



**Interim
Financial
Report**
for the six months ended 31 December 2016

Atrum Coal Limited

(formerly Atrum Coal NL)

ABN 27 153 876 861

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DIRECTORS' REPORT

The Directors of Atrum Coal Limited (the "Company") are pleased to present their report together with the consolidated interim financial statements of the consolidated entity ("Atrum" or the "Group"), being the Company and the entities it controlled for the six months ended 31 December 2016, and the auditor's review report thereon.

DIRECTORS

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

Robert Bell	Executive Chairman	(resigned 15 January 2017)
Steven Boulton	Non-Executive Director	(resigned 24 November 2016)
Craig Burton	Non-Executive Director	(appointed 1 January 2017)
James Chisholm	Non-Executive Director	
Michael Jardine	Non-Executive Director	(appointed 17 February 2017)
Cameron Vorias	Non-Executive Director	(resigned 21 January 2017)
John Wasik	Non-Executive Director	(resigned 24 November 2016)

PRINCIPAL ACTIVITIES

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

The Group's flagship project is the high grade and ultra-high grade Groundhog Anthracite Project ("Groundhog") located in British Columbia, Canada. Other early stage projects include the Naskeena Coal Project, the Bowron River Coal Project, a joint venture on the Elan Coking Coal Project, all located in Canada, and an Export Sales Joint Venture with Atlantic Carbon Group PLC ("ACG") located in Pennsylvania, USA.

FINANCIAL REVIEW AND RESULTS OF OPERATIONS

FINANCIAL REVIEW

In December, the Company completed a placement and block trade raising \$13,500,000 ("Placement"). This ensured that Atrum ended the half year in a positive cash position, with \$11,626,934 cash at bank. Managing this cash to ensure the Company meets its key business objectives is a priority.

FINANCIAL RESULTS

The Group recorded a net loss after tax for the six months to 31 December 2016 of \$5,963,515 (2015: \$5,612,424). Losses are a typical feature of an exploration company such as Atrum at the pre-production stage, as expenditures are made towards development without offsetting revenues from actual production. Going forward the Company expects the losses to reduce due to the sales of Pennsylvania anthracite under the Export Sales Joint Venture with ACG.

FINANCIAL POSITION

At 31 December 2016, the Group had cash reserves of \$11,626,934 (30 June 2016: \$1,871,124).

The net assets of the Group increased by \$9,511,516 during the six months to \$12,619,150. This increase was principally a result of an increase in working capital of \$10,807,423 reflecting the increase cash reserves held at 31 December 2016 resulting from net proceeds from the Placement undertaken in December 2016, partially offset by an increase on borrowings of \$703,538.

FINANCING AND INVESTING ACTIVITIES

Conversion of Partly Paid Shares

During the half year, the Company converted the remaining 2,761,600 partly paid shares to fully paid shares, raising \$552,200.

Conversion of Convertible Notes

During the half year, the Company entered into additional convertible loan facility and royalty agreements ("Convertible Notes") for a total of \$1,124,545, with investors subsequently electing to convert their advances and money owing under the Convertible Notes into fully paid ordinary shares, with the entitlement to receive one unlisted option for each share issued. The Company issued a total of 2,048,038 fully paid ordinary shares at an average price of \$0.55 per share.

Exercise of Unlisted Options

During the half year, 4,300,000 unlisted options were exercised at an exercise price of \$0.30 each and 29,793 unlisted options were exercised at an exercise price of \$0.80 each, raising a total of \$1,313,833.

Placement and Block Trade

In December 2016, the Company completed a placement and block trade, resulting in the issuing of 27,000,000 new fully paid ordinary shares at an issue price of \$0.50 each, raising a total of \$13,500,000.

Conversion of Lenark Loan

At the time of the Placement, Lenark Pty Ltd (a company associated with director Mr. James Chisholm) and its nominees agreed to convert \$1,000,000 of the amounts owing by the Company under the Offset Loan Agreement into fully paid ordinary shares at the Placement issue price of \$0.50 each, subject to shareholder approval.

REVIEW OF OPERATIONS

The Directors provide the following comments on the operations of the Group for the six months ended 31 December 2016. The Company has four pillars to the business:

- the Groundhog anthracite exploration and development project in British Columbia, Canada;
- a joint venture with Japan Oil, Gas and Metals National Corporation ("JOGMEC") on the Panorama North anthracite project west of Groundhog;
- a coking coal exploration business called Kuro Coal; and
- the Export Sales and Marketing Joint Venture with ACG ("Export Sales JV") in the USA.

HEALTH, SAFETY AND ENVIRONMENT

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

GROUNDHOG ANTHRACITE PROJECT

The Groundhog Anthracite Project (“Groundhog Project”) is located in the Groundhog Coalfield in north-western British Columbia, Canada. The Groundhog Project (which includes the Panorama area) now comprises 88 coal licences and covers an area over 800km². Groundhog is prospective for high grade and ultra-high grade anthracite suitable for use in the manufacture of blast furnace steel, as well as electric arc furnaces, as a reductant, filter media, and feedstock for chemical production. Atrum has devised concept plans for multiple mines for development in the Groundhog anthracite field, beginning with the Groundhog North Mining area.

Bulk Sample

As noted in the 2016 annual report, Atrum was awarded a Bulk Sample Permit and related access and environmental permits required to support the commencement of mining activities at Groundhog North. These permits allow Atrum to extract a bulk sample of up to 100,000 tonnes of high grade and ultra-high grade anthracite for delivery to potential customers to test in their production plants.

During the half year, preparation planning work continued for future mining operations. In addition, planning work continued in relation to implementation of the Special Use Permit which enables Atrum to establish ground-based site access from the rail line south of Groundhog North that connects to export coal ports at Prince Rupert and Vancouver.

Small samples of the Groundhog North anthracite have already been supplied to various Asian steel mills. Planning for the extraction of larger samples for these mills and additional potential customers is well advanced and is a key deliverable from the 2017 exploration program.

Coal Licences

During the half year, all Atrum’s Groundhog Project coal licence applications were converted to coal licences by the British Columbia Government. Obtaining the new coal licences is another positive development for Atrum, providing considerable additional exclusive coal exploration and development rights in the Groundhog Project area. They also provide Atrum with greater certainty with respect to exploration planning in these areas, maximising the overall potential of the Groundhog Project.

Marketing and Offtake Negotiations

In July 2016, Atrum entered into a non-binding Memorandum of Understanding (“MOU”) with a European manufacturer and supplier of specialised carbon products. This agreement, which sets out the principles for negotiating an eventual Coal Sale and Purchase Agreement, will support the sale of anthracite product from Groundhog North as feedstock for the counterparty’s manufacturing process. This MOU is a key step in executing a diversified sales profile for Groundhog, and entering a growing market of highly valued specialised carbon products. The Company is in discussions with this manufacturer and other anthracite users in Europe and South America in relation to testing the Pennsylvanian anthracite available under the Export Sales JV with ACG.

PANORAMA PROJECTS

Atrum has three zones comprising the Panorama Project area: Panorama North, Panorama West and Panorama South, all situated west of Groundhog North.

The Panorama North Project is located 15km south-west of Groundhog North (refer Figure 1).

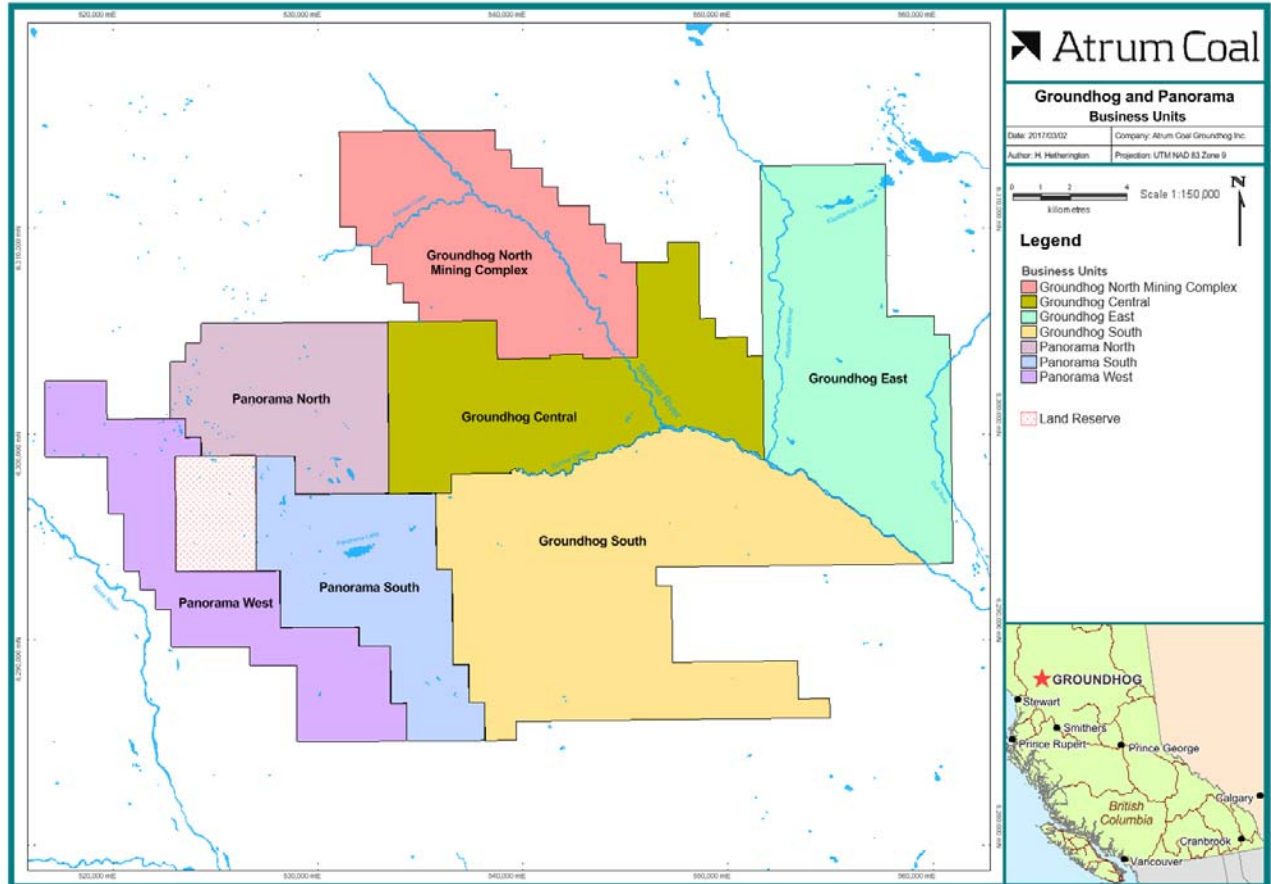


Figure 1: Panorama North Location

Panorama North Joint Exploration Agreement

As announced on 29 August 2016, Atrum entered into a Joint Exploration Agreement with Japan Oil, Gas and Metals National Corporation for the Panorama North Project ("JOGMEC Agreement").

Under the JOGMEC Agreement, JOGMEC can acquire up to a 35% equitable interest in the Panorama North Project by investing up to C\$5.0 million in cash or in kind for exploration expenditure across the project over a three-year period. The JOGMEC Agreement is based on three farm-in periods which are tied to specific funding milestones:

1. During the First Farm-in Period (ending 31 March 2017), JOGMEC will contribute C\$1.5 million towards exploration at the Panorama North Project;
2. During the Second Farm-in Period (ending 31 March 2018), JOGMEC will contribute C\$1.5 million towards exploration at the Panorama North Project. This will earn JOGMEC and unencumbered right, title and benefit to 21% of the Joint Venture Property;
3. During the Third Farm-in Period (ending 31 March 2019), JOGMEC will contribute C\$2.0 million towards exploration at the Panorama North Project. This will earn JOGMEC and unencumbered right, title and benefit to a further 14% of the Joint Venture Property.

As part of the JOGMEC Agreement, JOGMEC will also receive an exclusive negotiation right to enter a further joint arrangement with Atrum at the Panorama West Project. This exclusivity period remains in effect for a total of four years.

During the half year and as noted below, Atrum conducted a drilling campaign at Panorama North in conjunction with JOGMEC. Drilling and quality results are expected within the next six weeks.



Figure 2: Panorama North Core Shack

Exploration

During October 2016, exploration drilling under the JOGMEC Agreement commenced at Panorama North. This quick start to exploration enabled Atrum to undertake a limited program of about two weeks’ duration to produce early results confirming the emplacement of high grade and ultra-high grade anthracite at Panorama North. It also allowed Atrum to further develop relationships with the Aboriginal Groups whose traditional territories overlap the Panorama North tenure.

Two drill rigs successfully completed approximately 1,200 meters of fully-cored diamond drilling in four holes. Holes were geophysically logged, studied and interpreted. Anthracite samples were prepared for testing and analysis, with laboratory results indicating high grade and ultra-high grade anthracite within the 19 identified seams at Panorama North.

Atrum and JOGMEC are planning a second drilling campaign for Panorama North during 2017 which will cover a much wider area, as the preliminary campaign was restricted to a small portion of Panorama North.

EXPORT SALES JOINT VENTURE – ATLANTIC CARBON GROUP PLC

During the half year, Atrum announced an agreement to form an unincorporated joint venture with ACG to market and sell anthracite from ACG operations to customers outside the USA. ACG is an ultra-high grade anthracite producer with operations in north-eastern Pennsylvania, USA. It operates three mines and two processing plants near the town of Hazleton, Pennsylvania. Definitive agreements to form the joint venture were signed and Atrum placed an order for an initial 20,000 tonnes prior to the end of the half year. If Atrum achieves sales of 200,000 tonnes by 31 December 2017, ACG will extend the Export Sales JV by four years, to 2021, with a 10% annual increase in volume offered by ACG to the joint venture. Atrum is confident in its ability to sell this quantity of anthracite, and ACG and Atrum have the option of increasing the tonnage.

NASKEENA ANTHRACITE PROJECT

The 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. It is an early stage project on the far western extent of the Groundhog Basin. No ground based activities were undertaken at Naskeena during the half year.

BOWRON RIVER COAL PROJECT

The 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. It is another early stage exploration project. The Company holds a total land position of 1,875 hectares at Bowron River. No ground based activities were undertaken at Bowron River during the half year.

MINERAL EXPLORATION TAX CREDIT (METC)

The METC claim for the period 1 July 2014 to 30 June 2015 which, subject to audit and review by the Canadian Revenue Agency, is expected to amount to C\$3.0 million, is now anticipated to be received in the first half of 2017.

TENEMENTS

Atrum’s tenement holdings at 31 December 2016 are set out on pages 9 to 11.

CORPORATE

Board and Management Changes

In December 2016, Executive Chairman, Mr. Robert (Bob) Bell became ill and subsequent to the half year, resigned from the Company due to ongoing health issues. The Board has initiated a search for a suitable Chief Executive Officer. Mr. Stephen Boulton and Mr. John Wasik, both Non-Executive Directors, resigned from the Board and subsequent to the half year, Non-Executive Director, Mr. Cameron Vorias also resigned to concentrate on other activities. The Board has commenced interviewing potential non-executive directors to assist with the Company’s growth.

Mr. Craig Burton joined the Board as a Non-Executive Director, effective 1 January 2017. Mr. Burton has more than 25 years’ experience in financing, developing and managing emerging resource projects in Australia, Canada and the UK. Seven resource projects co-founded by him have advanced from exploration into production, including two that became ASX/200 companies. Mr. Burton is currently a non-executive director of two listed companies, Cradle Resources Ltd (ASX: CXX) and Capital Drilling Ltd (LON: CAPD). Mr. Burton invested \$2.5 million in Atrum during the December Placement and Block Trade.

Mr. Michael Jardine also joined the Board as a Non-Executive Director, effective 17 February 2017. Mr. Jardine has extensive finance and investment experience, having worked as Corporate Development Manager at Investmet Limited for three years, where he managed the corporate affairs for a portfolio of ASX listed resource companies, including business development, capital management and compliance. Prior to his time with Investmet, Mr. Jardine held roles at Argonaut Limited in Perth and with London-listed Aegis Plc's Synovate business in both Perth and London.

In December 2016, Mr. Theo Renard resigned as Vice President Finance to concentrate on other activities, and Mr. Alan Ahlgren was appointed as Chief Financial Officer (CFO), commencing 15 December 2016. Mr. Ahlgren is a Chartered Professional Accountant who has extensive experience as CFO with Graphite One Resources Inc., AQM Copper Inc. and First Coal Corporation. Before First Coal, Mr. Ahlgren served as Vice President Finance with Kinross Gold Corporation. Mr. Renard remained as Company Secretary during the Placement and retired from the role on 12 January 2017. Mr. Chris Brown was appointed Company Secretary effective 12 January 2017.

Results of Meeting

The Company's annual general meeting was held on 30 November 2016, with seven resolutions passed as ordinary resolutions, four passed as special resolutions, and one resolution withdrawn by the Company prior to the meeting.

S&P/ASX Indices

Subsequent to half-year end, the Company was notified that as a result of the March quarterly review by S&P Dow Jones, effective 20 March 2017, Atrum would be included in the All Ordinaries Index.

LITIGATION

Atrum announced that an agreed settlement had been reached in both the Western Australian Supreme Court proceedings (CIV 1866 of 2015) and the Federal Court of Australia proceedings (NSD 1334 of 2015) involving former Company directors Messrs. Moran and D'Anna. These proceedings were dismissed by consent of both parties. As part of the settlement, Atrum secured the rights to five tenements that the Company will assess with a view to amalgamating these with Atrum's Groundhog East tenure. As well, Atrum secured future royalty payments from BC Anthracite tenements. This includes a 1.5% ex-mine gate royalty over 25 BC Anthracite tenements and a 0.5% ex-mine gate royalty over six tenements. Both parties have also agreed to work together to develop infrastructure solutions for the Groundhog region, with the aim of sharing the costs of infrastructure development.

Subsequent to half-year end, the Company secured an out-of-court settlement in relation to the Notice of Civil Claim filed in the Supreme Court in British Columbia by a former contractor of the Company, Coal Gas Technology Company and its principal, Mr. Greg Bell ("Contractor"), for contested, unpaid contractor invoices. The settlement reached requires the Company to pay the Contractor US\$200,000 and issue to Mr. Bell US\$70,000 worth of shares in the Company.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

SUBSEQUENT EVENTS

Other than as noted below, no matters or circumstances have arisen since 31 December 2016 which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group.

- Mr. Craig Burton was appointed a Non-Executive Director of Atrum effective 1 January 2017. Details of Mr. Burton's experience is set out above under Board and Management Changes.
- On 3 January 2017, Atrum announced that it had finalised definitive agreements with Atlantic Carbon Group PLC securing exclusive rights to market and sell ACG anthracite for export outside the United States.
- On 16 January 2017, Atrum announced that Executive Chairman, Mr. Robert Bell, had resigned due to ongoing medical issues.
- Effective 20 January 2017, the Company changed its name and type from Atrum Coal NL to Atrum Coal Limited, converting from a No Liability Company to a Public Company Limited by Shares.
- On 23 January 2017, Atrum announced that Non-Executive Director, Mr. Cameron Vorias, had resigned to concentrate on his other business interests.
- On 6 February 2017, the Company secured an out-of-court settlement in relation to the Notice of Civil Claim filed in the Supreme Court in British Columbia by a former contractor of the Company. Details of the settlement are set out above under Litigation.
- Mr. Michael Jardine was appointed a Non-Executive Director of Atrum effective 17 February 2017. Details of Mr. Jardine's experience is set out above under Board and Management Changes.
- S&P Dow Jones notified the Company, that effective 20 March 2017, the Company will be included in the All Ordinaries Index.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 13 and forms part of this Directors' Report for the six months ended 31 December 2016.

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



James Chisholm
Director

Sydney, 16 March 2017

TENEMENT SUMMARY

31 December 2016

Tenure Number	Owner	Project	Tenure Type	Tenure Sub Type	Area (ha)
394848	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	259
394849	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	259
417079	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	991
417088	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	777
417089	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	142
417090	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	568
417094	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	71
417098	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1204
417100	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	71
417101	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	960
417522	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	71
417523	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	354
418443	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1416
418444	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1416
418445	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1417
418446	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1205
418589	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1273
418590	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1415
418921	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	143
418922	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	853
418923	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	853
418934	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1421
418935	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1420
418936	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1419
418937	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	778
418938	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1133
418939	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1276
418940	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1418
418941	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1418
418942	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1417
418943	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1416
418944	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1416
418945	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1414
418946	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1414
418947	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1413
418948	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1413
418952	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1417
418954	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1416
418955	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1265

Tenure Number	Owner	Project	Tenure Type	Tenure Sub Type	Area (ha)
418956	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1415
394847	Atrum Coal Groundhog Inc.	Groundhog North	Coal	Licence	259
417080	Atrum Coal Groundhog Inc.	Groundhog North	Coal	Licence	565
417081	Atrum Coal Groundhog Inc.	Groundhog North	Coal	Licence	636
417082	Atrum Coal Groundhog Inc.	Groundhog North	Coal	Licence	212
417085	Atrum Coal Groundhog Inc.	Groundhog North	Coal	Licence	1031
417095	Atrum Coal Groundhog Inc.	Groundhog North	Coal	Licence	425
417096	Atrum Coal Groundhog Inc.	Groundhog North	Coal	Licence	71
417297	Atrum Coal Groundhog Inc.	Groundhog North	Coal	Licence	918
417298	Atrum Coal Groundhog Inc.	Groundhog North	Coal	Licence	1059
417520	Atrum Coal Groundhog Inc.	Groundhog North	Coal	Licence	212
417521	Atrum Coal Groundhog Inc.	Groundhog North	Coal	Licence	142
417528	Atrum Coal Groundhog Inc.	Groundhog North	Coal	Licence	142
418587	Atrum Coal Groundhog Inc.	Groundhog North	Coal	Licence	1411
418588	Atrum Coal Groundhog Inc.	Groundhog North	Coal	Licence	1412
418959	Atrum Coal Groundhog Inc.	Groundhog North	Coal	Licence	1414
418960	Atrum Coal Groundhog Inc.	Groundhog North	Coal	Licence	1412
417291	Atrum Coal Groundhog Inc.	Panorama	Coal	Licence	73
417293	Atrum Coal Groundhog Inc.	Panorama	Coal	Licence	426
417294	Atrum Coal Groundhog Inc.	Panorama	Coal	Licence	284
417295	Atrum Coal Groundhog Inc.	Panorama	Coal	Licence	851
417300	Atrum Coal Groundhog Inc.	Panorama	Coal	Licence	355
417301	Atrum Coal Groundhog Inc.	Panorama	Coal	Licence	851
418926	Atrum Coal Groundhog Inc.	Panorama	Coal	Licence	1280
418932	Atrum Coal Groundhog Inc.	Panorama	Coal	Licence	1421
418950	Atrum Coal Groundhog Inc.	Panorama	Coal	Licence	1418
418962	Atrum Coal Groundhog Inc.	Panorama	Coal	Licence	1136
418933	Atrum Coal Groundhog Inc.	Panorama	Coal	Licence	1421
418949	Atrum Coal Groundhog Inc.	Panorama	Coal	Licence	1419
418951	Atrum Coal Groundhog Inc.	Panorama	Coal	Licence	1418
418924	Atrum Coal Groundhog Inc.	Panorama	Coal	Licence	1239
418925	Atrum Coal Groundhog Inc.	Panorama	Coal	Licence	1332
418927	Atrum Coal Groundhog Inc.	Panorama	Coal	Licence	354
418928	Atrum Coal Groundhog Inc.	Panorama	Coal	Licence	1416
418929	Atrum Coal Groundhog Inc.	Panorama	Coal	Licence	1419
418930	Atrum Coal Groundhog Inc.	Panorama	Coal	Licence	1420
418931	Atrum Coal Groundhog Inc.	Panorama	Coal	Licence	1421
417084	Atrum Coal Panorama Inc.	Panorama North	Coal	Licence	708
417086	Atrum Coal Panorama Inc.	Panorama North	Coal	Licence	142
417292	Atrum Coal Panorama Inc.	Panorama North	Coal	Licence	279
417296	Atrum Coal Panorama Inc.	Panorama North	Coal	Licence	71
417299	Atrum Coal Panorama Inc.	Panorama North	Coal	Licence	779

Tenure Number	Owner	Project	Tenure Type	Tenure Sub Type	Area (ha)
417525	Atrum Coal Panorama Inc.	Panorama North	Coal	Licence	425
417526	Atrum Coal Panorama Inc.	Panorama North	Coal	Licence	707
417527	Atrum Coal Panorama Inc.	Panorama North	Coal	Licence	71
418953	Atrum Coal Panorama Inc.	Panorama North	Coal	Licence	1346
418957	Atrum Coal Panorama Inc.	Panorama North	Coal	Licence	1415
418958	Atrum Coal Panorama Inc.	Panorama North	Coal	Licence	1345
418961	Atrum Coal Panorama Inc.	Panorama North	Coal	Licence	71
417842	Atrum Coal Naskeena Inc.	Naskeena	Coal	Application	1200
417845	Atrum Coal Naskeena Inc.	Naskeena	Coal	Application	1125
418103	Atrum Coal Peace River Inc.	Bowron River	Coal	Application	1875

FORWARD LOOKING STATEMENTS

This report includes forward looking statements. Often, but not always, forward looking statements can generally be identified by the use of forward looking words such as “may”, “will”, “expect”, “intend”, “plan”, “estimate”, “anticipate”, “continue”, and “guidance”, or other similar words and may include, without limitation statements regarding plans, strategies and objectives of management, anticipated production or construction commencement dates and expected costs or production outputs. Forward looking statements in this report include, but are not limited to, the capital and operating cost estimates and economic analyses from studies.

Forward looking statements inherently involve known and unknown risks, uncertainties and other factors that may cause the company’s actual results, performance and achievements to differ materially from any future results, performance or achievements. Relevant factors may include, but are not limited to, changes in commodity prices, foreign exchange fluctuations and general economic conditions, increased costs and demand for production inputs, the speculative nature of exploration and project development, including the risks of obtaining necessary licences and permits and diminishing quantities or grades of resources or reserves, political and social risks, changes to the regulatory framework within which the company operates or may in the future operate, environmental conditions including extreme weather conditions, recruitment and retention of personnel, industrial relations issues and litigation.

Forward looking statements are based on the company and its management’s good faith assumptions relating to the financial, market, regulatory and other relevant environments that will exist and affect the company’s business and operations in the future. The company does not give any assurance that the assumptions on which forward looking statements are based will prove to be correct, or that the company’s business or operations will not be affected in any material manner by these or other factors not foreseen or foreseeable by the company or management or beyond the company’s control.

Although the company attempts to identify factors that would cause actual actions, events or results to differ materially from those disclosed in forward looking statements, there may be other factors that could cause actual results, performance, achievements or events not to be anticipated, estimated or intended, and many events are beyond the reasonable control of the company. Accordingly, readers are cautioned not to place undue reliance on forward looking statements.

Forward looking statements in this report are given as at the date of issue only. Subject to any continuing obligations under applicable law or any relevant stock exchange listing rules, in providing this information the company does not undertake any obligation to publicly update or revise any of the forward looking statements or to advise of any change in events, conditions or circumstances on which any such statement is based.



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

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

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

As lead auditor for the review of Atrum Coal Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

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

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

Neil Smith

Director

BDO Audit (WA) Pty Ltd

Perth, 16 March 2017

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the International BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	Note	31 December 2016	31 December 2015
		\$	\$
Revenue			
Interest income		877	1,938
Foreign exchange gain		54,233	-
Other income		-	215,322
Expenses			
Administration		(113,794)	(458,130)
Compliance and regulatory		(1,927,073)	(303,064)
Consultancy		(1,121,240)	(1,392,786)
Depreciation and amortisation		(75,959)	(91,302)
Director fees		(135,208)	(72,979)
Employee benefits		(630,624)	(357,714)
Exploration expenditure		(155,561)	(1,241,928)
Finance costs		(579,027)	(481,568)
Foreign exchange loss		-	(258,521)
Impairment		(350,066)	-
Legal settlements costs		(305,863)	-
Occupancy		(238,230)	(201,356)
Public relations and marketing		(32,912)	-
Reclamation costs		(100,019)	-
Share-based payments		(3,385)	(713,965)
Travel		(249,664)	(256,371)
Loss before income tax expense		(5,963,515)	(5,612,424)
Income tax expense		-	-
Net loss after income tax expense		(5,963,515)	(5,612,424)
Other comprehensive income (loss)			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences arising from translation of foreign operations		(161,013)	(1,332,205)
Other comprehensive loss for the period, net of tax		(161,013)	(1,332,205)
Total comprehensive loss for the period attributable to owners of the Company		(6,124,528)	(6,944,629)
Earnings per share			
Basic and diluted loss per share	3	Cents (3.00)	Cents (3.78)

The accompanying notes form an integral part of these consolidated interim financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	31 December 2016	30 June 2016
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents		11,626,934	1,871,124
Trade and other receivables	4	1,343,337	1,219,302
Inventory		830,418	-
Total Current Assets		13,800,689	3,090,426
Non-Current Assets			
Plant and equipment		1,046,901	1,410,499
Exploration and evaluation expenditure	5	6,817,740	7,046,511
Total Non-Current Assets		7,864,641	8,457,010
Total Assets		21,665,330	11,547,436
LIABILITIES			
Current Liabilities			
Trade and other payables	6	5,924,561	4,751,087
Other financial liabilities	7	800,000	2,070,634
Total Current Liabilities		6,724,561	6,821,721
Non-Current Liabilities			
Borrowings	8	2,321,619	1,618,081
Total Non-Current Liabilities		2,321,619	1,618,081
Total Liabilities		9,046,180	8,439,802
NET ASSETS		12,619,150	3,107,634
EQUITY			
Issued capital	9	71,740,232	56,107,573
Reserves		4,270,871	4,428,499
Accumulated losses		(63,391,953)	(57,428,438)
TOTAL EQUITY		12,619,150	3,107,634

The accompanying notes form an integral part of these consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

2016	Issued Capital	Accumulated Losses	Share-based Payments Reserve	Foreign Currency Translation Reserve	Total Equity
	\$	\$	\$	\$	\$
Balance at 1 July 2016	56,107,573	(57,428,438)	3,933,773	494,726	3,107,634
<i>Comprehensive income</i>					
Loss for the period	-	(5,963,515)	-	-	(5,963,515)
<i>Other comprehensive income</i>					
Foreign currency translation differences	-	-	-	(161,013)	(161,013)
Total comprehensive loss for the period	-	(5,963,515)	-	(161,013)	(6,124,528)
<i>Transactions with equity holders</i>					
Securities issued during the period	16,672,065	-	-	-	16,672,065
Capital raising costs	(1,039,406)	-	-	-	(1,039,406)
Share-based payments costs	-	-	3,385	-	3,385
Total transactions with equity holders	15,632,659	-	3,385	-	15,636,044
Balance at 31 December 2016	71,740,232	(63,391,953)	3,937,158	333,713	12,619,150

The accompanying notes form an integral part of these consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

2015	Issued Capital	Accumulated Losses	Share-based Payments Reserve	Foreign Currency Translation Reserve	Total Equity
	\$	\$	\$	\$	\$
Balance at 1 July 2015	43,169,269	(45,683,148)	3,086,451	932,278	1,504,850
<i>Comprehensive income</i>					
Loss for the period	-	(5,612,424)	-	-	(5,612,424)
<i>Other comprehensive income</i>					
Foreign currency translation differences	-	-	-	(1,332,205)	(1,332,205)
Total comprehensive loss for the period	-	(5,612,424)	-	(1,332,205)	(6,944,629)
<i>Transactions with equity holders</i>					
Securities issued during the period	8,121,001	-	-	-	8,121,001
Capital raising costs	(511,875)	-	-	-	(511,875)
Share-based payments costs	90,000	-	623,965	-	713,965
Total transactions with equity holders	7,699,126	-	623,965	-	8,323,091
Balance at 31 December 2015	50,868,395	(51,295,572)	3,710,416	(399,927)	2,883,312

The accompanying notes form an integral part of these consolidated interim financial statements.

CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	31 December 2016	31 December 2015
	\$	\$
Cash flows from operating activities		
Payment for exploration expenditure	(125,504)	(1,349,083)
Payments to suppliers and employees	(4,694,453)	(2,985,747)
Interest paid	-	(11,161)
Interest received	-	1,939
Net cash used in operating activities	(4,819,957)	(4,344,052)
Cash flows from investing activities		
Payment for plant and equipment	-	(27,143)
Net cash used in investing activities	-	(27,143)
Cash flows from financing activities		
Proceeds from issue of shares	13,876,033	7,041,618
Proceeds from issue of convertible notes	1,124,545	-
Payment of capital raising costs	(1,039,406)	(511,874)
Repayment of borrowings	-	(1,390,745)
Proceeds from borrowings	635,000	1,936,794
Net cash provided by financing activities	14,596,172	7,075,793
Net increase in cash and cash equivalents	9,776,215	2,704,598
Cash and cash equivalents at beginning of the period	1,871,124	251,054
Effect of foreign currency translation on cash held	(20,405)	(282,449)
Cash and cash equivalents at end of the period	11,626,934	2,673,203

The accompanying notes form an integral part of these interim consolidated financial statements.



CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

1. REPORTING ENTITY

Atrum Coal Limited (the “Company”), formerly known as Atrum Coal NL, is a listed for-profit public company, incorporated and domiciled in Australia.

The consolidated interim financial report of the Company for the six months ended 31 December 2016 comprises the Company and its controlled entities (together referred to as the “Group”).

A copy of the consolidated annual financial report of the Group as at and for the year ended 30 June 2016 is available upon request from the Company’s registered office at Level 19, 1 O’Connell Street, Sydney NSW 2000 or at www.atrumcoal.com.

2. BASIS OF PREPARATION

Statement of Compliance

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

The consolidated interim financial report does not include full disclosures of the type normally included in the annual financial report. Accordingly, it is recommended that this report be read in conjunction with the annual financial report of the Company for the year ended 30 June 2016 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the Corporations Act 2001.

The consolidated interim financial report was authorised for issue by the Directors on 16 March 2017.

Use of Estimates and Judgements

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

The judgements, estimates and assumptions applied in preparing this consolidated interim financial report, including the key sources of estimation uncertainty, were consistent with those applied in the Group’s annual financial report for the year ended 30 June 2016.

Changes in Accounting Policies and Accounting Standards

The accounting policies adopted in this report are consistent with those applied by the Group in its consolidated annual financial report for the year ended 30 June 2016.

Inventory at 31 December 2016 represents anthracite purchased by Atrum under the Export Sales JV with ACG. The Company’s accounting policy is to recognise inventory at the lower of cost and net realisable value.

In the current reporting period, the Group has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (“AASB”) that are relevant to its

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

2. BASIS OF PREPARATION (Continued)

operations and effective for the current 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 reviewed all new Standards and Interpretations that have been issued but are not yet effective for the current reporting period. 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 the business and, therefore, no change is necessary to the Group's accounting policies.

Going Concern

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The Group has incurred a net loss after tax for the six months ended 31 December 2016 of \$5,963,515 and experienced net cash outflows from operating activities of \$4,819,957.

These conditions indicate a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The ability of the Group to continue as a going concern is principally dependent on the following conditions: i) the ability of the Group to meet its cash flow forecasts, ii) the ability of the Group to secure additional funding through the sale of equity securities to existing or new shareholders or other alternative financing sources to continue to fund its business activities, and iii) the ability of the Group to dispose of non-core assets.

The Directors believe the Group has adequate resources to continue to explore and evaluate the Group's tenements and will ensure the Company has sufficient funds to meet the Group's working capital requirements. As at the date of this report the Group believes it can meet all liabilities as and when they fall due. As at 31 December 2016, the Group has \$11,626,934 cash and cash equivalents on hand, and working capital of \$7,076,128.

The Directors consider their assessment to be appropriate due to the Group's history of successful capital raisings and obtaining alternative finance, such as convertible notes and from Mineral Exploration Tax Credit ("METC") claims in Canada.

The Directors have reviewed the business outlook and the assets and liabilities of the Group and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group will continue to be successful in securing additional funds as and when the need to raise working capital arises.

This consolidated interim financial report has therefore been prepared on the basis that the Group is a going concern. Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The interim financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Group not continue as a going concern.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

3. EARNINGS PER SHARE

	31 December 2016	31 December 2015
Loss used to calculate basic and diluted earnings per share (\$)	6,124,528	6,944,629
Weighted average number of ordinary shares used to calculate basic and diluted EPS	203,913,100	183,701,085

4. TRADE AND OTHER RECEIVABLES

	31 December 2016	30 June 2016
	\$	\$
Other receivables	566,725	545,601
Prepayments	776,612	673,701
	1,343,337	1,219,302

Terms and conditions relating to the above financial instruments:

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

5. EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2016	30 June 2016
	\$	\$
Peace River Project	130,305	130,712
Naskeena Project	299,860	404,528
Groundhog Project	1,416,046	1,524,203
Panorama Project	4,971,529	4,987,068
	6,817,740	7,046,511
Reconciliation		
Balance at 1 July 2016	7,046,511	7,181,227
Provision for reclamation	(103,407)	-
Provision for impairment	(103,407)	-
Foreign exchange translation differences	(21,957)	(134,716)
Balance at 31 December 2016	6,817,740	7,046,511

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

5. EXPLORATION AND EVALUATION EXPENDITURE (continued)

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

6. TRADE AND OTHER PAYABLES

	31 December 2016	30 June 2016
	\$	\$
Trade payables	2,719,347	2,084,639
Confirmed Capital Receivables Facility – secured ^(a)	2,204,669	2,026,606
Other payables	1,000,545	639,842
	5,924,561	4,751,087

(a) Confirmed Capital Receivables Facility from Moneytech Finance Pty Ltd, secured over the Mineral Exploration Tax Credit (METC) claim for the period 1 July 2014 to 30 June 2015. Interest is payable at 14.85% per annum.

7. OTHER FINANCIAL LIABILITIES

	31 December 2016	30 June 2016
	\$	\$
Other financial liabilities comprise:		
Promissory Note – Equity settlement cost ^(a)	-	1,270,634
Kuro Coal Limited - Convertible Notes ^(b)	800,000	800,000
	800,000	2,070,634

(a) Equity settlement cost on the extinguishment of the balance of the Anglo Pacific Promissory Note.

(b) Convertible Notes issued at \$5,000 face value. No interest is applicable. The Notes convert to fully paid ordinary shares in Kuro Coal Limited at \$0.10 per share, may be redeemed for cash by the noteholders, or may be repurchased by the Company. It is likely the Company will either repurchase the Notes or renegotiate the Note terms.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

8. BORROWINGS

	31 December 2016	30 June 2016
	\$	\$
Offset Loan Agreement	2,321,619	1,618,081
	2,321,619	1,618,081

On 30 July 2013, Atrum announced that it had executed an Offset Loan Agreement (“Loan Agreement”) with Lenark Pty Ltd (“Lenark”), an entity associated with Mr. James Chisholm, a director of the Company, providing a facility limit of \$2,681,927 effective from 30 June 2014 which, upon advancement, could be used to offset the outstanding balance owing against 13,412,500 partly paid shares in the Company held by Lenark.

The facility accrues capitalised interest at a rate of 6% per annum (increased to 10% on 23 February 2015) and was to mature on the date by which the partly paid shares were converted to fully paid ordinary shares or 31 December 2016, whichever occurred first. The original facility limit of \$2,681,927 was repaid by way of the conversion of partly paid shares to fully paid shares in June 2014.

On 30 September 2013, the Company entered into a variation to the Loan Agreement. Pursuant to the variation, Lenark increased the credit available under the Loan Agreement by an additional \$2 million. The subsequent \$2 million has been drawn down by the Company and an additional \$500,000 facility limit increase was agreed between the Company and Lenark in 2015. On 27 August 2015, \$1,079,384 of the outstanding loan was converted into 2,158,766 fully paid ordinary shares in the Company to take up Lenark’s entitlement under a pro rata rights issue. During the half year, a further \$635,000 was advanced to the Company under the Loan Agreement by nominees associated with Lenark.

At the time of the Placement in December 2016, Lenark and its nominees agreed to convert \$1,000,000 of the amounts owing by the Company under the Loan Agreement into fully paid ordinary shares at the Placement issue price of \$0.50 each, subject to shareholder approval. Shareholder approval is still to be sought.

The Board considers that the terms of the Loan Agreement are arms-length.

9. ISSUED CAPITAL

(a) Issued and paid up share capital

	31 December 2016		31 December 2015	
	\$	Number	\$	Number
Issued Capital				
Ordinary shares – fully paid	71,740,232	231,794,642	56,107,352	195,151,746
Ordinary shares – partly paid	-	-	221	2,761,600
Total	71,740,232	231,794,642	56,107,573	197,913,346

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

9. ISSUED CAPITAL (continued)

(b) Movements in share capital:

	\$	Number
Ordinary shares – fully paid		
Balance at 1 July 2016	56,107,352	195,151,746
Issued for cash	13,500,000	27,000,000
Issued on exercise of options ⁽ⁱ⁾	23,833	4,329,793
Issued on conversion of partly paid shares	552,421	2,761,600
Issued on conversion of convertible notes	1,124,545	2,048,038
Issued on settlement of litigation ⁽ⁱⁱ⁾	169,063	203,465
Issued as payment for services rendered ⁽ⁱⁱ⁾	169,200	300,000
Equity settlement cost on extinguishment of promissory note ⁽ⁱⁱⁱ⁾	1,133,224	-
Capital raising costs	(1,039,406)	-
Balance at 31 December 2016	71,740,232	231,794,642
Ordinary shares – partly paid		
Balance at 1 July 2016	221	2,761,600
Paid up to fully paid	(221)	(2,761,600)
Balance at 31 December 2016	-	-

(i) \$1,290,000 from the exercise of 4,300,000 options exercised at \$0.30 per option was received prior to 30 June 2016.

(ii) The cost of the equity-settled shares was measured by reference to the fair value of the shares at the date the shares were issued, calculated using a volume weighted average price for the five days preceding the date of issue.

(iii) Equity settlement cost on the extinguishment of the balance of the Anglo Pacific Promissory Note.

(c) Movements in unlisted performance rights:

	Number
Balance at 1 July 2016	4,940,000
Granted	-
Vested and exercised	-
Cancelled or forfeited	(500,000)
Balance at 31 December 2016	4,440,000

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

9. ISSUED CAPITAL (continued)

(d) Movements in unlisted options

	Exercise Price	Expiry Date	Number
Balance at 1 July 2016			23,783,996
Issued on conversion of convertible notes			984,403
Exercised			(4,329,793)
Lapsed			(30,000)
Balance at 31 December 2016			20,408,606
Unlisted options			
	\$1.40	14/03/2017	100,000
	\$0.80	25/08/2017	8,975,418
	\$0.80	07/09/2017	2,150,000
	\$0.60	02/07/2018	8,198,786
	\$0.75	15/08/2018	541,964
	\$0.65	14/11/2018	442,438
			20,408,606

10. SEGMENT REPORTING

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

- Exploration, Canada - mineral exploration and development.
- Export Sales JV, USA - marketing and sales of anthracite outside USA.

As at 31 December 2016, the Group had no development assets.

(a) Reportable segment information

2016	Exploration	Export Sales JV	Segment Total
	\$	\$	\$
Segment Loss	(1,867,981)	-	(1,867,981)
Segment assets	15,468,120	830,418	16,298,538
Segment liabilities	(379,152)	-	(379,152)

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

10. SEGMENT REPORTING (continued)

2015	Exploration	Export Sales JV	Segment Total
	\$	\$	\$
Segment Loss	(2,088,016)	-	(2,088,016)
Segment assets	8,519,418	-	8,519,418
Segment liabilities	(1,036,394)	-	(1,036,394)

(b) Reconciliation of reportable segment loss

	31 December 2016	31 December 2015
	\$	\$
Total reportable segment loss	(1,867,981)	(2,088,016)
Unallocated amounts:		
Finance income	877	1,938
Finance costs	(579,027)	(469,442)
Corporate expenses	(3,517,384)	(3,056,904)
Loss before income tax expense	(5,963,515)	(5,612,424)

11. CONTINGENCIES AND COMMITMENTS

The following changes in contingent liabilities and contingent assets occurred during the six-month period to 31 December 2016:

- During the half year, the Company entered into additional convertible loan facility and royalty agreements (“Convertible Notes”) for a total of \$1,124,545, with investors subsequently electing to convert their advances and money owing under the Convertible Notes into fully paid ordinary shares, with the entitlement to receive one unlisted option for each share issued. The Convertible Notes issued included a royalty equal to \$2 per tonne of product sold on the first 281,200 tonnes of production over and above a threshold production of 1.125 million tonnes of product from the Groundhog North Project.

This royalty is in addition to the royalty payable under the convertible notes issued and converted prior to 30 June 2016 for a total of \$4,099,393. These convertible notes issued included a royalty equal to \$2 per tonne of product sold on the first 1.025 million tonnes of production over and above a threshold production of 100,000 tonnes of product from the Groundhog North Project.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

12. RELATED PARTY TRANSACTIONS

Other than the Offset Loan Agreement and advances made by nominees associated with Lenark, as detailed in Note 8, the Company has not entered into any other related party transactions during the period.

13. DIVIDENDS PAID OR PROVIDED FOR

No dividend has been paid or provided for during the half year.

14. SUBSEQUENT EVENTS

Other than as noted below, no matters or circumstances have arisen since 31 December 2016 which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group.

- Mr. Craig Burton was appointed a Non-Executive Director of Atrum effective 1 January 2017. Details of Mr. Burton's experience is set out in the Directors' Report under Board and Management Changes.
- On 3 January 2017, Atrum announced that it had finalised definitive agreements with Atlantic Carbon Group PLC securing exclusive rights to market and sell ACG anthracite for export outside the United States.
- On 16 January 2017, Atrum announced that Executive Chairman, Mr. Robert Bell, had resigned due to ongoing medical issues.
- Effective 20 January 2017, the Company changed its name and type from Atrum Coal NL to Atrum Coal Limited, converting from a No Liability Company to a Public Company Limited by Shares.
- On 23 January 2017, Atrum announced that Non-Executive Director, Mr. Cameron Vorias, had resigned to concentrate on his other business interests.
- On 6 February 2017, the Company secured an out-of-court settlement in relation to the Notice of Civil Claim filed in the Supreme Court in British Columbia by a former contractor of the Company. Details of the settlement are set out in the Directors' Report under Litigation.
- Mr. Michael Jardine was appointed a Non-Executive Director of Atrum effective 17 February 2017. Details of Mr. Jardine's experience is set out in the Directors' Report under Board and Management Changes.
- S&P Dow Jones notified the Company, that effective 20 March 2017, the Company will be included in the All Ordinaries Index.

DIRECTORS' DECLARATION

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

- a) the financial statements and notes, as set out on pages 14 to 27, are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standard AASB 134: Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year ended on that date, and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



James Chisholm
Director

Sydney, 16 March 2017



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

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

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Atrum Coal Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Atrum Coal Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Atrum Coal Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 2 in the financial report which describes the conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

BDO Audit (WA) Pty Ltd

BDO


Neil Smith

Director

Perth, 16 March 2017

CORPORATE DIRECTORY

Directors

Craig Burton Non-Executive Director
James Chisholm Non-Executive Director
Michael Jardine Non-Executive Director

Company Secretary

Chris Brown

Registered Office

Level 19
1 O'Connell Street
Sydney NSW 2000
Tel: (02) 8249 1884
Fax: (02) 8249 1800
Email: info@atrumcoal.com

Share Register

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153
Tel: (08) 9315 2333
Fax: (08) 9315 2233
Email: registrar@securitytransfer.com.au

Banker

Commonwealth Bank of Australia
Level 14A
300 Murray St
Perth WA 6000
Tel: (08) 9482 6922
Fax: (08) 9482 6099

Auditor

BDO (WA) Pty Ltd
38 Station Street
Subiaco WA 6008
Tel: (08) 6382 4600
Fax: (08) 6382 4601
Email: info.perth@bdo.com.au

Lawyers (Australia)

Maddocks
Level 27, Angel Place
123 Pitt Street
Sydney NSW 2000
Tel: (02) 9291 6100
Fax: (02) 9221 0872

Lawyers (Canada)

McCarthy Tetrault
Suite 2400
745 Thurlow Street
Vancouver BC V6E 0C5
Tel: +1 604 643 7100
Fax: +1 604 643 7900

Stock Exchange Listing

Australian Securities Exchange (ASX)
Home Exchange: Perth, Western Australia

ASX Code: ATU



Atrum Coal
COAL FOR STEEL