



Montem Resources

ASX Announcement

Montem Resources Limited

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22 February 2023

Montem has entered into agreement to sell 50% of TM-REX to TransAlta for up to A\$26.7M

HIGHLIGHTS

- Montem signs a binding agreement to sell 50% of the Tent Mountain Renewable Energy Complex (“**TM-REX**”) to TransAlta Corporation (“**TransAlta**”).
- TransAlta (NYSE: TAC; TSX: TA) is a Canadian-based owner operator and developer of clean electricity with annual revenue of ~C\$3 billion.
- TransAlta will pay up to **A\$26.7 million** (C\$24.7 million) for 50% of the TM-REX: with A\$8.3 million (C\$7.7 million) due on execution of definitive agreements; and further payments up to A\$18.4 million (C\$17.0 million) when project milestones are achieved.
- Montem and TransAlta will form a partnership and jointly manage the project, with TransAlta acting as the Project Developer.
- Proceeds from the sale are expected to provide the immediate capital required for Montem to advance the development of the Tent Mountain Pumped Hydro Energy Storage (“**TM-PHES**”) with TransAlta.
- Montem will seek shareholder approval to complete the transaction.
- On Friday 17 February the ASX provided its response to Montem’s in-principle application for a recompliance listing, advising there is a significant likelihood the Company will not satisfy Listing Rule 1.1 condition 1, or that ASX would otherwise exercise its discretion under Listing Rule 1.19 to refuse the Company’s application for re-admission to the official list, if the Company pursues the transaction and seeks to re-comply with Chapters 1 and 2 of the Listing Rules.

Montem Resources Limited (ASX: MR1) (“**Montem**” or the “**Company**”) is pleased to advise it has signed a binding agreement with TransAlta TMPH LP, a wholly-owned subsidiary of NYSE and TSX-listed TransAlta Corporation (“**TransAlta**”) to sell 50% of its Tent Mountain Renewable Energy Complex (“**TM-REX**”) in Alberta, Canada.

TM-REX represents a transformational clean energy project with an estimated project life of 80+ years. The sale includes rights to the land, fixed assets and intellectual property associated with a



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320 MW / 4,800 MWh pumped hydro energy storage (“**PHES**”) development project, plus the intellectual property associated with a 100 MW offsite green hydrogen electrolyser and a 100 MW offsite wind farm.

The Tent Mountain PHES (“**TM-PHES**”) is a unique energy storage project that has the capability of providing grid reliability in a jurisdiction with increasing renewables penetration. The TM-PHES will be developed over the next 4 years and subject to regulatory, commercial, and engineering considerations, could be ready for construction as early as 2026, with a target commercial operation date in the 2028 to 2030 range.

Subject to the terms of the definitive agreements between the parties, TransAlta will pay C\$24.7M (A\$26.7M) for 50% of the TM-REX based on achievement of development and commercial milestones:

- C\$7.7M (A\$8.3M) on completion of the transaction, pursuant to which TransAlta will make its investment in the TM-REX;
- C\$3.5M (A\$3.8M) on achievement of Alberta Utilities Commission (“**AUC**”) approval for the TM-PHES;
- C\$3.5M (A\$3.8M) on execution of a Power Purchase Agreement (“**PPA**”) for the TM-PHES;
- C\$10.0M (A\$10.8M) on achievement of commercial operations for the TM-PHES;

The material terms of the transaction documents are summarised at the end of this announcement.

Proceeds from the sale are expected to provide the capital required for Montem to advance the development of the TM-PHES with TransAlta.

Montem will seek shareholder approval in relation to the sale. Completion will take place within 5 Business Days of fulfilment of all conditions precedent, which is expected to be immediately after a successful shareholder approval that is currently anticipated to occur in late March 2023.

Montem Managing Director and CEO Peter Doyle said: *“We are thrilled to be entering into this partnership with TransAlta to develop the Tent Mountain Renewable Energy Complex. TransAlta has been operating in the Alberta power market for more than 110 years and brings many skill sets which are complementary to Montem’s.”*

“The Tent Mountain Pumped Hydro Energy Storage project is a critical infrastructure project for Alberta, and we are excited about entering the next stages of development with our new partner. The TM-REX presents an exciting opportunity for Alberta, with the potential to create up to 400 jobs, power up to 400,000 homes, and abate up to 590,000 tonnes of CO2 annually.”

“This is a great win for our shareholders after regulatory uncertainty hindered development of our coal projects. Our team showed flexibility in re-imagining the Tent Mountain Project, and we are delighted that TransAlta is going to be our partner to develop the TM-PHES, as well as the other elements of the TM-REX.”

“As part of the process, we will seek shareholder approval to complete the transaction with TransAlta. Upon completion of the transaction, we will be permanently closing the Tent Mountain Mine.”



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TransAlta CEO John Kousinioris said: *“The Tent Mountain Renewable Energy Complex is a unique development project for TransAlta and the Province of Alberta. The project can support the reliability of the Alberta grid with a proven technology that is non-emitting and has a significantly larger capacity and duration than other currently available storage options. We believe long duration storage projects, like Tent Mountain, are essential to support the reliability of the grid in Alberta as wind and solar penetration increase on the path to net-zero electricity.”*

About TransAlta

TransAlta owns, operates, and develops a diverse fleet of electrical power generation assets in Canada, the United States and Australia with a focus on long-term shareholder value. TransAlta provides municipalities, medium and large industries, businesses, and utility customers with clean, affordable, energy efficient and reliable power. Today, TransAlta is one of Canada’s largest producers of wind power and Alberta’s largest producer of hydro-electric power. For over 110 years, TransAlta has been a responsible operator and a proud member of the communities where they operate and where their employees work and live. TransAlta aligns its corporate goals with the UN Sustainable Development Goals and its climate change strategy with CDP (formerly Climate Disclosure Project) and the Task Force on Climate-related Financial Disclosures (“TCFD”) recommendations. TransAlta has been recognized by CDP with an 'A-' rating. TransAlta has achieved a 61 per cent reduction in GHG emissions since 2015.

ASX Response to In-Principle Application

ASX has provided in-principle advice to Montem that there is a significant likelihood that it will not satisfy Listing Rule 1.1 condition 1, or that ASX would otherwise exercise its discretion under Listing Rule 1.19 to refuse the Company’s application for re-admission to the official list, if the Company pursues the transaction and seeks to re-comply with Chapters 1 and 2 of the Listing Rules.

Having carefully considered the benefits of the transaction and other alternatives for the Company, the Board concludes it is in the best interests of shareholders to pursue the transaction notwithstanding this in-principle advice from ASX. Further information concerning the advantages and disadvantages of the transaction will be set out in the Notice of General Meeting. In light of the ASX advice, if shareholders approve the transaction the Company’s securities will remain suspended from quotation and it is likely that the Company’s securities will ultimately be delisted.

Shareholder Meeting and Timetable

A Notice of a General Meeting will be issued to Montem shareholders as soon as practical to obtain shareholder for the sale of 50% of TM-REX to TransAlta and the entry into the related transaction documents for the management of the Project. This Notice of General Meeting will also include a resolution for shareholders to approve the Company’s delisting.

The expected timetable for the transaction and approval process is as follows:

Issue Notice of General Meeting	1 March 2023
Hold General Meeting	31 March 2023



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Satisfaction of all Conditions Precedent under the transaction documents	31 March 2023
Closing of transaction	10 April 2023

*The timetable indicative only and may change depending on a number of factors, including the time needed to satisfaction of other conditions precedent for the transaction, the time taken by ASX to review the draft Notice of General Meeting and the timing of any in-principle application for delisting by the Company.

Executive Director Appointment

Simultaneously with completion of the transaction, Montem intends to appoint Mr. William Bridge to the board of directors of the Company in the capacity of Executive Director. Mr. Bridge has been working with Montem since 2021 in his capacity as the Chair of the TM-REX Steering Committee. In addition to being an Executive Director, Mr. Bridge will be the Chief Development Officer – Power.

Mr. Bridge is a 30-year power industry executive and corporate director with a track record of strategic leadership and growth in the Canadian and international power markets. Mr. Bridge has held leadership positions with TransAlta (1996-2012), and ATCO Power, including Chief Technology Officer, Executive Vice-President Generation Technology, and Executive Vice-President, Business Development.

Mr. Bridge is holder of the Canadian Institute of Corporate Directors Director designation and currently serves as Board Chair for Calgary Housing Company and Board Director for the Fusion Energy Council of Canada. He is also a mentor in the Start-Up incubator Creative Destruction Lab located at the University of Calgary's Haskayne School of Business.

In addition to his current roles, Mr. Bridge is past Chair of the Alberta Electric System Operator (“AESO”) and has held board positions with the Canadian Electricity Association, the Alberta Chamber of Resources, and the Association of Power Producers of Ontario.

Montem’s directors believe Mr. Bridge will be a valuable addition to the Board and will continue to assist with the development of the TM-PHES and the evaluation of other renewable power opportunities for the Company. A resolution relating to the appointment of Mr. Bridge will be set out in the Notice of Meeting.

About TM-REX

The Tent Mountain Mine is a non-operating steelmaking coal mine, located approximately 16 km west of the township of Coleman, Alberta that last operated in 1983.

Montem is transitioning the Tent Mountain Mine to become a renewable energy complex. The planned development includes three primary elements: a 320 MW / 4,800 MWh PHES, a 100 MW Green Hydrogen Electrolyser, and a 100 MW Wind Farm. The PHES will be located at the old Tent Mountain Mine, whilst the Green Hydrogen Electrolyser and associated wind farm are planned to be located offsite from Tent Mountain.

In 2022, Montem completed a Pre-Feasibility Study (“PFS”) for the TM-PHES and development studies for the Green Hydrogen Electrolyser element of the TM-REX, confirming the TM-REX as an outstanding renewable energy project with compelling economics.



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Tent Mountain PHES

The TM-PHES leverages Montem's existing assets at Tent Mountain, which includes a 300m drop (or "head") between two large water reservoirs, located on land owned by Montem, which were left behind from historical mining operations.

The PFS for the TM-PHES indicated Tent Mountain is suitable for hosting a PHES with an 80+ year project life, 320 MW installed capacity, with a continuous generation duration of up to 15 hours, resulting in up to 4,800 MWh of energy storage. On a \$/MW (power output) and \$/MWh (energy stored) basis, the TM-PHES compares favourably to similar PHES projects globally. PHES technology has a significantly larger capacity and duration and offers exceptional capital intensity when compared to other available energy storage options, such as lithium-ion batteries.

Whilst renewable energy generation is rapidly increasing in Alberta, wind and solar power are inherently intermittent, only producing power when the wind blows or sun shines. The TM-PHES will provide dispatchable renewable energy to the Alberta power grid. It will also firm intermittent renewable generation and provide grid stabilizing ancillary services to Alberta's electric system – this is a critical element of the energy transition. The TM-PHES will act as a large battery, recharging when there is an abundance of wind and solar power available and dispatching power to Alberta's electricity grid when there is a shortage of wind and solar power.

TM-REX Green Hydrogen Electrolyser

The TM-REX Green Hydrogen Electrolyser has the potential to meet growing global hydrogen demand and could result in the first large scale production of green hydrogen in western Canada. The project is planned to be scalable, starting with a 10 MW (1,400 tpa hydrogen) pilot plant before staged expansion to an ultimate capacity of 100 MW (14,000 tpa hydrogen).

The TM-REX Green Hydrogen Electrolyser development studies included an initial technical and economic assessment that assessed the scale, costs, logistics and technical risks associated with constructing and operating a green hydrogen electrolyser facility in southern Alberta, with an initial focus on the suitability of the Tent Mountain site, coupled with an off-site wind farm.

The development studies established there is no viable sustainable water source in the immediate vicinity of Tent Mountain. Hence the Green Hydrogen Electrolyser is better suited to be located offsite from Tent Mountain, where viable renewable water sources are available.

Additionally, the development studies found utilising a renewable 'behind the meter' energy source, such as the proposed TM-REX 100 MW offsite Wind Farm, is fundamental to the TM-REX Green Hydrogen Electrolyser cost-competitiveness.

Montem continues to explore potential customers for the green hydrogen that will be produced at TM-REX, aiming to leverage nearby key infrastructure, developments (mining), and major transportation industries (heavy trucks and rail).



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TM-PHES PFS design

Likely Effect of the Transaction on the Company

The likely effect of the Proposed Transaction on the Company is summarised below:

1. Consolidated Assets will decrease by C\$6.9M (A\$7.4M) after recognising:
 - i. An increase in cash reserves of C\$7.7M (A\$8.3M) less transaction costs of C\$0.7M (A\$0.75M) as a result of the Initial Consideration for the 50% sell down of the TM-REX project to TransAlta;
 - ii. Payment of C\$2.5 million (A\$2.7M) to Prairie Mines & Royalties ULC, upon completion of the Proposed Transaction being a condition precedent under the Purchase and Sale Agreement; and
 - iii. Impairment charge of C\$11.4M (A\$12.3M) for the Tent Mountain exploration and evaluation assets on the assumption the Tent Mountain Mine will be closed following shareholder approval of the Proposed Transaction.



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2. There is no change to the capital structure of the Company as the Proposed Transaction comprises cash milestone payments on achievement of development and commercial milestones as detailed in this announcement.
3. The Proposed Transaction is expected to provide sufficient capital reserves to support planned activities to advance the project and will generate initial losses until such time it reaches the achievement of relevant milestones to achieve commercial operations and generate income.

Material Terms of Transaction Documents

The Company has entered into a number of agreements with TransAlta for the sale of a 50% interest in the TM-REX and its ongoing management (together, **Transaction Documents**), the material terms of which are summarised below.

PURCHASE AND SALE AGREEMENT

Description

The Share and Partnership Interest Purchase and Sale Agreement (**PSA**) dated February 14, 2023 is among Montem's wholly owned subsidiaries Montem Resources Corp. (the "Seller"), Montem Resources Alberta Operations Ltd and Montem Tent Mountain Project Holdings Ltd. ("Montem Subco"), Montem Resources Limited ("Montem") and TransAlta.

Prior to execution of the PSA, Montem formed Tent Mountain Pumped Hydro Limited Partnership (the "Partnership"), a limited partnership under the laws of Alberta, for the purposes of owning, constructing, and operating the Tent Mountain pumped hydro project (the "Project").

The PSA sets out the terms pursuant to which the Seller will sell 50% of its interest in the Partnership to TransAlta, which is comprised of 50% of the shares in the capital of Tent Mountain Pumped Hydro GP Ltd., being the general partner in the Partnership and 50% of the partnership interests in the Partnership (collectively, the **Purchased Securities**). Montem is a party to the PSA for the limited purpose of providing certain covenants regarding shareholder approval and to provide the indemnification and guarantees contemplated below required for the transaction.

Closing and Closing Conditions

The PSA will close five Business Days after the date that all conditions to Closing are met or otherwise waived. The deadline for satisfaction of all conditions to Closing is June 15, 2023.

The conditions to Closing of the PSA are:

1. that the representations and warranties of the parties are true and correct in all respects;
2. the Seller perform and satisfy in all material respects all pre-Closing obligations;
3. the approval of the shareholders of Montem is obtained;
4. any necessary consents required from third-parties including Governmental Authorities are obtained, including the delivery of a release by Prairie Mines & Royalties ULC (**PMRU**) of certain claims;



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5. completion of the Pre-Closing Transactions (being the transfer by the Seller to the Partnership of all of the assets that are owned by the Seller which relate to the Project other than certain surface freehold lands that will be the subject of an option to purchase by the Partnership); and
6. there are no legal proceedings or pending legal proceedings or claims of any Governmental Authorities which may prohibit the transactions contemplated under the PSA.

Purchase Price and Milestone Payments

The Purchase Price for the Purchased Securities is paid in accordance with and based on the Project achieving certain development milestones. The Milestone Payments will be paid by TransAlta to Montem in accordance with the following schedule:

- (a) CDN \$7,700,000 on Closing (the **Initial Payment**);
- (b) CDN \$3,500,000 on the date that the Partnership receives Alberta Utilities Commission approval required in respect of both the power plant and transmission facilities required for the Project;
- (c) CDN \$3,500,000 on the date that the Partnership enters into a power purchase agreement or virtual power purchase agreement with an offtaker; and
- (d) CDN \$10,000,000 upon the Project achieving commercial operations (provided that the power purchase agreement milestone is then complete).

Reductions in Milestone Payments

Reductions due to Disposition or Change of Control by Montem:

If any of the following events occur in the first two years following Closing, the Milestone Payments are reduced: (a) if there occurs any change of control of Montem Parent or Montem; or (b) an affiliate transfers any of its Partnership Interest or Shares other than as permitted under the project agreements to an affiliate or by way of security for any financing or to TransAlta or its affiliate.

In such case, the Milestone Payments other than the Initial Payment are reduced: (a) to zero, if the event occurs in the first year following Closing; or (b) by 50%, if the event occurs in the second year following Closing. There is no reduction applicable after the second year following Closing.

Withholding Due to Payment Default:

If a Milestone Payment is due and payable to the Seller Parties (being the Seller and Montem Subco) and Montem or its affiliates owes any amount under the project agreements, TransAlta may withhold payment of the amount of the payment default from the Milestone Payment then due and payable and pay such amount to the Partnership in satisfaction of such payment default.

Representations and Warranties

The PSA contains standard representations and warranties for an agreement of this nature. Notably, these include certain representations with respect to environmental matters, including that there are no hazardous materials located on or in the real property being transferred in the Pre-Closing Transactions.

Option and Caveat



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The PSA provides that following Closing, Montem Subco shall grant the option to purchase all of the freehold surface rights at the Project site including the upper and lower reservoirs but excluding the mineral rights in connection thereto (“Option”) for an aggregate purchase price of \$1.00 pursuant to an Option to Purchase Agreement, to the Partnership and thereafter cause a registrable and non-withdrawable caveat in respect of the Option to be submitted to the Land Titles Office. The option is exercisable until the earlier of January 1, 2028, or the positive final investment decision of all of the Partners to proceed with construction of the Project (being the “Project Sanction”) The Option is described in more detail below.

Indemnification

Each party provides a typical indemnity to the other for a breach by it or its affiliates of the representations, warranties and covenants set out in the PSA.

Closing

Within five Business Days following satisfaction or waiver of the conditions to Closing, Closing shall occur at which time TransAlta will deliver the Initial Payment and the parties will execute and deliver the following project agreements:

1. Amended and Restated Limited Partnership Agreement;
2. Unanimous Shareholders Agreement;
3. TransAlta and Montem Services Agreements;
4. TransAlta and Montem Parent Guarantees; and
5. Montem Indemnification Agreement.

AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT

Description

The Amended and Restated Limited Partnership Agreement (**LPA**) to be entered into at Closing of the transactions is among Montem Tent Mountain Project Holdings Ltd. (“Montem Partner”), TransAlta TMPH LP (“TransAlta Partner” and together with Montem Partner, the “Limited Partners”) and Tent Mountain Pumped Hydro GP Ltd. (the “General Partner”, and together with the Limited Partners, the “Partners”) of Tent Mountain Pumped Hydro Partnership (the “Partnership”).

The LPA governs the business of the Partnership, to be conducted under the name “Tent Mountain Pumped Hydro Limited Partnership”, which is to develop, construct, own and operate a pumped hydro energy storage project (the “Project”) located in the Crownsnest Pass of Southern Alberta (the “Business”).

Term



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The LPA will commence on Closing of the transactions contemplated in the PSA and will terminate on the last of the following events to occur: (a) the Project is decommissioned; (b) the Partnership and the General Partner's obligations in respect of the Business are satisfied; and (c) all property and assets of the Partnership and the General Partner have been distributed to the Partners in accordance with their respective ownership interest in the Partnership (the "Partnership Interest").

Partnership Interest Ownership

Following Closing of the transactions in accordance with the PSA, Montem Partner will hold a 49.9995% Partnership Interest, TransAlta Partner will hold a 49.9995% Partnership Interest and the General Partner will hold a 0.001% Partnership Interest.

Finances and Performance Assurance

Costs to be incurred by the Partnership shall be funded by contributions (each a "Contribution") from the Limited Partners from time to time approved by the General Partner in accordance with the Unanimous Shareholders Agreement of the General Partner. With limited exceptions, such Contribution requirements shall require the unanimous approval of the directors of the General Partner and shall be funded by cash calls of the Limited Partners or, subject to the prior approval of the directors of the General Partner, by loan from the Limited Partners.

Upon approval by the directors of the General Partner of required Contributions, the Limited Partners shall be obligated to make their respective Contribution pro rata to their respective Partnership Interests ("Relative Pro Rata Share"). In addition, the Limited Partners must pay their share of approved Contributions for estimated amounts required for decommissioning. The parties intend to commence establishing a decommissioning fund prior to decommissioning the Project. A Limited Partner is required to pay its share of required Contributions notwithstanding whether it disputes the amounts of such Contributions and may only lodge a dispute in relation to such Contributions after making payment of the Contributions and by following the LPA's dispute resolution process.

In the event a Limited Partner defaults on its obligation to pay a required Contribution, the General Partner (Tent Mountain Pumped Hydro GP Ltd. or any person who becomes general partner of the Limited Partnership) or the Non-Defaulting Partner (any Limited Partner not in default) (being the "Paying Partner") may pay any shortfall owing by the defaulting Limited Partner which will form an interest bearing "shortfall loan" in favour of the Paying Partner, repayable by the defaulting Limited Partner. In the event the defaulting Limited Partner defaults on the repayment of the shortfall loan, the Paying Partner may elect at its option to settle all or a portion of the shortfall loan through a transfer of, as required, all or a portion of the defaulting Limited Partner's interest in the Partnership to the Paying Partner.

The relevant costs funded by Contributions include certain approved development costs, construction costs, estimated overrun costs, operating costs and reserves, maintenance costs, improvement costs, costs connected to emergencies, amounts required for decommissioning, costs of the General Partners and costs required to comply with obligations under the Project agreements. In the event the Limited Partners do not pay the Contributions there is a possibility the relevant Project costs may not be met.



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Distributions and Allocations

The General Partner will make distributions (the “Distributions”) to the Limited Partners in accordance with their Relative Pro Rata Share and based on a Distribution policy (to be determined by the Partners). Unless unanimously agreed by the Partners, the General Partner will distribute all distributable cash to the Partners within 30 days of the end of each quarter starting 30 days after the commencement of commercial operations of the Project. Distributable cash shall account for typical reserves for maintenance and operating costs, debt service costs, taxes, decommissioning funds and other operating reserves. All net income and net loss of the Partnership shall be allocated to the Partners at the end of each fiscal year pro rata to their Partnership Interests.

Management of the Partnership

Except as otherwise specifically provided in the LPA, all decisions of the Partnership relating to the management, administration or performance of obligations of Partnership or the Business of the Partnership shall be made by the General Partner.

Certain matters require the Limited Partners’ unanimous consent, including: engaging in business other than the Business; material changes to the Project or changes to the LPA; transferring substantially all of the Partnership’s assets or the Business; changes to operating expenditures exceeding 15% of the previous year’s budget; and Project improvements exceeding \$10,000,000.

Development Services, Development Schedule and Budget

The General Partner shall take all commercially reasonable steps as may be required to advance the development of the Project in accordance with the Development Schedule and to achieve Project Sanction on or before January 1, 2028.

Until Project Sanction, under the TransAlta Development Services Agreement, TransAlta will serve as the Development Services Provider to perform certain agreed development services necessary to achieve such Project Sanction for the General Partner. Under the Montem Services Agreement, Montem will provide certain support services to TransAlta.

As Development Services Provider, TransAlta shall perform the development services as required to meet the Development Schedule and in accordance with and subject to the Development Budget which has been agreed to by Montem and TransAlta. TransAlta cannot modify such budget without the approval of the General Partner.

Project Sanction

The General Partner is only able to request the approval of the Partners of Project Sanction once the Project meets certain Minimum Project Requirements, as described below. Upon a determination that the Minimum Project Requirements have been met, the General Partner will request approval of Project Sanction (a “Project Sanction Request”), which the Limited Partners shall approve within three months. Montem Partner may also make a Project Sanction Request if the Development Services Provider is removed as the services provider for the Partnership without notice and it reasonably determines that the



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Project is ready for Project Sanction. If a Limited Partner fails to approve a Project Sanction Request, the approving Limited Partners may acquire its Partnership Interest and shares in the General Partner. The Partnership will dissolve if none of the Limited Partners approve the Project Sanction Request. In the event that a Limited Partner disputes whether the Minimum Project Requirements have been satisfied, such dispute shall be resolved by arbitration.

Upon a positive Project Sanction decision, the General Partner shall use commercially reasonable efforts to complete the construction, commissioning and start-up of the Project as required to achieve commercial operation on or before the applicable target commercial operation date.

Minimum Project Requirements

The Minimum Project Requirements include: (i) obtaining all required construction permits for the Project; (ii) entering into definitive agreements or binding term sheets with respect to contracts such as power purchase agreements having a term not less than 15 years, engineering, procurement and construction agreement(s) that provide reasonable cost certainty in respect of not less than the amount of the costs included in the Construction Budget, all necessary interconnection approvals and agreements and definitive agreements or binding term sheets providing for construction financing in an amount of not less than 65% of the costs included in the Construction Budget; (iii) the Project satisfying all other requirements necessary to secure limited recourse project financing following the construction financing; and (iv) the Development Services Provider having met all of its obligations under the TransAlta Development Services Agreement.

Transfer Restrictions

A Limited Partner may not transfer its Partnership Interest (a "Transfer") to a third party if the other Limited Partners believe such party is not capable of performing its Project obligations. A Partner may make a Transfer to a wholly-owned and controlled affiliate with prior notice to the other Partners. Transfers are subject to a right of first refusal where the other Limited Partners may elect to purchase the Partnership Interest subject to the Transfer for the same price and on the same conditions. The LPA also includes tag-along rights whereby a Limited Partner selling its Partnership Interest must cause the third party purchaser to offer to purchase a pro rata share of other Limited Partners' Partnership Interests, at the same price and on the same conditions.

Change of Control

If a Limited Partner undergoes a change of control, the other Limited Partners may acquire such Limited Partner's Partnership Interest and its shares in the General Partner at fair market value. Alternatively, the Limited Partners not undergoing the change of control have a right to exercise a tag along right allowing them to sell their Pro Rate Share in respect of their Partnership Interest and shares in the General Partner to the affected Limited Partner; provided that such right is not exercisable in respect of a transaction involving the transfer of shares or other equity interests of a publicly traded and widely held entity.



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Tag-Along Rights

A Limited Partner wishing to dispose of any of its Partnership Interest to a third party purchaser pursuant to a bona fide offer to purchase may do so if, before such disposition, it causes the third party purchaser to offer to purchase the relative Pro Rata Share of the Partnership Interest held by the other Limited Partners, at the same price and on the same terms and conditions, which the other Limited Partners shall have ten Business Days to accept. In the event the tag-along is triggered, the Limited Partners agree to renegotiate the LPA and the unanimous shareholder agreement of the General Partner to reflect the addition of the third party purchaser, with corresponding changes to director nomination rights and quorum requirements. The tag along right also applies in respect of a change of control other than the transfer of shares or other equity interests of a publicly traded and widely held entity.

Specific Restriction of Montem Coal Mining Activities

Provided that the Partnership holds the Project assets and TransAlta Partner holds a Partnership Interest, Montem shall not conduct coal mining operations on the Project site or transfer, sell or otherwise dispose of its mineral rights to any other party to conduct coal mining operations on the Project site; provided this shall not prevent Montem from completing reclamation required in respect of the coal mining assets which continue to be held by Montem.

UNANIMOUS SHAREHOLDERS AGREEMENT

Description

The Unanimous Shareholder Agreement (the "USA") to be entered into at Closing of the transactions is among the Seller, TransAlta (together with Montem and any other person owning shares, the "Shareholders") and Tent Mountain Pumped Hydro GP Ltd. (the "Corporation"). The USA governs the conduct of the business of the Corporation, which serves as general partner of the Tent Mountain Pumped Hydro Limited Partnership (the "Partnership").

Term

The USA terminates on the earliest to occur of the following: (a) one person acquires all of the Shares; (b) the USA is terminated by written agreement of all parties; or (c) the Corporation or the Partnership are dissolved.

Share Ownership

The Seller and TransAlta each own 50% of the shares in the capital of the Corporation (the "Shares"). No new Shares will be issued without a unanimous resolution of both the Shareholders and the board of directors (the "Board").



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Financial Obligations

The Shareholders have no obligation to finance or provide security or guarantees to the Corporation. The Corporation is not responsible for the costs and expenses of the Partnership, which shall be funded directly by its limited partners (the "Limited Partners"). The Corporation shall issue cash calls as required for such costs and expenses.

Management of the Corporation

Directors

The Seller and TransAlta may each appoint two directors to the Board. Director nomination rights are subject to a Shareholder (or its affiliate) holding at least 33⅓% of the interests in the Partnership ("Partnership Interests").

Most substantive matters require unanimous Board approval and all other matters require an ordinary resolution of the Board (i.e., one approved by simple majority). Unanimous matters include, among other things: approving and amending budgets; incurring indebtedness in excess of \$1,000,000 unless approved in a budget; encumbering the assets; admitting new Shareholders or partners to the Partnership; undertaking a disposition of assets in excess of \$2,500,000 in the aggregate or \$500,000 per instance (except in certain permitted circumstances); entering into or waiving the performance of material project agreements; entering into material agreements to finance the business of the Partnership, distributions not already permitted by the LPA; and undertaking project improvements in excess of \$10,000,000.

The USA contains provisions preventing a party or its nominee Directors from voting on matters where they have a conflicting interest.

Shareholders

Most substantive decisions must be made by unanimous resolution of the Shareholders including, among other things: providing financial assistance by the Corporation or the Partnership; mergers and amalgamations; amendments of the Corporation's articles or by-laws; securities issuances; and admitting new Shareholders. Other matters that require shareholder approval shall be made by ordinary resolution (i.e., resolution approved by Shareholders holding a simple majority of the Shares).

Responsibilities of the Corporation

The Corporation shall prepare and submit to the Board, for approval, all budgets other than the Initial Development Budget (approved concurrently with and attached to the USA) and the Construction Budget (to be approved by the Limited Partners at Project Sanction). This includes all Development Budgets and annual Operating Budgets, both of which shall include anticipated payment schedules for cash calls to the Limited Partners.

Share Transfer Restrictions and Change of Control



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Shareholders may transfer Shares: (a) to affiliates; or (b) to third parties, provided there is a corresponding transfer of such Shareholder's or its affiliate's Partnership Interest. Similarly, changes in Partnership Interest will result in a corresponding change of Shares. Shareholders must provide notice to the other Shareholders of a proposed transfer of Shares. Any transfer of Shares will occur at the fair market value of the Shares which is expected to be nominal consideration as the significant value lies in the Partnership Interests. Shareholders shall not permit any change of control to occur that results in control of a Shareholder by an entity that does not also control a Limited Partner.

Indemnification

As its general partner, the Corporation will have unlimited liability to third parties for the liabilities of the Partnership and will indemnify the limited partners of the Partnership to the extent their liability is not limited. The Corporation will also indemnify its directors and officers provided they acted in good faith and in the best interests of the Corporation.

Events of Default

Events of default that may occur in respect of a Shareholder include insolvency and any material default under the USA or the LPA. Remedies include removal of director nomination rights, removal of voting rights and initiation of proceedings to have the Shareholder's obligations performed.

Purchase Option

In an uncured event of default, the other Shareholders have an option to purchase all the defaulting Shareholder's Shares and Partnership Interest for their Fair Market Value (as defined in the LPA).

Certain events of default (such as payment defaults and attempted Share or Partnership Interest transfers in breach of the USA or LPA, as applicable) give rise to a discounted purchase option, whereby the non-defaulting Shareholder can purchase the defaulting Shareholder's Shares and Partnership Interest for: (a) if occurring during the Project's development phase, 80% of the aggregate Contributions by the defaulting party (less any prior Distributions) made in respect of the Partnership Interest being acquired; (b) if occurring during the Project's construction phase, 80% of the Fair Market Value of the Partnership Interest being acquired; or (c) if occurring after the Commercial Operation Date, 90% of the Fair Market Value of the Partnership Interest being acquired.

TRANSALTA AND MONTEM SERVICES AGREEMENTS

TransAlta Development Services Agreement

Description



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Under the TransAlta Development Services Agreement (“TDSA”) to be entered into between Tent Mountain Pumped Hydro Limited Partnership (“Limited Partnership”) and TransAlta, TransAlta will provide to the Limited Partnership the Development Services required for the Limited Partnership to achieve Project Sanction (as defined in the LPA) based on agreed rates and subject to and in accordance with the approved Development Budget and Schedule.

Term

The TDSA is effective from the date it is entered and, unless terminated earlier in accordance with the provisions of the TDSA, will continue until the earlier date of the following to occur:

- (a) termination by a non-defaulting party;
- (b) mutual written agreement by the parties;
- (c) a position Project Sanction decision of the Partners; or
- (d) upon completion of all Development Services.

Development Services

The main Development Services to be performed by TransAlta under the TDSA include:

- (a) development of construction strategies, execution plans and schedules for construction of the Project;
- (b) overseeing design, engineering and geotechnical development work for the Project;
- (c) providing overall management, coordination and administration required for the development of the Project;
- (d) coordinating performance of all community relations and stakeholder activities, including with Governmental Authorities and leading First Nations engagements;
- (e) preparing a construction budget and negotiating construction contracts and other contracts with consultants, engineering firms and other contractors;
- (f) coordinating project financing including retaining a third party financial advisor, negotiating project financing agreements and pursuing grant funding at various levels of government;
- (g) monitoring changes in requirements of Government Authorities and managing submissions to Government Authorities;
- (h) expending the Project’s development budget as reasonably required and preparing and submitting proposed amendments to the development budget;
- (i) procuring and maintaining insurance cover in respect of the Project; and
- (j) performing certain accounting functions (including administering books, preparing and filing tax information, coordinating certain costs) in relation to the Project and the Limited Partnership.

Reporting

TransAlta must provide regular reports to Limited Partnership and each Partner which outlines the Development Services costs, details and nature and extent by which TransAlta projects Development Services costs may be in excess of the Development Budget, outlines the status of completion of the overall Development Services and outlines the expected date for completion of the minimum Project requirements and any other material matter or development that may adversely impact the Project.

In addition TransAlta must notify in writing the General Partner and each other Partner upon TransAlta reasonably determining that the Project meets the minimum project requirements and is ready for Project Sanction.



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Compensation for Services

TransAlta will provide the Development Services on a “no profit, no loss” basis except in some circumstances where agreed rates are provided for applicable personnel. Throughout the Term, Limited Partnership shall compensate TransAlta for all Development Services costs which are reasonably incurred by TransAlta in performing the Development Services. TransAlta must retain records including time sheets supporting all labour charges and original invoices in respect of all third party charges reasonably required to verify Development Services costs invoiced by TransAlta to Limited Partnership.

Termination

On the occurrence of an event of default by a party which is not remedied within 60 days or in the event of insolvency of a party, the other party may elect to terminate the TDSA upon notice to the defaulting party. In the event of termination:

- (a) TransAlta is entitled to be paid for all Development Services costs incurred for performance of the Development Services and any additional services performed up until the date of termination; and
- (b) TransAlta must provide reasonable assistance to transition the Development Services to Limited Partnership or any third party directed by Limited Partnership, if requested by Limited Partnership.

Indemnity

Under the TDSA TransAlta has no liability to Limited Partnership for any loss and liabilities of any kind as a result of any cause, matter or thing in relation to the Development Services except to the extent such losses and liabilities result directly from the gross negligence or wilful misconduct of TransAlta or its related persons. Limited Partnership indemnifies TransAlta and its related persons against all loss and liabilities except to the extent they are attributable to the gross negligence or wilful misconduct of TransAlta or its related persons or the failure by TransAlta or its affiliates to make any Contribution or other payment when due under the LPA or USA.

Montem Management Services Agreement

Description

Under the Montem Management Services Agreement (“MMSA”) between Tent Mountain Pumped Hydro Limited Partnership (Limited Partnership), TransAlta and Montem Alberta, Montem Alberta will provide to TransAlta and the Limited Partnership certain agreed services to support the performance by TransAlta of the Development Services under the TDSA.

Term

The MMSA is effective from the date it is entered and, unless terminated earlier in accordance with the provisions of the MMSA, will continue until the earlier date of the following to occur:

- (a) termination by a non-defaulting party;
- (b) mutual written agreement by the parties;
- (c) a position Project Sanction decision of the Partners; or



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(d) upon completion of all Montem Services.

Services

The Services to be performed by Montem Alberta under the MMSA is the support of the performance of the Development Services by TransAlta under the TDSA.

Compensation for Services

The Services to be performed by Montem shall be paid based on agreed Montem rates. TransAlta shall be authorised to access and draw upon funds within the Development Services account created under the LPA to pay Services costs to Montem Alberta. TransAlta has no obligation to pay any Services costs which are in excess of the funds within the Development Services account. Limited Partnership must indemnify Montem Alberta for any losses and liabilities incurred by Montem Alberta as a result of any failure by Limited Partnership to maintain adequate funds within the Development Services account to pay all Services costs to Montem Alberta, provided Limited Partnership shall have no obligation to indemnify Montem Alberta in respect of any losses or liabilities to the extent attributable to a failure by Montem Alberta or its affiliates to make any Contribution when due under the LPA or Unanimous Shareholder Agreement, or to the extent attributable to the gross negligence or wilful misconduct of Montem Alberta or its related person in relation to the performance of the Services.

Termination

On the occurrence of an event of default by a party which is not remedied within 60 days or in the event of insolvency of a party, the other party may elect to terminate the MMSA upon notice to the defaulting party. In the event of termination:

- (c) Montem Alberta is entitled to be paid by TransAlta or Limited Partnership for all Service costs incurred for performance of the Services and any additional services performed up until the date of termination; and
- (d) Montem Alberta must provide reasonable assistance to transition the Services to Limited Partnership or any third party directed by Limited Partnership if requested by TransAlta or Limited Partnership.

Indemnity

Under the MMSA Montem Alberta has no liability to TransAlta or the Limited Partnership for any loss and liabilities of any kind as a result of any cause, matter or thing in relation to the Services except to the extent such losses and liabilities result directly from the gross negligence or wilful misconduct of Montem Alberta or its related persons. Limited Partnership indemnifies TransAlta and its related persons against all loss and liabilities except to the extent they are attributable to the gross negligence or wilful misconduct of TransAlta or its related persons or the failure by TransAlta or its affiliates to make any Contribution or other payment when due under the LPA or Unanimous Shareholder Agreement.

TRANSALTA AND MONTEM PARENT GUARANTEES



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Each of the Limited Partners will provide a parent guarantee securing their respective obligations to pay costs in connection with the development and construction of the Project under the LPA. Such guarantees shall remain in full force until the earlier of the occurrence of commercial operations of the Project or the termination or expiration of the LPA in accordance with its terms. Each guarantee will cap liability at the applicable partnership interest share of agreed Contributions to be made based on the total commitments under the Development Budget and other future approved budgets. Each guarantee also requires the guarantor to indemnify the beneficiary from and against any and all losses resulting from the failure of the Limited Partner to pay, perform or satisfy its obligations under the LPA.

MONTEM INDEMNIFICATION AGREEMENT

Description

The Indemnification Agreement (the "IA") to be entered into at Closing of the transactions is among Montem Resources Corp. ("Montem Corp."), Montem Resources Alberta Operations Ltd. ("Montem Alberta"), Montem Tent Mountain Project Holdings Ltd. ("Montem Partner"), TransAlta and Tent Mountain Pumped Hydro Limited Partnership (the "Partnership").

The IA sets out the terms pursuant to which the Montem Indemnifying Parties, being Montem Alberta, Montem Partner and Montem Corp., or any of them, agree to indemnify TransAlta and the Partnership from and against certain matters (a) in connection with the assets Montem Alberta is transferring to the Partnership for the proposed Tent Mountain pumped hydro project (the "Project Assets") as well as certain assets which Montem is retaining (the "Excluded Assets") and (b) in respect of any taxes owing by the Partnership or TransAlta as a result of the Pre-Closing Transactions to be conducted by Montem Alberta.

Indemnity and Term

The Montem Indemnifying Parties agree to jointly and severally indemnify and hold harmless TransAlta, its affiliates, the Partnership, its general partner and their respective directors, officers, employees, agents successors and assigns (the "Indemnified Parties") from and against any losses or liabilities incurred during the term of the IA caused by: (a) activities conducted by Montem Alberta or its affiliates in connection with the Project Assets prior to the date the Transaction closes; (b) obligations relating to certain excluded assets (being Montem's coal-related tenements, leases, permits and approvals in relation to the Tent Mountain site), regardless of whether these occurred before, on or after closing of the Transaction; (c) in connection with the remediation or failure to remediate any mine or other deficiency noted by the Alberta Energy Regulator; (d) in connection with the presence of certain hazardous substances in the Project Assets; or (e) in respect of any taxes owing by the Partnership or TransAlta as a result of the Pre-Closing Transactions to be conducted by Montem Alberta. The obligation to indemnify will not arise if the losses are attributable to the actions or omissions of TransAlta and/or the Partnership.

The term of the IA commences on signing and terminates 90 days following the dissolution or termination of the Partnership.



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Payments and Set-Off Rights

If the obligation to indemnify is triggered, the Indemnified Parties will make a demand for payment. Following such demand, the Montem Indemnifying Parties will make such payment within 30 days or a lesser time as may be required in connection with a judgment from a governmental authority. The Indemnified Parties are entitled to be paid amounts pursuant to the indemnification obligation regardless of whether the 30-day or lesser period has elapsed.

If an Indemnified Party becomes entitled to be indemnified, the Indemnified Party may offset the amount of the indemnity (including any unpaid interest) against any amount due and payable by the Indemnified Party to a Montem Indemnifying Party pursuant to the PSA. If an Indemnified Party other than TransAlta becomes entitled to indemnification and does not exercise its right of set-off, TransAlta may offset such amounts against any amount due and payable by TransAlta to a Montem Indemnifying Party pursuant to the PSA, provided that TransAlta then pays such offset amount to the other Indemnified Party.

Specific Restriction

The Montem Indemnifying Parties covenant that they shall comply with the provision of the Partnership's limited partnership agreement that restricts the ability of Montem Subco and its affiliates from engaging in certain activities in respect of coal activities on, in or around the Project Assets (the "Coal Activities Restriction"). The IA grants the Indemnified Parties the ability to obtain equitable remedies such as specific performance and injunctions to ensure compliance with the terms of the Coal Activities Restriction.

Option to Purchase Agreement

Description

The Option to Purchase Agreement ("OPA") between Montem Tent Mountain Project Holdings Ltd ("Optionor"), Tent Mountain Pumped Hydro Limited Partnership ("Limited Partnership"), TransAlta TMPH LP and TransAlta, provides that pursuant to the to the Share and Partnership Interest Purchase and Sale Agreement (PSA), the Optionor and Limited Partnership enter into an agreement granting Limited Partnership the option to purchase the right, title and interest of the freehold surface rights at the Project site, including the upper and lower reservoirs but excluding the mineral rights in connection thereto ("Option") and the exact land is outlined more specifically in a schedule attached to the OPA ("Property").

Term

The Option must be exercised by the Limited Partnership within the Option Period, being the period of time commencing on the date of entering the OPA and terminating on the earlier of the Project Sanction, as defined in the PSA, and 5.00pm (Calgary time) January 1, 2028.



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Purchase Price

The purchase price for the Property shall be an amount equal to CDN \$1.00.

Caveat

The parties agree that the Option constitutes an interest in land and the Limited Partnership shall be entitled to register a caveat indicating its interest in this Agreement against title to the Property.

For more information on the TM-REX see the Company's announcement from 26 July 2022.

For further information on the Company, our assets and development plans, please visit our websites:

www.montem-resources.com

www.tentmountain-rex.com

This ASX release was authorised on behalf of the Board of Directors by Peter Doyle, Managing Director and CEO.

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About Montem Resources

Montem Resources (ASX: MR1) is a renewable energy and steelmaking coal development company that owns freehold surface land and coal rights and leases coal tenements in the Canadian provinces of Alberta and British Columbia. The Company's primary objective is to advance its Tent Mountain Renewable Energy Complex ("TM-REX") in the Crowsnest Pass, Alberta. The proposed TM-REX development includes three primary elements: a 320 MW / 4,800 MWh Pumped Hydro Energy Storage, a 100 MW offsite Green Hydrogen Electrolyser, and a 100 MW offsite Wind Farm. The Company is progressing studies to support development of the TM-REX, including a feasibility study.

Montem had previously planned an integrated mining complex in the Crowsnest Pass, focusing on the low-cost development of open-cut operations that leverage central infrastructure. This was centered around the Tent Mountain Mine Redevelopment Project, and the Chinook Project. In 2020, Montem completed a Definitive Feasibility Study for the Tent Mountain Steelmaking Coal Mine and since then has continued to advance through the regulatory process to re-start the mine. In 2021, the project was designated for Federal review by the Impact Assessment Agency of Canada, which resulted in regulatory delays for the mine re-start. Considering these delays, Montem identified alternate development pathways for Tent Mountain, including transitioning the project to a renewable energy complex. In early 2023, Montem signed an agreement to sell 50% of the TM-REX to



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TransAlta. At the completion of this transaction, the parties will form a partnership to jointly manage the development of the project. Following the completion of the sales agreement with TransAlta, Montem will forgo previous plans to re-start coal mining operations at Tent Mountain and proceed with plans to permanently close the mine.

Montem also owns four other steelmaking coal development projects in the Crowsnest Pass, namely, the Chinook Project, the 4-Stack Project, the Isola Project, and the Oldman Project. These projects remain suspended due to regulatory conditions imposed by the Alberta Government in 2022.

Forward looking statements

This ASX Announcement may contain forward looking statements, which may be identified by words such as “may”, “could”, “believes”, “estimates”, “expects” or “intends” and other similar words that connote risks and uncertainties. Certain statements, beliefs, and opinions contained in this ASX Announcement, in particular those regarding the possible or assumed future financial or other performance, industry growth or other trend projections are only predictions and subject to inherent risks and uncertainties. Except as required by law, and only to the extent so required, neither the Company, its Directors nor any other person gives any assurance that the results, performance or achievements expressed or implied by any forward looking statements contained in this ASX Announcement will actually occur and investors are cautioned not to place undue reliance on such forward looking statements. Any forward looking statements are subject to various risk factors, many of which are beyond the control of the Company and its Directors that could cause the Company’s actual results to differ materially from the results expressed or anticipated in these statements. The Company has no intention to update or revise any forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this ASX Announcement, except where required by law.