

ASX Announcement

28 October 2021

QUARTERLY ACTIVITIES REPORT

For the Quarter Ended 30 September 2021

Atrum Coal Limited (ASX: ATU) (**Atrum** or the **Company**) provides its Quarterly Activities Report for the period ending 30 September 2021.

KEY POINTS

- Atrum's final written submissions to Alberta's independent Coal Policy Committee (**CPC**) were delivered in September with a focus on:
 - Outlining recommendations for the design of a new coal development policy in Alberta;
 - Directly addressing misleading or inaccurate assertions in the submissions of select third parties to the CPC; and
 - Outlining a vision (prepared with Cabin Ridge) to work with Indigenous communities in steelmaking (metallurgical) coal development
- CPC visited Elan Project site during the quarter which allowed the Company to outline its plans for responsible mine development at its Elan project if permitted in future.
- CPC engagement report and final report (with recommendations) are scheduled to be delivered to the Minister by 15 November 2021.
- Ongoing development and roll-out of the Responsible Mining Initiative (**RMI**) via the www.responsiblemining.ca website to provide facts and information on modern mining practice and techniques to inform public opinion and decision making.
- Constructive engagement activities continuing with local community and First Nations stakeholders.
- MOU executed with neighbouring project, Cabin Ridge, to work collaboratively in bringing innovation and leadership to a proposed Indigenous partnership model to enable increased participation in land and water stewardship and economic benefits.
- Piikani and Stoney Nakoda First Nations both applied to appeal the JRP decision on Riversdale's Grassy Mountain Coal Project. Each argue the JRP erred in law by not considering the economic and social benefits they were to receive through impact-benefits agreements.
- Riversdale subsidiary, Benga Mining Limited, development proponent for the Grassy Mountain Coal Project, has also applied to appeal the JRP decision.
- Elan Project Pre-Feasibility Study (PFS) remains paused pending the outcome of the current process to deliver a new, modern coal policy; all site-based activities (excluding baseline environmental studies) on hold to direct maximum focus and effort to the consultation process.
- A combination of both strong global steel demand and tight supply has driven prices higher with the premium metallurgical coal free on board (FOB) index prices in Australia and Canada both in the

vicinity of US\$400 per tonne currently. Sensitivity analysis on the updated Scoping Study results (December 2020)¹ for the Elan project show significant NPV upside at these current prices.

- Cost reduction measures remain in place with reduced 2021 site activity levels.
- Atrum held A\$2.1 million cash at 30 September 2021 and zero debt (excluding usual creditors balances). An additional A\$1.5 million from the c.A\$3 million fully underwritten accelerated non-renounceable 2-for-11 entitlement offer at A\$0.03 per share completed during the quarter was received subsequent to 30 September 2021.

Elan Hard Coking Coal Project (100% Atrum)

Final submissions to the independent Coal Policy Committee

During the period, Atrum has made its final submissions to the independent Coal Policy Committee (**CPC**). The submissions covered areas including:

- Outlining its recommendation for the design of a new coal development policy in Alberta ('[ATRUM, Coal Policy Committee Submission.pdf](#)');
- Directly addressing misleading or inaccurate assertions in the submissions of select third parties to the CPC ('[CPC – Atrum Coal Response to Misleading Assertions 210919.pdf](#)'); and
- Outlining a vision (prepared with Cabin Ridge) to work with Indigenous communities in steelmaking (metallurgical) coal development ('[Atrum Coal Cabin Ridge Indigenous Communities Partners in Steelmaking Coal Development.pdf](#)')

Building on its initial submission, Atrum's specific policy recommendations can be summarised as below.

Alberta has the opportunity and the responsibility to support both the environment and the economy. Science, technology, and strong legislative and regulatory framework have greatly surpassed the intent, purpose, and value of the coal Categories created in 1976.

We respectfully propose that a new coal policy should adopt a new land classification system that would continue to protect lands while enabling individual projects to be assessed on their own merits against existing and evolving regulatory frameworks:

Non-Development Zone 1: A resource ineligible zone where no resource development is allowed.

Potential Development Zone 2: A resource regulated zone where resource projects may be considered based on the merits of the individual project as permitted by regulators.

In consultation with existing leaseholders, Indigenous communities, and other stakeholders, these zones could be drawn to expand and protect additional lands while simultaneously allowing Alberta to build its economy.

Such a distinction would add clarity, provide certainty, reduce conflict, leverage science and technology, diminish red tape and increase the area of environmentally protected lands. This is achievable by applying world-leading environmental governance to the foothills and other terrain now subjectively assigned to Categories 2 to 4.

¹ For full details refer to Atrum ASX release dated 8 December 2020, *Elan Project Updated 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

The specific policy recommendations provided by Atrum in its submission would:

- Facilitate an increase in protected areas compared to existing Category 1 lands;
- Ensure long-term protection of Alberta's iconic mountain landscape;
- Ensure long-term protection of water for downstream users; and
- Ensure responsible development of this resource for all Albertans.

A resource ineligible zone comprising the current Category 1 lands will continue to protect Alberta's mountain landscape while sterilizing less than 1% of the coal potential across approximately 4.2 million hectares of land. By comparison, identified metallurgical coal deposits within Category 2, 3 and 4 lands, as catalogued by the Alberta Government, encompass some 141,730 hectares, or 3% of what is proposed as resource eligible lands.

Clearly, the distribution of metallurgical coal potential in Alberta is small compared to the overall land base. Atrum's recommendations, if accepted, would ensure these limited resources can be assessed on a project specific basis. If approved, these high-quality steel-making coal deposits can be responsibly developed as a source of ethically extracted metallurgical coal for the benefit of all Albertans. In addition, Alberta's metallurgical coal will produce less CO₂ than coal from other jurisdictions when used to make steel. Using Alberta coal lowers global CO₂ emissions compared to using coal from other jurisdictions.

Atrum's direct response to misleading assertions by select third party submissions to the CPC encompasses a fact-based approach to areas including selenium treatment, water usage, coal quality, steel and metallurgical coal market dynamics, project investment fundamentals, and forecast economic benefits to Albertans.

The CPC is scheduled to deliver both its engagement report and final report (with recommendations regarding a new, modern coal policy) to the Government of Alberta by 15 November 2021.

First Nations' Grassy Mountain appeals

During the quarter, Piikani Nation (**Piikani**) applied for permission to appeal to the Alberta Court of Appeal on the recent Joint Review Panel (**JRP**) decision for Riversdale Resources' Grassy Mountain Coal Project in the Crowsnest Pass area.

The JRP, comprised of the Alberta Energy Regulator (**AER**) and the Canadian Environmental Assessment Agency, ruled that development of the Grassy Mountain Coal Project is not in the public interest (see Atrum ASX release dated 22 June 2021, Regulatory Decision on Grassy Mountain Project). It concluded that the expected adverse environmental impacts on water and fish from development and operation of Grassy Mountain would outweigh the projected positive economic impacts.

However, in an official statement released in June, Chief Grier and Council of Piikani Nation noted: *"The Piikani Nation has worked for over five years to be confident that the Grassy Mountain mine will pose a minimal risk to its lands, waters, culture and traditional way of life. Through agreement with the project proponent, it has created strict legal obligations for the mine to protect the environment and its sacred sites."*

President of the National Coalition of Chiefs (NCC), Dale Swampy, also stated: *"The NCC acknowledges the appeal submitted by the Piikani Nation in relation to the AER decision on the Grassy Mountain Project, which states that Piikani do not oppose the project and would benefit economically from it proceeding. The NCC believes that modern metallurgical coal projects can protect water and the environment while creating many ongoing business opportunities for indigenous people and companies. The NCC is*

supportive of any action and effort which would reconsider the ability for First Nations to receive such benefits.”

Atrum notes that Stoney Nakoda Nations have also applied to appeal the JRP decision with respect to Grassy Mountain.

Atrum strongly supports the right of Piikani Nation, Stoney Nakoda Nations, and other First Nations, to have their voices heard with respect to regulatory decision-making and policy development that impact on their lands and economic interests.

Benga Mining Limited, a subsidiary of Riversdale Resources Limited and development proponent for the Grassy Mountain Coal Project, has also applied to appeal the JRP decision.

As previously expressed, Atrum seeks to develop the world-class Elan Hard Coking Coal Project (**Elan Project**) in a highly responsible manner that comprehensively satisfies the robust environmental framework prevailing across the combination of Alberta provincial and Canadian federal permitting processes, while offering significant participation and delivering substantial employment and economic benefits to First Nations’ peoples and the broader local and Albertan communities. It is Atrum’s expectation that the Elan Project will be judged on its own merits, by all parties.

First Nations engagement and cooperation

During the period, Atrum continued to engage with local communities and First Nations constructively regarding a compelling vision for modern, responsible metallurgical coal development that focuses on environmental protection, long-term water and land stewardship, and a partnership model.

In furthering that objective, Atrum is working with First Nations groups toward the establishment of a Regional Collective to form working groups focused on integrating traditional knowledge with scientific approaches to mine development and implementation that can drive leading practice with respect to land and water management.

Atrum was scheduled to present at the National Coalition of Chiefs (**NCC**) Summit in Calgary with Treaty 7 leaders to discuss the importance of metallurgical coal development in promoting prosperity and driving self-determination for Indigenous communities and businesses in western Canada. Unfortunately, due to COVID-19 challenges in Alberta, the Summit was delayed to mid-2022.

Cabin Ridge Memorandum of Understanding

During the quarter, Atrum executed a Memorandum of Understanding (**MOU**) with neighbouring project proponent, Cabin Ridge. The MOU outlines a plan to work collaboratively in bringing a leading innovation to Indigenous reconciliation and self-determination. This is targeted to be achieved through a partnership model that enhances participation and benefits to Indigenous parties via their significant involvement in development, execution and post-closure activities, and commercial opportunities associated with, the respective Elan and Cabin Ridge projects.

Responsible Mining Initiative

Atrum continues to support the activities of the Responsible Mining Initiative (**RMI**). The RMI was launched earlier this year with the objective of presenting facts, science and key detail to Albertans with respect to approaches and examples of modern mining, environmental protection and reclamation practice. It was introduced, in part, to counter misinformation being spread through the community with respect to various mine development practices and abilities.

The key content of the RMI can be found at www.responsiblemining.ca.

Elan project update

Elan Project Pre-Feasibility Study (PFS) remains paused pending the outcome of the current process to deliver a new, modern coal policy. All site-based activities (excluding baseline environmental studies) are on hold to direct maximum focus and effort to the current stakeholder consultation process.

A combination of both strong global steel demand and tight supply has driven prices higher with the premium metallurgical coal free on board (FOB) index prices in Australia and Canada both in the vicinity of US\$400 per tonne currently.

Sensitivity analysis (below) on the updated Scoping Study results (December 2020)² for the Elan project show significant NPV upside at prices well above the US\$141 per tonne price used as a base in the study.

Post-Tax NPV (US\$M)		C/US\$ rate				
		0.95	0.87	0.79	0.71	0.63
HCC price (US\$/t)		20%	10%	0%	-10%	-20%
110	-22%	-169	135	403	649	900
125	-11%	302	556	811	1,058	1,312
141	0%	739	988	1,245	1,496	1,740
180	28%	1,795	2,033	2,298	2,563	2,784
240	70%	3,442	3,649	3,910	4,171	4,432
280	99%	4,487	4,748	5,009	5,270	5,530
320	127%	5,585	5,846	6,107	6,368	6,576

Corporate

Cash and debt position

Atrum held A\$2.1 million cash at 30 September 2021.

The Company has no debt, excluding usual creditors balances. In addition, the Company received the last part of the entitlement issue (see below) of \$1.5 million in October.

Cost reduction measures that were implemented to reflect the significantly lower level of site activities in 2021 remain in place.

Entitlement Offer

On 2 August 2021, the Company announced an entitlement offer to raise gross proceeds of A\$3.2 million. Proceeds of the fully underwritten accelerated non-renounceable 2-for-11 entitlement offer at A\$0.03 per share are being used to continue stakeholder consultation efforts and the public facts-based campaign, progress baseline environmental studies and for general working capital and offer costs.

² For full details refer to Atrum ASX release dated 8 December 2020, *Elan Project Updated 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

The entitlement offer was successfully completed in early September 2021. Proceeds were received in two parts, with the final part of the net proceed of A\$1.5 million received in early October.

ASX additional information

- **ASX Listing Rule 5.3.1:** Exploration and evaluation expenditure during the quarter was A\$1,238,458. Details of exploration activity during the September 2021 quarter are set out in this report and are mostly associated with environmental baseline studies, PFS work and reporting with respect to the Company's Elan Project in Canada and payment of annual leases of the Elan project.
- **ASX Listing Rule 5.3.2:** There were no substantive mining production or development activities during the quarter.
- **ASX Listing Rule 5.3.3:** there have been no tenements acquired or disposed of during the quarter.
- **ASX Listing Rule 5.3.5:** Appendix 5B, Section 6.1 – description of payments: During the September 2021 quarter, the Company paid directors fees totaling A\$61,327 to non-executive directors and A\$112,121 to the Managing Director.

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

Andrew Caruso, Managing Director and CEO

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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
1320080043	Elan Coal Ltd.	Elan	Coal Lease	1,616
1320080044	Elan Coal Ltd.	Elan	Coal Lease	1,536
1320080045	Elan Coal Ltd.	Elan	Coal Lease	1,724
1320080046	Elan Coal Ltd.	Elan	Coal Lease	1,694
1320080047	Elan Coal Ltd.	Elan	Coal Lease	2,304
1320080048	Elan Coal Ltd.	Elan	Coal Lease	2,165
1320080049	Elan Coal Ltd.	Elan	Coal Lease	1,952
1320080050	Elan Coal Ltd.	Elan	Coal Lease	1,840
1320080051	Elan Coal Ltd.	Elan	Coal Lease	1,024
1320080052	Elan Coal Ltd.	Elan	Coal Lease	1,664
1320080053	Elan Coal Ltd.	Elan	Coal Lease	112

Tenure Number	Owner	Business Unit	Tenure Type	Area (Ha)
1320080054	Elan Coal Ltd.	Elan	Coal Lease	272
1320080055	Elan Coal Ltd.	Elan	Coal Lease	1,726
1320080056	Elan Coal Ltd.	Elan	Coal Lease	1,936
1320080057	Elan Coal Ltd.	Elan	Coal Lease	48
1320080058	Elan Coal Ltd.	Elan	Coal Lease	822
1320080059	Elan Coal Ltd.	Elan	Coal Lease	256