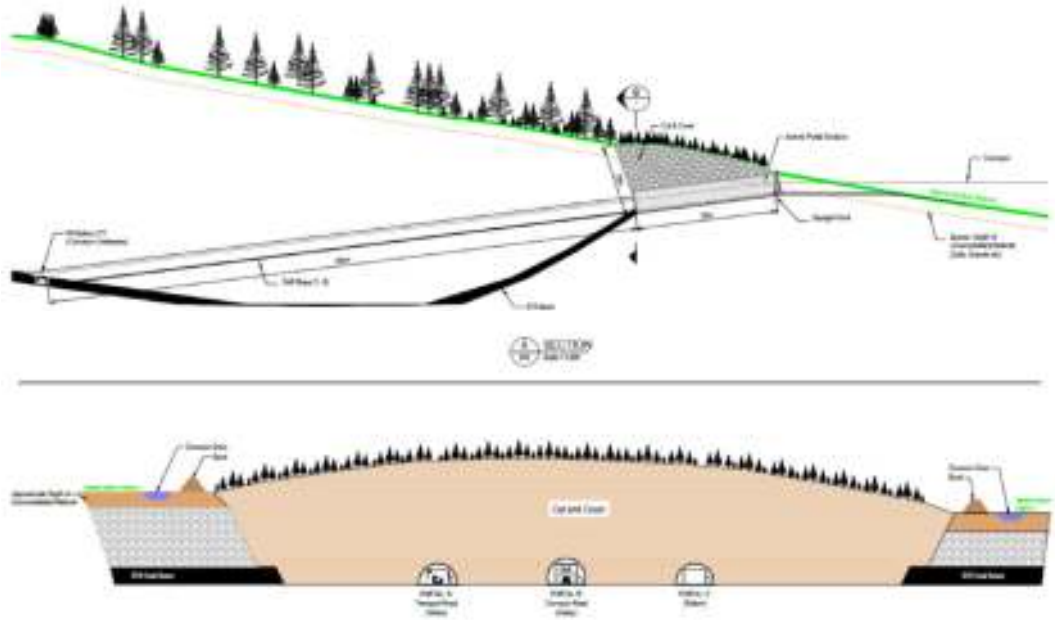
Recent drilling has identified a new opportunity in the S60 seam which has been encountered in several drill holes of significant thickness within the PFS and mine portal area, positioned between 30m and 50m below the S70 seam. The S60 seam ranges in drilled thickness from 0.4m to 6.4m and averages 2.5m of net anthracite. The Company is reviewing the potential inclusion of the S60 seam

as part of an expanded anthracite mining inventory in the PFS revision to allow for increased throughput during the initial phases of the Groundhog mine and ultimately amplified economics. The S40 seam has been encountered at depths between 195m and 276m below surface with net anthracite thicknesses as high as 11.0m. Drilling and anthracite quality testing continues to support the PFS mine plan.

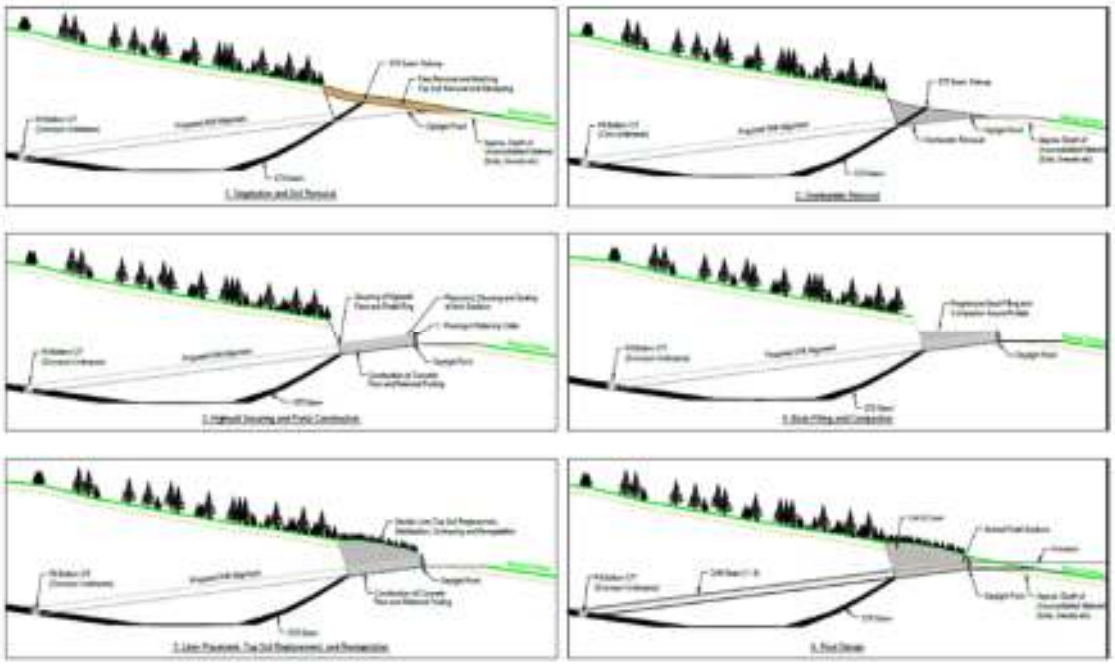
A regional drilling program is also currently underway at the Groundhog project designed to expand the global resources within the project area and delineate the extent of additional anthracite resources on untested regional targets, south and east of the current global anthracite resource, consistent with Atrum's view that Groundhog represents a regional opportunity, capable of multi mine development.

INITIAL PORTAL DEVELOPMENT

The following diagrams illustrate the portal development concept:

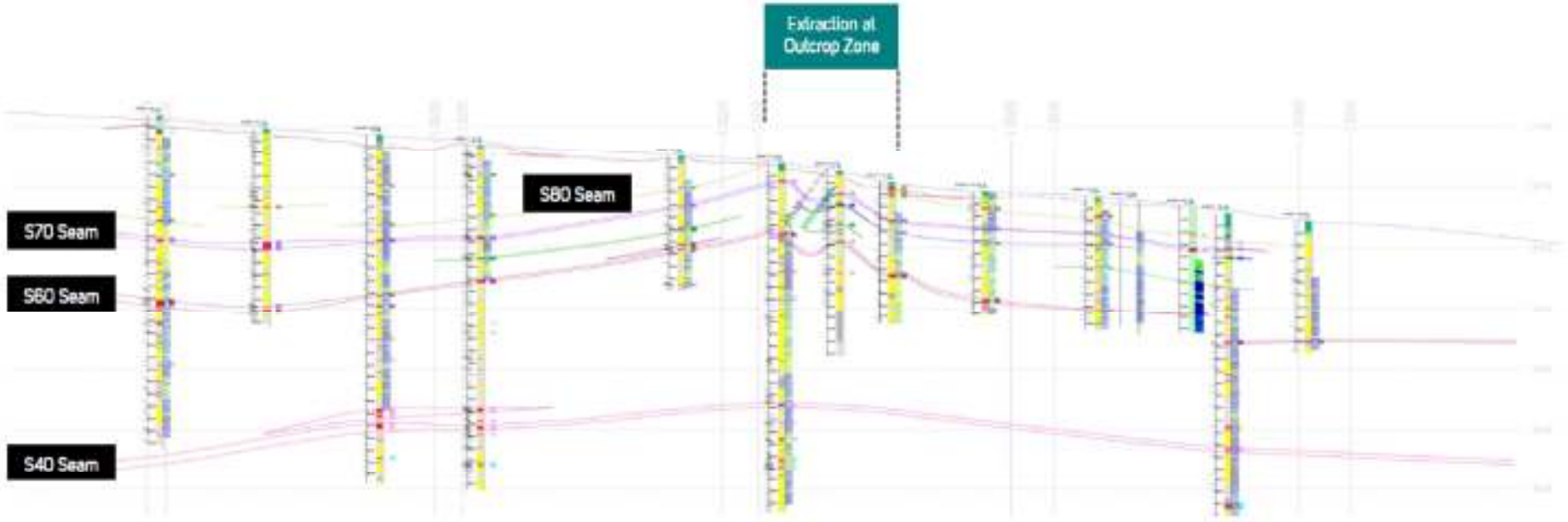


The following diagrams illustrate the portal development concept in stages:



PORTAL DRILLING AREA - CROSS-SECTION

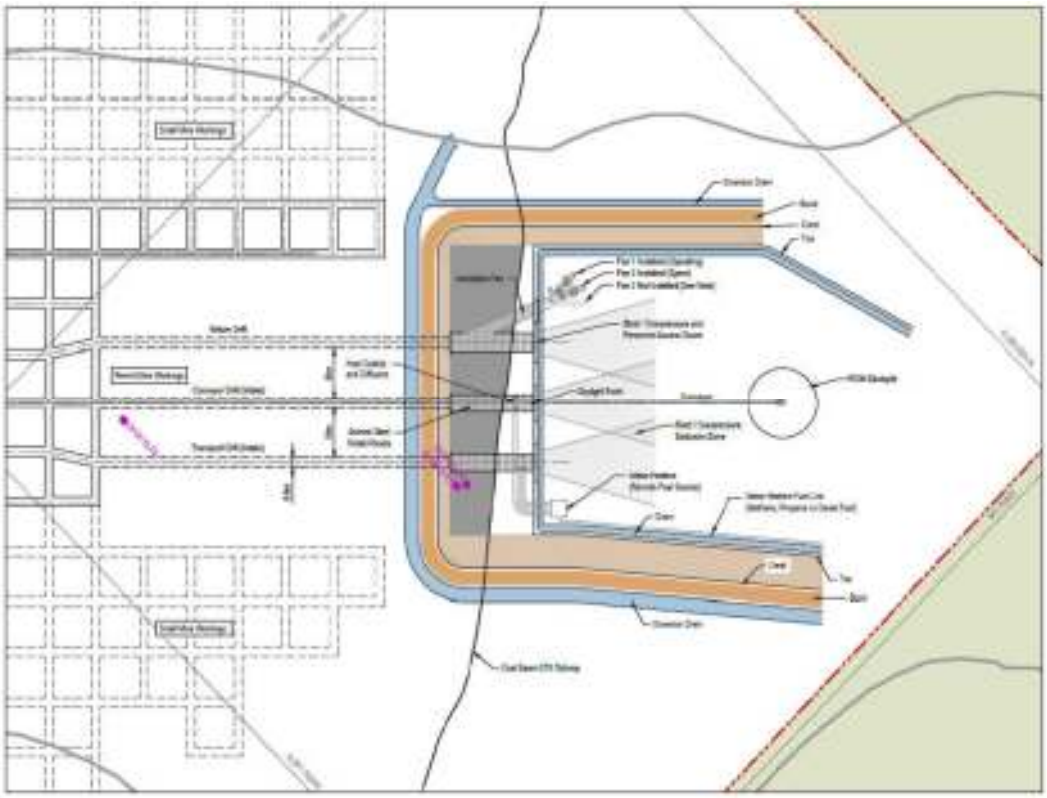
The diagram below provides a representative cross section within the portal area:



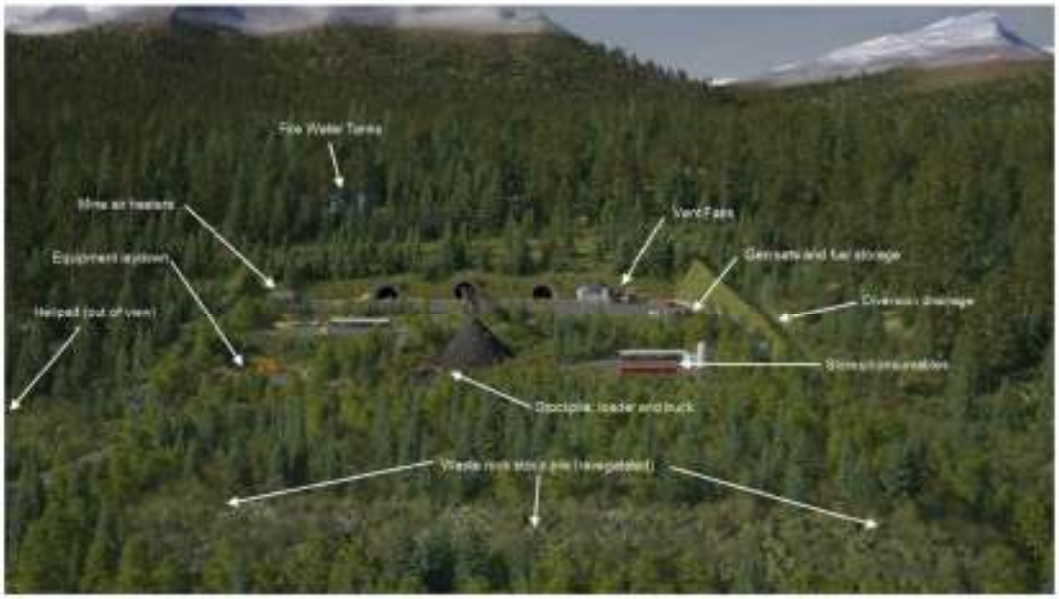
Groundhog Portal Drilling Area – Cross Section (Line B) – S40 Seam (Pink); S60 Seam (Plum); S70 Seam (Purple)

PROPOSED PORTAL ENTRY

The following diagrams illustrate an aerial view of the portal entry:



LOW IMPACT MINE ENTRY

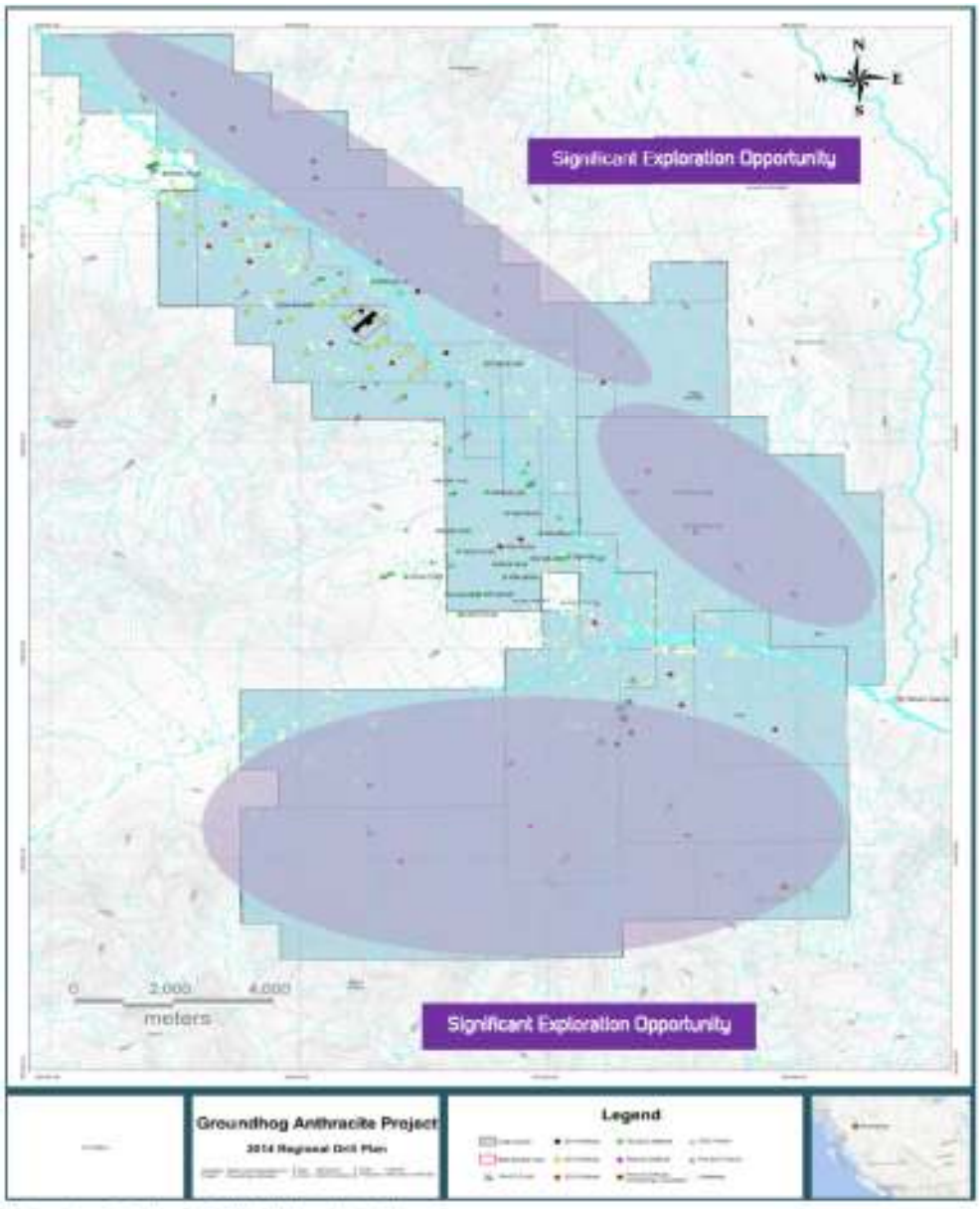


3D Render of Portal Entry at Groundhog

A WORLD CLASS MULTI MINE VISION

Atrum has long term plans to groom Groundhog to be a world class multi mine supplier of high grade and ultra-high grade anthracite products to the steel and specialty industries. To support this vision drilling continues in regional untested areas where there is potential for major resource expansion.

The map below outlines additional regional drilling locations (purple) which was undertaken during the 2014 field exploration season. The Company drilled six regional drill holes with significant anthracite intersected.



Groundhog Regional Drill Hole Location Plan

PFS OPTIMISATION

The PFS is in the final stages of optimisation which will take into account additional anthracite inventory, extension to the mine plan geographically and incorporation of additional anthracite seams that have been encountered in significant thickness within the North-West area of Groundhog as a result of recent drilling.

The initial PFS completed for the first stage of production at Groundhog was based on the underground mining of the S70 and S40 anthracite seams in the North-West area of Groundhog.

This area represented less than 5% of the total aerial extent of the project and considered only 2 out of 20 potentially mineable anthracite seams. The initial PFS demonstrated significant economic returns generating a pre-tax NPV8 of $2.1 billion based on a pre-tax IRR of 68%.

Since release of the PFS, an extensive summer exploration program has been carried out to increase confidence to the initial mining areas of Groundhog North. In the process, additional seams of thicknesses favourable to mining have been identified – namely the S60 and S80 seam. The S80 seam sits close to surface while the S60 is located between the S70 and S40. Mine planning and economic evaluation of these additional anthracite measures is currently underway, with an augmented PFS to be released in due course.

The PFS optimisation is close to completion and addresses mine site engineering, mine planning, surface infrastructure and logistics options. The Company will release a summary of the PFS revision including CAPEX, OPEX and economic modelling during Q4 of 2014.

ADVANCED SITE WORKS AT GROUNDHOG

During the financial year, the Company mobilised heavy equipment to the staging platform in the North-West area at Groundhog, including an articulated dump truck, an excavator and a dozer. This equipment is being used to complete various site preparation activities as part of the portal and pre-production exploration program.

Site preparation commenced at Groundhog during mid-July 2014 with the initial centre line cleared to allow movement of the heavy equipment.

The Company has begun extracting anthracite for test purposes including customer samples. Extraction has been taken from a 1.5m wide trench consistent with the Company's low impact approach.

The vitrinite content of the anthracite gives the material its high lustre appearance and the well-developed cleats in the sample indicate the potential of the anthracite to retain strength supporting an ultra-high grade lump anthracite product for the steel and speciality metals industries.

Ultra-high grade anthracite at Groundhog North

As part of the Company's transition from explorer to developer, the Company has also updated its health and safety policies to reflect the direction of the Company and to outline the objectives and standards that are being set. This is being spear-headed by the VP Operations, Mr Ben Smith.

The Company looks forward to providing further operational updates at Groundhog as drilling continues.

PORT CAPACITY SECURED AT STEWART

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").

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 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 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.

Stewart Bulk Terminal existing loading berth

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 anthracite storage silo(s) for exclusive use by Atrum. The proposed expansion area at SBT provides the ideal location for the anthracite 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 storage facility

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 anthracite products from the proposed Groundhog mine. SWP is currently under construction and is expected to be able to supply the Company's planned expanding anthracite 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 complete and operational.
- 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.

Stewart World Port dock under construction

Stewart World Port aerial view

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

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 anthracite 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 ultra-low volatile PCI coals to key consumers.

FIRST HIGH GRADE ANTHRACITE STOCKPILE

During the financial year, the Company mobilised heavy equipment to the staging platform at Groundhog North, including an articulated dump truck, an excavator and a dozer. This equipment was used to complete various site preparation activities as part of the portal and pre-production exploration program.

Anthracite located in an S80 seam outcrop close to diamond drill hole DH14-06 has been extracted for customer sampling, wash testing and ship loader trials at the Port of Stewart.

First anthracite stockpile at Groundhog North

Due to the homogenous nature of the Groundhog deposit, particularly in respect of 'coal rank', the S80 seam has comparable anthracite qualities to the S70 and S40 seam and provides an ideal source of Groundhog anthracite for customer testing.

Excavation of S80 outcrop at Groundhog North

The S80 seam measured 4.7m at 3.3m depth and represents potential upside for the PFS. The PFS is currently being updated to potentially include the S80 and the S60 seams, as well as the latest information from in-fill drilling on the S70 and S40 seams.

REGIONAL DRILLING

The Company completed a regional exploration program following granting of new coal licence applications at Groundhog. The relatively small program was designed to test whether or not the current global resource envelope could be extended beyond the existing JORC resource model. Initial results confirm that the resource envelope continues laterally to other Atrum tenure, not included in the current resource model.

The regional drill rig is consistently intersecting between 20m and 30m of cumulative drilled anthracite thickness outside the current resource envelope, which is consistent with drilled thickness results experienced within the current resource envelope, suggesting a material recalibration of JORC resources may be possible.

Regional drilling at Groundhog

While the Company's primary focus is on near term production at Groundhog North, these regional exploration results support Atrum's vision for a multi-mine opportunity at Groundhog and the Company will seek to revise the global JORC compliant resource.

SUCCESSFUL MAIDEN SHIP-LOADER TRIALS AT PORT OF STEWART

During the financial year, the Company successfully trialled the ship-loader at Stewart Bulk Terminal, 150km from the Company's flagship Groundhog Anthracite Project.

Stewart Bulk Terminal at the Port of Stewart

VP Operations, Mr Ben Smith commented:

"It has been two short years since Atrum was publicly listed and we are excited to report a successful trial of the ship-loader at the Stewart Bulk Terminal in the Port of Stewart. As the project starts to gather pace, this is a significant milestone in proving our logistics chain and we are looking forward to completing customer sample loads later this year."

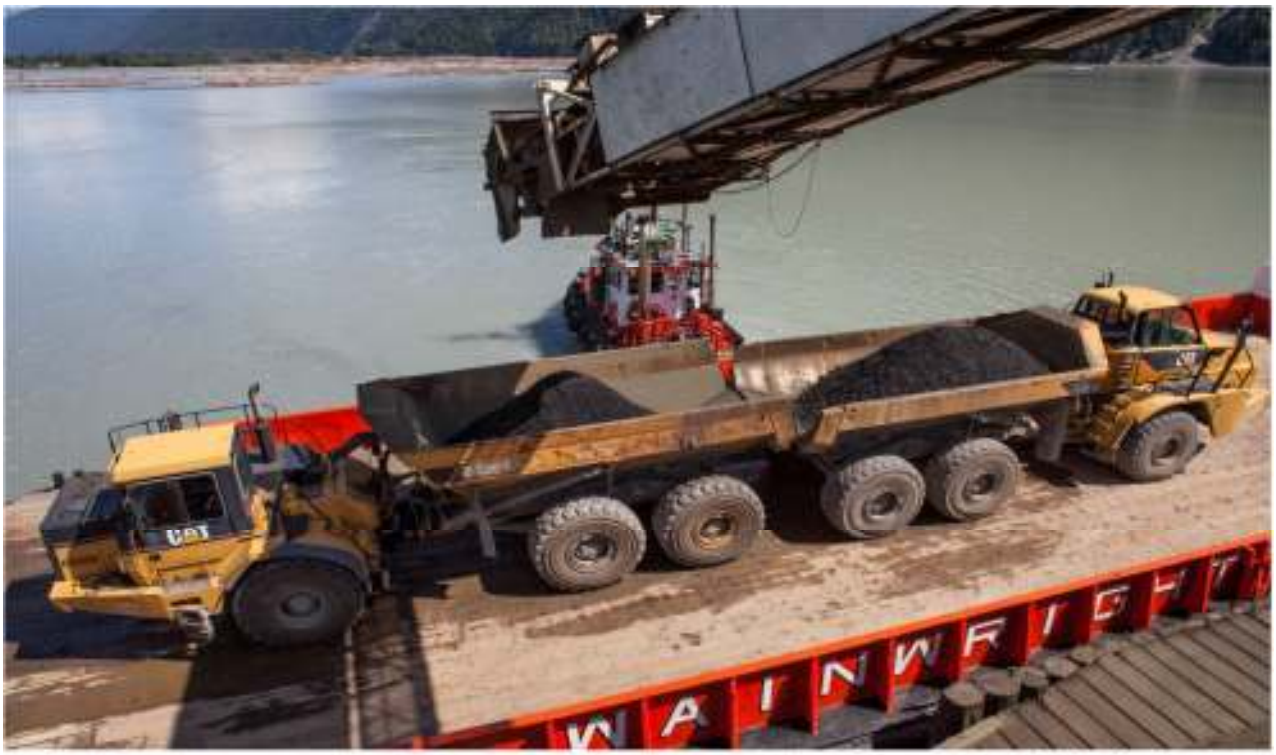
The Company transported high grade anthracite to the Stewart Bulk Terminals (SBT) at the Port of Stewart for testing of storage, coal handling and loading facilities.

Testing the SBT unloading and storage facilities

High grade and ultra-high grade anthracite from the Company's Groundhog North operation has been stockpiled at SBT. Recent testing at the port demonstrated that the existing equipment is capable of loading at least 1.5Mtpa of high grade and ultra-high grade anthracite. The Company also has an MOU in place for a further 5Mtpa at Stewart World Port (SWP) which is currently under construction.

Testing the ship-loader conveyor

Testing of loading hoppers



Testing of loading facilities using a trial barge

COMPLETION OF CONSOLIDATION OF COAL LICENCES IN GROUNDHOG COALFIELD

During the financial year, the Company acquired a large package of granted coal licences and one coal licence application from Anglo Pacific Group PLC ("Anglo Pacific") (LSE: APF, TSX: APY).

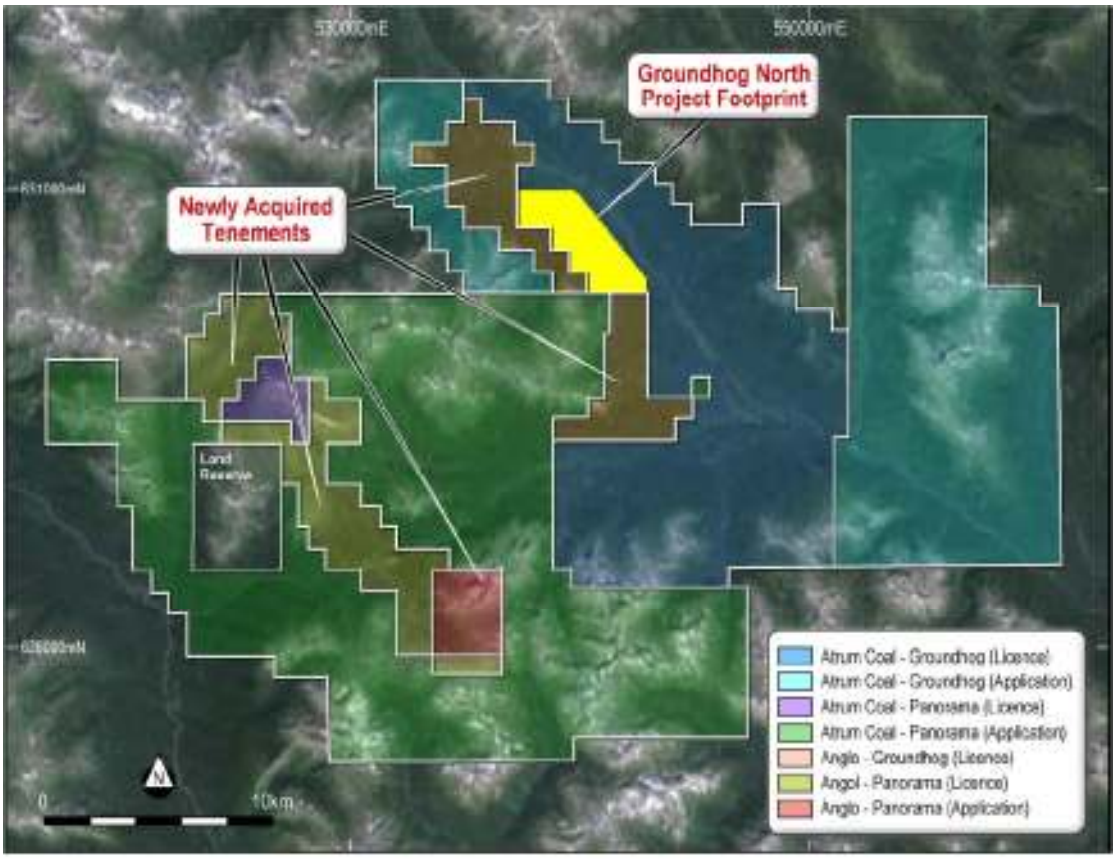
Executive Director, Mr Russell Moran said:

"The Groundhog coalfield in British Columbia, Canada boasts the world's largest high grade and ultra-high grade anthracite endowment and we now own all the known anthracite-bearing tenure. Our long term strategy is to ultimately become the world's largest exporter of high grade and ultra-high grade anthracite."

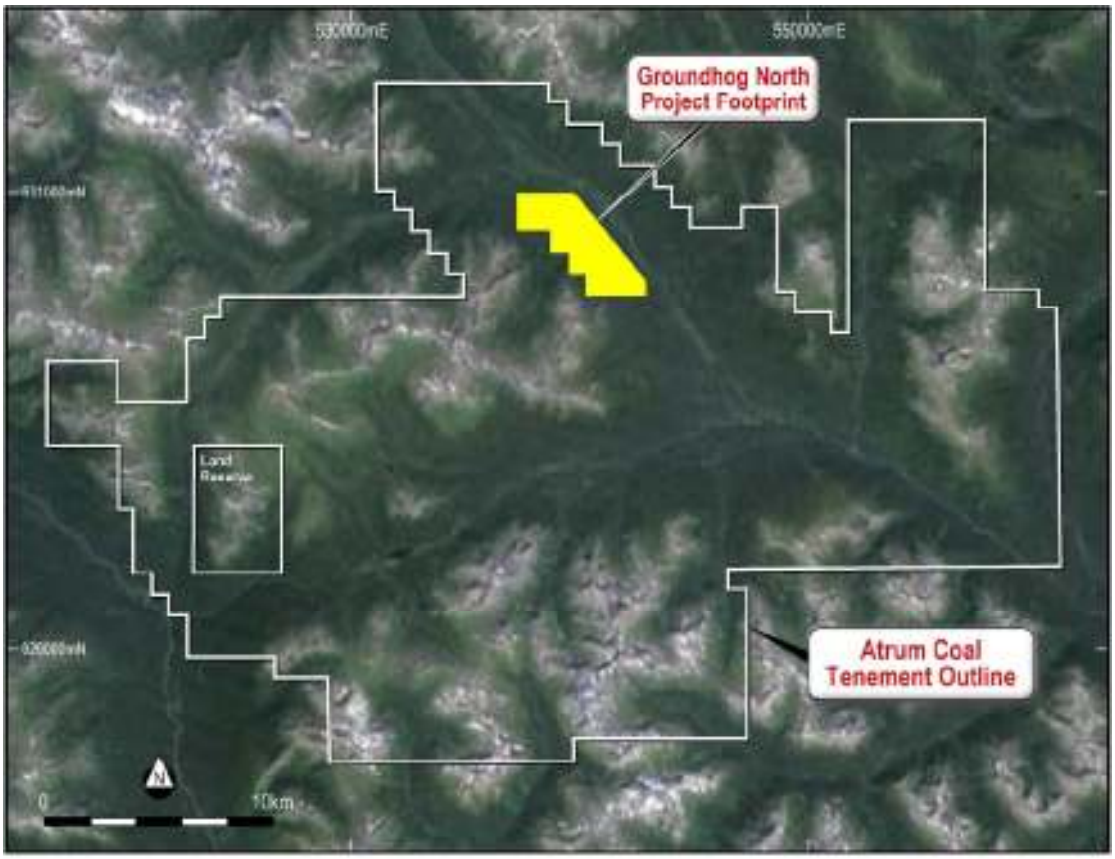
Commenting on the acquisition, Julian Treger, Chief Executive Officer of Anglo Pacific, said:

"This transaction is consistent with Anglo Pacific's strategy of monetising equity investments and growing our portfolio of royalties. We look forward to working with the Atrum Coal management team on the development of these coal properties in Canada."

The acquisition included 20 granted coal licences and one coal licence application, collectively covering an area of 10,235 hectares, and represented the complete consolidation of all the known anthracite-bearing tenure in the Groundhog and Panorama Coalfields.



Atrum's Various Groundhog and Panorama Tenure



Atrum's Consolidated Groundhog and Panorama Tenure Post Anglo Pacific Group Acquisition

Material terms of the acquisition include a 1% gross revenue royalty or a US$1/tonne royalty (whichever is the higher) payable on anthracite produced from the assets acquired from Anglo Pacific only, US$500,000 payable in cash, a US$2.0m 8% promissory loan note repayable within 18 months, and 1,000,000 Atrum shares, which are escrowed for 18 months from the date of issue.

The coal licences that have been acquired have been under-explored and could hold significantly more anthracite than has been reported. Furthermore, it is likely that the mine plan at Groundhog North, which underpins the recent PFS, can be extended as the anthracite seams continue west into the new coal licences.

As a matter of priority, the Company plans to incorporate the newly acquired coal licences into the upcoming PFS revision for Groundhog North, which is expected to deliver substantial improvements in CAPEX, OPEX and project economics above what is already a tier one development opportunity.

VP Operations, Ben Smith commented:

"The additional tenure adds a significant amount of upside to an already impressive resource. Our planned initial mine, Groundhog North, will already be a large mine. However, this occupies only a relatively small area compared to the overall tenure available to us. The Anglo tenement acquisition adds even further to this.

Specifically, the acquisition of the Anglo tenements will significantly extend the Groundhog North mining domain. A greater mining footprint in this area will allow the mine to operate for a far longer period and therefore make more effective use of planned project infrastructure. A number of other synergies from the acquisition are being actively investigated with the view to incorporating these into a revised Pre- Feasibility Study. Such measures would likely result in a higher NPV and IRR for Groundhog North.

The Company has recently embarked on an extensive marketing effort in Korea, Japan and China to potential customers. These discussions were very successful. The Board is confident that the acquisition of the Anglo Pacific coal tenure is the right strategic move and will provide many positive synergies with the rest of the existing area."

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.*

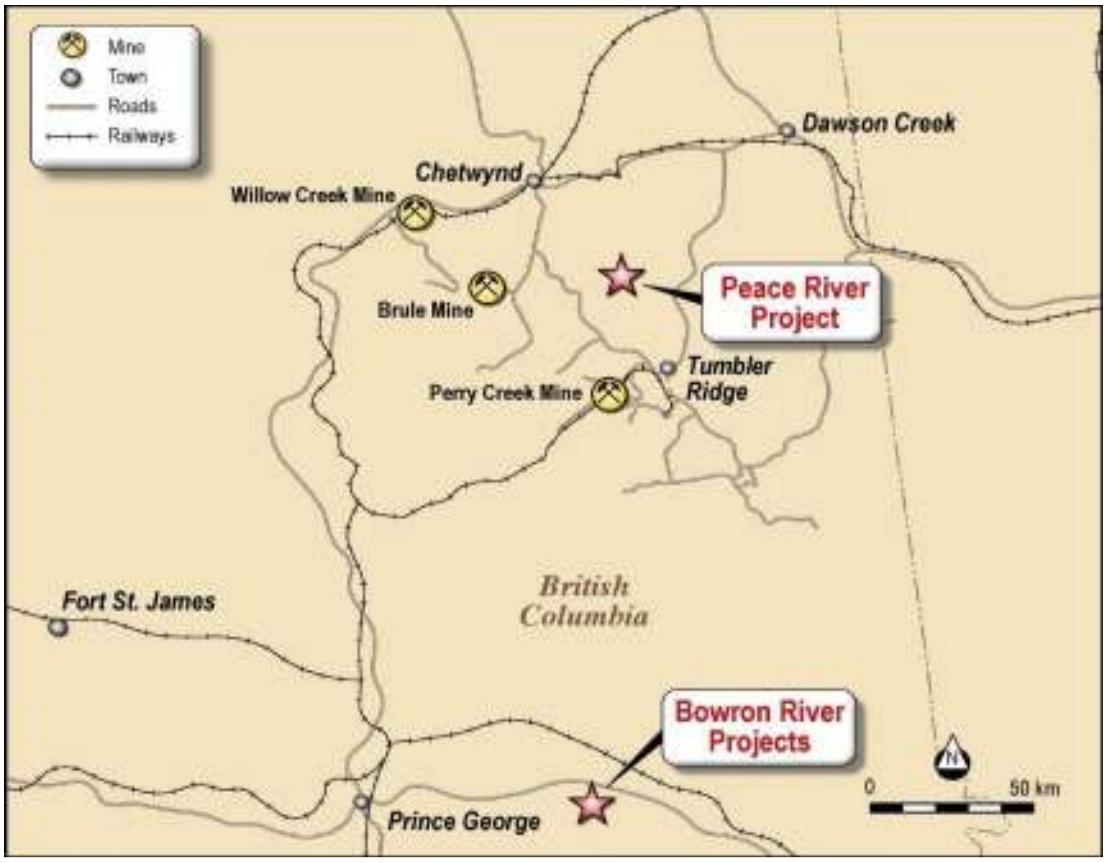
BOWRON RIVER COAL PROJECT OVERVIEW

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.

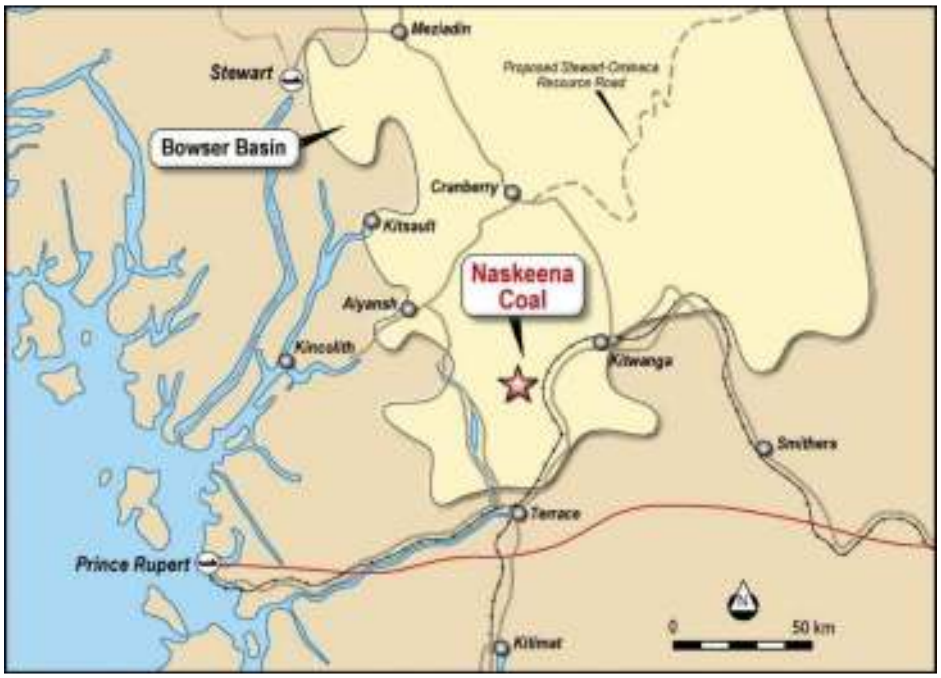
The Middle seam is thinner and lacks lateral continuity. Its thickness ranges between 0.3 m and 3 m and is approximately 25 m above the Lower seam. The Upper coal seam is approximately 50 m above the Lower seam and is composed of two plies separated by a relatively thick stone parting averaging 1 m. 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 ten separate tenures covering an area of 12,900 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 outcroppings 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

GEOLOGICAL SETTING

The Naskeena coal seams are contained within a series of sediments ranging in age from Upper Jurassic to Lower Cretaceous. These sediments were deposited into the Bowser Basin, overlying the Hazelton Trough. The Bowser Basin is defined to the north by the Stikine Arch and to the south by the Skeena Arch.

The Kitsumkalum River valley basin runs north/south, just east of the main Coast Range intrusive complex and is a dominant feature of the area. The Kitsumkalum River valley is considered an extension of the Kitimat Trench and a Horst and Graben or rift valley feature. Naskeena is interpreted to be a southerly trending tongue of mostly flat lying Bowser Basin Group sediments bounded by portions of the Bowser that have been cut by parallel north/north west faults. The northern portion of the project typically has shallow overburden or exposed bedrock while the southern half of the area is covered by quaternary gravels with an estimated depth of up to 30m

Only small portions of the eastern edge of Naskeena have been tested by drilling.

HISTORICAL EXPLORATION

Naskeena has been mapped, trenched, sampled and drilled by previous explorers who have suggested that the area has significant potential.

Five trenches were hand dug in the river bank just north of the Big Cedar River in 2007. These trenches exposed the weathered coal seam for a strike length of 30m. Outcropping coal is also visible on the banks of Hadenschild Creek, along Clear Creek, and on the Little Cedar River. In 2007, Jet Gold Corp drilled sixteen vertical diamond drill holes on Naskeena for a total of 1,215m.

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

An additional three diamond drill holes were drilled 2.5km south of the historic Naskeena showing.

One of the drill holes, DDH16 was drilled about 500m west of the Clear Creek showing and passed through a 1.1m thick seam of coal at a depth of 31m. Drilling was positioned 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 was found to flatten out and the coal seams were more numerous and thicker.

In 2008, Jet Gold Corp followed up with a second exploration program of nine diamond drill holes for 1,310m. This 'step out' drilling campaign was designed to establish the connectivity and continuation of the coal seams. Several coal seams were reported including a 2.43m coal intersection within drill hole DDH2.

Limited coal quality testing by previous explores suggests that Naskeena has the potential to host a metallurgical ranking anthracite and/or semi-anthracite coal. The Company intends to carry out detailed coal quality testing as part of its initial exploration program.

KURO COAL ACQUIRES 70% INTEREST IN THE ELAN HARD COKING COAL PROJECT

Kuro Coal Limited ("Kuro" or the "Company"), a wholly owned subsidiary of Atrum Coal NL ("Atrum")(ASX:ATU), which is to be separately listed on the ASX under the code "KCO" following an Initial Public Offering, is pleased to announce it has agreed to acquire up to a 70% interest in the Elan Coking Coal Project ("Elan") located in Alberta, Canada.

The acquisition will take place through a joint venture between Kuro and Elan.

Commenting on the joint venture, Atrum Coal Executive Director and Kuro Coal Non-Executive Director Mr Gino D'Anna stated:

"Atrum is solely focused on taking its world class Groundhog anthracite project through to production, so Kuro can provide Atrum shareholders with exposure to an exciting exploration venture as well as commodity and jurisdictional diversification. The Elan acquisition is an outstanding coking coal opportunity and fits Kuro's Canadian metallurgical coal strategy."

The Elan acquisition includes 27 Alberta Crown Coal Lease applications covering a total area of approximately 23,000 hectares.

Commenting on the joint venture partnership, Elan Executive Director Gene Wusaty stated:

"This joint venture will provide Elan with the opportunity to become a tier one coking coal project. Alberta is ranked third by the Fraser Institute as the best mining jurisdiction worldwide and is host to some of the highest quality coking coal. We are excited to be working with the Kuro team."

ELAN LOCATION

Elan is located in the foothills and front ranges of the Rocky Mountains of Alberta, approximately 30 km north of Coleman in Alberta. Historic work has divided the property into Savanna Creek, Isola Peak, Isolation Ridge, Isolation South (Oldman River or OMR), Wildcat (Cat Mountain) and Grassy North (Oldman River South) areas.

The Elan project comprises 27 Alberta Crown Coal Lease applications covering an area of approximately 22,951 hectares. In Alberta, coal lease applications provide the right to explore the land within the boundaries of the lease and are granted for a term of 15 years with an option to extend at expiry. Once the lease applications have been granted, Elan must pay an annual rent of $3.50/hectare to the Alberta government to retain the project, as well as royalties according to the Coal Royalty Regulation upon the commencement of commercial production. The necessary permits to undertake exploration are currently held by Elan.

The majority of the project can be accessed via paved highways as well as a system of limited use roads and access trails. The development of ground access in and around the project area will allow the Company to undertake exploration with ground based drill rigs with minimal reliance on air support to conduct exploration and development.

Location of Elan project

GEOLOGY

Elan lies within the Front Ranges of the Canadian Rocky Mountains in the Crowsnest Pass area and spans the north-trending, west dipping, Coleman, McConnell and Isolation thrust sheets. The Crowsnest Pass area is characterized by Jurassic to Lower Cretaceous rocks of the Fernie, Blairmore and Kootenay Groups, and the Crowsnest Formation.

Historical drilling on and near Elan suggests there are 10 to 16 coal seams that range from 3 to 10 m in thickness. Additional drilling in the area will confirm the economic potential of these coal seams and the Company will prioritise the drilling to enable the completion of a pre-feasibility study at Elan. Coal rank is low to medium volatile bituminous with variable but generally moderate ash content, good washability, and good coking properties.

COAL RESOURCES

The Property hosts a JORC compliant Indicated and Inferred Resource (in accordance with 2012 JORC guidelines) of 146.5Mt. The table below details the JORC Indicated and Inferred Resource as well as indicative clean coal quality:

Elan JORC Resources	Tonnage	Indicative Clean Coal Quality
Indicated	61.9Mt	**Coal Rank:** Mid Volatile **R_0 Max:** 1.30 - 1.40 **Ash:** 8.0% - 9.0% **Volatile Matter:** 20% - 25% **Sulphur:** 0.5% - 0.6% **FSI:** 6 - 7 **Fixed Carbon:** 60% - 70%
Inferred	84.6Mt	
Total Resource	146.5Mt	
Exploration Target	735Mt – 755Mt	**Coal Rank:** Mid Volatile **R_0 Max:** 1.30 - 1.40 **Ash:** 8.0% - 9.0% **Volatile Matter:** 20% - 25% **Sulphur:** 0.5% - 0.6% **FSI:** 6 - 7 **Fixed Carbon:** 60% - 70%

Pursuant to clause 17 of the JORC Code 2012, where an exploration target has been stated, a detailed explanation for the basis of the target, including a specific description of the level of exploration activity already completed must be also included.

An overview of the previous exploration activity at the Elan Project which supports the exploration target is outlined below.

The resource estimates which form part of this report were based on historical drilling, trenching, and adit data collected mainly in the period from 1969 to 1976 by companies then active in the area now forming the Project. Dahrouge Geological Consulting Ltd (**"Dahrouge"**) completed a 100% validation of available historic work and created an independent database.

Coal exploration on and around the Elan project began in 1949, extending to 1976. Additional exploration was completed between 1971 and 2002. Historical exploration at Elan consisted of the following:

Area	Operator	Campaign	Core Holes	Bore Holes / Wells	Adits	Trenches	Mapping (feet)	Access Trails (km)
OMR	Scurry	1970	19	-	3	24	-	22.5
Savanna	Bralorne	1969-72	8	57	5	16	1:4,800	-
Savanna	CIGOL	1971	2	-	-	-	-	-
Isolation	CanPac	1969-71	76	5	6	76	1:12,000 / 1:2,400	~117.5
Isolation	Granby	1974	18	0	-	45	1:2,400	
Regional-OMR	W.C.C	1949-55	-	-	-	33	1:12,000	Extensive
Regional-Isola	CCL	1971	3	-	-	15	-	-
Regional-OMR	Consol	1976	-	-	-	-	1:12,000	-
Regional	CHE &	1989	-	1	-	-	-	-
Regional	Devon	2001-02	-	20	-	-	-	-
	NEC							

Previous exploration at Elan

Work completed on or directly adjacent to the Project includes:

- Nineteen adits have been driven to provide bulk samples for coal washability testing. Of the 19 adits, 3 were completed at OMR, 11 at Isolation, and 5 at Savanna.

- Extensive local- and regional-scale trenching that has been used to define surface coal orientation and thickness.
- Geological mapping has been completed in areas of exposed outcrop and areas of natural exposure. A large road and trail network has exposed near-surface rock outcroppings and coal seams. Many near-surface coal seams had been excavated as trenches.
    - From 1949 to 1955, regional geologic mapping and measuring of stratigraphic sections was completed by Western Canadian Collieries in the OMR – Livingstone Range area.
- Extensive rotary, core, and wellsite drilling.

Detailed mapping has been completed at the OMR, Isolation, and Savanna Creek areas. Additional exploration was completed between 1971 and 2002 for coalbed methane.

A total of 229 drillholes and 19 Adits, located on or directly adjacent to the Project, were used to constrain the current geological interpretation. Drilling consisted of 127 core holes and 82 rotary holes. Rotary and core hole collar information was generally well constrained for X-Y co-ordinates. Down-hole directional information was only available for coalbed methane drill holes.

Historic drill hole and adit locations were extracted from original exploration reports, geological logs, and geophysical logs when available. Local grid locations were converted to a UTM NAD 83 Zone 12N projection format and confirmed against exploration maps. If collar locations were not provided, approximate locations were georeferenced from exploration maps and validated against cross-sections and topography. Locations that could not be confirmed were removed from the model dataset.

Proposed exploration activities to enable the Company to transition the exploration target across into Inferred and Indicated resource classification in accordance with the JORC Code 2012 is outlined below, according to the relevant project areas.

EXPLORATION TARGETS

A preliminary exploration program to geologically map and design a drill program focused on confirming seam locations and coal quality will be undertaken by the Company during the remainder of the 2014 exploration season. Grassy North, which falls within Livingstone Trend, has been identified as the primary exploration target. This target is located on the southernmost leases of the Project package and is proximal to established infrastructure.

RESOURCE AREAS

Expansion and infill drilling for the Isolation South (Oldman River or OMR), Isolation, and Savanna resource areas will be undertaken by the Company during the 2015 exploration season. Drilling will focus on increasing the resource classifications to indicated and measured, extending the current defined resources, and confirming the coal quality and coking potential. Future coal quality work will also include large diameter coring to evaluate the size distribution of processed coal using attrition techniques. Washability and detailed coking coal analysis on a range of size fractions will be undertaken to determine the optimum size and density at which coking properties are present in the resource. Petrographic studies by size fraction will provide additional information on optimising vitrinite content in potential products. Detailed coking coal tests will be completed on simulated clean coal products including carbonisation studies to develop preliminary market specifications for the resource.

GRASSY NORTH (LIVINGSTONE TREND RECOMMENDATIONS)

A two phase program is recommended for the Grassy North Exploration Target. The first phase would include a two-week exploration and reconnaissance program that would undertake surface mapping, coal sampling, and complete drill targeting for Phase 2. This work program would provide the required information to complete a coal exploration permit for a follow-up drill program.

The second phase of exploration, which is conditional upon favorable results obtained from the first phase of exploration, consists of 5-12 drill holes, totalling up to 1,000 - 2,500 m. Drilling would aim to establish a preliminary inferred resource, establish preliminary coal quality, and define additional exploration targets.

Part of this work will be undertaken during the 2015 field season and the remainder during the 2016 field season.

ISOLATION SOUTH (OMR) RECOMMENDATIONS

Minimal drilling is required to increase the current Isolation South Resource classification to Indicated and, potentially, to a Measured Resource. Infill drilling at 200-400 m spacing is proposed for the currently defined resource, in order to confirm structure and define coal quality. Additional confirmation drilling is proposed north and south of the historic drilling to extend the resource area and follow up on the exploration target.

The first phase of drilling includes 96 drill holes, totalling 8,400 m, targeting the S10 and S7 modelled seams. These include angled holes designed to best represent true seam thickness. Drill holes will be sampled (reverse circulation and large diameter coring) for quality testing.

The second phase of exploration, which is conditional upon favorable results obtained from the first phase of exploration, is designed to support mine plan requirements. The second phase of drilling includes 25 drill holes, totalling 4,000 m, targeting areas that require additional definition.

Part of this work will be undertaken during the 2015 field season and the remainder during the 2016 field season.

ISOLATION RECOMMENDATIONS

The Isolation Area is a coal deposit with merit that has defined resources. A ground program is recommended to validate the historic work and to target key areas for future programs. Recommended work in this area has been grouped with Isolation South (OMR) to join the on-Project resource areas.

Part of this work will be undertaken during the 2015 field season and the remainder during the 2016 field season.

SAVANNA RECOMMENDATIONS

The first phase of drilling includes 40 drill holes, totalling 8,000 m, to increase classification of the current Savanna resource. The second phase of exploration, which is conditional upon favourable results obtained from the first phase of exploration, consists of 80 drill holes, totalling 21,000 m, to increase resource definition and classification.

Part of this work will be undertaken during the 2015 field season and the remainder during the 2016 field season.

PROJECT INFRASTRUCTURE

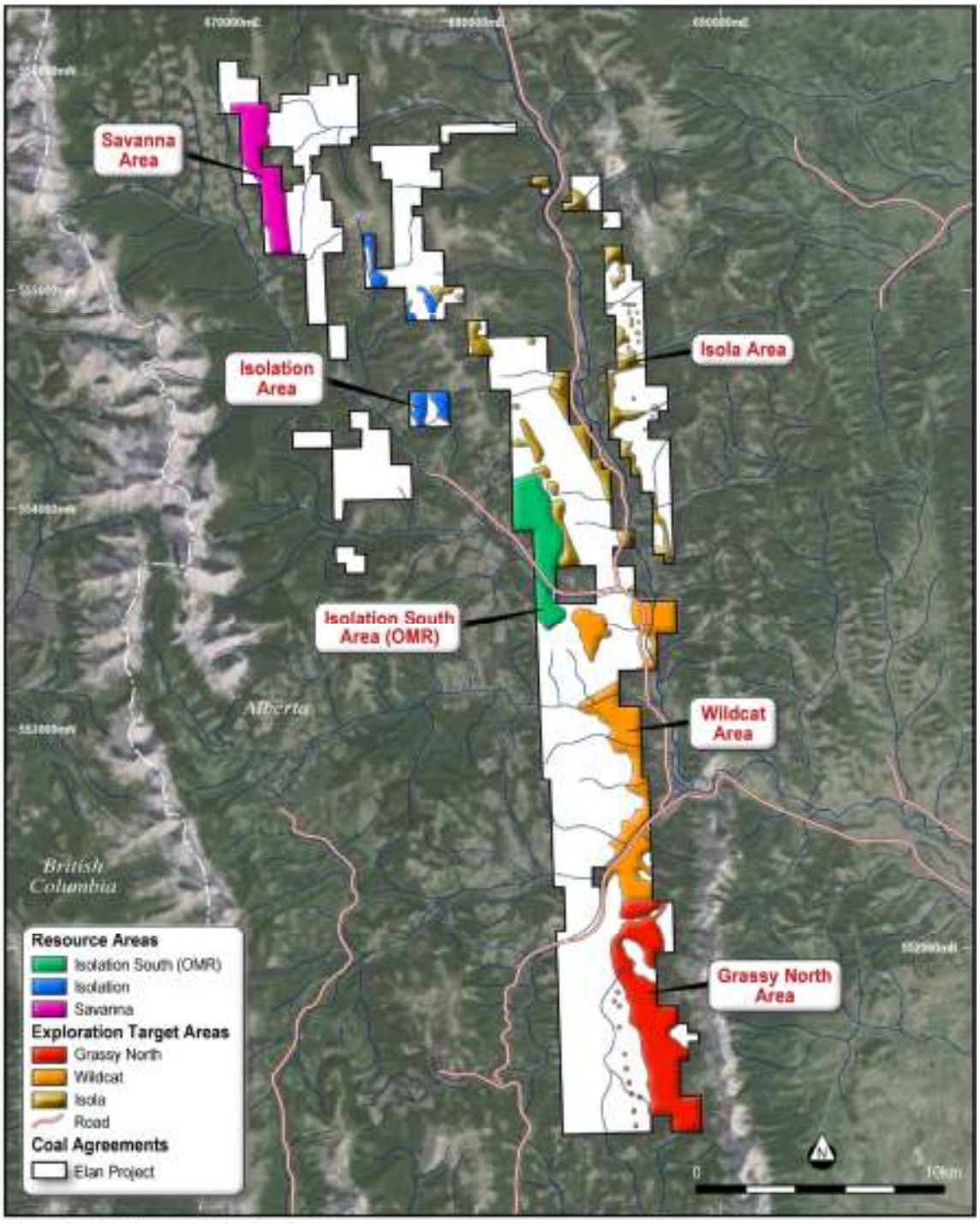
The southern part of Elan is highway accessible by driving approximately 20 km north from Coleman via Kananaskis Highway. The northern part of the property can be accessed 42 km north of Coleman, via the Kananaskis Highway and the Oldman River Route.

These routes provide maintained access to the limited-use road network that reaches, from south to north, the Isolation South (OMR), Isolation, and Savanna areas. Transport to and from the property is by 4x4 truck and ATV.

A secondary Canadian Pacific rail line runs through Coleman and connects with the main CNR east-west line for access to Vancouver and Prince Rupert ports or as far as the Great Lakes eastwardly. The nearest airport is located in Pincher Creek, Alberta, approximately 50 km east of Coleman along Highway 3 (Crowsnest Hwy). Accommodation, food, fuel and other necessary services are available in Coleman and Blairmore, Alberta, which are located 10 to 60 km south of the property. Coleman and Blairmore have a combined population of approximately 4,000. The local economy is primarily based on tourism, forestry, and coal-mining. Several coal mines, including Teck Coal and Coal Mountain mines, are currently in operation in the area.

TENURE

The map below illustrates the main target areas within the Elan project:



Areas of geological interest at the Elan Project

ELAN ACQUISITION TERMS

Kuro has signed a binding Letter of Intent to acquire up to a 70% interest in Elan on the following terms:

1) Kuro will pay CAD$25,000 upon execution of a binding Letter of Intent;

2) To earn an initial 20% interest in Elan, Kuro will:

   a. upon the execution of a formal and binding JV Agreement, pay the vendors CAD$150,000;
   b. upon listing of Kuro on the ASX, issue the vendors 1,500,000 fully paid ordinary shares (subject to 24 months voluntary escrow) at a deemed issue price of $0.20 per share; and
   c. Kuro will allocate an initial $500,000 towards a 2014 exploration program;

3) Kuro will be entitled to further increase its interest in Elan as follows:

   a. it can increase to 45% by:

      i. spending at least CAD$2.5 million in exploration on Elan; and
      ii. completing a Scoping Study.

   b. it can increase to 60% by:

      i. spending a further CAD$4 million in exploration on Elan; or
      ii. completing a Preliminary Feasibility Study.

   c. it can increase to 70% by:

      i. completing a Bankable Feasibility Study;

4) Kuro will issue fully paid ordinary shares (subject to 6 months voluntary escrow from the date of issue) upon the achievement of the following milestones:

   a. 400,000 fully paid ordinary shares upon the delineation of a 100Mt JORC Code compliant Indicated Resource of coking coal (up to 15% non-coking coal may be used in calculating resource under this milestone) to a depth not exceeding 300m at the Elan project, with verification to be completed by a Competent Person under the 2012 JORC Code guidelines to the absolute satisfaction of Kuro.

   b. 600,000 fully paid ordinary shares upon the delineation of a 200Mt JORC Code compliant Indicated Resource of coking coal (up to 15% non-coking coal may be used in calculating resource under this milestone) to a depth not exceeding 300m at the Elan project, with verification to be completed by a Competent Person under the 2012 JORC Code guidelines to the absolute satisfaction of Kuro.

   c. 800,000 fully paid ordinary shares upon the delineation of a 50Mt JORC Code compliant Measured Resource of coking coal (up to 15% non-coking coal may be used in calculating resource under this milestone) to a depth not exceeding 300m at the Elan project, with verification to be completed by a Competent Person under the 2012 JORC Code guidelines to the absolute satisfaction of Kuro.

   d. 1,000,000 fully paid ordinary shares upon the delineation of a 100Mt JORC Code compliant Measured Resource of coking coal (up to 15% non-coking coal may be used in calculating resource under this milestone) to a depth not exceeding 300m at the Elan project, with verification to be completed by a Competent Person under the 2012 JORC Code guidelines to the absolute satisfaction of Kuro.

5) Subject to completing a Bankable Feasibility Study, Kuro will retain a right of last refusal to acquire the remaining 30% interest in the Elan project on commercially acceptable terms;

6) Kuro is the Operator to the Joint Venture;

7) Mr Gene Wusaty will be appointed as a part-time consultant to the joint venture for a period of 2 years and will be paid a fee of CAD$75,000 per annum;

8) The Joint Venture Committee will consist of 50% representation by both Kuro and the vendors with the chairman being elected by Kuro. The chairman will have a casting vote; and

9) The vendor of the Elan project shall have a free carried proportionate interest until the completion of the Bankable Feasibility Study, at which time each party will need to fund their proportionate expenditure, or dilute accordingly.

ASX LISTING RULE 5.8

Pursuant to ASX Listing Rule (LR) 5.8.1, the following information was required to be disclosed within the ASX announcement dated 3 September 2014, to provide a summary of all material information to understand the reported estimates of the mineral resources:

(a) geology and geological interpretation;
(b) sampling and sub-sampling techniques;
(c) drilling techniques;
(d) the criteria used for classification, including drill and data spacing and distribution;
(e) sample analysis method;
(f) estimation methodology;
(g) cut-off grade(s), including the basis for the selected cut-off grade(s); and
(h) mining and metallurgical methods and parameters, and other material modifying factors considered to date.

The following overview is therefore provided to address the above considerations, where the information is considered to be material.

GEOLOGY AND GEOLOGICAL INTERPRETATION

The Project lies within the Front Ranges of the Canadian Rocky Mountains in the Crowsnest Pass area, and spans the north-trending, west-dipping, Coleman, McConnell and Isolation Thrust sheets. Stratigraphy on these thrust sheets is highly deformed due to fault splays that displace strata up to 10 km, and from complex folding (McDonald et al., 1989). The Crowsnest Pass area is characterized by Jurassic to Lower Cretaceous rocks of the Fernie, Blairmore and Kootenay Groups, and the Crowsnest Formation. Economic coal potential lies in the Kootenay Group, which in the Crowsnest area, is disconformably overlain by pebble conglomerates of the Cadomin Formation of the Blairmore Group. The Kootenay Group has a maximum thickness of 1,100 m near Sparwood, with an eastward thinning and grade into the Nikanassin Formation near the North Saskatchewan River (Stockmal et al., 2001).

The Project is primarily located within the Livingston and McConnell Thrust sheets, and only partially within the Coleman Thrust Sheet. The Isolation and Isolation South (OMR) areas are located on the McConnell Thrust sheet, whereas Savanna is located on the Coleman Thrust sheet. The Mist Mountain Formation of the Kootenay Group and the Cadomin Formation of the Blairmore Group are the two most important units in the area. The first contains economic coal seams, whereas the latter bears a resistant pebble conglomerate used as a marker unit. The thickness of the Kootenay Group varies from 168 to 183 m in the Oldman River area, 213 to 243 m in the Isolation Area and up to 210 m in the Savanna Area.

Based on work by CanPac, modifications by Granby, work by Bralorne, and work by Scurry, there are 13 identified coal seams on the Project, including 10 on the McConnell and Livingston Thrust sheets and 3 on the Coleman Thrust sheet.

Secondary thrusts and folds in the Isolation and Isolation South (OMR) areas on the McConnell Thrust sheet have affected the occurrence and thickness of coal-bearing horizons, which has resulted in identifiable structure units (or zones). These faults and folds have caused repetition, truncation and discontinuity of coal seams. From west to east, the thrust faults on the McConnell Thrust include the Honeymoon, Isolation Ridge, Coaltop, Outlook Ridge, Twin Ridge, and Cabin thrusts. The structure units define extensive structures, and coal seam occurrence. The structure units are as follows (Kim, 1976):

- The Honeymoon structure unit is a large north-south trending anticline that extends for over 10 km and flattens out to the south, where it forms the west limb of the Isolation Syncline (Kim, 1976). Limbs dip to the west at 60-90° and, where overturned, at 25-45° to the west. Five to seven coal seams have been identified in the Honeymoon structure unit. Throughout the structure unit, the three main seams range in thickness from 1 to 10.2 m with partings between 0.2 to 0.9 m thick.

- The Isolation structure unit is an asymmetric syncline. The east limb dips west at 30-40° and forms several prominent ridges and hills, including Isolation Ridge, Knoll Hill, and Forepeak Ridge. The west limb dips 25-45° and forms the east limb of the Honeymoon Anticline. In the Isolation structure unit, the Kootenay Group ranges from 213 to 244 m in thickness. Three coal seams have been identified in the northern part of the structure unit and range in thickness from 0.1 to 7.9 m, with parting thicknesses between 0.45 and 0.60 m.

- The Coaltop structure unit is a west-dipping (45°) tabular unit with westerly dipping faults throughout that commonly truncate the coal seams. Locally, coal seams are thickened to 18 m by a subsurface syncline. This structure unit continues to the west for 4.8 km and forms several prominent hills including Tomorrow Hill, Coaltop Hill and Poncho Hill.

- The Outlook Ridge structure unit is an anticline-syncline pair that has been separated; the anticline is now thrust overtop of the syncline. Limbs of this structure are west-dipping at 50-60° and are occasionally overturned. Coal seams range from 5.3 to 13.5 m in thickness with parting thicknesses ranging from 0.09 to 3.84 m. The coal seams are interpreted to be up to twice their original thickness as a result of the complex thrusting.

- The Twin Ridge structure unit is characterized by abundant tight folding and fracturing of the stratigraphy. Extensive, high-grade coal seams are rare; however, the high-grade seams range from <1 m to 8 m in thickness with parting thicknesses ranging from 0 to 2.8 m.

- The Cabin structure unit is located south of the Twin Ridge structure, but due to structural simplicity, it is separated into its own entity. It is comprised of the eastern limb of the Syncline Hill syncline, which has an extensive Blairmore conglomerate and Kootenay sandstone contact. Limb steepness varies from 50-60° in the north to 75° in the south. There may be economic coal potential in the Cabin structure; however, this structure unit lacks the historic drilling and geological data to correlate seams from the Twin Ridge structure unit.

- A number of other, predominantly unnamed thrust faults, including Station Creek, occur within the Property on the Livingstone Thrust; however, no related structure units have been characterized. The Coleman (Savanna Area) and Livingstone thrust sheets have simpler structure than the McConnell thrust sheet, as they have fewer documented secondary folds and faults, in addition to a lack of significant displacement.

SAMPLING AND SUB-SAMPLING TECHNIQUES

Detailed sample preparation summaries were reported for the Isolation Area by CanPac (Rushton et al., 1971) and Granby (Kim, 1976).

Few records were available for the historic sample preparation procedures utilized by Scurry (OMR) and Bralorne (Savanna Creek), but external coal quality reports were available for core samples and bulk samples.

Coal samples were collected for 117 of the 127 cored (diamond) drill holes. Ten holes were not sampled as they failed to return sufficient core recoveries or did not reach the target interval. Core recovery ranged from 11% to 100%, as a result of the friable nature of the coal (Table 10-3). The historic core sampling programs provide a large scale overview of the coal quality in the various seams within each distinct area.

DRILLING TECHNIQUES

A total of 229 drillholes and 19 Adits, located on or directly adjacent to the Project, were used to constrain the current geological interpretation. Drilling consisted of 127 core holes and 82 rotary holes. Rotary and core hole collar information was generally well constrained for X-Y co-ordinates. Down-hole directional information was only available for coalbed methane drill holes.

Historic drill hole and adit locations were extracted from original exploration reports, geological logs, and geophysical logs when available. Local grid locations were converted to a UTM NAD 83 Zone 12N projection format and confirmed against exploration maps. If collar locations were not provided, approximate locations were georeferenced from exploration maps and validated against cross-sections and topography. Locations that could not be confirmed were removed from the model dataset.

Drill intersection results were compiled using available geological logs, geophysical logs, and reported coal intersection summary logs. Historic coal intersections were reconciled to geophysical logs to identify areas of core loss and define core recoveries. Core recoveries were extracted from historic reports and geological logs. Recoveries ranged from 11% to 100%, resulting in coal intervals that could not be sampled for quality or contain inaccurate quality analysis. Whenever possible, all three logs were compared for accuracy.

Historic drilling was completed using a network of access roads and trails.

CRITERIA USED FOR RESOURCE CLASSIFICATION

The modelling methodology used for the resource estimation for all areas of the property consisted of the following steps:

- Import data into the mining software package (Maptek Vulcan 8.2™).
- Create fault surface triangulations using surface and subsurface fault traces as well as fault/drillhole intersections.
- Correlate drill holes, trenches, adits and surface exposures on or directly adjacent to the Property.
- Create final fault blocks by applying a Boolean Test to a blank fault block solid using the fault surface triangulations.
- Grid the topography and base of weathering triangulation surfaces. Base of weathering was created 10 m below topography in the Isolation South (OMR), Savanna, and Livingstone areas and 15 m below topography in the Isolation Area.
- Create seam grids and triangulations in Model Stratigraphy using the FixDHD Mapfiles, topography grid, and base of weathering grid. Seam grids were cropped against the base of weathering grid to remove oxidized coal.
- Create HARP (Horizon Adaptive Rectangular Prism) block models for each sub area using the parting and thickness grids as qualities. Blocks were 25 m x 25 m with a sub-blocking of 2 (x and y directions) except in the Livingstone area where blocks were 100 m x 100 m with a sub-blocking of 2.
- Create coal/parting fraction attributes for each seam in the HARP and populate it using the quality grids (coal thickness/aggregate seam thickness).
- Classify block confidence using the distance of the block centroid to the nearest data point
- Determine the cumulative stripping ratio for each block of coal within the model (total volume of waste/total tonnage of product).
- Constrain resource estimation by the current Elan Lease boundaries.
- Constrain resource estimation to seam thickness greater than 0.5 m for indicated and inferred classification.

CORPORATE

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.

The Company has issued Dr Lilford Performance Rights which, upon their achievement, will convert into shares (on a one for one basis). Details of the performance rights issued and their valuations are included in the Remuneration Report and the notes to the financial statements.

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

TRANSITION OF DR. ERIC LILFORD TO EXECUTIVE OF AMAC

Dr Lilford will step down from Managing Director of the Company effective 30 September 2014 and has been appointed as an Executive on the Anthracite Marketing Advisory Committee (AMAC) effective 1 October 2014. AMAC will benefit from his solid research capability and his commensurate commitment to ensuring Atrum's high quality anthracite is used optimally in the global market to the benefit of the Company's shareholders and other stakeholders.

Dr Lilford PhD (Mineral Economics), NHD (Coal Mining), BSC and MSc Eng (Mining) was formerly National Head of Mining for Deloitte Touche Tohmatsu and was a Partner at Deloitte in the Corporate Finance division. He has over 25 years operational and investment experience across the global resources sector, with significant experience in anthracite markets.

The Company is focused on growing its key relationships with steel manufacturers and natural consumers of the high grade and ultra-high grade anthracite to be produced at Groundhog. Dr Lilford has a wealth of knowledge in anthracite marketing, environmental considerations and blast furnace technology which will assist Mr George Edwards and Mr Stephen Gye, existing AMAC executives, and ultimately assist Atrum in its broader anthracite marketing strategy.

KEY APPOINTMENTS TO MANAGEMENT TEAM

APPOINTMENT OF ROBERT MITCHELL AS VP INFRASTRUCTURE AND LOGISTICS

On 1 February 2014, Atrum appointed Mr Rob Mitchell as its Infrastructure Business Development Manager.

Mr Mitchell is a multidiscipline engineer with 10 years experience. He has held senior role within Rio Tinto's Rail Division, leading Pre-feasibility and feasibility studies as well as project execution. He has worked on a number of major infrastructure projects for Rio Tinto and other blue chip miners including BHP Billiton Iron Ore's Rapid Growth Project 5 (RGP5) as well as other major public works both domestically and internationally. Mr Mitchell will be based in Vancouver to oversee development of the Company's wholly owned infrastructure subsidiary "Atrum Infrastructure & Logistics" (ATIL).

APPOINTMENT OF SHANE UREN AS VP ENVIRONMENTAL AND PERMITTING

Mr Uren has 15+ years experience in permitting and environmental assessment (EA). He has been tasked with managing the Company's EA processes and general bulk sample, small scale mine and full scale mine permitting requirements.

APPOINTMENT OF PETER DOYLE AS VP MARKETING AND BUSINESS DEVELOPMENT

On 2 June 2014, Atrum announced the appointment of Mr Peter Doyle as VP of Marketing and Business Development. Mr Doyle has spent 20 years in the international coal industry specialising in operations, marketing and offtake. He started his career as a coal quality technician at the Australian Coal Industry Research Laboratories. Later moving into operations as senior mine geologist at the Liddell open cut colliery in NSW for seven years followed by three years at Xstrata Coal. He spent five years at Barlow Jonker (now Wood Mackenzie) as a coal marketing specialist where served as Head of European Coal stationed in Sydney, London and Beijing. Peter was formerly Director of the Wiggins Island Coal Export Terminal and a Director (Alternate) of ATEC Rail Group.

APPOINTMENT OF BEN SMITH AS VP OPERATIONS

On 5 June 2014 the Company announced the appointment of Mr Ben Smith as VP Operations and Mr Rick Greene as Project Manager (Mining Operations).

Mr Smith has spent 15 years in coal mine operations specialising in mine planning and design, mining engineering, safety, risk and mine management. He has held a range of significant mine management positions including:

- Operations Manager/Manager of Mining Engineering – Baal Bone Colliery
- Project Manager/Manager of Mining Engineering – Teralba Colliery (Xstrata)
- Technical Services Manager – Tahmoor South Project (Xstrata)
- Manager of Mining Engineering (Mine Manager) – Ulan U/G (Xstrata)
- Senior Mining Engineer – Ulan West U/G (Xstrata)
- Mining Engineer – West Wallsend Colliery (Xstrata)
- Underground Miner – Bellambi West (Allied Coal)

As Principal Mining Engineer, Mr Smith has provided a range of consulting services to a number of major operators, suppliers and coal consumers including Anglo American, BMA, Idemitsu, Ensham Resources, POSCO, Caterpillar, Shanxi Coal and Yancoal. He has also worked on overseas assignments in China, India, Canada and Turkey.

APPOINTMENT OF RICK GREENE AS PROJECT MANAGER (MINING OPERATIONS)

Mr Rick Greene BEng (Civil); BSc. has spent over 30 years in major mining, civil, and mechanical engineering projects, with the last 25 years in project leadership roles.

Mr Greene has held senior positions with a number of major miners including 16 years at BHP Australia Coal's Saraji Mine in Queensland where he ultimately served as Production Manager achieving five consecutive years of record coking coal exports. He has also held senior positions with BHP Copper and UGL Resources and held positions of Coal Preparation Plant Manager, Site Manager, Production Manager and Operations Manager in his career. Much of his time has been based in remote locations where he has had to establish site policies and procedures, manage training, safety and risk whilst delivering above target performance. Like Mr Smith, Mr Greene will spend a considerable portion of his time in Canada.

These appointments significantly add to Atrum's experience and knowledge of environmentally sustainable, safe and productive underground mining operations, low impact surface infrastructure and cost effective logistics at the Groundhog project.

DIRECTORS INCREASE VOTING POWER IN ATRUM

Throughout the year, directors increased their voting power in the Company by making payments on partly paid shares.

During the financial year, Lenark Pty Ltd ("Lenark"), an associated entity of Chairman, James Chisholm (for the purposes of the Corporations Act) increased its interest in the Company from 22,098,500 fully paid ordinary shares to 36,448,500 fully paid ordinary shares (representing a current voting interest of 22.57%) in accordance with the provisions of the Corporations Act.

The increase occurred as a result of the conversion of all of Mr Chisholm's remaining 13,412,500 partly paid ordinary shares in the Company to fully paid ordinary shares. Pursuant to the conversion, Lenark paid $2,681,427 to the Company by offsetting loan funds provided under an offset loan agreement.

During the year Mr Russell Moran converted a total of 13,800,900 partly paid ordinary shares into fully paid ordinary shares by providing consideration of $2,759,076 to the Company. At year end Mr Moran's total shareholding was 32,901,900 fully paid ordinary shares and 2,761,600 partly paid ordinary shares.

During the year Mr Gino D'Anna converted a total of 5,000,000 partly paid ordinary shares into fully paid ordinary shares by providing consideration of $999,600 to the Company. At year end Mr D'Anna's total shareholding was 11,885,000 fully paid ordinary shares.

In total, the directors have contributed more than $6.4m towards outstanding partly paid shares, bolstering the capital position of the Company.

OFFSET LOAN AGREEMENT WITH CHAIRMAN

On 30 July 2013, 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, providing a limit of $2,681,427 effective from 30 June 2014 which, upon advancement, could be used to offset the outstanding balance owing against 13,412,500 partly paid shares 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.

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 by an additional $2 million. Over the course of the financial year, a total of $2,878,000 was drawn down against the loan, and at 30 June a total of $285,990 remained. This facility remains open to the Company.

APPOINTMENT OF MR CAMERON VORIAS AND MR STEVEN BOULTON AS NON-EXECUTIVE DIRECTORS

On 3 July 2014, the Company appointment Mr Cameron Vorias as a Non-Executive Director.

Mr Vorias has in excess of 30 years operational experience in the mining industry including underground and open cut metallurgical coal mining and large scale hematite iron ore operations. He has a solid track record in new mine development, resource management and risk management. He has worked around the world including Autralia, South Africa, Venezuela, Chine, Alaska USA and Indonesia.

Mr Vorias is currently Managing Director and Chief Executive Officer of Sojitz Coal Mining Pty Ltd. In this role, he is responsible for the management of a large open cut coal mine. As well, he is currently reviewing a number of new Australan business opportunities on behalf of Sojitz.

On 22 August 2014, the Company appointed Mr Steven Boulton as a Non-Executive Director.

Mr Boulton has in excess of 35 years' operational and investment experience in major infrastructure projects, including ports, rail, roads, airports and utilities. He is one of Australia's leading infrastructure executives and currently serves as Global Head of Infrastructure at CP2.

The appointments of these non-executive directors significantly enhance the Board's knowledge and experience in the development of coal and infrastructure projects.

APPOINTMENT OF THEO RENARD AS VP COMMERCIAL

Mr Theo Renard CA (SA), CSA, MAICD has 20 years' experience in commercial and investment banking with a focus on the resources sector. He has held senior roles with The Standard Bank of South Africa, Deloitte & Touche and Nedcor Bank Limited. He was formerly Head of Credit for Nedcor Asia Limited, Director (Risk Management) and Executive Director (Relationship Banking and Portfolio Management) for ABN Amro, and Chief Financial Officer for Singer Asia Limited.

Mr Renard's appointment is an important milestone for the Company and crucial to the transition from developer to producer. He will be responsible for implementing both the financial strategy of the Company in the context of offtake negotiation and project finance, and he will work closely with the executive Board, VP Operations and VP Marketing, in developing and implementing financial policy and frameworks required to support the transition to an ultra-high grade anthracite producer.

Mr Renard retains a part-time role with Taurus Funds Management and Realm Resources Limited.

APPOINTMENT OF JAMES CHISHOLM AS EXECUTIVE CHAIRMAN

Mr Chisholm is a qualified engineer and has worked in the engineering and mining sectors for the past 30 years, initially in engineering, followed by management, marketing, M&A and finally in direct project investment. Mr Chisholm has effectively been working in an executive capacity since the initial public offering of the Company. Like fellow founding shareholders Russell Moran and Gino D'Anna, James shares the belief that Groundhog represents a multi mine opportunity in a mining friendly jurisdiction.

Together, Mr Chisholm, Mr Moran and Mr D'Anna and their associated entities have contributed more than A$10 million in equity and loan facilities during the Company's short two year public life.

Mr Chisholm will work with the executive directors as well as key management across all facets of the business including operational, marketing, public relations and financial. Over the next few months he will relocate to the Company's new Vancouver office along with Executive Director, Mr Gino D'Anna to help realise the Board's vision of developing the world's largest high grade and ultrahigh grade anthracite resource.

Ex-BHP coal veteran Mr Rick Greene, another recent appointment, is also preparing to move to Canada and assume the role of Mine Manager at Groundhog.

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	Managing Director (appointed 8 July 2013)
Cameron Vorias	Non-Executive Director (appointed 3 July 2014)
Steven Boulton	Non-Executive Director (appointed 22 August 2014)

Directors remain appointed as at 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 – 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 was the largest shareholder of Guildford Coal Limited ASX: GUF), Ebony Iron Pty Ltd (now part of Strategic Minerals PLC, AIM: SML), 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.

Mr Chisholm was not a director of any other publicly listed companies in the last three years.

As at 30 September 2014, Mr Chisholm holds 36,448,500 fully paid ordinary shares in the Company and 750,000 performance rights.

Russell Moran – Executive Director

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

Mr Moran is currently Non-Executive Director of unlisted Ebony Coal Limited and Director of unlisted Durus Copper Limited.

Mr Moran was not a director of any other publicly listed companies in the last three years.

As at 30 September 2014, Mr Moran holds 32,901,900 fully paid ordinary shares in the Company together with an additional 2,761,600 partly paid ordinary shares and 750,000 performance rights.

Gino D'Anna – Executive Director and Company Secretary

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) within the last three years.

Mr D'Anna is a current Director of unlisted Durus Copper Limited and former Director of FerroAlloy Limited.

Mr D'Anna was not a director of any other publicly listed companies in the last three years.

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 2014, Mr D'Anna holds 11,885,000 fully paid ordinary shares in the Company and 750,000 performance rights.

Eric Lilford –Managing Director

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

Dr Lilford 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). Dr Lilford was not a director of any other publicly listed companies in the last three years.

As at 30 September 2014, Dr Lilford holds 1,331,250 fully paid ordinary shares in the Company and 800,000 performance rights.

Cameron Vorias – Non Executive Director (Appointed 3 July 2014)

Mr Vorias has in excess of 30 years operational experience in the mining industry including underground and open cut metallurgical coal mining and large scale hematite iron ore operations. He has a solid track record in new mine development, resource management and risk management. He has worked around the world including Autralia, South Africa, Venezuela, Chine, Alaska USA and Indonesia.

Mr Vorias started his career with BHP Iron Ore in Mount Newman as a mining engineer where he was responsible for open cut planning and operations before moving to work for Shell International in London as the business development and project acquisition manager with responsibility for the acquisition of the Paso Diablo and Socuy mines in Venezuela.

Mr Vorias was previously General Manager for New Hope Coal where he constructed and operated the New Acland Mine near Toowoomba, Queensland, producing 7Mtpa run-of-mine coal and employing approximately 200 people. He was also previously General Manager (Queensland Operations) for Excel Coal where he developed and commissioned the $350M "Millenium" coal mine in central Queensland, employing around 300 people and producing 1.5Mt of product in the first year of operation. He held the position of Chief Operating Officer (Queensland) for Peabody Energy Australia where he managed six large underground and open cut coal mining operations which generated in excess of US$1.8n in revenue annually and employed 1,500 people.

Mr Vorias is currently Managing Director and Chief Executive Officer of Sojitz Coal Mining Pty Ltd. In this role, he is responsible for the management of a large open cut coal mine. As well, he is currently reviewing a number of new Australan business opportunities on behalf of Sojitz.

Mr Vorias is also currently a Non-Executive Director of Coal of Queensland Pty Ltd, an emerging coking coal mining company in Queensland.

As at 30 September 2014, Mr Vorias holds zero fully paid ordinary shares in the Company and 60,000 performance rights.

Steven Boulton – Non Executive Director (Appointed 22 August 2014)

Mr Steven Boulton, MTM, BBus, FAICD, FAIM, CAHRI has in excess of 35 years' operational and investment experience in major infrastructure projects, including ports, rail, roads, airports and utilities. He is one of Australia's leading infrastructure executives and currently serves as Global Head of Infrastructure at CP2.

He has previously performed in a number of major infrastructure advisory roles:

- Chief Executive Officer – Allgas Energy Ltd
- Chief Executive Officer – Powerco Limited (NZ's 2nd largest electricity/gas enterprise)
- Chief Executive Officer – Prime Infrastructure ($3.7 billion infrastructure fund)
- Chief Executive Officer – Hastings Funds Management ($7 billion infrastructure fund)
- Executive Director – Australian Pacific Airports Corporation
- Executive Chairman – Dalrymple Bay Coal Terminal (one of the largest coal export facilities)
- Executive Chairman – PD Ports (UK's 2nd largest commodity seaport)
- Executive Chairman – WestNet Rail
- Executive Chairman – International Energy Group (UK's 2nd largest independent gas utility)
- Non-Executive Director – Port of Brisbane Pty Ltd
- Non-Executive Director – Infrastructure Partnerships Australia
- Non-Executive Director – The Australian Infrastructure Fund

Steve is a seasoned fund and asset management executive having held CEO roles with Hastings Funds Management, BBI/Prime, Powerco NZ and Allgas over his 35 year career in the infrastructure and utility sectors. Assets managed in these entities included electricity, gas and water transmission/distribution, seaports, airports, power generation and road/rail networks.

Steve has held positions as Chairman/Director on a range of entities on behalf of investors and Chaired a funds management Investment Committee. He has led multiple M&A processes with exposure to both equity and debt capital markets.

Steve holds a Graduate Diploma in Applied Corporate Governance, a Masters of Technology Management and a double major Bachelor of Business. Steve is a Fellow member of the Australian Institute of Management, Australian Institute of Company Directors, Governance Institute of Australia, Chartered Institute of Secretaries and a Certified member of the Australian Human Resources Institute.

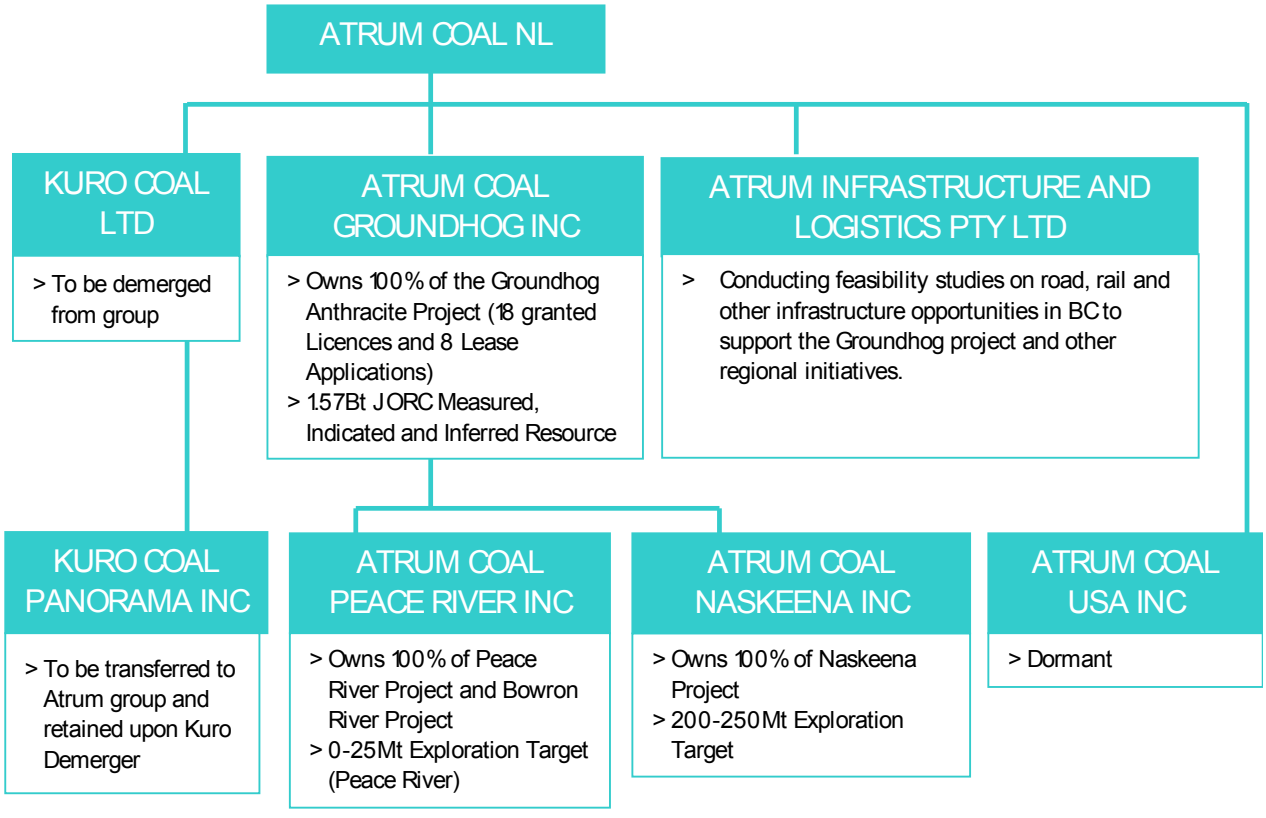
Mr Boulton will assist the Board deliver a low cost infrastructure strategy in the initial stages of production at Groundhog. Longer term he will help the Company navigate a range of off-balance sheet options to infrastructure expansion funding (rail, port, power), which would be required to facilitate a multi-mine strategy.

As at 30 September 2014, Mr Boulton holds zero fully paid ordinary shares in the Company and 60,000 performance rights.

CORPORATE INFORMATION

Corporate Structure

Atrum is a no liability company that is incorporated and domiciled in Australia. Set out below is a diagram of the Company and its subsidiaries. All subsidiaries are 100% owned.



Nature of Operations and Principal Activities

The principal continuing activities during the period, of entities within the Group 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 $19,112,728 (2013: $6,434,765).

Financial Position

At 30 June 2014, the Group had cash reserves of $10,322,567 (2013: $2,123,501).

Additionally, pursuant to an Offset Loan Agreement with Lenark Pty Ltd, a related entity of Chairman, Mr. James Chisholm, the Company has, subject to the approval of any cash calls by Lenark, available funding of $4,395,437.

Financing and Investing Activities

On 14 November 2013, the Company issued 13,399,592 ordinary shares by way of a private placement to sophisticated and institutional shareholders, at $1.40 per share, to raise gross proceeds before costs of $18.76 million. This placement significantly bolstered the Company's financial position.

Throughout the year, directors made payments in relation to partly paid shares that contributed to the Company's cash reserves. Through the use of an offset loan facility with a related party to the Chairman, Mr James Chisholm contributed over $2.68 million, resulting in the conversion of 13,412,500 partly paid shares into fully paid ordinary shares.

On 17 June 2014 Mr Russell Moran and Mr Gino D'Anna made payments to the Company of $2,309,076 and $819,600 in relation to 11,550,000 and 4,099,640 partly paid shares, respectively. In aggregate, the directors contributed over $6.4 million in cash to the Company.

At year end, the offset loan facility with Lenark Pty Ltd, a related party of Mr James Chisholm, remains available to the Company (subject to certain restrictions), providing additional financing capacity of $4.6 million.

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 SINCE THE END OF THE FINANCIAL YEAR

Appointment of Cameron Vorias

On 3 July 2014, the Company appointed Mr Cameron Vorias as a Non-Executive Director. Mr Vorias is a highly experienced coal specialist, who is currently the Managing Director and Chief Executive Officer of Sojitz Coal Mining Pty Ltd.

In order to attract Mr Vorias to the board of Atrum, the Company issued 60,000 performance rights, being 10,000 rights in each of Classes 7, 8, 9, 10, 11 and 13, the vesting details of which are set out in Note 19.

Appointment of Steven Boulton

On 22 August 2014, the Company appointed Mr Steven Boulton as a Non-Executive Director. Mr Boulton, MTM, BBus, FAICD, FAIM, CAHRI has in excess of 35 years' operational and investment experience in major infrastructure projects, including ports, rail, roads, airports and utilities. He is one of Australia's leading infrastructure executives and currently serves as Global Head of Infrastructure at CP2.

In order to attract Mr Boulton to the board of Atrum, the Company issued 60,000 performance rights, being 10,000 rights in each of Classes 7, 8, 9, 10, 11 and 13, the vesting details of which are set out in Note 19.

Issue of Performance Rights to Mr Ben Smith

On 3 June 2014, the Company appointed Mr Ben Smith as VP Operations. Mr Smith has spent 15 years in coal mine operations specialising in mine planning and design, mining engineering, safety, risk and mine management.

In accordance with Mr Smith's employment contract with the Company, effective 1 July 2014 the Company issued 500,000 performance rights, being 50,000 rights in each of Classes 7 to 13, the vesting details of which are set out in Note 19, and 100,000 each in Class 19 and Class 20. Vesting conditions for Classes 19 and 20 relate to receiving approvals from the BC Ministries for various mining permits and licenses.

Exercise of Options

On 31 July 2014, the Company issued 135,000 fully paid ordinary shares upon the exercise of 135,000 options at $0.30 each. The exercise provided funds of $40,500 to the Company.

On 18 August 2014, the Company issued 700,000 fully paid ordinary shares upon the exercise of 700,000 options at $0.30 each. The exercise provided funds of $210,000 to the Company.

On 11 September 2014, the Company issued 135,000 fully paid ordinary shares upon the exercise of 135,000 options at $0.30 each. The exercise provided funds of $40,500 to the Company.

Anglo Pacific Coal Licence Acquisition

Subsequent to the end of the financial year, the Company acquired a large package of granted coal licences and one coal licence application from Anglo Pacific Group PLC ("Anglo Pacific") (LSE: APF, TSX: APY).

The acquisition included 20 granted coal licences and one coal licence application, collectively covering an area of 10,235 hectares, and represented the complete consolidation of all the known anthracite-bearing tenure in the Groundhog and Panorama Coalfields.

Material terms of the acquisition include a 1% gross revenue royalty or a US$1/tonne royalty (whichever is the higher) payable on anthracite produced from the assets acquired from Anglo Pacific only, US$500,000 payable in cash, a US$2.0m 8% promissory loan note repayable within 18 months, and 1,000,000 Atrum shares, which are escrowed for 18 months from the date of issue.

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 Anthracite Project following completion of the PFS across the north-west zone of Groundhog. The Company is currently optimizing the results of the PFS which will include potential reductions in CAPEX / OPEX and increases in the anthracite resource inventory and mine life.

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:

	2014 Board of Directors		2013 Board of Directors	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
J Chisholm	8	8	8	8
R Moran	8	8	8	8
G D'Anna	8	8	8	8
E Lilford (appointed as md 8 July 2013)	8	8	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)

The directors are pleased to present Atrum Coal NL's 2014 remuneration report which sets out the remuneration information for the company's non-executive directors, executive directors and other key management personnel.

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

The report contains the following sections:

(a) Key management personnel disclosed in this report
(b) Remuneration governance
(c) Use of remuneration consultants
(d) Executive remuneration policy and framework
(e) Relationship between remuneration and Atrum Coal NL's performance
(f) Non-executive director remuneration policy
(g) Voting and comments made at the Company's 2013 Annual General Meeting
(h) Details of remuneration
(i) Service agreements
(j) Details of share-based compensation and bonuses
(k) Equity instruments held by key management personnel
(l) Loans to key management personnel
(m) Other transactions with key management personnel

As at the date of this report, the KMP's related to Atrum include:

1.	James Chisholm	Chairman
2.	Eric Lilford	Managing Director
3.	Russell Moran	Executive Director
4.	Gino D'Anna	Executive Director / Company Secretary
5.	Lyle Hobbs	Chief Executive Officer (terminated on 10 July 2013)

As at the date of this report, the KMP's related to Kuro Coal Limited include:

1.	John Wasik	Non-Executive Director
2.	Andrew Phillipps	Non-Executive Director
3.	Russell Moran	Chairman
4.	Gino D'Anna	Non-Executive Director

REMUNERATION REPORT (AUDITED) (CONT.)

REMUNERATION GOVERNANCE

Remuneration Committee

The full Board carries out the roles and responsibilities of the Remuneration Committee and is responsible for determining and reviewing the compensation arrangements for the Directors themselves, the Managing Director and any Executives.

Executive remuneration is reviewed annually having regard to individual and business performance, relevant comparative remuneration and internal and independent external advice. No independent advice has been sought by the Company during the respective financial year in relation to remuneration structure and levels.

A. Remuneration policy

The Board policy is to remunerate directors at market rates for time, commitment and responsibilities. The Board determines payments to the directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of directors' fees that can be paid is subject to approval by shareholders in a general meeting, from time to time. The current maximum aggregate amount as approved by shareholders at the Company's general meeting held on 20 April 2012 is $250,000 per annum. However, to align directors' interests with shareholders interests, the directors are encouraged to hold shares and options in the company.

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

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

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

In accordance with its remuneration policy, the Company granted 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 and/or performance rights, as considered appropriate by the Board, which may be subject to Shareholder approval in accordance with ASX listing rules. At the date of this report the Company had not engaged remuneration consultants.

REMUNERATION REPORT (AUDITED) (CONT.)

Executive Compensation

Objective
The entity aims to reward executives with a level and mix of compensation commensurate with their position and responsibilities within the entity so as to:

- reward executives for company and individual performance against targets set by appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link rewards with the strategic goals and performance of the Company; and
- ensure total compensation is competitive by market standards.

Structure
In determining the level and make-up of executive remuneration, the Board negotiates a remuneration to reflect the market salary for a position and individual of comparable responsibility and experience. Due to the limited size of the Company and of its operations and financial affairs, the use of a separate remuneration committee is not considered appropriate. Remuneration is regularly compared with the external market by participation in industry salary surveys and during recruitment activities generally. If required, the Board may engage an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable executive roles. At the date of this report the Company had not engaged remuneration consultants.

Compensation may consist of the following key elements:

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

Fixed Remuneration
The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Board having regard to the Company and individual performance, relevant comparable remuneration in the mining exploration sector and external advice.

The fixed remuneration is a base salary or monthly consulting fee.

Variable Pay – Short Term Incentives
The purpose of the short term incentive plan is to reward achievement of business objectives on a year by year basis. Each financial year the board, in conjunction with senior management, sets the business objectives aimed to be achieved during the year to implement the Company's business plan.

The business objectives are clearly defined outcomes in product development and commercialisation, achievement of which can be readily and objectively measured at the end of the financial year. Measurement of achievement of the business objectives also involves comparison with factors external to the Company.

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

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

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.

REMUNERATION REPORT (AUDITED) (CONT.)

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 and service agreements of directors and senior executives

The employment arrangements of the directors are contained in formal letters of appointment, and in the case of Executive Directors, contracts for services. Included in these contracts, amongst other things, are reference to the performance rights plan and participation.

The contract details of each of the Key Management Personnel are as follows:

Eric Lilford – Managing Director

Agreement Commenced:	8 July 2013
Term of Agreement:	12 months, able to be extended by mutual agreement
Details:	Fees of $12,000 (excluding GST and directors fees) per month for a minimum 12 days per month, reviewed annually by the Board. Additional days worked at $1,000 per day. Amended to $27,000 per month (excluding GST and directors fees) effective 1 October 2013. 3 Months termination notice by either party 1,850,000 Performance rights (Classes 3, 5, 6, 7 and 8)

Russell Moran – Executive Director

Agreement Commenced:	30 January 2012
Term of Agreement:	2 years, able to be extended by mutual agreement
Details:	Fees of $15,000 (excluding GST) per month, inclusive of directors fees for a minimum 15 days per month, reviewed annually by the Board. Additional days worked at $1,000 per day. Fees will not reduce solely by virtue of Mr Moran ceasing to be a director of the Company. 3 Months termination notice by either party 2,100,000 Performance Rights (Classes 1 through 8)

Gino D'Anna – Executive Director

Agreement Commenced:	30 January 2012
Term of Agreement:	2 years, able to be extended by mutual agreement
Details:	Fees of $12,500 (excluding GST) per month, inclusive of directors fees for a minimum 15 days per month, reviewed annually by the Board. Additional days worked at $833 per day. Fees will not reduce solely by virtue of Mr D'Anna ceasing to be a director of the Company. 3 Months termination notice by either party 2,100,000 Performance Rights (Classes 1 through 8)

All amounts are in Australian Dollars unless specified.

REMUNERATION REPORT (AUDITED) (CONT.)

D. Details of remuneration for the year

Remuneration

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

		Short Term Benefits	Post Employment	Share Based Payments		
	Year	Salary and fees (includes Directors Fees) $	Superannuation $	Performance Rights $	Total $	Remuneration consisting of performance rights during the year %
Directors						
J Chisholm	**2014**	36,000	-	28,646	**64,646**	44.31%
R Moran	**2014**	313,000	-	29,839	**342,839**	8.70%
G D'Anna	**2014**	246,305	-	29,839	**276,144**	10.81%
E Lilford (1)	**2014**	336,500	-	226,634	**563,134**	40.25%
Total	**2014**	**931,805**	**-**	**314,958**	**1,246,763**	**25.26%**

(1) Appointed as Managing Director on 8 July 2013

Cameron Vorias and Steve Boulton have been appointed non-executive directors of the Company subsequent to the end of the 2014 financial year and as such there have been no payments made to these directors.

		Short Term Benefits	Post Employment	Share Based Payments		
	Year	Salary and fees (includes Directors Fees) $	Superannuation $	Performance Rights $	Total $	Remuneration consisting of performance rights during the 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%**

Details of Performance Rights:

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

Grant Date	Performance Right Class	Vesting Period(1) (years)	Expiry	Value per right(2)	Performance condition achieved?	% vested(3)
1/01/2012	3	-	N/A	$0.08	Yes	100%
1/01/2012	5	2	N/A	$0.05	Yes	100%
1/01/2012	6	2	N/A	$0.05	Yes	100%
1/01/2012	7	-	N/A	$0.05	No	0%
1/01/2012	8	-	N/A	$0.08	No	0%
30/01/2013	3	-	N/A	$0.34	Yes	100%
30/01/2013	5	2	N/A	$0.33	Yes	100%
30/01/2013	6	2	N/A	$0.32	Yes	100%
30/01/2013	7	-	N/A	$0.05	No	0%
30/01/2013	8	-	N/A	$0.08	No	0%

1) Vesting probability is assessed at grant date as being 0% for the non-market conditions. 0% indicates no expense will be recognised until the performance condition is met. Probabilities are re-assessed at each reporting period.
2) The value of performance rights with non-market conditions is based on the share price at the date of grant. The 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 issued upon exercise of the rights were held in escrow until 24 July 2014.

REMUNERATION REPORT (AUDITED) (CONT.)

Performance rights granted carry no dividend or voting rights. When vesting conditions relative to the performance right are met and the performance right is exercised, each performance right entitles the holder to be issued 1 ordinary share for nil consideration.

Shares issued upon exercise of performance rights are held in escrow until 24 July 2014, being the date which is 24 months from the listing of the Company on ASX.

(ii) Details of the performance rights movements for each Key Management Person:

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, is set out below.

	Balance at the start of the year	Granted as remuneration	Disposed / Lapsed / Forfeited	Vested and Exercised[1]	Balance at the end of the year[2]
Year ended 30 June 2014					
Directors					
James Chisholm	1,687,500	-	-	(937,500)	750,000
Russell Moran	1,687,500	-	-	(937,500)	750,000
Gino D'Anna	1,687,500	-	-	(937,500)	750,000
Eric Lilford[3]	850,000	1,000,000	-	(1,050,000)	800,000
Lyle Hobbs[4]	1,250,000	-	(1,250,000)	-	-
	7,162,500	**1,000,000**	**(1,250,000)**	**(3,862,500)**	**3,050,000**

	Balance at the start of the year	Granted as remuneration	Disposed / Lapsed / Forfeited	Vested and Exercised[1]	Balance at the end of the year[2]
Year ended 30 June 2013					
Directors					
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	343,750	-	(281,250)	850,000
Lyle Hobbs	1,600,000	400,000	-	(750,000)	1,250,000
	10,262,500	**743,750**	**-**	**(2,812,500)**	**7,162,500**

(1) Shares issued upon the exercise of rights are held in escrow until 24 July 2014.
(2) There are no rights held as at 30 June 2014 that have vested and not been exercised (2013: Nil).
(3) On 10 July 2013, the Company issued an additional 1,000,000 Performance Rights following the appointment of Dr. Eric Lilford as Managing Director of the Company.
(4) On 10 July 2013, the Company cancelled 1,250,000 Performance Rights following the resignation of Mr. Lyle Hobbs.

Details of performance rights that vested during the financial year are as follows:

	Number vested during the year	Number of shares issued pursuant to exercise	Value at exercise date
Year ended 30 June 2014			
Directors			
James Chisholm (class 3, 5 and 6)	937,500	937,500	28,646
Russell Moran (class 3, 5 and 6)	937,500	937,500	29,839
Gino D'Anna (class 3, 5 and 6)	937,500	937,500	29,839
Eric Lilford (class 3, 5 and 6)	1,050,000	1,050,000	226,634
	3,862,500	**3,862,500**	**314,958**

REMUNERATION REPORT (AUDITED) (CONT.)

Details of performance rights affecting the value of Key Management Personnel remuneration during the year are:

KMP	Year of grant	# performance rights granted			Total value at grant date[1]	No of rights vested during prior years	No of rights vested during the year	Total rights vested to date	No of rights forfeited during the year	Vested %	Maximum value yet to vest
		Market based (Class 4, 5, 6)	Non-market based (Class 1, 2, 3, 7, 8)	TOTAL							
James Chisholm	2012	937,500	1,687,500	2,625,000	$ 185,000	937,500	937,500	1,875,000	-	71%	$ 60,000
Russell Moran	2012	937,500	1,687,500	2,625,000	$ 185,000	937,500	937,500	1,875,000	-	71%	$ 60,000
Gino D'Anna	2012	937,500	1,687,500	2,625,000	$ 185,000	937,500	937,500	1,875,000	-	71%	$ 60,000
Eric Lilford	2012	281,250	506,250	787,500	$ 55,500	281,250	281,250	562,500	-	71%	$ 18,000
Eric Lilford	2013	512,500	831,250	1,343,750	$ 447,682	-	768,750	768,750	-	57%	$ 195,500
TOTAL		**3,606,250**	**6,400,000**	**10,006,250**	**$ 1,058,182**	**3,093,750**	**3,862,500**	**6,956,250**			**$ 393,500**

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 conditions rights and prior expense recognised for rights for market conditions are not allowed to be reversed under the accounting standards AASB2.

Details including vesting conditions and valuation assumptions for all performance rights issued during the period are contained in Note 19: Share Based Payments.

E. Additional disclosures relating to key management personnel

Shareholding
The number of shares in the Company held during the financial year by each director and other members of key management personnel of the group, including their personally related parties, is set out below:

Ordinary Shareholding (Fully and Partly Paid)	Balance at the start of the year	Issued on exercise of performance rights	Additions[(1)]	Disposals	Balance at the end of the year
Year ended 30 June 2014					
Directors					
James Chisholm	35,511,000	937,500	-	-	36,448,500
Russell Moran	35,040,000	937,500	-	(314,000)	35,663,500
Gino D'Anna	11,050,915	937,500	-	(103,415)	11,885,000
Eric Lilford	281,250	1,050,000	-	-	1,331,250
Total	**81,893,165**	**3,862,500**	**-**	**(417,415)**	**85,338,250**
Year ended 30 June 2013					
Directors					
James Chisholm	33,758,500	937,500	815,000	-	35,511,000
Russell Moran	33,903,500	937,500	199,000	-	35,040,000
Gino D'Anna	10,010,000	937,500	103,415	-	11,050,915
Eric Lilford	-	281,250	-	-	281,250
Total	**77,682,000**	**3,093,750**	**1,117,415**	**-**	**81,893,165**

(1) Additions comprise shares issued as a result of full payment on partly paid shares.

On 24 July 2014, all fully paid ordinary shares held by directors and key management were released from escrow.

REMUNERATION REPORT (AUDITED) (CONT.)

The shareholdings presented in the table above comprise all ordinary shares, both fully paid and partly paid. Movements in partly paid ordinary shares during the year are set out below:

Partly Paid Shares	Balance at the start of the year	Paid Up	Balance at the end of the year
Year ended 30 June 2014			
Directors			
James Chisholm	13,412,500	(13,412,500)	-
Russell Moran	16,562,500	(13,800,900)	2,761,600
Gino D'Anna	5,000,000	(5,000,000)	-
	34,975,000	**(32,213,400)**	**2,761,600**
Year ended 30 June 2013			
Directors			
James Chisholm	16,562,500	(3,150,000)	13,412,500
Russell Moran	16,562,500	-	16,562,500
Gino D'Anna	5,000,000	-	5,000,000
	38,125,000	**(3,150,000)**	**34,975,000**

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

Other transactions with Key Management Personnel

On 30 July 2013, 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, providing a limit of $2,681,427 effective from 30 June 2014 which, upon advancement, could be used to offset the outstanding balance owing against 13,412,500 partly paid shares 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.

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 by an additional $2 million. Over the course of the financial year, a total of $2,878,000 was drawn down against the loan, and at 30 June a total of $285,990 remained. This facility remains open to the Company.

F. Voting and comments made at the Company's 2013 Annual General Meeting

The Company received 100% of votes "for" the adoption of the remuneration report for the 2013 financial period. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

G. Loans to key management personnel

There are no loans currently outstanding to key management personnel.

REMUNERATION REPORT (AUDITED) (CONT.)

H. Other transactions with key management personnel

Directors Increase Voting Power in Company

Throughout the year, directors increased their voting power in the Company by making payments on partly paid shares.

During the financial year, Lenark Pty Ltd ("Lenark"), an associated entity of Chairman, James Chisholm (for the purposes of the Corporations Act) increased its interest in the Company from 22,098,500 fully paid ordinary shares to 36,448,500 fully paid ordinary shares (representing a current voting interest of 22.57%) in accordance with the provisions of the Corporations Act.

The increase occurred as a result of the conversion of all of Mr Chisholm's remaining 13,412,500 partly paid ordinary shares in the Company to fully paid ordinary shares. Pursuant to the conversion, Lenark paid $2,681,427 to the Company by offsetting loan funds provided under an offset loan agreement.

Over the course of the financial year, a total of $2,878,000 was drawn down against the offset loan agreement, and at 30 June a total of $285,990 remained. This facility remains open to the Company.

During the year Mr Russell Moran converted a total of 13,800,900 partly paid ordinary shares into fully paid ordinary shares by providing consideration of $2,759,076 to the Company. At year end Mr Moran's total shareholding was 32,901,900 fully paid ordinary shares and 2,761,600 partly paid ordinary shares.

During the year Internatzionale Consulting Pty Ltd, an entity associated with Mr Gino D'Anna, converted a total of 5,000,000 partly paid ordinary shares into fully paid ordinary shares by providing consideration of $999,600 to the Company. At year end Mr D'Anna's total shareholding was 11,885,000 fully paid ordinary shares.

Offset Loan Agreement with Chairman

On 30 July 2013, 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, providing a limit of $2,681,427 effective from 30 June 2014 which, upon advancement, could be used to offset the outstanding balance owing against 13,412,500 partly paid shares 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.

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 by an additional $2 million.

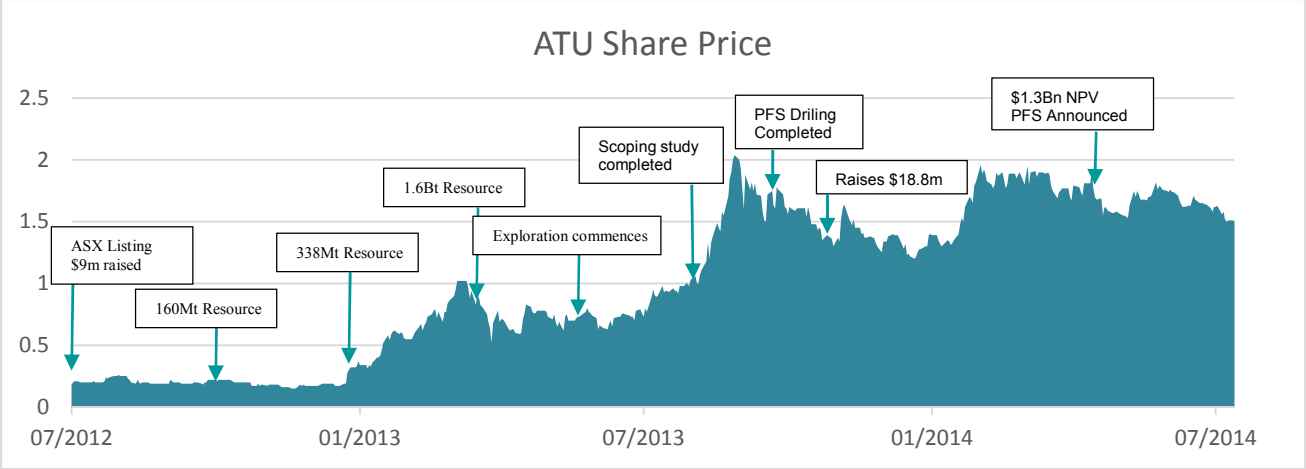
Over the course of the financial year, a total of $2,878,000 was drawn down against the loan, and at 30 June a total of $285,990 remained. Subsequent to year end, the outstanding loan amount along with accrued interest was repaid to Lenark Pty Ltd in cash.

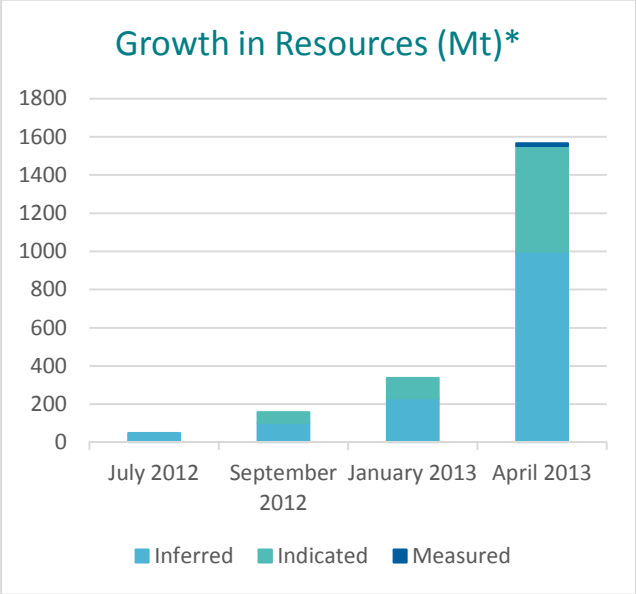
As at 30 June 2014 the total remaining available credit pursuant to the Offset Loan Agreement is $4,395,437.

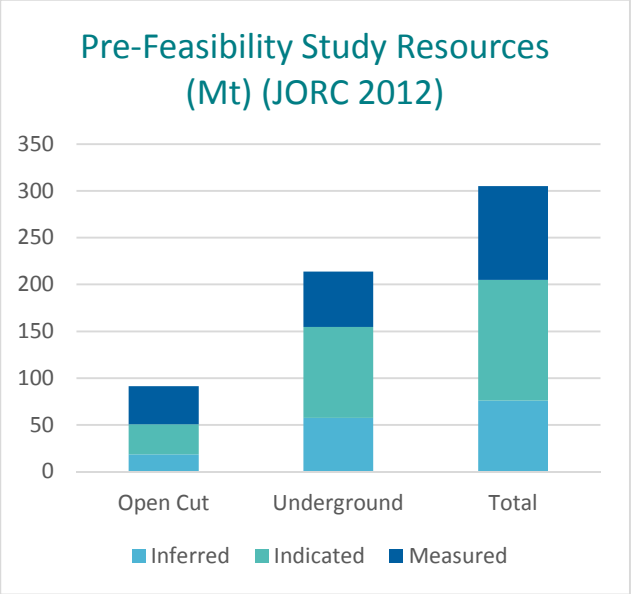
REMUNERATION REPORT (AUDITED) (CONT.)

I. 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. Set out below are graphs of the share price of the Company, and its growth in resources since listing, demonstrating the performance milestones achieved:







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

INSURANCE OF OFFICERS

The Company has insured the Directors and Officers of the Company against any liability arising from a claim brought by a third party against the Company or its Directors and officers, and against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as a Director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

In accordance with a confidentiality clause under the insurance policy, the amount of the premium paid to the insurers has not been disclosed. This is permitted under Section 300(9) of the Corporations Act 2001.

SHARE OPTIONS

During the year options were issued as follows:

- 100,000 options expiring 14 March 2017, exercisable at $1.40 each

During the period no options were exercised and no options 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	
	2014	2013
	$	$
Auditor's Remuneration		
(a) Audit Services		
The auditor of Atrum Coal NL is BDO Audit (WA) Pty Ltd		
An audit and review services	**52,847**	35,000
	52,847	35,000
(b) Non-Audit Services		
Amounts received by BDO Audit (WA) Pty Ltd, BDO Corporate Finance (WA) Pty Ltd and BDO Tax (WA) Pty Ltd for non-audit services	**82,960**	47,253
	82,960	47,253

AUDITOR'S DECLARATION OF INDEPENDENCE

The auditor's independence declaration for the period ended 30 June 2014, 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 2014

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).

During the financial year, Atrum continued its corporate governance regime reflected in the 2013 Corporate Governance Statement, which complied with the 2nd Edition of the ASC Corporate Governance Council's Principles and Recommendations to the level disclosed in the 2013 Annual Report.

On 27 March 2014, the ASX Corporate Governance Council released the 3rd Edition of its Corporate Governance Principles and Recommendations (3rd Edition Recommendations). Atrum has reviewed and updated its corporate governance practices and reporting to enable it to early-adopt the 3rd Edition Recommendations.

The table below sets out the Company's position as at 23 September 2014 with regards to its compliance with the 3rd Edition Recommendations:

Principle # / Company Response	**ASX Corporate Governance Council Recommendations**
Principle 1	**Lay solid foundations for management and oversight**
1.1	A listed entity should disclose: a) the functions reserved to the board and those delegated to senior management; and b) Those matters expressly reserved to the board and those delegated to management.
Company response	The Company has formalised and disclosed the functions reserved to the board and those delegated to management. These functions can be viewed at the Company's website: www.atrumcoal.com. The Company board comprises six directors, being three executive and three non-executive Directors. The roles and functions of directors within the Company are designed to allow it to best function within its level of available resources. The full board currently meets regularly, and specific significant matters are endorsed and executed via circular resolution.
1.2	A listed entity should: a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.
Company response	The Company analyses and reviews the qualifications and experience of any potential candidate. Background checks are performed where deemed appropriate for the position, including speaking with personal and professional references. The Company provides biographical details of proposed directors, as well as information relating to other directorships and interest which may reasonably be perceived to influence their capacity to bring independent judgement to the board.
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.
Company response	Each director and senior executive has a written contract that sets out the terms of their appointment, including their responsibilities and remuneration.
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.
Company response	The company secretary is directly accountable to the board. Communication between the board and the company secretary is encouraged, and matters of corporate governance and compliance are a standing agenda item for board discussion. Professional development of directors, officers and management are encouraged by the Company and facilitated through the company secretary. The Company adopts a policy of circulating board minutes at the earliest possible opportunity following the board meetings, to expedite the formalisation of items discussed at the meetings.

<table>
<tr><th>Principle # / Company Response</th><th>ASX Corporate Governance Council Recommendations</th></tr>
<tr><td>1.5</td><td>A listed entity should:
a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;
b) disclose that policy or a summary of it; and
c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board in accordance with the entity's diversity policy and its progress towards achieving them, and either;
1. the respective proportions of men and women on the board, in senior management positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or
2. if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</td></tr>
<tr><td>Company response</td><td>The Company is an equal opportunity employer and strives to foster diversity across the organisation. The Company has adopted a diversity policy that is disclosed on its Company website.

Due to the current size, nature and scale of the Company's activities the Board has not yet developed measurable objectives regarding gender diversity. As the size and scale of the Company grows the Board will set and aim to achieve gender diversity objectives as director and senior executive positions become vacant and appropriately qualified candidates become available.

As at the end of the year, the Company had the following proportion of men and women across the organisation:

<table>
<tr><th></th><th>Men</th><th>Women</th></tr>
<tr><td>Board</td><td>4</td><td>-</td></tr>
<tr><td>Senior Executives</td><td>3</td><td>1</td></tr>
<tr><td>Whole Organisation</td><td>20</td><td>2</td></tr>
</table>
</td></tr>
<tr><td>1.6</td><td>A listed entity should:
a) have and disclose the process for periodically evaluating the performance of the board, its committees and individual directors; and
b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</td></tr>
<tr><td>Company response</td><td>The Company undertakes an annual review of its board, and of individual directors. The review is a peer review, and the process is managed by the Chairman of the Board.
Feedback in relation to the performance of the Board as a whole is tabled at the meeting following the review.</td></tr>
<tr><td>1.7</td><td>A listed entity should:
a) have and disclose a process for periodically evaluating the performance of senior executives; and
b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</td></tr>
<tr><td>Company response</td><td>Currently, the Company engages all senior executives as contractors, and contracts were reviewed annually. For those contractors that have been engaged by the Company for longer than 12 continuous months under the current financial year, those contractors underwent a performance appraisal pursuant to their contracts.

The Company is in the process of developing performance evaluation processes and shall undertake reviews of its senior executives on the anniversary of their start dates.</td></tr>
<tr><td>Principle 2</td><td>Structure the board to add value</td></tr>
</table>

<table>
<tr><th>Principle # / Company Response</th><th>ASX Corporate Governance Council Recommendations</th></tr>
<tr><td>2.1</td><td>The board of a listed entity should:
a) have a nomination committee which:
1. has at least three members, a majority of whom are independent directors; and
2. is chaired by an independent director,
and disclose
3. the charter of the committee;
4. the members of the committee; and
5. as at the end of the reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</td></tr>
<tr><td>Company response</td><td>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.</td></tr>
<tr><td>2.2</td><td>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</td></tr>
<tr><td>Company response</td><td>The current mix of board skills is represented in the matrix below:

<table>
<tr><th></th><th></th><th colspan="6">Director (A-E)/ Ranking (1-5)</th></tr>
<tr><th>Skill</th><th>Skill Overview</th><th>A</th><th>B</th><th>C</th><th>D</th><th>E</th><th>F</th></tr>
<tr><td>Mineral Exploration</td><td>Ability to identify and evaluate resource opportunities, undertake due diligence on resource acquisitions, plan and oversee exploration programs, and understand and evaluate JORC reporting, oversee and evaluate laboratory testing of mineral resources.</td><td>3</td><td>4</td><td>4</td><td>4</td><td>4</td><td>1</td></tr>
<tr><td>Project Development</td><td>Ability to use human and financial resources to develop and oversee project development to first production including managing budgets, sourcing and hiring appropriate personnel and overseeing the establishment of appropriate mining policies.</td><td>3</td><td>3</td><td>3</td><td>5</td><td>4</td><td>3</td></tr>
<tr><td>Mining</td><td>Experience with mining operations, management of mining equipment and human capital, including health and safety. Ability to analyse mining operations and make decisions to maximize profitability.</td><td>3</td><td>3</td><td>2</td><td>5</td><td>5</td><td>2</td></tr>
<tr><td>Risk & Compliance</td><td>Identify key risks to the organisation related to each key area of operations. Ability to monitor risk and compliance and knowledge of legal and regulatory requirements. Ability to prepare and review ASX compliant press releases and continuous reporting obligations.</td><td>3</td><td>4</td><td>3</td><td>4</td><td>3</td><td>3</td></tr>
<tr><td>Financial & Audit</td><td>Experience in accounting and finance to analyse financial statements, assess financial viability, contribute to financial planning, oversee budgets, and oversee funding arrangements.</td><td>3</td><td>4</td><td>3</td><td>4</td><td>4</td><td>3</td></tr>
<tr><td>Strategy</td><td>Ability to identify and critically assess strategic opportunities and threats to the organisation. Develop strategies in context to our policies and business cycles.</td><td>4</td><td>4</td><td>4</td><td>5</td><td>4</td><td>4</td></tr>
<tr><td>Governance & Policy Development</td><td>Ability to identify key issues for the organisation and develop appropriate policy parameters within which the organisation should operate. Ability to manage conflicts of interest to ensure shareholders benefit.</td><td>4</td><td>4</td><td>4</td><td>4</td><td>4</td><td>3</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
</table>

The board is currently evaluating additional board candidates that will allow the Company to increase its overall mining related skill set.</td></tr>
</table>

Principle # / Company Response	ASX Corporate Governance Council Recommendations
2.3	A listed entity should disclose: a) the names of the directors considered by the board to be independent directors; b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and c) the length of service of each director.
Company response	The Board considers two of its six directors, namely Mr Cameron Vorias and Mr Steven Boulton, to be independent directors. Director appointment and resignation dates are disclosed in the Company's annual report.
2.4	A majority of the board of a listed entity should be independent directors.
Company response	The Company does not currently comply with this recommendation. Four of the six directors are either executive or are deemed to not be independent by virtue of substantial shareholdings in the Company. The Company considers that its Board composition does not significantly affect the independent decision making capacity of the board, and the shareholdings of directors more closely aligns the interests of the Board with that of shareholders as a whole.
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.
Company response	The chair of the board, Mr James Chisholm is not an independent director by virtue of his shareholding. The Company does not consider this to affect the independent decision making of the board or its effective operation.
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.
Company response	The Company Secretary ensures that all new directors are inducted into the Company. Upon commencement, the director formalises a letter of appointment setting out the terms of their appointment and is provided with a 'Corporate Governance Pack' containing the Company's Constitution, Corporate Governance Policies and details of the Company's directors' and officers' insurance policies. The skill set of the Board is monitored regularly by the Board as a whole, taking into consideration the stage of development of the Company's assets, and the limited capital available to the Company.
Principle 3	**Act ethically and responsibly**
3.1	A listed entity should: a) have a code of conduct for its directors, senior executives and employees; and b) disclose that code or a summary of it.
Company response	The Company has adopted a code of conduct which outlines the behaviour expected of directors, contractors and employees. The code of conduct can be viewed on the Company's website www.atrumcoal.com.
Principle 4	**Safeguard integrity in corporate reporting**
4.1	The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (1) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner
Company response	The Board does not have a separate audit committee, instead, the roles and responsibilities of the audit committee are undertaken by the Board as a whole. The Board has adopted an audit committee charter to assist in defining the roles and responsibilities of the Board as it acts in the capacity of an audit committee. The charter is available on the Company's website www.atrumcoal.com The charter requires the rotation of the audit engagement partner at least every five years.

Principle # / Company Response	ASX Corporate Governance Council Recommendations
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.
Company response	The Company obtains a declaration from the CEO and CFO (or the persons acting in those capacities) prior to the completion of its half year and annual financial statements.
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.
Company response	The Company ensures that its external auditor attends its AGM and time is set aside for the shareholders to ask questions of the auditor.
Principle 5	**Make timely and balanced disclosure**
5.1	A listed entity should: a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and b) disclose that policy or a summary of it.
Company response	The Company has a Continuous Disclosure Policy that forms part of its Corporate Governance Policies, which is available on the Company's website www.atrumcoal.com
Principle 6	**Respect the rights of security holders**
6.1	A listed entity should provide information about itself and its governance to investors via its website.
Company response	The Company's website contains comprehensive details about the Company, its directors and management and its operations. All Company announcements, as well as its annual and half year financial reports can be located through the website www.atrumcoal.com
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.
Company response	The Company has adopted a Shareholder Communication Policy as part of its Corporate Governance Policies. The Company also engages a dedicated investor relations firm to facilitate investor relations.
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.
Company response	The Company considers the country of residency of its shareholders when determining the most appropriate location to hold its shareholder meetings. Time is set aside at each meeting whereby attendees are encouraged to query the Board on operational and financial items.
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.
Company response	To the extent permissible by law, the Company sends all communication electronically in an effort to reduce its environmental footprint. As new shareholders join the Company, they are invited to communicate with the Company and the share registry electronically.
Principle 7	**Recognise and manage risk**
7.1	The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework

Principle # / Company Response	ASX Corporate Governance Council Recommendations
Company response	The Company is not currently considered to be of a size, nor is its affairs of such complexity to justify the establishment of a separate Risk Management Committee. Instead, the Board, as part of its usual role and through direct involvement in the management of the Company's operations ensures risks are identified, assessed and appropriately managed. Where necessary, the Board draws on the expertise of appropriate external consultants to assist in dealing with or mitigating risk.
7.2	The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.
Company response	The Board reviewed its risk assessment and management framework during the current period as part of a risk review conducted at the November 2013 Board meeting. The Board considers the risk management process to be adequate for its stage of development.
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.
Company response	The Company does not have an internal audit function. Internal control measures currently adopted by the Board include: • weekly reporting to the Board in respect of operations and monthly reporting in respect of the Company's financial position, with a comparison of actual results against budget; and • regular reports to the Board by members of the management team and/or independent advisers, outlining the nature of particular risks and highlighting measures which are either in place or can be adopted to manage or mitigate those risks.
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.
Company response	The Company is an anthracite exploration and development company and is inherently exposed to the economic, environmental and social sustainability risks that are associated with its industry. The Company carefully considers its operations and their impact on the environment and local communities and engages extensively with local communities and first nations groups. The Company has no formal hedging policy for its foreign currency expenditure and is exposed to fluctuations in the exchange rates of the Australian Dollar, the United States Dollar and the Canadian Dollar. Exchange rates are monitored closely by senior management and treasury decisions are made on an opportunistic basis. Where necessary, the Company will enter into FX hedging instruments and has done so in the past.
Principle 8	**Remunerate fairly and responsibly**
8.1	The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.
Company response	The Board has not established a separate Remuneration Committee due to the size and scale of its operations, however the Board as a whole takes responsibility for such issues. 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.
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

Principle # / Company Response	ASX Corporate Governance Council Recommendations
Company response	In accordance with best practice corporate governance, the structure of Non-Executive Directors is separate and distinct from Executive Directors and Senior Executives. In determining remuneration, the Board holds special meetings as required. No Director participated in any deliberation regarding his or her own remuneration or related issues. The Board are confident that this process for determining remuneration is stringent and full details of remuneration policies and remuneration received by directors and executives in the current period is contained in the "Remuneration Report" within the Directors' Report of the Annual Report.
8.3	A listed entity which has an equity-based remuneration scheme should: a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and b) disclose the policy or a summary of it.
Company response	The Company has both an employee share plan and a performance rights plan in place. Neither of the plans contain a policy as to whether participants are permitted to enter into transactions which limit the economic risk of participating in the scheme.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	Note	Consolidated 2014 $	Consolidated 2013 (Restated) * $
Revenue from continuing operations			
Interest income		**199,993**	203,277
Other income		**139,138**	-
Expenses			
Administration expense		**(185,577)**	(344,232)
Compliance & regulatory expense		**(616,609)**	(39,353)
Consultancy expense		**(549,847)**	(640,919)
Depreciation & amortisation		**(40,050)**	(12,697)
Directors' fees		**(893,188)**	(586,703)
Employee benefit expense		**(185,034)**	(448,360)
Exploration expenditure		**(12,247,597)**	(3,606,928)
Finance costs		**(276,316)**	-
Foreign exchange gain/(loss)		**(312,016)**	-
Occupancy expense		**(200,560)**	(94,153)
Pre-feasibility study expenses		**(1,929,698)**	-
Public relations and marketing expense		**(269,282)**	(76,063)
Share based payments expense		**(1,063,392)**	(491,949)
Spin out costs		**(378,693)**	-
Travel expenditure		**(304,000)**	(296,685)
Loss before income tax expense		**(19,112,728)**	(6,434,765)
Income tax expense	2	-	-
Loss after income tax expense		**(19,112,728)**	(6,434,765)
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		72,314	30,469
Other comprehensive income for the year, net of tax		72,314	30,469
Total comprehensive loss for the year attributable to members		**(19,040,414)**	(6,404,296)
Loss per share attributable to members of Atrum Coal NL			
Basic (loss) per share – cents per share	4	**(12.2)**	(10.8)
Diluted (loss) per share – cents per share		**(12.2)**	(10.8)

***** For further information in relation to the restatement, please refer to note 21.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	Consolidated 2014 $	Consolidated 2013 (Restated) * $
ASSETS			
Current Assets			
Cash and cash equivalents	5	**10,322,567**	2,123,501
Trade and other receivables	6	**1,059,980**	1,544,015
Total Current Assets		**11,382,547**	3,667,516
Non-Current Assets			
Plant and equipment	7	**567,722**	30,213
Exploration and evaluation expenditure	8	**1,890,759**	1,397,309
Total Non-Current Assets		**2,458,481**	1,427,522
TOTAL ASSETS		**13,841,028**	5,095,038
LIABILITIES			
Current Liabilities			
Trade and other payables	9	**3,616,905**	1,309,446
Derivative financial instruments	10	**90,992**	-
Total Current Liabilities		**3,707,897**	1,309,446
Non-Current Liabilities			
Borrowings	11	285,990	-
Total Non-Current Liabilities		**285,990**	-
TOTAL LIABILITIES		**3,993,887**	1,309,446
NET ASSETS		**9,847,141**	3,785,592
EQUITY			
Issued capital	12	**33,833,732**	9,795,161
Reserves	20	**2,490,224**	1,354,518
Accumulated losses		**(26,476,815)**	(7,364,087)
TOTAL EQUITY		**9,847,141**	3,785,592

* For further information in relation to the restatement, please refer to note 21.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

2014 Consolidated	Issued Capital $	Share-Based Payment Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2013 (restated)	9,795,161	1,324,049	30,469	(7,364,087)	3,785,592
Other Comprehensive Income					
Movement in reserve	-	-	72,314	-	72,314
Loss for the year	-	-	-	(19,112,728)	(19,112,728)
Total comprehensive income/(loss) for the year	-	-	72,314	(19,112,728)	(19,040,414)
Transactions with equity holders:					
Securities issued during the year	25,329,532	-	-	-	25,329,532
Capital raising costs	(1,290,961)	-	-	-	(1,290,961)
Share-based payments/Options	-	1,063,392	-	-	1,063,392
Total contribution by equity holders	24,038,571	1,063,392	-	-	25,101,963
Balance as at 30 June 2014	**33,833,732**	**2,387,441**	**102,783**	**(26,476,815)**	**9,847,141**

2013 Consolidated (Restated) *	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	-	-	30,469	-	30,469
Loss for the year	-	-	-	(6,434,765)	(6,434,765)
Total comprehensive income/(loss) for the year	-	-	30,469	(6,434,765)	(6,404,296)
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**	**30,469**	**(7,364,087)**	**3,785,592**

* For further information in relation to the restatement, please refer to note 21.

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

	Note	Consolidated Group 2014 $	2013 (Restated) * $
Cash flows from operating activities			
Receipts from customers and authorities		**1,630,057**	-
Payments to suppliers and employees		**(2,490,563)**	(1,311,489)
Interest received		**206,129**	(534,652)
Exploration expenditure		**(14,059,840)**	(6,389,580)
Net cash used in operating activities	5(a)	**(14,714,217)**	(8,235,721)
Cash flows from investing activities			
Purchase of plant and equipment		**(522,291)**	(26,783)
Acquisition of mining interests		**(498,295)**	(926,064)
Net cash used in investing activities		**(1,020,586)**	(952,847)
Cash flows from financing activities			
Proceeds from issue of shares		**22,518,106**	10,612,436
Payment of capital raising costs		**(1,290,961)**	-
Proceeds from loans		**2,877,748**	-
Foreign currency exchange gains/(losses)		**(88,625)**	-
Net cash provided by financing activities		**24,016,268**	10,612,436
Net increase in cash and cash equivalents		**8,281,465**	1,423,868
Cash and cash equivalents at the beginning of the year		**2,123,501**	392,545
Effect of foreign currency translation		**(82,399)**	307,088
Cash and cash equivalents at the end of the year	5	**10,322,567**	2,123,501

* For further information in relation to the restatement, please refer to note 21.

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

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporation Act 2001*. Atrum Coal NL is a for-profit entity for the purpose of preparing the financial statements.

i. Compliance with IFRS

The consolidated financial statements of Atrum Coal NL also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

ii. Historical Cost Convention

The financial statements have been prepared on a historical cost basis, except for the following:

- available-for-sale financial assets, financial assets and liabilities (including derivative instruments) certain classes of property, plant and equipment and investment property – measured at fair value, and
- assets held for sale – measured at fair value less cost of disposal.

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

The separate financial statements of the parent entity, Atrum Coal 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) 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 2014. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

(c) Statement of compliance

The financial report was authorised for issue by the Directors on 30 September 2014.

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).

1. Summary of significant accounting policies (cont.)

(d) 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.

(e) Foreign currency translation

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

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

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

1. Summary of significant accounting policies (cont.)

(f) 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.

(g) Cash and cash equivalents

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

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

(h) 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.

(i) 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.

1. Summary of significant accounting policies (cont.)

(j) Income tax (cont.)

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. Annual depreciation / amortisation rates applying to each class of depreciable asset are as follows:

Leasehold improvements	Lease term
Computer equipment	33%
Machinery & equipment	20-50%

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An 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.

1. Summary of significant accounting policies (cont.)

(m) Financial assets (cont.)

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) Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss are either: i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss.

(ii) 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.

(iii) 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 incurred by the purchase or acquisition of the asset from a private vendor, or through government applications and licensing processes are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

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

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

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

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

Exploration and evaluation assets are initially measured at cost. Ongoing exploration costs are expensed as incurred.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

1. Summary of significant accounting policies (cont.)

(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) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

(r) 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.

(s) 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.

1. Summary of significant accounting policies (cont.)

(t) 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.

(u) 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. When the valuation is deemed to be significant, 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 or its subsidiaries (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

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

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

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

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

Performance Rights

The Group issues performance rights to its Key Management Personnel and employees as part of their remuneration as required in the service/employment agreement.

Each Performance right gives the holder a right to one share upon vesting conditions being met. Shares are issued upon Performance rights which vest, but held in escrow until a date that is 24 months following the listing of the Company on the ASX (24 July 2014), after which they are released to the Key Management Personnel and employees.

(v) 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.

1. Summary of significant accounting policies (cont.)

(w) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

Cash flow hedges

Cash flow hedges are used to cover the consolidated entity's exposure to variability in cash flows that is attributable to particular risk associated with a recognised asset or liability or a firm commitment which could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, amounts recognised in equity are transferred to profit or loss.

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if the hedge becomes ineffective and is no longer a designated hedge, amounts previously recognised in equity remain in equity until the forecast transaction occurs.

(x) 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.

1. *Summary of significant accounting policies (cont.)*

(y) 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 2014 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.

(z) New, revised or amending Accounting Standards or Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any significant impact on the accounting policies of the Group from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

The following Accounting Standards and Interpretations are most relevant to the Group:

AASB 10 Consolidated Financial Statements
The Group has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The Group not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities
The Group has applied AASB 2012-2 from 1 July 2013. The amendments enhance AASB 7 'Financial Instruments: Disclosures' and requires disclosure of information about rights of set-off and related arrangements, such as collateral agreements. The amendments apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle
The Group has applied AASB 2012-5 from 1 July 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 'Financial Instruments: Presentation' should be accounted for in accordance with AASB 112 'Income Taxes'; and clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement
The Group has applied 2011-4 from 1 July 2013, which amends AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No.1) now specify the KMP disclosure requirements to be included within the directors' report.

1. Summary of significant accounting policies (cont.)

(aa) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2014. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 9 Financial Instruments and its consequential amendments
This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2017 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity will adopt this standard and the amendments from 1 July 2017 but the impact of its adoption is yet to be assessed by the Group.

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities
The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of 'currently has a legally enforceable right of set-off'; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014 will not have a material impact on the Group.

AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets
These amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed. The adoption of these amendments from 1 July 2014 is not expected to have a material impact on the Group.

AASB 2013-4 Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting
These amendments are applicable to annual reporting periods beginning on or after 1 January 2014 and amends AASB 139 'Financial Instruments: Recognition and Measurement' to permit continuation of hedge accounting in circumstances where a derivative (designated as hedging instrument) is novated from one counter party to a central counterparty as a consequence of laws or regulations. The adoption of these amendments from 1 July 2014 will not have a material impact on the Group.

Annual Improvements to IFRSs 2010-2012 Cycle
These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects several Accounting Standards as follows: Amends the definition of 'vesting conditions' and 'market condition' and adds definitions for 'performance condition' and 'service condition' in AASB 2 'Share-based Payment'; Amends AASB 3 'Business Combinations' to clarify that contingent consideration that is classified as an asset or liability shall be measured at fair value at each reporting date; Amends AASB 8 'Operating Segments' to require entities to disclose the judgements made by management in applying the aggregation criteria; Clarifies that AASB 8 only requires a reconciliation of the total reportable segments assets to the entity's assets, if the segment assets are reported regularly; Clarifies that the issuance of AASB 13 'Fair Value Measurement' and the amending of AASB 139 'Financial Instruments: Recognition and Measurement' and AASB 9 'Financial Instruments' did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amount, if the effect of discounting is immaterial; Clarifies that in AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets', when an asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount (i.e. proportional restatement of accumulated amortisation); and Amends AASB 124 'Related Party Disclosures' to clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a 'related party' of the reporting entity. The adoption of these amendments from 1 July 2014 will not have a material impact on the Group.

1. Summary of significant accounting policies (cont.)

(aa) New Accounting Standards and Interpretations not yet mandatory or early adopted (cont.)

Annual Improvements to IFRSs 2011-2013 Cycle
These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects four Accounting Standards as follows: Clarifies the 'meaning of effective IFRSs' in AASB 1 'First-time Adoption of Australian Accounting Standards'; Clarifies that AASB 3 'Business Combination' excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself; Clarifies that the scope of the portfolio exemption in AASB 13 'Fair Value Measurement' includes all contracts accounted for within the scope of AASB 139 'Financial Instruments: Recognition and Measurement' or AASB 9 'Financial Instruments', regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132 'Financial Instruments: Presentation'; and Clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in AASB 3 'Business Combinations' and investment property as defined in AASB 140 'Investment Property' requires the separate application of both standards independently of each other. The adoption of these amendments from 1 July 2014 will not have a material impact on the Group.

	Consolidated	
	2014	2013
	$	$
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	**(19,112,728)**	(6,434,765)
Income tax at 30%	**(5,733,819)**	(1,930,429)
Effect of expenses not deductible in determining taxable income	**3,786,773**	1,537,593
Effect of tax rates in foreign jurisdictions (i)	**784,752**	245,251
Tax losses not recognised	**1,162,294**	147,585
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

(c) Unrecognised deferred tax assets arising on timing difference and losses

(ii)	Losses – revenue	**683,767**	165,466
	Foreign losses - revenue	**4,479,514**	1,553,065
	Other	**198,646**	34,644

(iii) The benefit for tax losses will only be obtained if:

(i) the Group derives future assessable income in Australia or Canada of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;

(ii) the Group continues to comply with the conditions for deductibility imposed by tax legislation in Australia and Canada; and

(iii) there are no changes in tax legislation in Australia or Canada which will adversely affect the Group in realising the benefit from the deductions for the losses.

	Consolidated	
	2014	2013
	$	$

3. Auditors' remuneration

(a) Audit services

The auditor of Atrum Coal NL is BDO Audit (WA) Pty Ltd		
Audit and review services	**52,847**	35,000
	52,847	35,000

(b) Non-audit services

Amounts received by BDO for non-audit services:		
Preparation and lodgement of income tax returns		
Canada	**23,807**	22,723
Australia	**14,154**	6,120
United States	**4,417**	-
Preparation of independent experts report	**11,220**	18,360
Other taxation advice	**29,362**	-
	82,960	47,203

4. Earnings per share (EPS)

Basic loss per share – cents	**(12.2)**	(10.8)
Loss used in calculation of basic loss per share	**(19,040,414)**	(6,434,764)
Weighted average number of ordinary shares outstanding during the year used In the calculation of basic and diluted loss per share	**156,575,413**	59,388,596

5. Cash and Cash Equivalents

Cash at bank	**4,211,095**	224,797
Deposits at call	**6,111,472**	1,898,704
	10,322,567	2,123,501

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

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

Loss for the year	**(19,112,728)**	(6,434,764)
Add back:		
Depreciation	**40,050**	12,697
Share Based Payments	**1,063,392**	491,949
Unrealised foreign currency losses	**653,889**	-
Changes in assets and liabilities:		
Movements in trade and other receivables	**281,593**	(1,436,792)
Movement in trade and other payables	**2,359,587**	(868,810)
Net cash flows from operating activities	**(14,714,217)**	(8,235,720)

5. Cash and Cash Equivalents (continued)

(b) Non-cash financing and investing activities

During the year, the Company:

- Reduced its liabilities associated with the Offset Loan Agreement with Lenark Pty Ltd, a related entity of the Chairman, by $2,681,417 via the issuance of 13,412,500 fully paid ordinary shares, and cancelling the equivalent number of partly paid ordinary shares.

- Issued a total of 100,000 fully paid ordinary shares as consideration for the acquisition of mineral exploration licenses from Panstone Mines and Minerals. The shares were valued at $130,000.

6. Trade & other receivables

	Consolidated	
	2014	2013
	$	$
Current		
Rental Bonds and Deposits	**20,254**	10,375
Term Deposit	**-**	20,000
GST receivables	**350,616**	490,114
Other Debtors	**4,793**	-
Environmental Bond Deposit	**151,226**	79,390
Accrued Interest & Tax Refunds	**140,945**	737,930
Royalty Prepayments	**198,982**	103,103
Construction and Equipment Loan – Wilps Geel	**-**	103,103
Other Prepayments	**193,164**	-
	1,059,980	1,544,015

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.
- On 17 May 2013, the Company entered into a construction and equipment loan with Wilps Geel, a Gitxsan First Nation House, 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. The loan was repaid during the year ended 30 June 2014.

Information about the Group's exposure to credit risk is disclosed in Note 18: Financial instruments.

	Consolidated	
	2014	2013
	$	$
7. Non-current assets – plant and equipment		
Computer Equipment – at cost	**19,587**	19,587
Less: Accumulated depreciation	**(17,135)**	(9,735)
Closing Balance	**2,452**	9,852
Leasehold Improvements – at cost	**46,884**	25,775
Less: Accumulated amortisation	**(17,186)**	(5,414)
Closing Balance	**29,698**	20,361
Machinery and equipment – at cost	**555,472**	-
Less: Accumulated depreciation	**(19,900)**	-
Closing balance	**535,572**	-
	567,722	30,213

Reconciliations
Reconciliations of the written down values and the beginning and end of the current and previous financial year are set out below:

	Computer Equipment $	Leasehold Improvements $	Machinery and Equipment $	Total $
Balance at 1 July 2012	16,127	-	-	16,127
Additions	1,330	25,775	-	27,105
Depreciation	(7,605)	(5,414)	-	(13,019)
Balance at 30 June 2013	9,852	20,361	-	30,213
Additions	-	22,430	571,455	593,885
Depreciation charge	(7,400)	(12,257)	(20,393)	(40,050)
Effect of foreign exchange	-	(836)	(15,490)	(16,326)
Closing net book amount	**2,452**	**29,698**	**535,572**	**567,722**

	Consolidated	
	2014	2013 (re-stated)
	$	$
8. Exploration and evaluation expenditure		
Peace River Project	**49,958**	51,552
Naskeena Project	**342,896**	315,748
Groundhog Coal Project	**1,497,905**	1,030,009
	1,890,759	1,397,309
Opening balance	**1,397,309**	422,926
Foreign exchange translation differences	**(28,055)**	5,633
Additions in Period	**521,505**	968,750
Closing Balance	**1,890,759**	1,397,309

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	
	2014	2013
	$	$
9. Current liabilities - trade and other payables		
Trade payables	**3,267,120**	1,170,578
Other payables	**349,785**	138,868
	3,616,905	1,309,446

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 18.

10. Current liabilities - derivative financial instruments		
Forward foreign exchange contracts – cash flow hedges	**90,992**	-
11. Non-Current liabilities - borrowings		
Loans from related parties - Offset loan agreement (see Note 16)	**285,990**	-
	285,990	-

	2014		2013	
	Number	**$**	Number	$
12. Issued capital				
(a) Issued and paid up capital				
Ordinary shares – fully paid	**161,489,242**	**33,833,511**	110,592,500	9,795,161
Ordinary shares – partly paid	**2,761,600**	**221**	34,975,000	2,798

(b) Movement in ordinary shares on issue

Ordinary shares – fully paid	**Number**	**$**
Balance at 30 June 2013	**110,592,500**	**9,795,161**
Issued for cash	13,399,592	18,759,429
Issued as consideration for the acquisition of mining licenses	100,000	130,000
Issued upon exercise of performance rights	5,183,750	-
Payments made against partly paid shares	32,213,400	6,439,882
Capital raising costs	-	(1,290,961)
Balance at end of year	**161,489,242**	**33,833,511**
Ordinary shares – partly paid		
Balance at 30 June 2013	**34,975,000**	**2,798**
Paid up to fully paid ordinary	(32,213,400)	(2,577)
Balance at end of year	**2,761,600**	**221**
Total Issued Capital	**164,250,842**	**33,833,732**

(c) Terms and conditions of issued capital

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

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

For details of the Group's capital risk management refer to Note 18: Financial instruments.

12. Issued capital (cont.)

(d) Movements in options

On 14 March 2014, the Company issued 100,000 unlisted options to NWR Communications as consideration for investor relations services, with an exercise price of $1.40 and an expiry date 3 years from the date of issue. See Note 19: Share based payments.

(e) Movements in ordinary shares on issue following satisfaction of 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 following satisfaction of the Class 5 and Class 6 Performance Rights Milestones.

On 1 June 2014, the Company issued 1,801,250 ordinary fully paid shares to the Directors, Key Management and Staff of the Company following satisfaction of the Class 3 and Class 12 Performance Rights Milestones.

(f) Movements in partly paid ordinary shares

On 29 October 2013, the Company issued 4,001,260 ordinary fully paid shares to directors in satisfaction of the payment of the outstanding balance on an equivalent number of partly paid shares by directors.

On 21 November 2013, the Company issued 3,350,000 ordinary fully paid shares to directors in satisfaction of the payment of the outstanding balance on an equivalent number of partly paid shares.

On 2 April 2014, the Company issued 5,200,000 ordinary fully paid shares to directors in satisfaction of the payment of the outstanding balance on an equivalent number of partly paid shares.

On 17 June 2014, the Company issued 19,662,140 ordinary fully paid shares to directors in satisfaction of the payment of the outstanding balance on an equivalent number of partly paid shares

(g) Movements in performance rights

The following table sets out the movements in performance rights during the year:

Year Ended 30 June 2014

Class	Balance at start of year	# Granted during the year	Vested and Exercised	Forfeited	Balance at end of year
3	1,711,250	310,000	(1,771,250)	(250,000)	-
5	1,661,250	280,000	(1,691,250)	(250,000)	-
6	1,661,250	280,000	(1,691,250)	(250,000)	-
7	1,661,250	310,000	-	(250,000)	1,721,250
8	2,173,750	310,000	-	(250,000)	2,233,750
9	-	30,000	-	-	30,000
10	-	50,000	-	-	50,000
11	-	50,000	-	-	50,000
12	-	30,000	(30,000)	-	-
13	-	50,000	-	-	50,000
14	-	50,000	-	-	50,000
15	-	100,000	-	-	100,000
16	-	100,000	-	-	100,000
17	-	100,000	-	-	100,000
18	-	100,000	-	-	100,000
Total	**8,868,750**	**2,150,000**	**(5,183,750)**	**(1,250,000)**	**4,585,000**

Year Ended 30 June 2013

Class	Balance at start of year	# Granted during the year	Vested and Exercised	Forfeited	Balance at end of year
1	1,325,000	350,000	(1,675,000)	-	-
2	1,325,000	350,000	(1,675,000)	-	-
3	1,325,000	386,250	-	-	1,711,250
4	1,325,000	280,000	(1,605,000)	-	-
5	1,325,000	336,250	-	-	1,661,250
6	1,325,000	336,250	-	-	1,661,250
7	1,325,000	336,250	-	-	1,661,250
8	1,775,000	398,750	-	-	2,173,750
Total	**11,050,000**	**2,773,750**	**(4,955,000)**	**-**	**8,868,750**

13. 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:

	2014 $	2013 $
Less than one year	**282,267**	83,220
Between one and five years	**-**	-
More than five years	**-**	-
	282,267	83,220

Operating lease agreements

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2014 $	2013 $
Less than one year	**497,853**	63,357
Between one and five years	**1,306,544**	174,503
More than five years	**-**	-
	1,804,397	237,860

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 2014 an amount of $195,756 (2013: $94,152) was recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income in respect of operating leases.

Land Reservation and Terminal Services Agreement – Stewart Bulk Terminals

Pursuant to clause 3 of the Land Reservation and Terminal Services Agreement between Atrum Coal Groundhog Inc. and Stewart Bulk Terminals, the Company has reserved a space of 2,500m^2 at the terminal for the purposes of clean anthracite stockpiling.

The extract of clause 3 is provided below:

3. Land Reservation

(a) Stewart Bulk hereby agrees to hold and reserve, for the term of this Agreement, the Building Site for the construction of the Warehouse Building and the exclusive use thereof by the Shipper.

*(b) The Shipper hereby agrees to pay to Stewart Bulk Terminals Ltd. on a calendar quarterly basis land reservation payments of $100,000.00 per calendar quarter (the "**Quarterly Land Reservation Payments**") until the earlier of the commencement of shipments of Coal from the Terminal Facility or January 1, 2018 and to a cumulative maximum of $1,400,000.00, in accordance with the terms and conditions of this Agreement. The first Quarterly Land Reservation Payments shall be due and payable on October 1, 2014 and thereafter on the first day of January, April, July and October of each calendar year.*

(c) Stewart Bulk acknowledges and agrees that the land reservation rights granted to the Shipper under this Agreement shall be effective from the Effective Date for the duration of the term of this Agreement, as set out in Section 2.

(d) The Shipper acknowledges and agrees that Stewart Bulk shall not be obligated to repay any of the Quarterly Land Reservation Payments under the Terminal Services Agreement.

The Company is currently in discussions with Stewart Bulk Terminals over the suitability of the proposed area for the purposes of clean anthracite stockpiling as the current PFS optimisation is evaluating the installation of a lineal shed with a simple stacker reclaimer system. The Land Reservation and Terminal Services Agreement was based on the installation of four individual anthracite storage silos, however, the Company is now evaluating other options with lower CAPEX associated.

This may mean that the Company no longer requires the reserved land for the warehouse building or the anthracite storage silos and may negate the requirement to fund the land reservation payments. An amount of $1,400,000 is included in the operating commitments note above in relation to this agreement.

14. Contingent liabilities

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

Groundhog Anthracite 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 to Clive Brookes syndicate
	1% gross revenue royalty or a US$1/tonne royalty (whichever is the higher) payable on anthracite produced from the assets acquired from Anglo Pacific only
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 to be issued on completion date
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).

15. Financial reporting by segments

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

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

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

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

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

2014	Exploration $	All Other Segments $	Consolidated $
Segment loss	(15,645,222)	(3,467,506)	(19,112,728)
Segment assets	3,339,501	10,501,528	13,841,029
Segment liabilities	(2,288,572)	(1,705,315)	(3,993,887)
Additions to and acquisitions of non-current assets	1,110,267	5,123	1,115,390
Other segment information included in segment loss			
Interest revenue	81	339,050	339,131
Finance costs	(1,866)	(274,450)	(276,316)
Depreciation and amortisation	(32,650)	(7,400)	(40,050)

2013	Exploration $	All Other Segments $	Consolidated $
Segment loss	6,513,785	79,020	6,434,765
Segment assets	2,818,752	2,276,286	5,095,038
Segment liabilities	(959,271)	(350,175)	(1,309,446)
Additions to and acquisitions of non-current assets	994,525	1,330	995,855
Other segment information included in segment loss			
Interest revenue	-	203,277	203,277
Finance costs	(3,064)	(2,168)	(5,232)
Depreciation and amortisation	(5,092)	(7,605)	(12,697)

16. Related party transactions

Directors Increase Voting Power in Company

Throughout the year, directors increased their voting power in the Company by making payments on partly paid shares.

During the financial year, Lenark Pty Ltd ("Lenark"), an associated entity of Chairman, James Chisholm (for the purposes of the Corporations Act) increased its interest in the Company from 22,098,500 fully paid ordinary shares to 36,448,500 fully paid ordinary shares (representing a current voting interest of 22.57%) in accordance with the provisions of the Corporations Act.

The increase occurred as a result of the conversion of all of Mr Chisholm's remaining 13,412,500 partly paid ordinary shares in the Company to fully paid ordinary shares. Pursuant to the conversion, Lenark paid $2,681,427 to the Company by offsetting loan funds provided under an offset loan agreement.

Over the course of the financial year, a total of $2,878,000 was drawn down against the offset loan agreement, and at 30 June a total of $285,990 remained. This facility remains open to the Company.

During the year Mr Russell Moran converted a total of 13,800,900 partly paid ordinary shares into fully paid ordinary shares by providing consideration of $2,759,076 to the Company. At year end Mr Moran's total shareholding was 32,901,900 fully paid ordinary shares and 2,761,600 partly paid ordinary shares.

During the year Internatzionale Consulting Pty Ltd, an entity associated with Mr Gino D'Anna, converted a total of 5,000,000 partly paid ordinary shares into fully paid ordinary shares by providing consideration of $999,600 to the Company. At year end Mr D'Anna's total shareholding was 11,885,000 fully paid ordinary shares.

Offset Loan Agreement with Chairman

On 30 July 2013, 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, providing a limit of $2,681,427 effective from 30 June 2014 which, upon advancement, could be used to offset the outstanding balance owing against 13,412,500 partly paid shares 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.

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 by an additional $2 million.

Over the course of the financial year, a total of $2,878,000 was drawn down against the loan, and at 30 June a total of $285,990 remained. Subsequent to year end, the outstanding loan amount along with accrued interest was repaid to Lenark Pty Ltd in cash.

As at 30 June 2014 the total remaining available credit pursuant to the Offset Loan Agreement is $4,395,437.

The Board considers that the terms of the facility with Lenark Pty Ltd are arms-length.

Aggregate amounts of transactions with related parties are set out in the table below:

Type of transaction	Consolidated $
Short term benefits	931,805
Share-based payments	314,958
Total	**1,246,763**

16. Related party transactions (cont.)

(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 2014	% Equity Interest 2013	Description of Activities
Atrum Coal Australia Pty Ltd	Australia	100	100	Dormant
Atrum Infrastructure and Logistics Pty Ltd	Australia	100	-	Conducting feasibility studies on road, rail and other infrastructure
Atrum Coal Groundhog Inc	Canada	100	100	Development of Groundhog Anthracite Project
Atrum Coal Peace River Inc	Canada	100	100	Development of Peace River and Bowron River Coal Project
Atrum Coal Naskeena Inc	Canada	100	100	Development of Naskeena Coal Project
Atrum Coal USA Inc	USA	100	100	Dormant
Kuro Coal Limited	Australia	100	-	Holding Company – Dormant
Kuro Coal Panorama Inc	Canada	100	-	Development of Panorama Anthracite Project

Atrum Coal Groundhog Inc, Atrum Coal Peace River Inc, Atrum Coal Naskeena Inc and Atrum Coal USA Inc have financial years of 30 June. There are no significant restrictions on the ability of the subsidiaries to transfer funds to the parent entity to pay dividends or loans.

(b) Parent entity

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

17. Parent entity disclosures

(a) Summary financial information

	Parent Entity 2014 $	Parent Entity 2013 $
Financial Position		
Assets		
Current assets	**39,517,026**	9,845,681
Non-current assets	**7,575**	9,852
Total Assets	**39,524,601**	9,855,533
Liabilities		
Current liabilities	**1,389,604**	248,645
Non-current liabilities	**285,990**	-
Total Current Liabilities	**1,675,594**	248,645
Equity		
Issued capital	**33,833,732**	9,795,161
Retained Earnings/(Accumulated losses)	**1,630,556**	(1,512,322)
Share Based Payment Reserve	**2,384,719**	1,324,049
Total Equity	**37,849,007**	9,606,888
Financial Performance		
Gain/(Loss) for the period	**3,142,738**	(863,025)
Other comprehensive loss	**-**	-
Total comprehensive income (loss)	**3,142,738**	(863,025)

17. Parent entity disclosures (cont.)

(b) Guarantees

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

(c) Other Commitments and Contingencies

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

18. Financial instruments

Financial risk management

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

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group does not speculate in the trading of derivative instruments. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates and assessments of market forecasts for interest rates. Ageing analysis of and monitoring of receivables are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

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

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below, including for interest rate risk, credit allowances and cash flow forecast projections.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in Note 1 to the financial statements.

Risk exposures and responses

Market Risk

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

Foreign Currency Risk

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

18. Financial instruments (cont.)

The maturity, settlement amounts and the average contractual exchange rates of the consolidated entity's outstanding forward foreign exchange contracts at the reporting date was as follows:

	Sell Australian Dollars		Average Exchange Rates	
	2014 $	2013 $	2014	2013
Buy Canadian dollars				
Maturity:				
0 – 3 Months	**2,082,032**	-	**0.9606**	-

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date was as follows:

	Assets		Liabilities	
	2014 $	2013 $	2014 $	2013 $
Consolidated				
Australian Dollars	**10,491,840**	2,269,741	**(1,293,939)**	(148,085)
Canadian Dollars	**888,595**	1,297,979	**(2,094,796)**	(959,271)
US Dollars	**2,113**	-	**(172,235)**	(20,478)
	11,382,548	3,567,720	**(3,560,970)**	(1,127,834)

The group had net foreign currency liabilities of $1,394,602 as at 30 June 2014 (2013: net assets $318,229). Based on this exposure alone, had the Australian dollar moved against these foreign currencies with all other variables held constant, the consolidated entity's profit before tax for the year would have been affected as follows:

	Loss		Equity	
	2014 $	2013 $	2014 $	2013 $
Movement in Australian dollar against foreign currency:	*Increase/ (decrease)*	*Increase/ (decrease)*	*Increase/ (decrease)*	*Increase/ (decrease)*
Strengthening of AUD by 10%	**145,147**	31,823	**145,147**	31,823
Weakening of AUD by 10%	**(145,147)**	(31,823)	**(145,147)**	(31,823)

Interest rate risk

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

The Group's exposure to risks of changes in market interest rates relates primarily to the Group's cash balances. The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing positions and the mix of fixed and variable interest rates. As the company has no variable rate interest bearing borrowings its exposure to interest rate movements is limited to the amount of interest income it can potentially earn on surplus cash deposits. The Offset Loan Agreement charges an interest rate of 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 Group had the following financial assets exposed to variable interest rates that are not designated in cash flow hedges:

	Consolidated	
	2014 $	2013 $
Financial Assets		
Cash and cash equivalents (interest-bearing accounts)	**4,211,095**	2,123,501
Net exposure	**4,211,095**	2,123,501

18. Financial instruments (cont.)

During the financial year ended 30 June 2014, the Company earned interest on financial assets of the Group.

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 2014	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		1,059,981	-	-	-	1,059,981
Variable interest rate instruments	1.16%	4,211,095	-	-	-	4,211,095
Fixed interest rate instruments	3.57%	-	6,111,472	-	-	6,111,472
		5,271,076	**6,111,472**	-	-	**11,382,548**
Financial Liabilities						
Non-interest bearing		(3,707,897)	-	-	-	(3,707,897)
Fixed interest rate instruments	6.00%	-	(285,990)	-	-	(285,990)
		(3,707,897)	**(285,990)**	-	-	**(3,993,887)**
Net Financial Assets		**1,563,179**	**5,825,482**	-	-	**7,388,661**

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	-	-	-	1,544,015
Variable interest rates instruments	3.88%	2,143,501	-	-	-	2,143,501
Fixed interest rates instruments		-	-	-	-	-
		3,687,516	-	-	-	3,687,516
Financial Liabilities						
Non-interest bearing		(1,309,445)	-	-	-	(1,309,445)
Net Financial Assets		**2,378,071**	**-**	**-**	**-**	**2,378,071**

Net fair value of financial assets and liabilities

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

Interest Rate Sensitivity Analysis

At 30 June 2014, 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:

	2014 $	2013 $
CHANGE IN LOSS		
Increase in interest rate by 1%	71,271	175,627
Decrease in interest rate by 1%	(71,271)	(175,627)

	2014 $	2013 $
CHANGE IN EQUITY		
Increase in interest rate by 1%	71,271	175,627
Decrease in interest rate by 1%	(71,721)	(175,627)

18. Financial instruments (cont.)

Liquidity Risk

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

The Group has no significant exposure to liquidity risk. The Group manages liquidity risk by monitoring immediate and forecast cash requirements and ensuring adequate cash reserves are maintained. All financial liabilities are due within 30 days.

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

Consolidated	W.Av Interest Rate %	Less than 1 month $	1 – 3 Months $	3 months – 1 year $	1 – 5 years $	Remaining contractual maturities $
2014						
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	3,707,897	-	-	-	3,707,897
Interest bearing – fixed rate						
Borrowings – offset loan agreement	6.0%	-	-	-	285,990	285,990
Total non-derivatives		**3,707,897**	**-**	**-**	**285,990**	**3,993,887**
Derivatives						
Forward exchange contracts net settled	-	90,992	-	-	-	90,992
Total derivatives		**90,992**	**-**	**-**	**-**	**90,992**
2013						
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	1,309,445	-	-	-	1,309,445
		1,309,445	**-**	**-**	**-**	**1,309,445**

Credit risk

Credit risk arises from the financial assets of the Group, which comprise deposits with banks and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with the maximum exposure equal to the carrying amount of these instruments. The carrying amount of financial assets included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to those assets.

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

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

The Group trades only with recognised, credit worthy third parties and as such collateral is not requested nor is it the Group's policy to secure its trade and other receivables. The nature of the business is such that it is common not to maintain material receivables.

Receivable balances are monitored on an ongoing basis with the result that the Group does not have a significant exposure to bad debts.

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

18. Financial instruments (cont.)

Capital Management Risk

Management controls the capital of the Group in order to maximise the return to shareholders and ensure that the Group can fund its operations and continue as a going concern.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of expenditure and debt levels and share and option issues.

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

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

Commodity Price Risk

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

Fair Value

The methods of estimating fair value are outlined in the relevant notes to the financial statements. All financial assets and liabilities recognised in the statement of financial position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair values unless otherwise stated in the applicable notes.

19. Share based payments

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

(i) Performance Rights

During the financial year the movements in performance rights issued by the Company was as follows:

Balance at Start of Year	Issued as Remuneration	Exercised	Forfeited	Balance at End of Year
8,868,750	2,150,000	(5,183,750)	(1,250,000)	4,585,000

Performance rights issued during the year, and the value of rights issued in prior years that vested in the current year resulted in share based payments expenses of $1,063,392 (2013: $491,949). An amount of $315,191 (2013: $491,949) related to share based payment made to the Directors of the Company.

The follow table outlines the share based payment expense for 2014:

	$
Share based payment expense for the previous year (to 30 June 2013)	491,949
Share based payment expense for the current year (to 30 June 2014)	571,443
Total Share Based Payment Expense	**1,063,392**

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

19. Share based payments (cont.)

2014 Date Issued	Class	Number Issued	Value Per Right	Probability at grant date	Condition	Total Value	Vesting Period (Years)	Value Vested Current Period	Value Not Vested
1/9/13	Class 3	80,000	$1.105	100%	Non-market	$88,400		$88,400	-
1/9/13	Class 5	80,000	$1.105	N/A	Market	$88,400		$88,400	-
1/9/13	Class 6	80,000	$1.089	N/A	Market	$87,117		$87,117	-
1/9/13	Class 7	80,000	$1.105	0%	Non-market	-	3.5	-	$88,400
1/9/13	Class 8	80,000	$1.105	0%	Non-market	-	2.5	-	$88,400
1/2/14	Class 3	30,000	$1.31	100%	Non-market	$39,300	0.5	$39,300	$ 0
1/2/14	Class 7	30,000	$1.31	10%	Non-market	$39,300	3	$534	$38,766
1/2/14	Class 8	30,000	$1.31	50%	Non-market	$39,300	2	$4,011	$35,289
1/2/14	Class 9	30,000	$1.31	80%	Non-market	$39,300	1	$12,834	$26,466
1/2/14	Class 10	30,000	$1.28	N/A	Market	$38,388	1	$15,671	$22,717
1/2/14	Class 11	30,000	$1.26	N/A	Market	$37,926	2	$7,741	$30,185
1/2/14	Class 12	30,000	$1.31	100%	Non-market	$39,300	0.5	$39,300	$ 0
1/2/14	Class 13	30,000	$1.31	75%	Non-market	$39,300	2	$6,016	$33,284
1/5/14	Class 10	20,000	$1.69	N/A	Market	$33,846	1	$5,564	$28,282
1/5/14	Class 11	20,000	$1.68	N/A	Market	$33,524	2	$2,755	$30,769
1/5/14	Class 13	20,000	$1.71	75%	Non-market	$34,200	2	$2,108	$32,092
1/5/14	Class 14	50,000	$1.71	50%	Non-market	$85,500	3	$2,340	$83,160
1/5/14	Class 15	100,000	$1.71	25%	Non-market	$171,000	4	$1,756	$169,244
1/5/14	Class 16	100,000	$1.71	10%	Non-market	$171,000	5	$562	$170,438
1/5/14	Class 17	100,000	$1.71	10%	Non-market	$171,000	5	$562	$170,438
1/5/14	Class 18	100,000	$1.71	50%	Non-market	$171,000	2	$7,027	$163,973
		1,150,000				**$1,447,101**		**$411,998**	**$1,211,903**

2013		Number	Value Per Right	Probability at grant date	Condition	Total Value	Vesting Period (Years)	Value Vested Current Period	Value Not Vested
Various	Class 1	1,645,000	$0.08	100%	Non-market	$170,700	-	$170,700	-
Various	Class 2	1,645,000	$0.08	100%	Non-market	$170,700	-	$170,700	-
Various	Class 3	1,911,250	$0.08	0%	Non-market	-	-	-	-
Various	Class 4	1,605,000	$0.06	-	Market	$143,853	2	$84,228	-
Various	Class 5	1,861,250	$0.05	-	Market	$191,573	2	$33,927	$191,573
Various	Class 6	1,861,250	$0.05	-	Market	$186,820	2	$32,394	$186,820
Various	Class 7	1,861,250	$0.08	0%	Non-market	-	-	-	-
Various	Class 8	2,373,750	$0.08	0%	Non-market	-	-	-	-
		14,763,750				**$863,646**		**$491,949**	**$378,393**

19. Share based payments (cont.)

Details of Performance Right Vesting Conditions

The vesting conditions relating to unexercised performance rights are set out below:

- **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 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.
- **Class 9**: Performance Rights will convert into Shares upon the achievement of a JORC Mineral Reserve of not less than 50Mt of metallurgical coal over the projects in which the Company has a beneficial interest;
- **Class 10:** 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 $2.25;
- **Class 11:** 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 $2.75;
- **Class 12:** Performance Rights will convert into Shares upon the completion of a positive pre-feasibility study at the Groundhog Anthracite Project.
- **Class 13:** Performance Rights will convert into Shares upon the Company successfully completing the first truckload of anthracite from the bulk sample at the Groundhog Anthracite Project at the mine gate.
- **Class 14:** Performance Rights will convert into Shares upon the Company successfully completing total anthracite sales under a binding off-take agreement and subsequently receiving payment under the agreement for at least 125,000 tonnes from the Groundhog Anthracite Project.
- **Class 15:** Performance Rights will convert into Shares upon the Company successfully completing total anthracite sales under a binding off-take agreement and subsequently receiving payment under the agreement for at least 750,000 tonnes from the Groundhog Anthracite Project.
- **Class 16:** Performance Rights will convert into Shares upon the Company successfully completing total anthracite sales under a binding off-take agreement and subsequently receiving payment under the agreement for at least 1,500,000 tonnes from the Groundhog Anthracite Project.
- **Class 17:** Performance Rights will convert into Shares upon the Company successfully completing total anthracite sales under a binding off-take agreement and subsequently receiving payment under the agreement for at least 2,500,000 tonnes from the Groundhog Anthracite Project.
- **Class 18:** Performance Rights will convert into Shares upon completion of a strategic financing by the Company with which the holder has played a material role in completing.

(ii) Options

On 14 March 2014, the Group issued 100,000 options expiring 14 March 2017, exercisable at $1.40 each to consultants.

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 at grant date of options issued during the year amounted to $113,350 (2013: $673,100) determined by internal valuation using the black-scholes option pricing model.

Set out below are the valuation model inputs used to determine the fair value of the options issued:

	2014
Share price at grant date:	$1.80
Life of option:	3 years
Expected share price volatility:	88.5%
Risk free rate:	2.90%

Details of other performance rights movements and balances are set out in Note 12.

20. Reserves

Nature and purpose of reserves

Share based payments reserve

The reserve is used to record the fair value of share based payments, such options and performance rights, issued as remuneration to employees, or as consideration for the purchase of assets, services, or extinguishment of liabilities.

Foreign currency translation reserve

The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian dollars.

21. Correction of error in prior year

(a) Correction of error in accounting for capitalised exploration and evaluation assets

Whilst reviewing its consolidation adjustments, management discovered an error in the treatment of certain completion payments made by the parent entity on behalf of its subsidiaries during the financial year ended 30 June 2013.

The error has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

	Previously Stated 30 June 2013	Prior year restatement Increase / decrease	30 Jun 2013 Restated
	$	$	$
Consolidated Statement of Financial Position (extract)			
Exploration and evaluation assets	1,018,559	378,750	1,397,309
Net Assets	3,406,842	378,750	3,785,592
Reserves	975,768	378,750	1,354,518
Total Equity	3,406,842	378,750	3,785,592

The Consolidated Statement of Profit or Loss and Other Comprehensive Income and the Consolidated Statement of Cashflow was unaffected by the above correction.

22. Events since the end of the financial year

Appointment of Cameron Vorias

On 3 July 2014, the Company appointed Mr Cameron Vorias as a Non-Executive Director. Mr Vorias is a highly experienced coal specialist, who is currently the Managing Director and Chief Executive Officer of Sojitz Coal Mining Pty Ltd.

In order to attract Mr Vorias to the board of Atrum, the Company issued 60,000 performance rights, being 10,000 rights in each of Classes 7, 8, 9, 10, 11 and 13, the vesting details of which are set out in Note 19.

Appointment of Steven Boulton

On 22 August 2014, the Company appointed Mr Steven Boulton as a Non-Executive Director. Mr Boulton, MTM, BBus, FAICD, FAIM, CAHRI has in excess of 35 years' operational and investment experience in major infrastructure projects, including ports, rail, roads, airports and utilities. He is one of Australia's leading infrastructure executives and currently serves as Global Head of Infrastructure at CP2.

In order to attract Mr Boulton to the board of Atrum, the Company issued 60,000 performance rights, being 10,000 rights in each of Classes 7, 8, 9, 10, 11 and 13, the vesting details of which are set out in Note 19.

22. Events since the end of the financial year (cont.)

Issue of Performance Rights to Mr Ben Smith

On 3 June 2014, the Company appointed Mr Ben Smith as VP Operations. Mr Smith has spent 15 years in coal mine operations specialising in mine planning and design, mining engineering, safety, risk and mine management.

In accordance with Mr Smith's employment contract with the Company, effective 1 July 2014 the Company issued 500,000 performance rights, being 50,000 rights in each of Classes 7 to 13, the vesting details of which are set out in Note 19, and 100,000 each in Class 19 and Class 20. Vesting conditions for Classes 19 and 20 relate to receiving approvals from the BC Ministries for various mining permits and licenses.

Exercise of Options

On 31 July 2014, the Company issued 135,000 fully paid ordinary shares upon the exercise of 135,000 options at $0.30 each. The exercise provided funds of $40,500 to the Company.

On 18 August 2014, the Company issued 700,000 fully paid ordinary shares upon the exercise of 700,000 options at $0.30 each. The exercise provided funds of $210,000 to the Company.

On 11 September 2014, the Company issued 135,000 fully paid ordinary shares upon the exercise of 135,000 options at $0.30 each. The exercise provided funds of $40,500 to the Company.

Anglo Pacific Coal Licence Acquisition

During the financial year, the Company acquired a large package of granted coal licences and one coal licence application from Anglo Pacific Group PLC ("Anglo Pacific") (LSE: APF, TSX: APY).

The acquisition included 20 granted coal licences and one coal licence application, collectively covering an area of 10,235 hectares, and represented the complete consolidation of all the known anthracite-bearing tenure in the Groundhog and Panorama Coalfields.

Material terms of the acquisition include a 1% gross revenue royalty or a US$1/tonne royalty (whichever is the higher) payable on anthracite produced from the assets acquired from Anglo Pacific only, US$500,000 payable in cash, a US$2.0m 8% promissory loan note repayable within 18 months, and 1,000,000 Atrum shares, which are escrowed for 18 months from the date of issue.

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

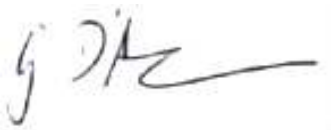
   (b) give a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the year ended on that date.

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 2014

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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 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 2014 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 2014. 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 2014 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

Peter Toll

Director

Perth, 30 September 2014

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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 2014, I declare that, to the best of my knowledge and belief, there have been:

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

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

Peter Toll

Director

BDO Audit (WA) Pty Ltd

Perth, 30 September 2014

HOLDINGS AS AT 22 SEPTEMBER 2014

Spread of holdings				Securities	% of Issued Capital
NIL holding					
1	-	1,000	167	78,970	0.06%
1,001	-	5,000	310	944,891	0.58%
5,001	-	10,000	287	2,361,770	1.45%
10,001	-	100,000	520	18,496,549	11.39%
100,001	-		141	140,442,062	86.52%
Total on register			1425	162,324,242	**100.00%**
Total overseas holders			71	9,058,384	5.58%

Number of holders of less than a marketable parcel	69
Percentage of the 20 largest holders	67.26%

Substantial Shareholders

The company has been notified of the following substantial shareholdings:

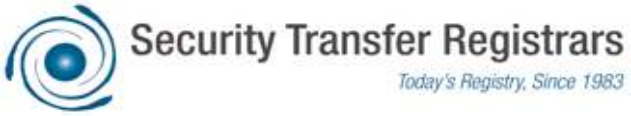
	Number	
Lenark Pty Ltd (and associated entities)	36,448,500	22.45%
Russell Harold Moran (and associated entities)	32,901,900	20.27%
Gino D'Anna (and associated entities)	11,885,000	7.32%

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 22 SEPTEMBER 2014:



Rank	Holder Name	Designation	Securities	%
1	LENARK PL	LENARK INV A/C	36,448,500	22.45%
2	MORAN RUSSELL HAROLD		32,901,900	20.27%
3	D'ANNA GINO	INTERNATZIONALE A/	11,885,000	7.32%
4	J P MORGAN NOM AUST LTD		4,388,734	2.70%
5	LUJETA PL	MARGARET ACCOUNT	3,310,000	2.04%
6	WALLIS-MANCE PL	WALLIS-MANCE FAM A	2,710,000	1.67%
7	HURST DOUGLAS CULMER		2,550,000	1.57%
8	TOPSFIELD PL		2,257,143	1.39%
9	UBS NOM PL		1,916,200	1.18%
10	CTSF PL	VC SUPER FUND A/C	1,764,069	1.09%
11	WILLSTREET PL		1,575,000	0.97%
12	LILFORD ERIC VERNON		1,331,250	0.82%
13	ASHABIA PL	ASHABIA S/F A/C	1,196,300	0.74%
14	CITICORP NOM PL		1,193,233	0.74%
15	SANDHURST TTEES LTD	DMP ASSET MGNT A/C	1,098,626	0.68%
16	STEPHENS B O + E J	STEPHENS GRP S/F A	1,000,000	0.62%
17	ANGLO PACIFIC GRP PLC		1,000,000	0.62%
18	CARROLL LOUIS THOMAS		984,465	0.61%
19	RIDGE BRADLEY		878,629	0.54%
20	HSBC CUSTODY NOM AUST LTD		703,487	0.43%

PARTLY PAID SHARES

Details of partly paid shareholders are as follows:

	Number	
Russell Harold Moran (and associated entities)	2,761,600	100.00%
Total	**2,761,600**	**100.00%**

UNLISTED OPTIONS

Details of unlisted option holders are as follows:

Class of unlisted options	Number of Options	Number of Holders
Options exercisable at 30 cents each on or before 24 July 2016	5,030,000	2
Holdings of more than 20% of this class		
- Blackwood Capital Limited	5,000,000	
- Avitus Capital Pty Ltd	30,000	
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	
Options exercisable at $1.40 each on or before 14 March 2017	100,000	1
Holdings of more than 20% of this class		
- Mr. Nathan William Ryan	100,000	

RESTRICTED SECURITIES

The company has no restricted securities on issue as at the date of this report.

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.

Atrum Coal Groundhog Inc.

Tenure Number	Owner	Tenure Type	Tenure Sub Type	Map Number	Issue Date	Good To Date	Status	Area (ha)
417079	147498 (100%)	Coal	License	104A	2005/oct/21	2014/oct/21	GOOD	991.0
417080	147498 (100%)	Coal	License	104A	2005/oct/21	2014/oct/21	GOOD	565.0
417081	147498 (100%)	Coal	License	104A	2005/oct/21	2014/oct/21	GOOD	636.0
417082	147498 (100%)	Coal	License	104A	2005/oct/21	2014/oct/21	GOOD	212.0
417084	147498 (100%)	Coal	License	104A	2005/oct/21	2014/oct/21	GOOD	708.0
417085	147498 (100%)	Coal	License	104A	2005/oct/21	2014/oct/21	GOOD	1031.0
417086	147498 (100%)	Coal	License	104A	2005/oct/21	2014/oct/21	GOOD	142.0
417088	147498 (100%)	Coal	License	104A	2005/oct/21	2014/oct/21	GOOD	777.0
417089	147498 (100%)	Coal	License	104A	2005/oct/21	2014/oct/21	GOOD	142.0
417090	147498 (100%)	Coal	License	104A	2005/oct/21	2014/oct/21	GOOD	568.0
417094	147498 (100%)	Coal	License	104A	2005/oct/21	2014/oct/21	GOOD	71.0
417095	147498 (100%)	Coal	License	104A	2005/oct/21	2014/oct/21	GOOD	425.0
417096	147498 (100%)	Coal	License	104A	2005/oct/21	2014/oct/21	GOOD	71.0
417098	147498 (100%)	Coal	License	104A	2005/oct/21	2014/oct/21	GOOD	1204.0
417520	147498 (100%)	Coal	License	104A	2006/sep/12	2014/sep/12	GOOD	212.0
417521	147498 (100%)	Coal	License	104A	2006/sep/12	2014/sep/12	GOOD	142.0
417522	147498 (100%)	Coal	License	104A	2006/sep/12	2014/sep/12	GOOD	71.0
417523	147498 (100%)	Coal	License	104A	2006/sep/12	2014/sep/12	GOOD	354.0
418443	147498 (100%)	Coal	License		2014/jan/15	2015/jan/15	GOOD	1416.0
418444	147498 (100%)	Coal	License		2014/jan/15	2015/jan/15	GOOD	1416.0
418445	147498 (100%)	Coal	License		2014/jan/15	2015/jan/15	GOOD	1417.0
418446	147498 (100%)	Coal	License		2014/jan/15	2015/jan/15	GOOD	1205.0
418587	147498 (100%)	Coal	License		2014/jun/11	2015/jun/11	GOOD	1411.0
418588	147498 (100%)	Coal	License		2014/jun/11	2015/jun/11	GOOD	1412.0
418589	147498 (100%)	Coal	License		2014/jun/11	2015/jun/11	GOOD	1273.0
418590	147498 (100%)	Coal	License		2014/jun/11	2015/jun/11	GOOD	1415.0
1029685	147498 (100%)	Mineral	Claim	104A	2014/jul/17	2015/jul/17	GOOD	619.7
394847	147423 (100%)	Coal	License	104A	2002/jul/12	2015/jul/12	GOOD	259.0
394848	147423 (100%)	Coal	License	104A	2002/jul/12	2015/jul/12	GOOD	259.0
394849	147423 (100%)	Coal	License	104A	2002/jul/12	2015/jul/12	GOOD	259.0
417100	147423 (100%)	Coal	License	104A	2005/nov/07	2014/nov/07	GOOD	71.0
417101	147423 (100%)	Coal	License	104A	2005/nov/07	2014/nov/07	GOOD	960.0
417297	147423 (100%)	Coal	License	104A	2006/mar/03	2015/mar/03	GOOD	918.0
417298	147423 (100%)	Coal	License	104A	2006/mar/03	2015/mar/03	GOOD	1059.0
417528	147423 (100%)	Coal	License	104A	2006/sep/13	2014/sep/13	GOOD	142.0
417967	147498 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	1411.0
417968	147498 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	1411.0
417969	147498 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	1413.0
417970	147498 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	1412.0
417980	147498 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	1416.0
417981	147498 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	1416.0
417984	147498 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	1412.0
417985	147498 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	1412.0
417986	147498 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	1413.0
417987	147498 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	1413.0
417988	147498 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	1415.0
417989	147498 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	1415.0
417990	147498 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	1416.0
417991	147498 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	1417.0
417992	147498 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	1417.0
417993	147498 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	1273.0
417994	147498 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	1415.0
418104	147498 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	2775.0
418122	147498 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	3375.0

Kuro Coal Panorama Inc.

Tenure Number	Owner	Tenure Type	Tenure Sub Type	Map Number	Issue Date	Good To Date	Status	Area (ha)
417525	147423 (100%)	Coal	License	104A	2006/sep/13	2014/sep/13	GOOD	425.0
417526	147423 (100%)	Coal	License	104A	2006/sep/13	2014/sep/13	GOOD	707.0
417527	147423 (100%)	Coal	License	104A	2006/sep/13	2014/sep/13	GOOD	71.0
417291	147423 (100%)	Coal	License	104A	2006/mar/03	2015/mar/03	GOOD	73.0
417292	147423 (100%)	Coal	License	104A	2006/mar/03	2015/mar/03	GOOD	279.0
417295	147423 (100%)	Coal	License	104A	2006/mar/03	2015/mar/03	GOOD	851.0
417296	147423 (100%)	Coal	License	104A	2006/mar/03	2015/mar/03	GOOD	71.0
417300	147423 (100%)	Coal	License	104A	2006/mar/03	2015/mar/03	GOOD	355.0
417301	147423 (100%)	Coal	License	104A	2006/mar/03	2015/mar/03	GOOD	851.0
417293	147423 (100%)	Coal	License	104A	2006/mar/03	2015/mar/03	GOOD	426.0
417294	147423 (100%)	Coal	License	104A	2006/mar/03	2015/mar/03	GOOD	284.0
417632	147423 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	1136.0
418505	147527 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	1500.0
418506	147527 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	1500.0
418507	147527 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	1500.0
418508	147527 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	1500.0
418509	147527 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	1500.0
418510	147527 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	1500.0
418511	147527 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	1500.0
418512	147527 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	1500.0
418513	147527 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	1500.0
418514	147527 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	375.0
418515	147527 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	1500.0
418516	147527 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	1500.0
418517	147527 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	1500.0

Atrum Coal Peace River Inc.

Tenure Number	Owner	Tenure Type	Tenure Sub Type	Map Number	Issue Date	Good To Date	Status	Area (ha)
418103	147497 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	1875.0
418106	147497 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	5325.0
418136	147497 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	1875.0

Atrum Coal Naskeena Inc.

Tenure Number	Owner	Tenure Type	Tenure Sub Type	Map Number	Issue Date	Good To Date	Status	Area (ha)
417726	147515 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	300.0
417838	147515 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	1500.0
417839	147515 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	1500.0
417840	147515 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	1500.0
417841	147515 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	1500.0
417842	147515 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	1200.0
417843	147515 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	1500.0
417844	147515 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	1275.0
417845	147515 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	1125.0
417995	147515 (100%)	Coal	Application		1900/jan/01	1900/jan/01	GOOD	1488.0

Atrum Coal

COAL FOR STEEL

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