

ASX Announcement

27 July 2020

QUARTERLY ACTIVITIES REPORT

For the Quarter Ended 30 June 2020

Atrum Coal Limited (ASX: ATU) (**Atrum** or the **Company**) is pleased to provide its Quarterly Activities Report for the period ending 30 June 2020.

HIGHLIGHTS

- **Elan Project Scoping Study completed (mid-April 2020).** Development and open-pit mining of low-strip Isolation South and Elan South deposits yields a technically robust, highly economic, world-class operation delivering Tier 1 HCC to seaborne markets. Full results outlined in Atrum's Scoping Study ASX release (16 April 2020) and March 2020 Quarterly Activities Report (24 April 2020).
- **Successful A\$22M equity raising (mid-April 2020).** A two-tranche placement to institutional and sophisticated investors was completed during the quarter. Atrum is now well-funded to progress the Elan Project through Pre-Feasibility Study (PFS) completion and formal permitting application, with concurrent drilling activities. PFS completion is targeted for mid-2021.
- **Appointment of Andrew Caruso as Chief Executive Officer (mid-May 2020).** Andrew is a mining engineer who brings almost 30 years of global mining experience across a range of operational, management and key executive roles. He has worked in senior positions at both BHP and Alcoa and possesses substantial experience with bulk commodity project evaluation, development and operations. This includes six years in technical and management roles at substantial coal operations.
- **Alberta Government repeals 1976 Coal Policy (mid-May 2020).** Repeal of the policy eliminates the use of coal categories in Alberta, an outdated land use classification system. The Elan Project is located on Category 2 land, which meant that any open pit permitting approval would have required an exemption to be granted. This categorisation of lands is now no longer relevant, representing a significant step forward with respect to the targeted future development of the Elan Project.
- **2020 Elan Project drilling commenced (late-May 2020).** Early drilling activities have progressed well with 27 rotary air blast (RAB) holes completed as at 27 June 2020. A 147-hole drill program is planned at Isolation South for 2020 consisting of 115 RAB holes and 32 large diameter cored (LDC) holes. The program has an extensional and infill focus aimed at both expanding the Isolation South resource base and further upgrading resource classification. Initial priority drilling is focused on the current Inferred resource areas that were excluded from the Elan Project Scoping Study mine schedule. Regular drilling progress updates are to be provided and an interim Elan Project resource update is targeted for 4Q 2020.
- **Isolation South LDC coal quality results indicate Tier 1 HCC (early-July 2020).** Detailed clean coal and coking characteristics testwork were completed on composite coal samples from four large LDC holes drilled at Isolation South in early 2020. Results were commensurate with the typical ranges observed at Atrum's Elan South deposit as well as Teck Resources' nearby Elk Valley production complex. The outcomes provide strong evidence of Tier 1 HCC quality at Isolation South.
- **AGM held on-line via webcast on 29 June 2020.**

Elan Hard Coking Coal Project (100% Atrum)

Elan Project Scoping Study completed

As previously reported in Atrum's March 2020 Quarterly Activities Report, the Elan Project Scoping Study was completed and released to the ASX on 16 April 2020.

For full details on the Scoping Study outcomes, see Atrum ASX release dated 16 April 2020, *Elan Project Scoping Study*. Atrum confirms that all material assumptions underpinning the production target and forecast financial information within the Scoping Study continue to apply and have not materially changed.

2020 field program and PFS workstreams

The first rotary air blast (**RAB**) drill hole of the 2020 program commenced at Isolation South on 31 May 2020. Drilling activities progressed well during the following month with 27 RAB holes completed as at 27 June 2020.

The planned 2020 program is a comprehensive package of field work that includes all necessary components required to underpin the Elan Project Pre-Feasibility Study (**PFS**). Major field activities underway or set to commence in the short term include a 147-hole drilling program, further detailed coal quality and washability testing, geotechnical testing, hydrogeology and environmental monitoring, and seismic and topographical surveys.

The planned program of RAB drilling at Isolation South consists of 115 holes for a total of approximately 20,000 metres of drilling. The RAB program has both an infill and extensional focus, targeted to further improve confidence in the structural definition of the Isolation South deposit, expand the total resource base and support substantial resource classification upgrades.

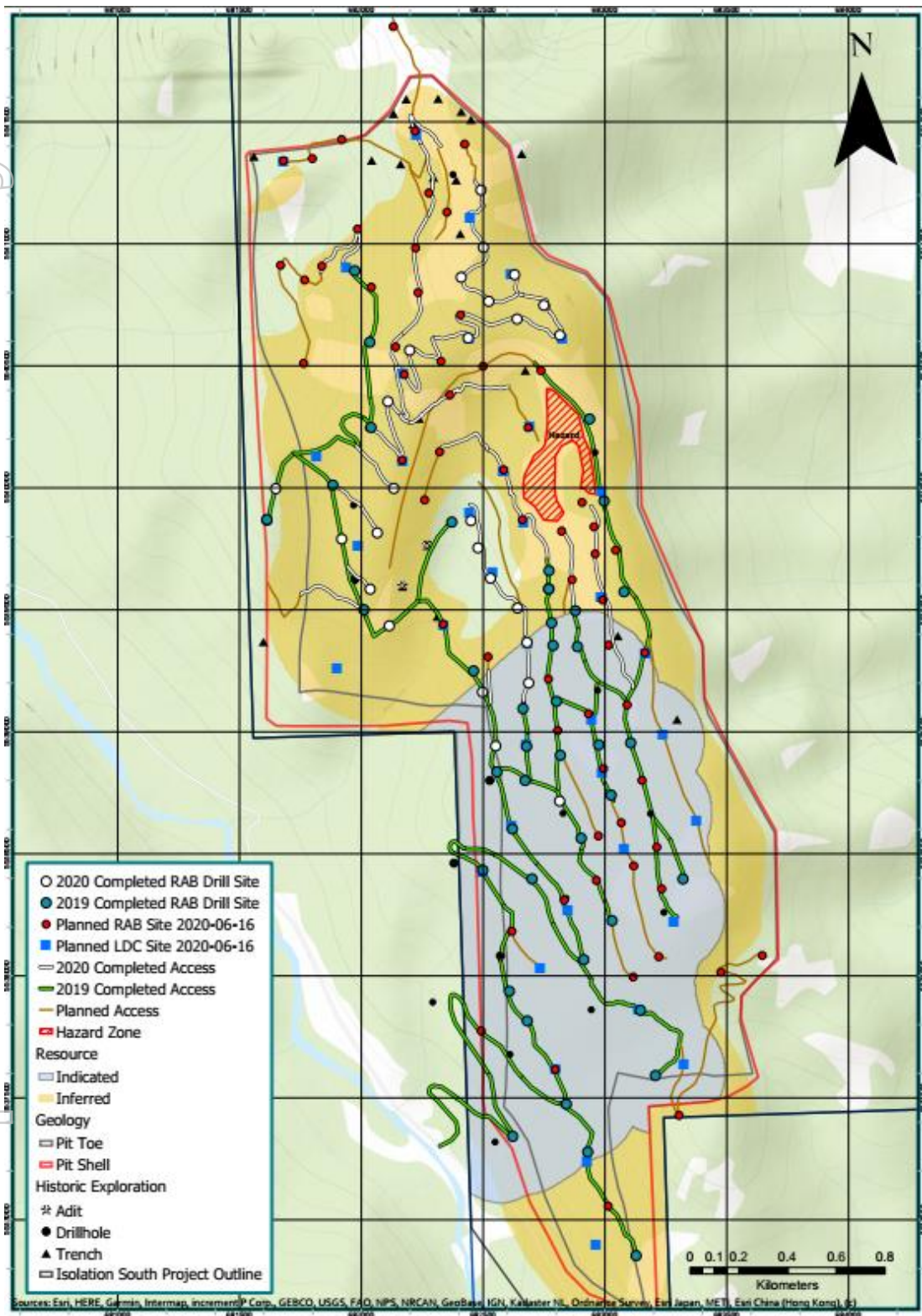
The planned coring program at Isolation South consists of 32 large diameter cores (**LDC**) holes for approximately 6,000 metres of drilling. Two coring rigs are currently in operation on site. The LDC holes are to be drilled for the collection and sampling of 150mm diameter drill core for coal quality and washability testing.

Given the scale and economic potential unearthed at Isolation South during the 2019 field program, and the outcomes of the Elan Project Scoping Study (Isolation South ROM strip ratio of 3.3), all 2020 drilling activities are being dedicated to the rapid realisation of this potential. As a result, no drilling is planned for Elan South during this year's program.

The first phase of both the RAB and LDC programs is focused on drilling in the central to northern parts of the Isolation South resource (predominantly Inferred resource categorisation). At Isolation South, 108Mt of Inferred resource within the optimised pit shell was excluded from the mine schedule and production target in the Elan Project Scoping Study (which totalled 126Mt), in accordance with the current ASX/ASIC regulatory framework (see Atrum ASX release dated 16 April 2020, *Elan Project Scoping Study*)¹.

Targeted upgrade of these Inferred Resource portions of Isolation South into Indicated and/or Measured Resource categories delivers the strong potential for inclusion in the mine schedule for the PFS and subsequent conversion to Reserves. Successful inclusion presents substantial upside potential to the life-of-mine production target and forecast base case economics presented in the Elan Project Scoping Study results.

Figure 1: Planned 2020 drilling program



Regular drilling progress and results updates are planned to be provided through the 2020 field program. An interim update to the overall Isolation South resource is targeted for 4Q 2020. The Elan Project PFS remains targeted for completion around mid-2021.

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Environmental baseline studies advanced during the quarter at both Isolation South and Elan South. Hydrogeological drilling at Isolation South commenced to develop the water balance and water quality prediction model to inform mine planning, water management and other substantive elements of the PFS. The aquatic and terrestrial programs achieved a significant milestone in June with completion of all targeted spring surveys within the project footprint and transportation corridor.

Atrum has implemented COVID-19 Protocols for its 2020 field program in line with provincial guidance and has maintained a vigilant approach to monitoring local and regional developments given the continued prevalence of the disease in southern Alberta.

For full details on the planned 2020 field program at the Elan Project, see Atrum ASX release dated 29 June 2020, *2020 Field Program Overview*.

Tier 1 HCC at Isolation South

Further coal quality results for the Isolation South deposit, including coke quality and carbonisation testwork outcomes, were released in early July 2020.

These results were based on coal characterisation and carbonisation test work conducted on samples obtained from four LDC drill holes completed in Isolation South during early 2020. Complemented by recent petrographic analysis of 51 RAB samples, the results supplement and bolster the already significant volumes of historical coal quality testwork conducted on the Isolation South deposit by previous owners of the Elan Project tenements. They are also additive to the significant coal and coke quality testwork results obtained for Elan South through the 2018 and 2019 exploration programs.

The recent LDC results confirm historical testwork outcomes at Isolation South and indicate that Isolation South coal quality correlates well with globally-traded premium Hard Coking Coal (HCC) products. Clean coal characteristics from the LDC testing include:

- Low ash (7 – 9%) and sulphur (0.38 – 0.94%);
- Favourable rank (RoMax) (1.08 – 1.26%), VM (22 – 28%) and CSN/FSI (4.0 – 9.0) ranges; and
- Highly acidic ash chemistry resulting in low phosphorous, low total alkali and a low basicity index (0.02 – 0.15).

Carbonisation testing of the clean coal samples also confirmed high coke CSR values (CSR: 66 – 70%).

These results are commensurate with the typical ranges observed at Atrum's Elan South deposit as well as Teck Resources' nearby Elk Valley production complex. In aggregate, the outcomes provide strong evidence of Tier 1 HCC quality at Isolation South.

Further coal characterisation and 500kg movable wall oven carbonisation testing is planned to be conducted on representative coal samples from the Isolation South 2020 exploration program. Comprehensive Stage 1 coal characterisation and carbonisation testwork results (from the initial 22 planned LDC holes) are expected in 4Q 2020.

For full details on the Isolation South LDC coal quality results, see Atrum ASX release dated 1 July 2020, *Tier 1 HCC at Isolation South*.

Alberta Government repeals 1976 Coal Policy

In May 2020, the Alberta Government announced that it would be repealing the Coal Development Policy for Alberta (1976). This repeal was effective from 1 June 2020.

Repeal of the policy eliminates the use of coal categories in Alberta, a land use classification system that directed how and where coal leasing, exploration and development could occur. Removal of the outdated coal categories means that the coal industry in Alberta is now subject to the same land use policies as other commodities within the province.

Atrum's Elan Project is located on tenure previously deemed to be Category 2 land. Under the previous policy, Category 2 designation referred to land that was generally considered not to be appropriate for open pit coal mining. This meant that any open pit permitting approval for Elan would have required an exemption to be granted.

The repeal of the policy means that the prior categorisation of lands is no longer relevant for Atrum. It represents a significant step forward with respect to the targeted future development of the world-class Elan Project.

The full media release from the Alberta Government can be found at:

<https://www.alberta.ca/release.cfm?xID=71360F8EBFAD6-F329-868E-8D338CE2C2A0A01F>

For full details on the 1976 Coal Policy repeal decision, see Atrum ASX release dated 18 May 2020, *Alberta Government to Repeal 1976 Coal Policy*.

Groundhog Anthracite Project

During the quarter, Atrum signed an agreement with JOGMEC with respect to its Groundhog project. The agreement provides that JOGMEC will earn in 10% of the Groundhog project after spending \$1M on the project within three years. JOGMEC has the option not to proceed with the earn-in after spending a first \$300K on the project. During the option period, JOGMEC will refund the Company for all lease rentals with respect to the tenements of the Groundhog project.

JOGMEC holds 35% interest in the Panorama project.

Corporate

A\$22 million equity raising

Atrum successfully raised approximately A\$22.0 million of new equity funds in mid-April 2020 via the issue of 95.7 million new fully paid ordinary shares in a two-tranche placement at an issue price of A\$0.23 per share.

The raising saw strong demand from existing shareholders plus a number of new institutional and sophisticated investors introduced to the register. Major shareholder, Tim Roberts (Warburton Group), subscribed for approximately A\$7M of the placement resulting in his total shareholding increasing to 19.3% post issuance of both tranches.

Tranche 1 of the placement was undertaken pursuant to the Company's existing placement capacity under ASX Listing Rule 7.1. It raised approximately A\$15.3 million via the issue of approximately 66.7 million new shares. Tranche 2 of the Placement raised approximately A\$6.7 million via the issue of approximately 29.0 million new shares, following shareholder approval being granted in late June 2020.

All members of the Atrum Board subscribed for shares in the Placement, being approximately A\$343,000 of the new shares in Tranche 2, with this subscription also having been subject to shareholder approval at the same meeting.

Atrum is now well-funded to progress the Elan Project through PFS completion and formal permitting application, with concurrent drilling activities.

For full details on the equity raising, see Atrum ASX release dated 22 April 2020, *Successful A\$22M Equity Raising*.

New CEO appointment

In May 2020, Atrum appointed Andrew Caruso as Chief Executive Officer (CEO), effective from 12 May 2020.

Andrew is a qualified Mining Engineer who brings almost 30 years of global mining experience across a range of operational, management and key executive roles. He possesses substantial experience with bulk commodity projects including almost nine years as the Managing Director and CEO of several Australian iron ore and coal development companies, being Australasian Resources Limited (ASX: ARH), Crossland Resources Limited and Ascot Resources Limited (ASX: AZQ) (collectively from 2010 to 2018).

Prior to that, Andrew worked for 14 years in direct mine operations across iron ore, coal and nickel. This included six years in technical and management roles at substantial coal operations in Western Australia (Griffin Coal) and Queensland (BHP).

He was most recently Vice President (Corporate Development) at Alcoa Corporation (a role he held from 2017 to 2019), where he was a key member of the Bauxite business unit responsible for the operation, growth and acquisition of Alcoa's bauxite mine assets globally. Prior to that, Andrew was a Director with PricewaterhouseCoopers' (PwC) consulting arm (from 2016 to 2017), with key responsibility for delivering critical solutions for clients including BHP, Goldfields and Resource Capital Funds.

Andrew holds a B.Eng (Honours) in Mining Engineering (Western Australian School of Mines) and a Graduate Diploma in Applied Finance and Investment (Financial Services Institute of Australasia). He is currently also a Non-Executive Director of Great Southern Mining Limited (ASX: GSN).

The appointment of Andrew follows the departure of Atrum's previous Managing Director and CEO, Max Wang, from the Atrum business.

For full details on Andrew's appointment, see Atrum ASX release dated 12 May 2020, *New CEO Appointment*.

Annual General Meeting held

Atrum held its 2020 Annual General Meeting (**AGM**) on 29 June 2020. Given COVID-19 related travel restrictions and gathering size uncertainties, the AGM was held on-line via webcast.

All resolutions were passed with the exception of Resolution 11 (Approval of 10% Placement Capacity) and Resolution 21 (Approval of Employee Share Plan).

For full voting results at the AGM, see Atrum ASX release dated 29 June 2020, *Results of Meeting*.

Cash and debt position

Atrum held A\$17.6 million cash at 30 June 2020. The Company has no debt, excluding usual creditors balances.

The 30 June 2020 cash balance does not include the Tranche 2 funds (A\$6.3 million) from the April 2020 placement, which were received in early July 2020.

Payments to related parties

During the quarter ended 30 June 2020, the Company paid directors fees totaling of \$69K to non-executive directors. The Company also paid \$198K to the former CEO of the Company during the same period.

This ASX release was authorised on behalf of the Atrum Coal Board by:

Andrew Caruso, Chief Executive Officer

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About Atrum Coal

Atrum Coal (ASX: ATU) is a metallurgical coal developer. The Company's flagship asset is the 100%-owned Elan Hard Coking Coal Project in southern Alberta, Canada. Elan hosts large-scale, shallow, thick, hard coking coal (HCC) deposits with a current resource estimate of 454Mt (142Mt Indicated and 312Mt Inferred)¹. Comprehensive coal quality testing from the 2018 and 2019 exploration programs, combined with review of substantial historical testwork data for the broader Elan Project, has confirmed Tier 1 HCC quality.

Elan is located approximately 13 km from an existing rail line with significant excess capacity, providing direct rail access to export terminals in Vancouver and Prince Rupert. It shares its southern boundary with Riversdale Resources' Grassy Mountain Project, which is in the final permitting stage for a 4.5Mtpa (saleable) open-cut HCC operation. Around 30km to the west, Teck Resources operates four mines (the Elk Valley complex) producing approximately 25Mtpa of premium HCC for the seaborne market.

Atrum completed a Scoping Study in April 2020 which demonstrated the strong technical and economic viability of development of the Elan Project¹.

¹ For full Scoping Study and resource details refer to Atrum ASX release dated 16 April 2020, *Elan Project Scoping Study*. Atrum confirms that all material assumptions underpinning the production target and forecast financial information within the Scoping Study, and the resource estimate outlined above, continue to apply and have not materially changed.

APPENDIX A: TENEMENTS LIST

Tenure Number	Owner	Business Unit	Tenure Type	Area (Ha)
394847	Atrum Coal Groundhog Inc.	Groundhog	Licence	259
417080	Atrum Coal Groundhog Inc.	Groundhog	Licence	565
417081	Atrum Coal Groundhog Inc.	Groundhog	Licence	636
417082	Atrum Coal Groundhog Inc.	Groundhog	Licence	212
417084	Atrum Coal Panorama Inc.	Panorama North	Licence	708
417085	Atrum Coal Groundhog Inc.	Groundhog	Licence	1,031
417086	Atrum Coal Panorama Inc.	Panorama North	Licence	142
417088	Atrum Coal Groundhog Inc.	Groundhog	Licence	777
417089	Atrum Coal Groundhog Inc.	Groundhog	Licence	142
417094	Atrum Coal Groundhog Inc.	Groundhog	Licence	71
417095	Atrum Coal Groundhog Inc.	Groundhog	Licence	425
417096	Atrum Coal Groundhog Inc.	Groundhog	Licence	71
417098	Atrum Coal Groundhog Inc.	Groundhog	Licence	1,204
417292	Atrum Coal Panorama Inc.	Panorama North	Licence	279
417296	Atrum Coal Panorama Inc.	Panorama North	Licence	71
417297	Atrum Coal Groundhog Inc.	Groundhog	Licence	918
417298	Atrum Coal Groundhog Inc.	Groundhog	Licence	1,059
417299	Atrum Coal Panorama Inc.	Panorama North	Licence	779
417520	Atrum Coal Groundhog Inc.	Groundhog	Licence	212
417521	Atrum Coal Groundhog Inc.	Groundhog	Licence	142
417525	Atrum Coal Panorama Inc.	Panorama North	Licence	425
417526	Atrum Coal Panorama Inc.	Panorama North	Licence	707
417527	Atrum Coal Panorama Inc.	Panorama North	Licence	71
417528	Atrum Coal Groundhog Inc.	Groundhog	Licence	142
418587	Atrum Coal Groundhog Inc.	Groundhog	Licence	1,411
418588	Atrum Coal Groundhog Inc.	Groundhog	Licence	1,412
418589	Atrum Coal Groundhog Inc.	Groundhog	Licence	1,273
418953	Atrum Coal Panorama Inc.	Panorama North	Licence	1,346
418955	Atrum Coal Groundhog Inc.	Groundhog	Licence	1,265
418957	Atrum Coal Panorama Inc.	Panorama North	Licence	1,415
418958	Atrum Coal Panorama Inc.	Panorama North	Licence	1,345
418961	Atrum Coal Panorama Inc.	Panorama North	Licence	71
120019501	Elan Coal Ltd.	Elan	Coal Lease Application	1,536
120019502	Elan Coal Ltd.	Elan	Coal Lease Application	1,616
120019503	Elan Coal Ltd.	Elan	Coal Lease Application	1,724
120019504	Elan Coal Ltd.	Elan	Coal Lease Application	1,662
120019505	Elan Coal Ltd.	Elan	Coal Lease Application	1,536
120019506	Elan Coal Ltd.	Elan	Coal Lease Application	768
120019507	Elan Coal Ltd.	Elan	Coal Lease Application	1,629
120071201	Elan Coal Ltd.	Elan	Coal Lease Application	1,936
120071202	Elan Coal Ltd.	Elan	Coal Lease Application	64
120071203	Elan Coal Ltd.	Elan	Coal Lease Application	1,840
120071204	Elan Coal Ltd.	Elan	Coal Lease Application	1,645

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Tenure Number	Owner	Business Unit	Tenure Type	Area (Ha)
120071205	Elan Coal Ltd.	Elan	Coal Lease Application	1,582
120071206	Elan Coal Ltd.	Elan	Coal Lease Application	112
120071207	Elan Coal Ltd.	Elan	Coal Lease Application	960
120071208	Elan Coal Ltd.	Elan	Coal Lease Application	1,687
120286501	Elan Coal Ltd.	Elan	Coal Lease Application	16
120286502	Elan Coal Ltd.	Elan	Coal Lease Application	16
120286503	Elan Coal Ltd.	Elan	Coal Lease Application	64
120286504	Elan Coal Ltd.	Elan	Coal Lease Application	208
120286505	Elan Coal Ltd.	Elan	Coal Lease Application	48
120286506	Elan Coal Ltd.	Elan	Coal Lease Application	114
120286507	Elan Coal Ltd.	Elan	Coal Lease Application	144
120286508	Elan Coal Ltd.	Elan	Coal Lease Application	853
130011401	Elan Coal Ltd.	Elan	Coal Lease Application	256
130011402	Elan Coal Ltd.	Elan	Coal Lease Application	128
130011403	Elan Coal Ltd.	Elan	Coal Lease Application	97
130011404	Elan Coal Ltd.	Elan	Coal Lease Application	128