

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDING 30 SEPTEMBER 2013

HIGHLIGHTS

Groundhog Anthracite Project:

Scoping Study Results – Stage 1 Development

- **Low CAPEX entry to production** estimated at US\$62 million on contract mining basis for a 1.8Mtpa ROM operation
- Five year initial mining, processing and transport costs approximately **US\$85 / product tonne (FOB)** on a contractor basis with an aspirational LOM target of **less than US\$70 / product tonne (FOB)** as an owner operator
- **Before-tax Free Cashflow on 1.8Mtpa ROM estimated at US\$107 million per year** (A\$119 million) and **US\$293 million per year** (A\$326 million) for Atrum's aspirations to deliver 3Mtpa saleable production of anthracite
- **Initial adit mining of seam #70** with indicative ROM yield of 61% for premium anthracite with plans to expand production with open cut mining and/or additional portals
- **Conservative forecast sales prices of US\$190 to US\$208/tonne** for anthracite lumps and US\$137 to US\$150/tonne for anthracite fines
- **Initial trucking strategy to deep sea port of Stewart** with firm 1.5Mtpa capacity secured at Stewart Bulk Terminals and additional capacity at Stewart World Port to reach 3Mtpa plus
- **First anthracite coal shipments to customers targeted for Q4 2014**

Note: The Scoping Study was completed by Xstract Mining Consultants Pty Ltd. It is based on the current 1.57Bt JORC Measured, Indicated and Inferred Resource at the Groundhog Anthracite Project. It is a conceptual level technical and economic assessment and there is insufficient data to support the estimation of Ore Reserves. Investors should consider the results indicative only and understand there is no assurance that the project will be economic or that the conclusions of the Scoping Study will be realised.



ASX:ATU - Share Information
Issued Shares: 117.9m

Registered Office
Ground Floor, 510 Hay Street,
Subiaco WA 6008
T +61 8 9388 3131
E info@atrumcoal.com
www.atrumcoal.com

Board of Directors

Chairman
Executive Director
Executive Director
Technical Director
Company Secretary

J. Chisholm
R. Moran
G. D'Anna
E. Lilford
G. D'Anna

Key Projects

Groundhog	Ownership: 100%
Peace River	Ownership: 100%
Naskeena	Ownership: 100%
Bowron River	Ownership: 100%

2013 Drilling Program and Field Season

- PFS / Reserve Definition drilling program completed at Groundhog with a total of **64 diamond core drill holes** with excellent core recovery designed to target **early reserve definition and advanced coal quality testing**
- **Large diameter core drilling** completed enabling the Company to undertake product specific washability analysis proximate to a Run-of-Mine scenario which will demonstrate product suite identification
- Exceptional drilling intersections with the high ranking 's70' coal seam encountered with significantly thicker and shallower coal intercepts including **6.8m thickness at 30.4m depth** in DHGH13-03 and **3.4 at 10.65m depth** in DHGH13-05
- Further intersections of the targeted 's70' coal seam encountered with significant shallow coal intercepts including **5.49m net coal thickness at 18.75m depth** in drill hole DHGH13-15
- Coal and ply samples submitted to ALS and Loring Laboratories for coal quality testing including ash mineralogy, proximate and ultimate analysis
- **Environmental and baseline monitoring studies** including hydrogeology, hydrology, geochemical and geotechnical studies continue
- **Gas and reservoir testing completed** on three and two-drill holes respectively, for mine planning and future assessment for development of bulk sample and small scale mine
- **Climatology, mountain ungulate and groundwater hydrology** testing and monitoring continues to feed into the environmental baseline for mine planning and permitting
- **Advanced geological modelling** from the 2013 drill program is underway with results expected before the end of the year
- **Offtake discussions progressing** with Managing Director workshopping coal specifications with customers in Japan, Korea, China, Russia and India over the next five weeks
- Environmental engineering group Knight Piesold engaged to complete **hydrogeological and subsurface water quality testing** in preparation for bulk sample planning and permitting
- SRK Consulting engaged to **complete geochemical studies**
- Atrum commenced **Pre-Feasibility Study** at Groundhog with an initial focus on the north-west zone with the primary objective to **delineate a reserve during Q4 2013**

Port Capacity Secured at Stewart

- Terminal Services Agreement and Land Reservation Agreement signed with Stewart Bulk Terminals for the export of **1.5Mtpa on non 'take or pay' terms commencing 2014**

For personal use only

- Memorandum of Understanding signed with Stewart World Port for the potential export of up to a further **5Mtpa with staged export commencing 2016**
- **Initial trucking strategy to the deep sea Port of Stewart 150km away** is fundamental to the Company's strategy of minimising capital entry to production

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

- Atrum **prepares for spin-out and ASX listing (IPO)** of its Naskeena, Bowron River and Peace River exploration assets
- Spin-out will **assist funding development of the Company's exciting greenfield metallurgical coal assets** and allow Atrum to focus on the development of Groundhog
- Spin-out will have **new Board and management**
- Existing Atrum shareholders, as at the Record Date, will receive a substantial share position in the new IPO at no cost
- Spin-out timing, capital structure, management personnel and Record Date to be finalised

Extended Mines Act Permit Granted

- Atrum granted Mines Act permit for a further five year term at Groundhog
- Key permitting milestone allows Atrum to progress exploration work on 15 Groundhog licences including the northern zone where a bulk sample and test shipments program is planned

Appointment of Environmental and Permitting Manager

- Appointment of Mr Shane Uren as Environmental and Permitting Manager
- 15+ years' experience in permitting and environmental assessment (EA) and tasked with managing the Company's EA process as well as managing the various elements associated with the application and permits for the bulk sample, small scale mine and full scale mine requirements
- Recent EA experience in British Columbia includes; Schaft Creek Copper-Gold Project, Kitsault Mine Project, Johnny Mountain Reclamation, Galore Creek Copper-Gold Project, Taltson Hydro Expansion Project, Lutsel K'e Mini-Hydro Project
- Mr Uren was also heavily involved in the marine port permitting and EA for the Stewart Bulk Terminal and previously held positions with BHP Billiton and Cline Mining

Corporate:

Appointment of Managing Director

- Appointment of **Dr Eric Lilford as Managing Director**, a significant milestone for the Company as it transitions to feasibility and pre-production
- **Mining Engineer with 25 years' experience** in feasibility studies, logistics solutions and production in anthracite and the broader metallurgical and thermal coal spaces
- **International resources experience** including working with local communities, regulators, financiers and consultants

Execution of Offset Loan Agreement

- **Offset Loan Agreement executed** with Lenark Pty Ltd, an entity associated with Atrum Chairman, James Chisholm
- Total cash reserves in the Company as at 30th September 2013 is \$705,000 with access to a further \$2,686,000 via the Offset Loan Agreement and Deed of Variation
- Anticipated BC Government rebates under the METC of a further \$730,000

Bulk Sample Test Shipment

- Atrum in **advanced discussions** with a number of key consumers of high grade anthracite and ultra-low volatile PCI coal for **potential bulk samples during 2014**
- Terminal Services and Land Reservation Agreement executed with Stewart Bulk Terminals allows Atrum to export a **test shipment of up to 5,000t during 2014** for product testing with key consumers of high grade anthracite and ultra-low volatile PCI coal

For personal use only

Atrum Coal NL (“Atrum” or the “Company”) (ASX: ATU) is pleased to report the Company’s activities for the quarter ended 30 September 2013 in relation to its 100% owned metallurgical coal projects located in British Columbia, Canada.

Commenting on the quarterly achievements, Managing Director, Dr Eric Lilford stated:

“It has been a very busy quarter for the Company. We achieved a number of significant milestones and the project has performed above our expectation”

GROUNDHOG ANTHRACITE PROJECT

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. The Groundhog project comprises 18 granted coal licenses covering an area of 8,322 hectares and 8 coal licence applications covering an area of 14,493 hectares, providing a total land holding of 22,815 hectares.

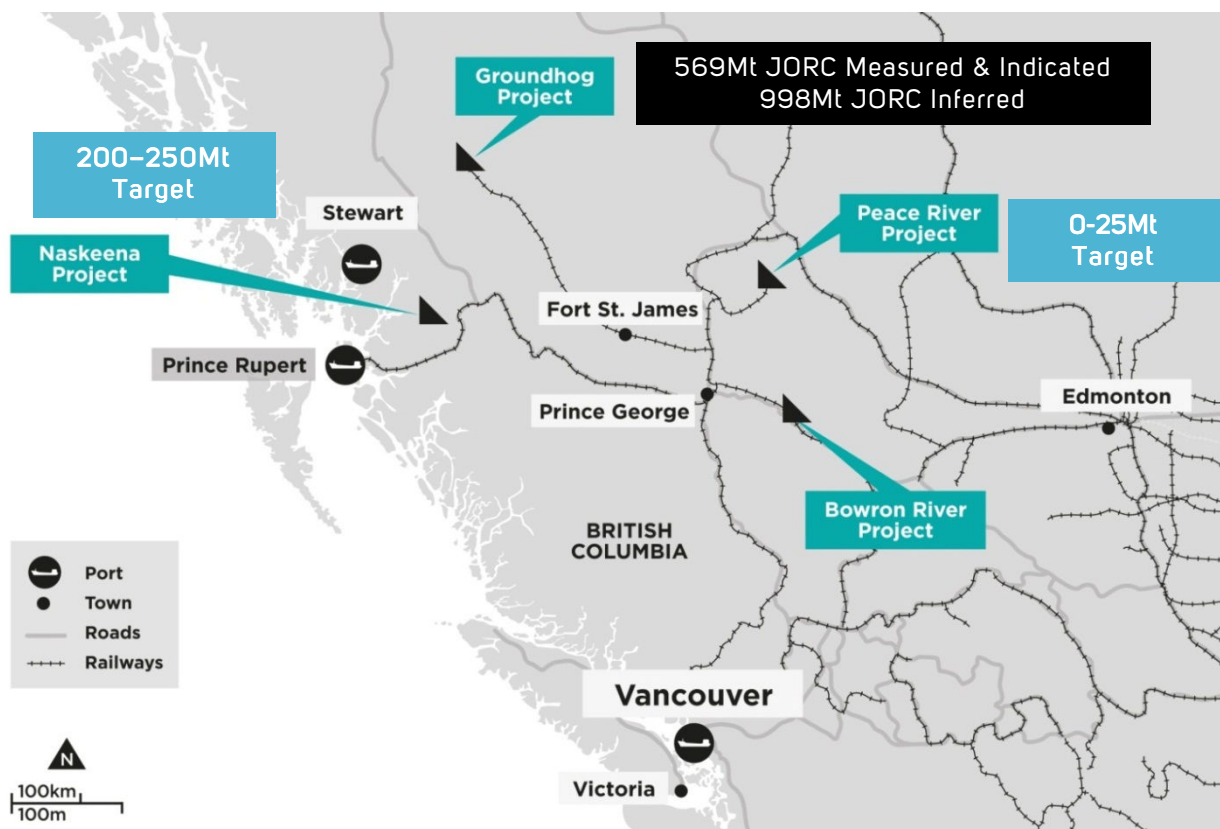


Figure 1: Groundhog Anthracite Project – location map

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

Groundhog 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.

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.

COAL RESOURCES

The JORC resources at Groundhog have increased 460% from 338Mt to 1.57Bt, as summarised in the table below:

JORC Category	Previous Resource (Mt)	Upgraded Resource (Mt)
Measured	-	16
Indicated	106.9	553
Inferred	230.9	998
Total	338Mt	1,567Mt

JORC Resource at Groundhog

Coal resource estimation parameters:

- 0.3m seam thickness cut-off
- 100m river setback

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

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

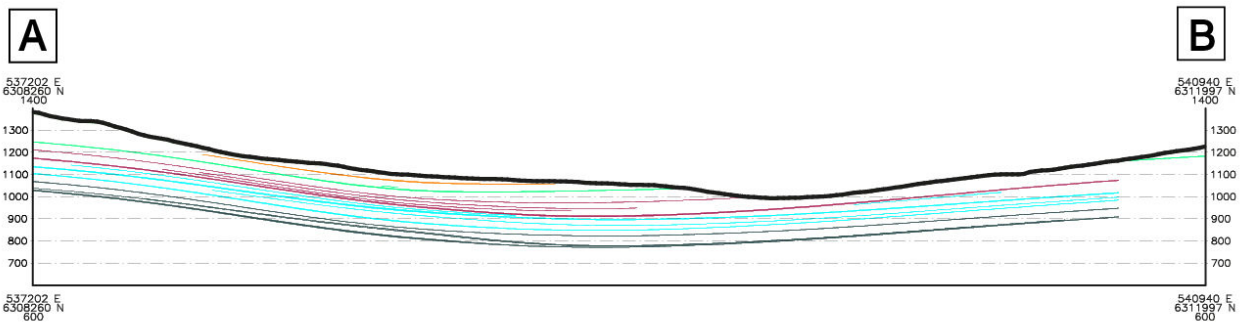
JORC Resource Breakdown By Depth (Mt)	
< 50m	154
< 100m	415
< 200m	993
< 300m	1,420
Unrestricted	1,567

JORC Resource at Groundhog by depth

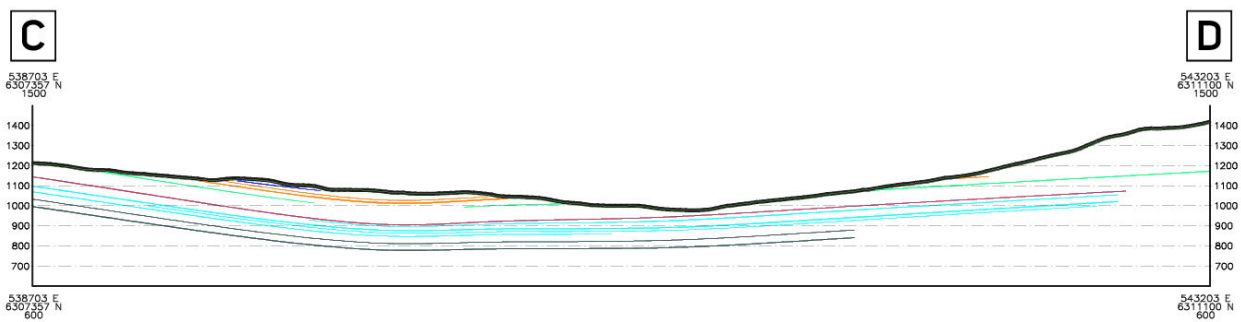
COAL SEAM CROSS SECTIONS

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

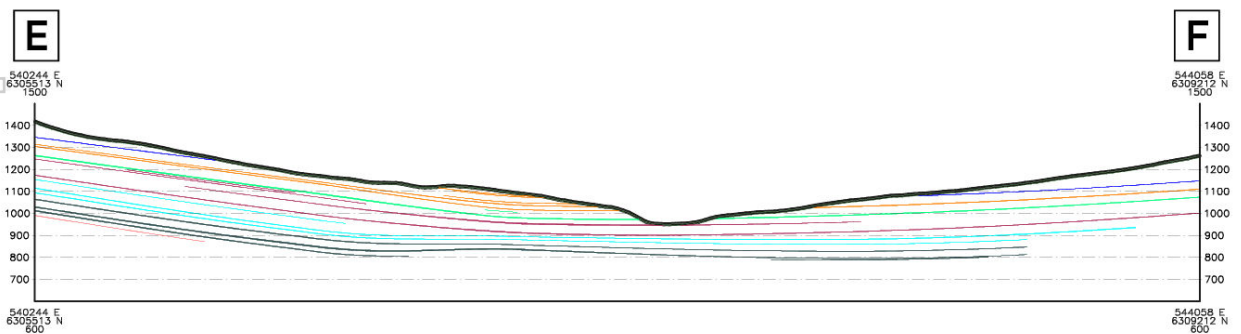
The following diagrams represent cross sections of the coal resource at Groundhog. Cross sections were generated using Minescape software and are representative of the overall trend.



Cross Section (A-B) at Groundhog

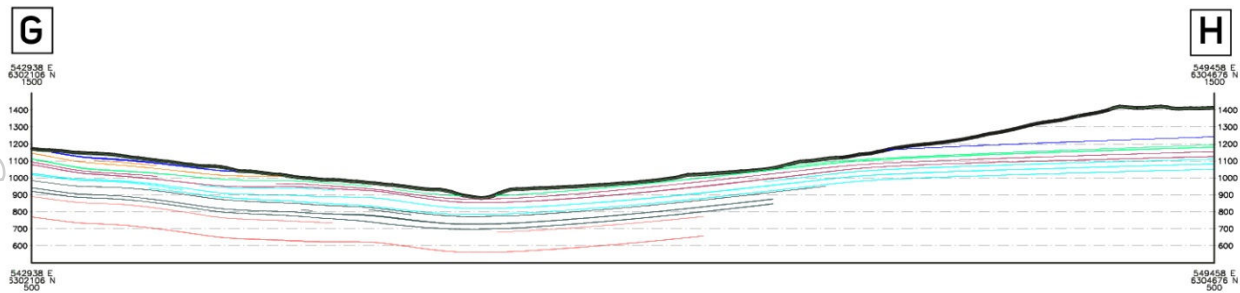


Cross Section (C-D) at Groundhog

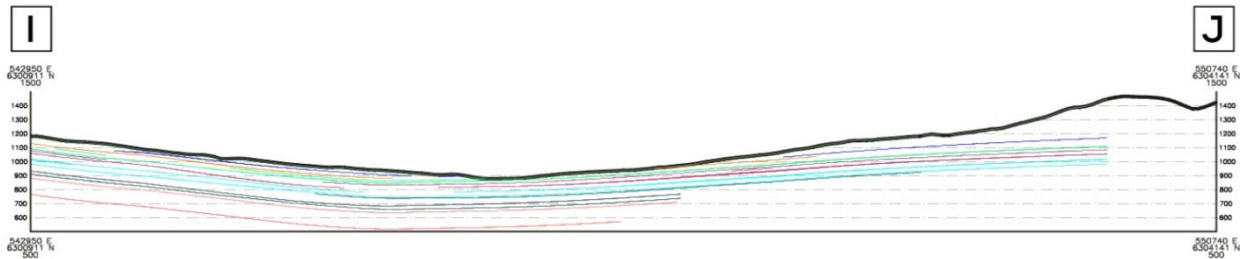


Cross Section (E-F) at Groundhog

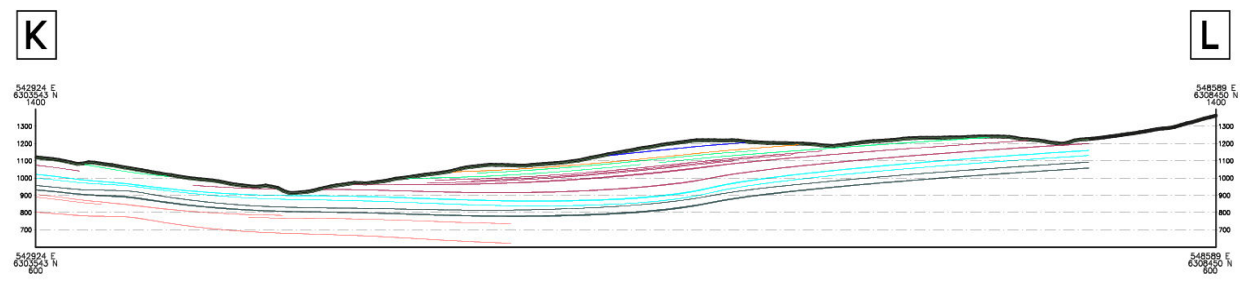
For personal use only



Cross Section (G-H) at Groundhog

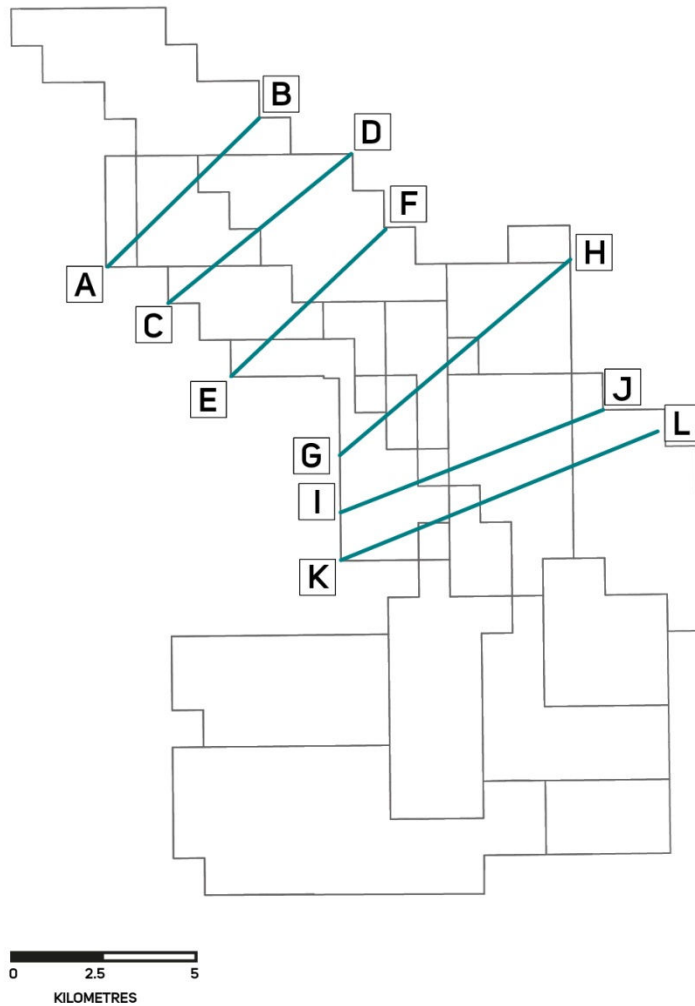


Cross Section (I-J) at Groundhog



Cross Section (K-L) at Groundhog

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



Section lines at Groundhog

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

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

COAL QUALITY ANALYSIS

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

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

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

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

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

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

Proximate Analysis									
	Yield	Basis	H ₂ O	V.M.	Ash	F.C.	S	Kj/Kg	HGI
+0.15mm									
-1,80 Flt	75.37	A.D. Dry	0.48 -	8.76 8.80	10.91 10.96	79.85 80.24	0.43 0.43	30,266 30,412	45
Ultimate Analysis									
			C	H	N	Ash	S	O	
		A.D.	77.98	2.42	0.86	10.91	0.43	6.92	
		Dry	78.36	2.42	0.86	10.96	0.43	6.96	

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

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

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

- Direct coke replacement
- Ultra low volatile PCI
- Sinter
- Metallurgical reductant / charge carbon
- Filter media

SCOPING STUDY RESULTS AT FLAGSHIP GROUNDHOG ANTHRACITE PROJECT

On 27 August 2013, the Company announced the Scoping Study results for the Stage 1 development of the Groundhog Project.

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

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

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

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

Due to timing of drilling and the early commencement of the Scoping Study, the planned 43 drill holes (ultimately 64 holes were drilled) to be completed in 2013 have not been included in the Scoping Study, but will be included in the Groundhog PFS. These include the following significant shallow coal intersections:

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

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

Dr Lilford commented:

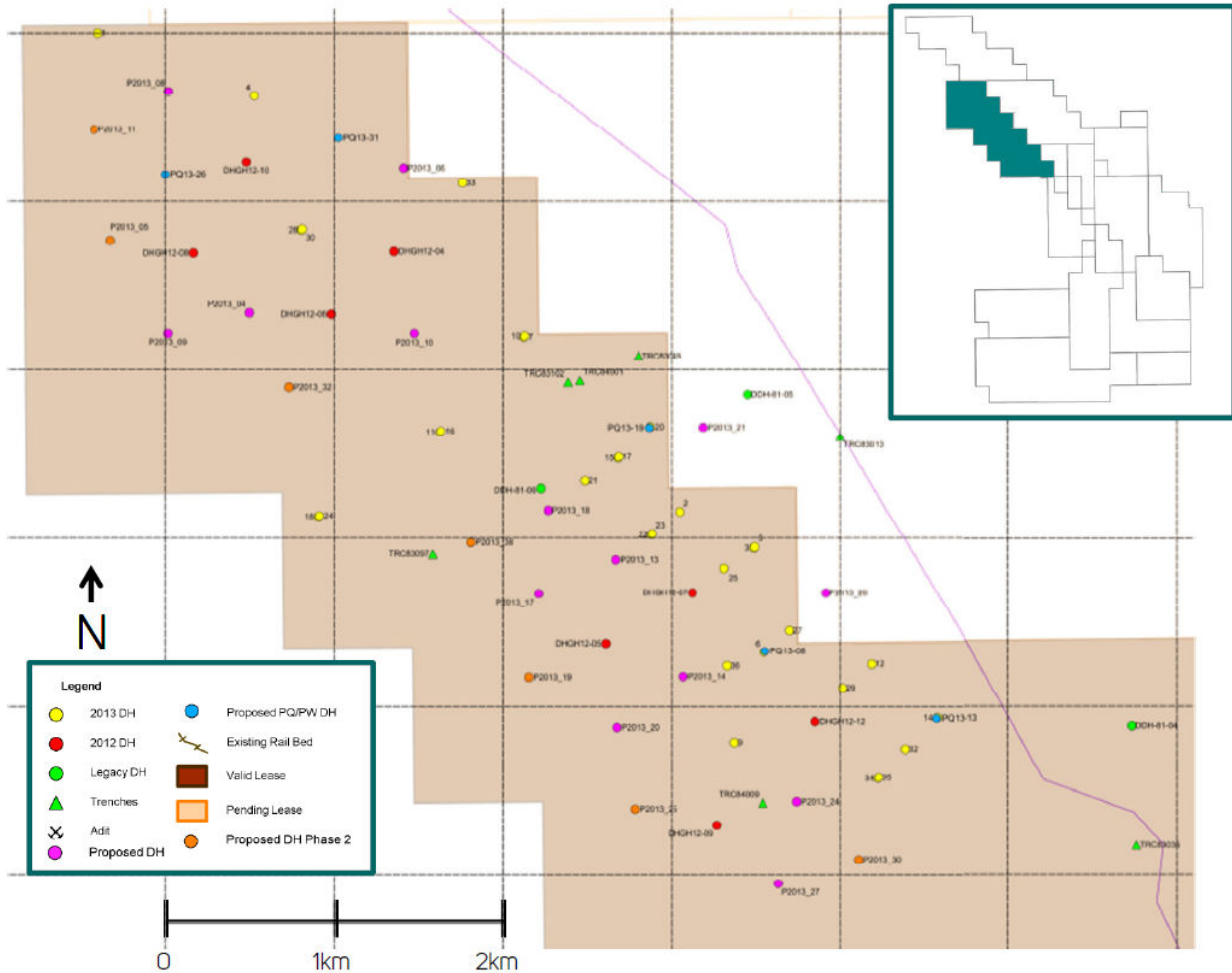
"With such encouraging drilling results, the Company is confident of reporting upside in the PFS compared to the Scoping Study. It is important to note that the Scoping Study considers only one seam of 16 potential economic and mineable coal seams, from approximately 5% of the Company's 22,815 hectare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

SCOPING STUDY METRICS	RESULTS FIRST 5 YEARS
Product Mix: Anthracite Lumps	70%
Product Mix: Anthracite Fines	30%
CAPEX (US\$)	\$62 million
Average Yield	61%
Anthracite Lumps Price Range (US\$/t)	\$190 – \$208
Anthracite Fines Price Range (US\$/t)	\$137 - \$150
OPEX (US\$/t FOB)	\$85
Annual Before-tax Free Cashflow at 1.8Mtpa ROM (US\$/year)	\$107 million
Annual Before-tax Free Cashflow at 3Mtpa Saleable (US\$/year)#	\$293 million

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

For personal use only

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



North-west zone of Groundhog

Atrum's strategy is to ramp up production under Canada's 'development mining' regime with the first 70,000t planned to commence Q4 2014. Despite an enormous endowment of 1.57 billion tonnes, the Company maintains a 'lean and mean' approach towards development expenditure with a focus on delineating only sufficient future Reserves for commencement of initial low CAPEX production.

Future free cashflow generated during production has been earmarked for broader future Reserve delineation and expansion drilling to enable the Company to achieve its target of 3Mtpa saleable and beyond.

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

In addition to applying free cashflow generated during production to additional development and future Reserve delineation, the Company plans to utilise surplus cash to acquire plant and equipment,

For personal use only

enabling Atrum to become an owner-operator and reduce unit operating costs. Atrum intends to utilise contractors and Build-Own-Operate-Transfer (BOOT) options with key equipment and services suppliers to minimise initial CAPEX.

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

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

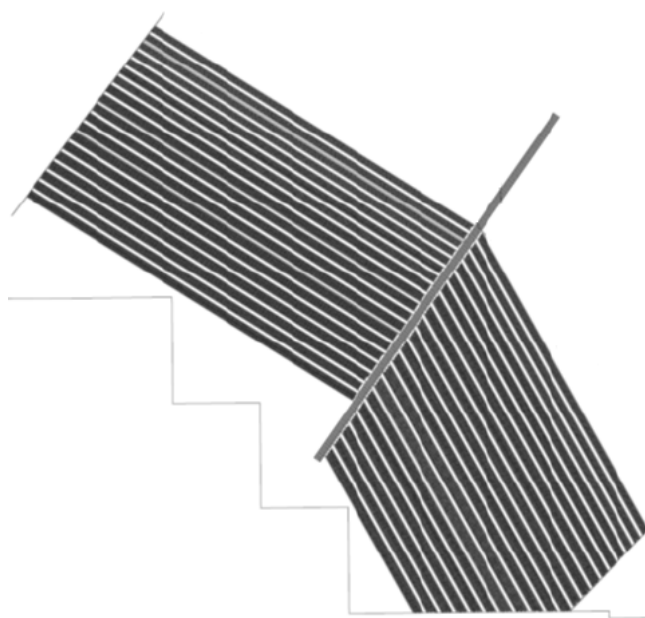
The Company is anticipating working under Canada's 'development mining' regime which would allow the Company an opportunity to market and refine its metallurgical product offering as well as generate early cashflow from coal shipments commencing in Q4 2014.

To deliver on the Company's low CAPEX model, development at Groundhog will initially target underground mining of the high ranking seam #70 by 'room and pillar' method. Based on an initial five year production profile (including ramp up), indicative ROM yields range from 57% to 63% (61% weighted average) for premium anthracite lumps and fines.

Under the Scoping Study, and as a secondary offering, ULV PCI can be produced with ROM yields of 76% to 83%. To deliver on Atrum's 3Mt/pa saleable production target expansion by open pit mining and/or additional portals will likely be required.

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

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



Approximate panel layout for Northern area

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

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

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

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

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

PFS / RESERVE DEFINITION DRILLING AT GROUNDHOG ANTHRACITE PROJECT

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

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

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

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

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

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

For personal use only

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

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

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

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

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

COMPLETION OF PFS INFILL DRILL PROGRAM

The 2013 drilling program at Groundhog commenced on 21 June 2013 and included the mobilisation of two drill rigs. The exploration program was specifically designed to infill drill the north-west zone at Groundhog, so that with further modelling a portion of the existing resource could be used to define an initial mineable Reserve.

The program targeted upper seams of the coal measures, specifically the high ranking #70 coal seam and definition of its outcrop/sub-crop in the north-west zone. Exploration results from this program will allow Atrum to expand on the Scoping Study (released 27 August 2013) and feed into both an updated resource report and a Pre-Feasibility Study expected to be complete Q1 2014.

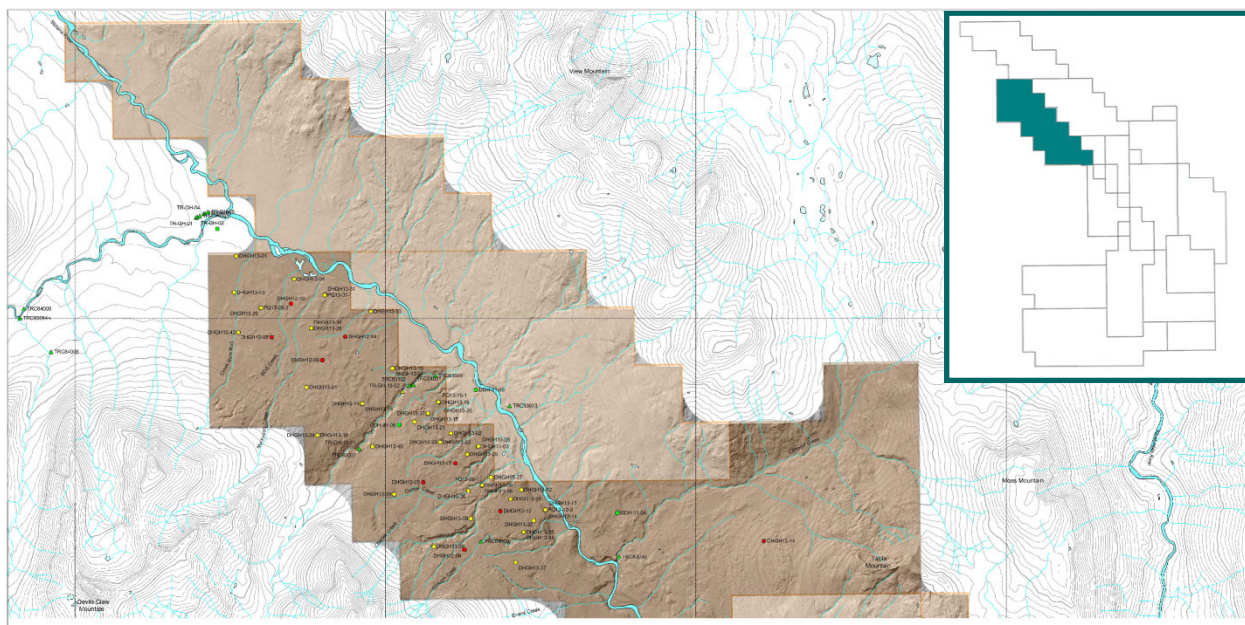
Drilling has concluded with a total of 64 diamond core holes completed. The program also included 21 large-diameter core holes (9 inclined holes and 12 vertical holes) which extracted approximately 300kg of material for advanced run-of-mine wash testing and product simulation.

The Company has submitted all coal and ply samples to ALS Laboratories and Loring Laboratories for coal quality testing with washability results expected in the coming weeks.

Advanced geological modelling of recent exploration results is underway with an updated resource/reserve definition expected by the end of the year. The recent exploration results will be collated with results of the 2012 drilling program together with all historical data to form the basis of the Pre-Feasibility Study at Groundhog.

Exploration results from this year's drilling program were not included in the recent Scoping Study and are expected to add significant upside to the project metrics in the Pre-Feasibility Study.

The map below illustrates the drill hole locations from the 2013 infill drilling program and the concentrated focus in the north-west area:



Drill hole density in north-west zone at Groundhog

ENVIRONMENTAL AND GEOCHEMICAL STUDIES

The Company recently completed gas and reservoir testing on five of the drill holes. Both shallow and deep sites were specifically selected to ensure that the results would provide a representative sample for mine planning and development of a bulk sampling program and small scale mine.

Gas desorption testing was completed on three locations with the collection of 19 samples, and reservoir tests were configured on two locations.

Six of the drill holes have been selected for conversion to groundwater monitoring locations and results will be used for future environmental baseline information for mine planning. The hydrogeological testing is aimed at defining sub-surface water quality and volume and is important in the development of the mine design.

The Company has engaged Environmental engineering group Knight Piesold Consulting to complete the hydrogeological testing in preparation for the mine plan submission and bulk sample permit. Construction materials and monitoring equipment have been mobilised and installation operations are underway. Knight Piesold will be responsible for the collection of the initial set of groundwater samples from the monitoring wells and for the installation of pressure transducers / data loggers. Groundwater samples from the wells will be taken on a regular basis in order to monitor any seasonal changes.

In addition, SRK Consulting has been engaged to complete a geochemical characterisation study and formulate a conceptual hydrogeologic model.

For personal use only

SRK Consulting has been engaged to carry out a geochemical characterisation program which will include:

- Static testing on a spatially representative number of waste rock and process residue samples to provide an indication of the variability within these materials;
- Shake flask extraction (leach extraction) testing on 2008 drill core samples to provide an indication of the potential weathering the materials may undergo;
- Mineralogical characterisation (petrographic and Reitveld XRD) to characterise the forms and distribution of minerals within the waste rock and process residues;
- Kinetic tests on the waste rock and process residues; and
- Characterisation of process water from wash tests for a full suite of water quality parameters.

The results of the geochemical characterisation program will assist in the mine design and environmental management plan for Groundhog and the proposed bulk sample and small scale mine. Specifically, such tests will be utilized for determining proper long-term disposal of waste rock and residues and thereby ensure mining occurs in an environmentally-sound manner.

COMMUNITY AND FIRST NATIONS RELATIONS

Atrum has continued to build on its strong relationship with its local First Nations groups that have traditional land interests in the area. In line with its commitment to local communities, during the 2013 field exploration program, which was four times larger than last year, the Company employed more than 90% of its workforce from local communities while First Nations member participation increased considerably.

Atrum is pleased with the initiative of the Wilps Geel and their commitments to not only train their members but other Gitxsan Nations members which comprised of more than 50% of the exploration workforce this year at Groundhog.

“Our relationship with local community and First Nations groups continues to strengthen on the back of a mutual desire to bring opportunity and prosperity to the area,” Dr Lilford said.



Len Cambell, Dr Eric Lilford, Chief Catherine Blackstock and Robert Blackstock at Annual Gitxsan First Nations Golf Tournament

Members from six First Nations territories were employed at the Groundhog exploration camp during the 2013 exploration program and the Company continues to seek out further ways to involve the local communities in its development plans.

The Company sponsored the Annual Gitxsan First Nations Golf Tournament in Smithers this year. Guests included Atrum Managing Director Dr Eric Lilford, Gitxsan Geel House Chief Catherine Blackstock, Robert Blackstock as well as most of Atrum’s Canadian operational team.

KEY CONSUMER OFFTAKE DISCUSSIONS

The Company is advancing offtake discussions and Managing Director, Dr Eric Lilford will be presenting anthracite specifications to potential customers in Japan, Korea, China and India over the coming months.

Atrum is now focused on preparing for its bulk sample and test shipment program planned for 2014. The bulk sample will provide both a means to test the high value anthracite markets and provide a means of early cashflow.

EXTENSION OF MINES ACT PERMIT GRANTED

On 11 October 2013, the Company announced that, after considering Atrum's application and consulting with the relevant authorities and local First Nations groups, the Ministry of Energy and Mines (British Columbia) has granted an extension to its Mines Act permit for a further 5 years at the Company's flagship Groundhog Anthracite Project ("Groundhog"), located in British Columbia, Canada.

Commenting on the extension of the Mines Act permit, Managing Director Dr Eric Lilford stated:

"This is an important permitting milestone for Atrum as we prepare for next year's bulk sample and test shipment program."

The Mines Act permit includes fifteen (15) contiguous coal licences at Groundhog and importantly includes the northern zone where a bulk sample and test shipment program is planned for 2014.

APPOINTMENT OF SHANE UREN – ENVIRONMENTAL AND PERMITTING MANAGER

Shane Uren M.A.Sc (Eng). B.Sc (Ecology) has 15+ years' experience in permitting and environmental assessment (EA). He has been tasked with managing the Company's EA process as well as managing the various elements associated with the application and permits for the bulk sample, small scale mine and full scale mine requirements.

Recent EA experience in British Columbia includes; Schaft Creek Copper-Gold Project, Kitsault Mine Project, Johnny Mountain Reclamation, Galore Creek Copper-Gold Project, Taltson Hydro Expansion Project, Lutsel K'e Mini-Hydro Project.

Mr Uren was also heavily involved in the marine port permitting and EA for the Stewart Bulk Terminal where Atrum has secured 1.5Mtpa port capacity. He has previously held positions with BHP Billiton and Cline Mining.

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").

"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." Mayor of Stewart, Galina Durant stated.

For personal use only

STEWART BULK TERMINALS

The Company has executed a Terminal Services Agreement and Land Reservation Agreement with SBT ("SBT Agreements").

This secures the shipping requirements for storage and loading of anthracite coal mined and transported from the proposed Groundhog mine approximately 150km away, through the Port of Stewart, British Columbia.

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

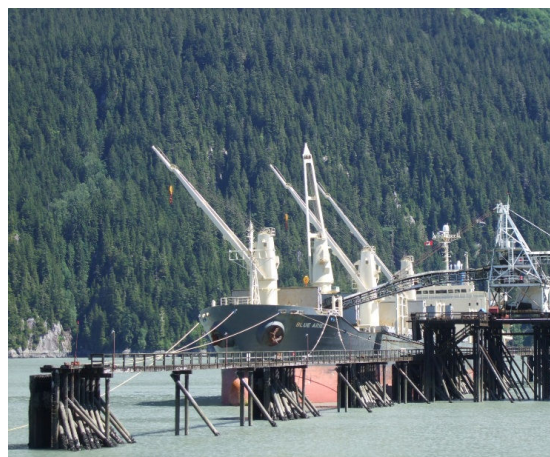
There are also provisions for the allocation to Atrum of higher coal handling volumes at SBT in the event that an upgrade to capacity beyond its allocated 1.5Mtpa occurs.

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

SBT has a berthing structure that can receive panamax and handymax vessels, ideally suited to the transport of high value anthracite lump and fines. Vessel loading rates are currently 700 to 800 tonnes per hour equating to a full ship loading cycle of 31.3 to 57.1 hours. There is scope to optimise the berth handling and loading rates.

The SBT Agreements include provisions for the reservation of land and appropriate space for the construction and maintenance of a coal storage silo(s) including an area of approximately 2,500m², as well as the use of the existing loading facilities to meet the anticipated monthly loading requirements of the proposed Groundhog mine.

Under the SBT Agreements, SBT will construct and maintain the coal storage silo(s) for exclusive use by Atrum. The proposed expansion area at SBT provides the ideal location for the coal storage silo(s) due to its close proximity to the loading berth. SBT is currently excavating and building the foundations at the expansion site.



Stewart Bulk Terminal existing loading berth



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 coal products from the proposed Groundhog mine. SWP is currently under construction and is expected to be able to supply the Company’s planned expanding coal handling needs from 2016.

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

- Phase I construction will extend the existing Cassiar Dock to deep water and will significantly improve barge access to the port. Phase I construction is expected to be completed by year end 2013 and be operational by early 2014.
- Permitting for Phase II construction is underway. Once Phase II construction is complete, the facility will provide for mineral concentrate loading, RORO, and all manner of inbound and outbound break bulk cargo.

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



Stewart World Port dock under construction



Stewart World Port aerial view

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

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

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

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

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

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

The Company is currently finalising the capital structure and management team for the spin-out vehicle as well as determining the timing for an Atrum shareholders meeting to approve and facilitate the timetable and subsequent ASX listing. The spin-out will allow Atrum to concentrate on the development of Groundhog, which is currently in the process of completing a pre-feasibility study, together with providing shareholders with exposure to the exploration upside of the Naskeena, Peace River and Bowron River coal projects.

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

For further information contact:

Eric Lilford
Managing Director
M +61 424 757 452
eric@atrumcoal.com

Russell Moran
Executive Director
M +61 415 493 993
russell@atrumcoal.com

Gino D'Anna
Executive Director
M +61 400 408 878
gino@atrumcoal.com

James Chisholm
Chairman
M +61 419 256 690
james@atrumcoal.com

Nathan Ryan
Investor Relations
M +61 420 582 887
nathan@atrumcoal.com

For personal use only

Exploration Targets

This announcement refers to Exploration Targets as defined under Section 18 of the JORC Code. 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.

Competent Person Statement

In accordance with the Australian Securities Exchange requirements, the technical information contained in this announcement in relation to the JORC Compliant Coal Resource for the Groundhog Anthracite Project in Canada has been reviewed by Mr Ian de Klerk of Xstract Mining Consultants Pty Ltd.

The Coal Resources documented in this release are stated in accordance with the guidelines set out in the JORC Code, 2004.

They are based on information compiled and reviewed by Mr. Ian de Klerk who is a Member of the Australasian Institute of Mining and Metallurgy (Member #301019) and is a full time employee of Xstract Mining Consultants Pty Ltd. He has more than 20 years' experience in the evaluation of coal deposits and the estimation of coal resources. Mr. de Klerk has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration to qualify him as a Competent Person as defined in the JORC Code, 2004. Neither Mr. de Klerk nor Xstract have any material interest or entitlement, direct or indirect, in the securities of Atrum Coal NL or any companies associated with Atrum Coal NL. Fees for work undertaken are on a time and materials basis. Mr. de Klerk consents to the inclusion of the Coal Resource based on his information in the form and context in which it appears.

Forward Looking Statements

This release 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 release include, but are not limited to, the capital and operating cost estimates and economic analyses from the Study.

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 release 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.