

ASX Announcement

30 April 2021

QUARTERLY ACTIVITIES REPORT

For the Quarter Ended 31 March 2021

Atrum Coal Limited (ASX: ATU) (**Atrum** or the **Company**) provides its Quarterly Activities Report for the period ending 31 March 2021.

KEY POINTS

- Alberta Coal Policy (1976) reinstated with additional interim directives.
- Alberta Government stakeholder consultation process commenced; report of the independent Coal Policy Committee conducting this process is due by 15 November 2021.
- Stated objective of process is a new, modern coal policy that provides greater certainty and considers the potential development of metallurgical coal resources in a responsible and sustainable manner.
- Elan Project PFS paused in the short term; all site-based activities (excluding baseline environmental studies) halted to direct maximum focus, and good faith to the consultation process.
- Cost reduction measures implemented in-line with reduced 2021 site activity levels.
- Board renewal process completed; two new, highly experienced non-executive directors appointed.
- Atrum held A\$4.9 million cash at 31 March 2021 and zero debt (excluding usual creditors balances).

Atrum Managing Director and CEO, Andrew Caruso, commented:

"We see the clear opportunity for a consultation process that is rigorous, inclusive and transparent. We believe such a process is how all key stakeholders including First Nations, ranchers, local communities, industry and other land users can work towards a balanced, modern policy that makes Alberta a global leader in progressive, inclusive and sustainable metallurgical coal development."

"It is fundamental that Atrum is actively and comprehensively involved in this process. We will seek to engage with, and listen closely to, the potential concerns of key stakeholder groups – as we have always tried to do. I look forward to continuing the open dialogue and consultation on the ground with First Nations, local Community members, Ranchers and other Albertans that our team has been actively engaged with over recent years. We will also seek to present facts and science into the formal engagement process with respect to responsible and sustainable mining, water use and selenium management, and sequential multi-generational land use."

"The objective is for all parties, including Atrum itself, to be fully informed of current, highly effective environmental practice set alongside modern development and land use expectations. We can demonstrate comprehensive planning to protect the surrounding environment, generate meaningful socio-economic benefits for First Nations, local communities and Government, and deliver returns for investors. We now look forward to the opportunity to do exactly that."

Elan Hard Coking Coal Project (100% Atrum)

Alberta Coal Policy Update

In early February 2021, the Government of Alberta announced that it was reinstating the previously rescinded Coal Development Policy for Alberta (1976) (**Coal Policy**). Atrum's Elan Hard Coking Coal Project (**Elan Project**) is located on what had been designated Category 2 land under the Coal Policy.

The Albertan Government also announced that it planned to consult with Albertans in formulating a new, modern coal policy. Atrum believes that this is an important and necessary step towards achieving greater certainty while also balancing and resolving the views of Albertans with respect to responsible resource development.

In addition to reinstating the Coal Policy, the Minister of Energy issued a directive to the Alberta Energy Regulator (**AER**) that:

- No mountaintop removal will be permitted and all restrictions under the 1976 coal categories are to apply, including all restrictions on surface mining in Category 2 lands.
- All future coal exploration approvals on Category 2 lands will be prohibited pending widespread consultations on a new coal policy.

The AER has subsequently commented publicly that 'mountaintop removal' and open-pit mining are considered different methods of surface mining ('mountaintop removal' being where a proposed mine completely removes the top of a mountain). The AER has further commented publicly that it is not aware of any current or proposed future projects in Category 2 lands that would involve mountaintop removal.

Atrum is able to continue activities on the Elan Project already approved under its 2020 Coal Exploration Permit (**CEP**). However, the Company has chosen to halt all significant site-based activities, including any planned drilling in 2021, with the exception of baseline environmental study work that is required to ensure the continuity and integrity of work done in previous years. This decision has been taken in order to preserve cash and allocate due focus and energy to the stakeholder consultation process.

Background

Rescission of the Coal Policy in June 2020 eliminated the use of land categories in Alberta, a classification system that provided direction on coal development.

Removal of the land category system meant that coal proponents in Alberta would be subject to the same land use policies as other commodities within the province. This is important to note as the rescission did not result in a loss of integrity with respect to a proper environmental impact assessment process. The Elan Project has always been subject to existing, rigorous and targeted Federal and Provincial environmental approvals processes as well as the full scrutiny of the Alberta Energy Regulator with respect to any future development application.

Atrum's Elan Project is located on tenure that is classified as Category 2 land under the Coal Policy. The Category 2 designation refers to land that is not normally considered for open pit coal mining unless appropriate environmental stewardship is applied to the project. This means that any open pit permitting approval for the Elan Project under the Coal Policy framework requires an exemption to be granted.

A precedent for such an exemption had been established in 2016 when Ram River Coal successfully obtained Alberta Government approval to permit an open cut coal mining project on Category 2 land in central western Alberta.

The Coal Lease agreements covering the Elan Project were granted to Elan Coal Limited in 2012/13. Since acquiring Elan Coal Limited in 2018, Atrum has actively explored the Elan tenure via the mechanism of applying for CEPs on an annual basis. Each CEP approval provided Atrum authorisation to undertake the planned work programs on the Elan Project that are detailed in that CEP.

This existing system has enabled Atrum to safely drill approximately 293 rotary air blast (**RAB**) exploration holes and 54 large diameter core (**LDC**) holes (for a total of 56,320 metres of drilling) plus conduct a multitude of other hydrological, hydrogeological, geotechnical and environmental test-work and study activities at the Elan Project over this time. In aggregate, these work-streams have involved the investment of approximately C\$40 million, much of it on-the-ground in the Crowsnest Pass area.

The result has been the delineation of a world-class hard coking coal resource of Tier-1 quality on the Elan tenure, comprising a total Mineral Resource estimate of 486 million tonnes (7 Mt Measured, 228 Mt Indicated and 252 Mt Inferred; see Atrum ASX release dated 25 November 2020, *Isolation South Resource Update*).¹

It has enabled Atrum to complete a Scoping Study (see Atrum ASX release dated 16 April 2020, *Elan Project Scoping Study*) and Updated Scoping Study (see Atrum ASX release dated 8 December 2020, *Elan Project Updated Scoping Study*) on the Elan Project. It has also enabled progression of a Pre-Feasibility Study (**PFS**) that was, until being paused as a result of the Coal Policy reinstatement, on track for completion by mid-2021.

The extensive drilling undertaken over several years, together with the completion of the Scoping Studies and the PFS work undertaken so far, have confirmed that the Elan Project is a viable and valuable project that can deliver Tier 1 quality metallurgical coal on a global cost competitive basis, with significant economic benefits to the Province of Alberta and its people.

Consultation process

On 29 March 2021, the Alberta Government announced that an independent Coal Policy Committee (**Committee**) had been established to lead a comprehensive engagement on coal development.

This engagement process is targeted to develop a modern coal policy for the province that ensures “*coal development reflects the best interests of Albertans and continues to balance stringent environmental protections with responsible resource development.*”

Operating independently, the Committee is tasked to design and undertake a process aimed at capturing the views of all Albertans. The engagement is planned to have multiple phases. The Committee will provide advice and recommendations to the Minister of Energy. The final report of the Committee is due by 15 November 2021.

Alongside the Committee-led engagement, the Minister of Energy will engage directly with Indigenous communities to ensure their perspectives on coal development are heard and considered in the development of a new coal policy. Indigenous Peoples will also be welcomed to participate in the committee-led engagement process including the initial survey.

The composition of the five-person Committee is:

Ron Wallace (Chair)

Ron Wallace is an internationally recognized expert in regulatory policies associated with environmental assessment and monitoring. He has served on numerous regulatory boards dealing with energy and environmental issues, in addition to extensive experience in the private sector. He was also a permanent member of the National Energy Board.

Fred Bradley

Fred Bradley is a former Alberta minister of the environment under Premier Peter Lougheed and served as MLA for Pincher Creek-Crowsnest. After retiring from politics, he served as the chair of the Alberta Research Council.

Natalie Charlton

Natalie Charlton is the executive director at Hinton and District Chamber of Commerce. She has served on various boards and has experience advocating for alternative energy resources.

Bill Trafford

Bill Trafford is the president of the Livingstone Landowners' Group, which represents landowners and supporters of the Livingstone-Porcupine area of Alberta. He has 35 years of experience in the IT industry and the health sector.

Eric North Peigan

Eric North Peigan is a small business owner and a member of Piikani Nation. He operates a tee pee camp that provides an immersive cultural experience for tourists.

Ongoing Atrum activities and focus

Atrum is working intensively with all stakeholders over the course of this year to assist in the development of a balanced and fair coal policy that reflects modern and sustainable mining practices. Additional specialist advisors have been engaged to assist this key objective.

As a result, the Elan Project PFS has been paused in the short term. This decision reflects the aforementioned intent to direct maximum focus to the stakeholder consultation process. It is also made in acknowledgment of the potential for a new coal policy to impact on design elements of the proposed Elan Project development.

Residual coal quality test-work is being completed at the respective laboratories currently being utilised by Atrum around the world.

Groundhog Project

During the last quarter, the Company received a refund of \$0.4 million from JOGMEC, which represents a refund of expenses incurred on the Groundhog project in 2019 and 2020 and payment of tenement charges in 2019. This was in the context of the agreement between JOGMEC and the Company, whereby JOGMEC will earn-in 10% of the Groundhog project upon spending \$1.0 million on the project and the payment of the tenement charges within three years of the agreement. The earn-in is in two phases, the first earn -in is for a contribution of \$0.3 million. After the first earn-in JOGMEC has the option to spend an additional \$0.7 million to earn-in the 10% interest in the Groundhog Project.

Mineral Exploration Tax Credit (METC)

The Company received \$0.4 million from the British Columbia Government with respect to an METC on expenditures incurred in 2017 on the Groundhog Project.

ASX Additional Information

ASX listing rule 5.3.1 - Exploration and evaluation expenditure during the quarter was \$3.9 million. Details of exploration activity during the March 2021 quarter are set out in this report and are mostly associated with coal quality test work, environmental baseline studies, PFS work and reporting with respect to the Company's Elan Project in Canada.

ASX listing rule 5.3.2 - There were no substantive mining production or development activities during the quarter.

ASX listing rule 5.3.5 - Appendix 5B, Section 6.1 – description of payments: During the March 2021 quarter, the Company paid directors fees totaling \$98,000 to non-executive directors and \$118,000 to the Managing Director.

Corporate

Underwriting of listed options

The underwriting agreement previously in place with respect to Atrum's ATUO listed options (see Atrum ASX release dated 18 December 2020, *Listed Options Exercise Fully Underwritten*) was terminated by the underwriters during March 2021 (see Atrum ASX release dated 15 March 2021, *Termination of Underwriting Agreement*). This termination was considered valid by Atrum under the terms of the underwriting agreement given the Alberta Government's decision to reinstate the 1976 Coal Policy with additional interim directives.

Exercise of options

During the quarter, 682,309 ATUO listed options were exercised at a strike price of A\$0.20 each for a total cash inflow of A\$0.136 million. In addition, the Company received \$0.047 million as proceeds for the exercise of options whilst the shares of the Company were in voluntary suspension.

Cash and debt position

Atrum held A\$4.9 million cash at 31 March 2021. The Company has no debt, excluding usual creditors balances.

Cost reduction measures have been implemented to reflect the now significantly lower level of site activities expected in 2021.

Board renewal

At Atrum's 2020 Annual General Meeting it was indicated that the Company was intending to undertake a process of further Board renewal over the coming year.

This process has now been implemented with the following changes effective as of 26 March 2021:

- Non-Executive Chairman, Chuck Blixt, and Non-Executive Director, George Edwards, have resigned from the Atrum Board;
- Jeff Gerard and Anita Perry have been appointed to the Atrum Board as Independent Non-Executive Directors; and
- Non-Executive Director, Glen Koropchuk, has been appointed as Non-Executive Chairman.

Non-Executive Director, Charles Fear, has also indicated to the Atrum Board that he does not intend to stand for re-election at the Atrum 2021 Annual General Meeting.

The Board and management of Atrum wish to express their appreciation for the dedication and hard work undertaken by Chuck Blixt as Chairman, and George Edwards and Charles Fear as Non-Executive Directors, during the past 4 years and their commitment to the Company, turning it into the professional organization it is today. All three directors were instrumental in the acquisition of the Elan project, which is now the flagship asset of the Company, and its emergence as a world-class metallurgical coal project developer over the past 3 years. We wish them success in their endeavours outside of Atrum.

Brief professional biographies for Jeff Gerard and Anita Perry are outlined below.

Jeff Gerard

Jeff has over 40 years in the global resource industry in various technical, operational, commercial, and executive management roles.

He has extensive industry experience across many geographies including Australia, Africa, North and South America, and China / Mongolia. This is coupled with an ability to develop, articulate and implement strategy based on sound analytical, technical and operational and project management expertise.

Throughout his career he has completed multiple greenfield and brownfield due diligence and feasibility studies with extensive experience in dealing with multiple joint venture partners, governments / regulatory environments, and the banking and investment community.

Jeff worked for Xstrata/Glencore for over 20 years, including extensive experience within their respective coal businesses. He retired from his final senior role at Glencore in February 2020. Jeff resides in Australia.

Anita Perry

Anita is a senior executive in government relations, strategic stakeholder engagement and regulatory affairs. She has gained over 30 years of professional expertise in these areas.

Anita's experience includes approximately 15 years at global energy major, BP. There she held various executive and project management roles across a variety of business matters focused on leading and advising on government advocacy, regulatory strategies, best practice employee communications and stakeholder relations.

Anita's final role at BP was Vice President, Communications and External Affairs, where she was responsible for the direction of all public and government relations for BP in Canada. She finished her career at BP in 2019.

Anita is currently a non-executive director of NorZinc Limited (TSX:NZC) and resides in Alberta.

Appointment of Joint Company Secretary

In January 2021, Atrum announced the appointment of Nova Taylor as Joint Company Secretary.

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

Andrew Caruso, Managing Director and CEO

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¹For full details of the resource estimate, please refer to ASX release dated 25 November 2020, *Isolation South Resource Update*. Atrum confirms that it is not aware of any new information or data that materially affects the information included in the announcement. All material assumptions and technical parameters underpinning the estimates in the announcement 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
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