

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDING 31 DECEMBER 2016

HIGHLIGHTS

- Export Sales Joint Venture finalised with Atlantic Carbon Group PLC ("ACG")
 - \$13.5 million raised to fund further development at the Groundhog Anthracite Project, in Canada, and support ACG anthracite export sales joint venture in the USA
 - At 31 December 2016, the Company had \$11.5m cash at bank after paying capital raising and block trade fees and initial payments for the first ACG anthracite order
 - Appointment of Craig Burton as a Non-Executive Director to the Board
 - Appointment of Alan Ahlgren as Chief Financial Officer and Chris Brown as Company Secretary
 - Shareholders vote to convert from No Liability Company (NL) to a Public Company Limited by Shares (Ltd) structure at AGM following full payment of partly paid shares
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Atrum Coal Ltd ("Atrum" or the "Company") (ASX: ATU) is pleased to provide its Quarterly Activities Report for the period ending 31 December 2016.

James Chisholm, Non-Executive Director, commented: *"We are looking forward to a highly productive and successful 2017. Atrum is in a strong cash position after raising funds in December 2016. These funds will be used to progress Groundhog North and the Export Sales Joint Venture with Atlantic Carbon Group PLC. We are reviewing candidates to take over the role of Chief Executive Officer and interviewing potential non-executive directors to join with our newly appointed non-executive director Craig Burton. Craig has significant experience in moving companies through development stages, and we believe he will play an integral role as we continue to advance our Groundhog Project. We also welcome Alan Ahlgren as Chief Financial Officer and Chris Brown as Company Secretary."*



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Board of Directors
Non-Executive Director J. Chisholm
Non-Executive Director C. Burton
Company Secretary C. Brown

Key Projects
Groundhog Ownership: 100%
Naskeena Ownership: 100%
Bowron River Ownership: 100%

"Bob Bell, our previous Executive Chairman, resigned on 15 January 2017. Due to a sudden illness, Bob was unable to continue his work at Atrum. We thank Bob for his valuable contributions and wish him well with his recuperation. In the meantime, the existing Board will work closely with the senior management team to oversee the operation of the Company. We would also like to thank Theo Renard, our former VP Finance and Company Secretary, and non-executive directors Steve Boulton, John Wasik and Cameron Vorias, all of whom have retired from the Company. With Bob Bell, they have all done a great job in navigating the Company through a difficult period and we wish them well in their future endeavours."

Non-Executive Director, Craig Burton added: *"With strong anthracite prices in the export market, the ability to now supply some of that market through our joint venture with ACG, a bulk sample permit for Groundhog North in hand, and being well down the path of the data capture and studies needed to support additional permits at Groundhog North, we are looking forward to a transformative year for Atrum."*

Groundhog Anthracite Project

The Groundhog Anthracite Project ("Groundhog") is located in the Groundhog Coalfield in north-western British Columbia, Canada and covers an area of approximately 900km². Drilling and laboratory tests have confirmed that the Groundhog field contains high grade and ultra-high grade anthracite which is suitable for use in the manufacture of blast furnace steel, as well as in electric arc furnaces, as a reductant, as a filter media, and as a feedstock for chemical production. The Company has prepared scoping studies and a pre-feasibility study on appropriate development of the first area under consideration – Groundhog North. A Bulk Sample Permit has been awarded to the Company to enable the extraction of larger samples for testing by steel mills, filter media manufacturers and chemical companies. Studies supporting further permit applications are underway.

Bulk Sample

In 2016, Atrum was awarded a Bulk Sample Permit and related access and environmental permits required to support the commencement of mining activities at Groundhog North. These permits allow Atrum to extract up to 100,000 tonnes of anthracite for delivery to potential customers. During the quarter, planning work continued in relation to implementation of the Special Use Permit which enables Atrum to establish ground based site access from the rail line south of Groundhog North that connects to export coal ports at Prince Rupert and Vancouver. Small laboratory samples of the Groundhog North anthracite have already been supplied to some steel mills. Planning for the extraction of larger samples for these mills and additional potential customers is well advanced and will be completed prior to the 2017 drilling season.

Panorama North Project

The Panorama North Project is located 15km south-west of Groundhog North in British Columbia (refer Figure 1). Atrum entered into an exploration agreement with Japan Oil, Gas and Metals National Corporation (“JOGMEC”) in regards to the Panorama North Project. Under the Agreement, JOGMEC can acquire up to 35% interest in the Panorama North Project by investing C\$5.0 million in exploration expenditures across the project over a three-year period.

Diamond core drilling of four holes at Panorama during October 2016 was successfully completed. Holes were geophysically logged, studied and interpreted. Anthracite samples were prepared for testing and analysis, with laboratory results confirming high-grade and ultra-high grade anthracite emplaced at Panorama North. Atrum and JOGMEC are planning a second drilling campaign for Panorama North during the 2017 drilling season which will cover a much wider area, as the preliminary campaign was restricted to a small portion of Panorama North. Re-engagement with our Aboriginal partners in this process will also be undertaken.

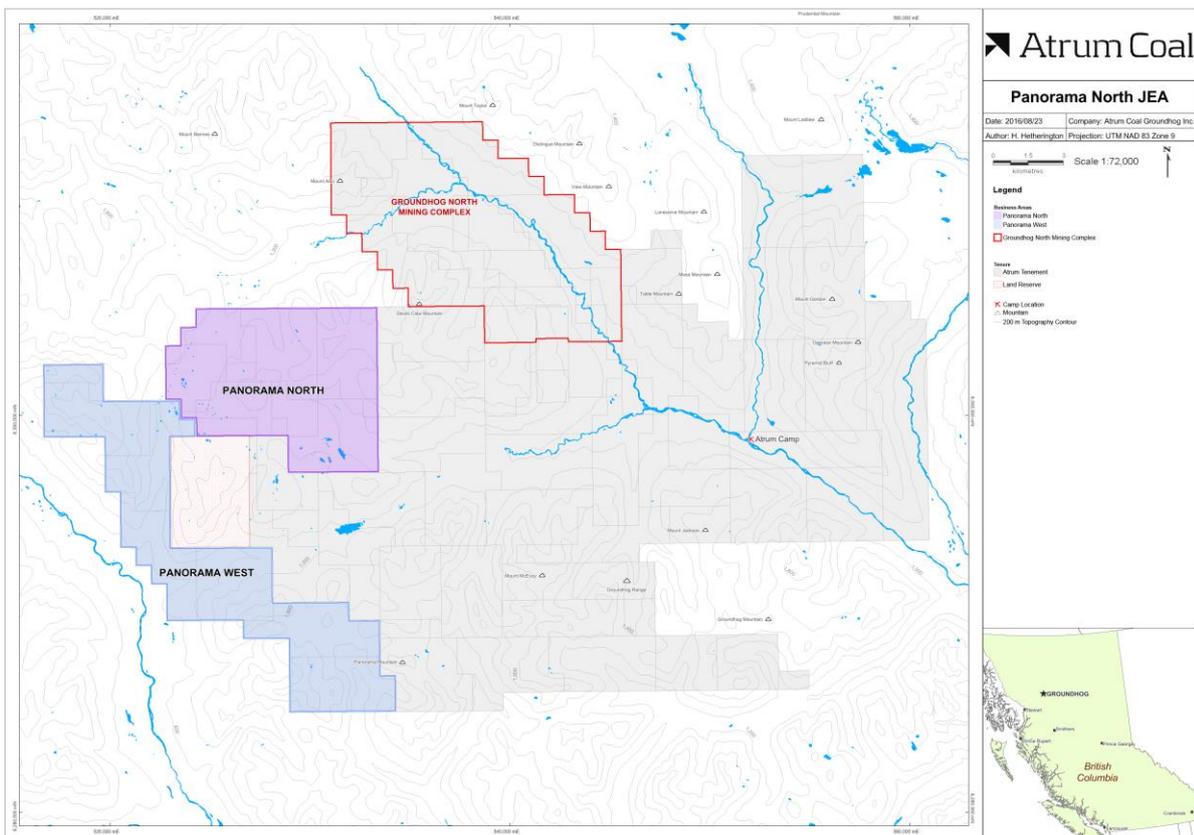


Figure 1: Panorama North Location

Export Sales Joint Venture with Atlantic Carbon Group PLC

During the quarter, Atrum announced an agreement to form an unincorporated Joint Venture (the "Export Sales Joint Venture") with ACG to market and sell anthracite from ACG operations to customers outside the USA. ACG is an ultra-high grade anthracite producer with operations in north eastern Pennsylvania, USA. It operates three mines and two processing plants near the town of Hazleton, Pennsylvania. Definitive agreements to form the joint venture were signed and Atrum placed an order for an initial 20,000t prior to the end of the quarter. If Atrum achieves sales of 200,000t by 31 December 2017, ACG will extend the Export Sales Joint Venture by four years, to 2021, with a 10% annual increase in volume offered by ACG to the Joint Venture. The Company is confident in its ability to sell this quantity of anthracite, and ACG and Atrum have the option of increasing the tonnage.

Anthracite Market Update

Global anthracite markets remain undersupplied, and market prices for anthracite are strong. There is upward momentum in the market as anthracite appears under-valued compared to coke and coking coal. Current prices for imported anthracite are approximately US\$200/t for lumps and US\$150/t for fines at import hubs in north Asia and Europe. The outlook for 2017 remains strong. Exports in 2016 from Russia were down 8% year-on-year; official exports of Vietnamese high-grade anthracite were approximately only 1,000,000t in 2016, down from almost 7Mt in 2014. Importantly, under international pressure, China has suspended imports of anthracite from North Korea, which totalled 17Mt in the first three quarters of 2017.

Anthracite and Coking Coal Prices

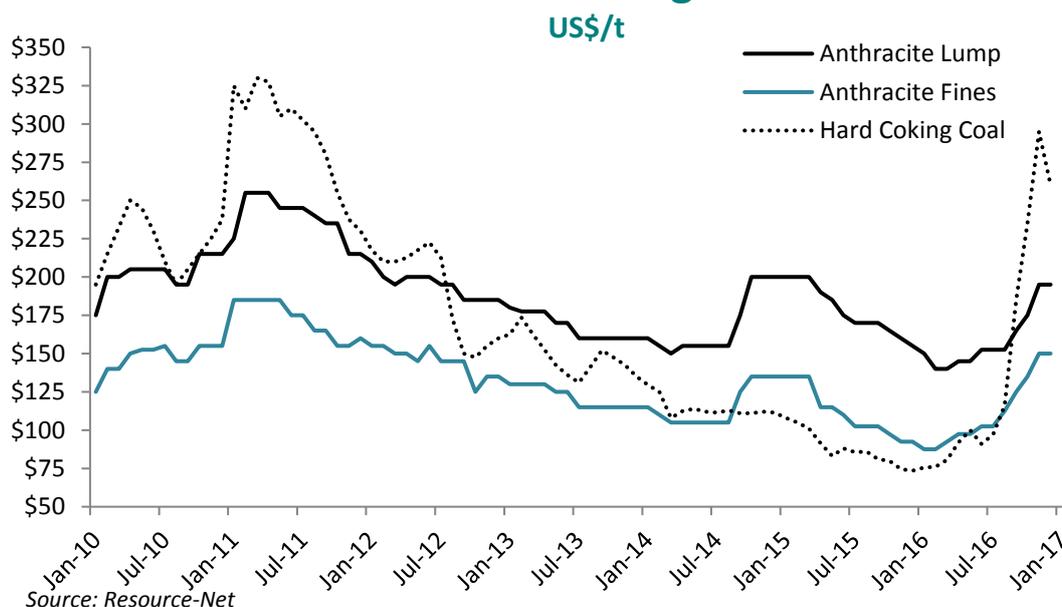


Figure 2: Anthracite and Coking Coal Prices

CORPORATE

Placement

During the quarter, Atrum completed a block trade and placement, resulting in the issuing of 27 million new fully paid ordinary shares in Atrum at an issue price of \$0.50 raising a total of \$13.5 million ("Placement"). The Company had proposed to raise up to \$10 million, but due to strong demand, Atrum agreed to increase the Placement to \$13.5 million.

The funds raised by the Placement allow Atrum to complete significant milestones in 2017 at Groundhog North. Planned activities include delivering bulk samples to customers, and the completion of further mining studies that will support permitting at Groundhog North. The funds raised also facilitate the commencement of anthracite exports from ACG under the Export Sales Joint Venture.

During the half year, an additional 2,048,038 shares were issued and an equal number of options were agreed to be issued to convertible note holders who converted their notes into Atrum scrip. The funds from the notes were used to supplement the Company's working capital. The only convertible notes now remaining in the Company are associated with the Company's subsidiary, Kuro Coal Ltd. There are no other convertible notes or promissory notes outstanding.

Conversion of Lenark Loan

At the time of the Placement, Lenark Pty Ltd and its nominees agreed to convert \$1,000,000 of the amounts owing by Atrum to Lenark Pty Ltd (and its nominees) under the Offset Loan Agreement entered into by the Company in June 2013 (and as modified in September 2013) (the "Lenark Loan") into fully paid ordinary shares of the Company at the same price as the Placement, being \$0.50 per share, subject to Atrum shareholder approval. The conversion of part of the Lenark Loan is to be considered by Atrum shareholders at an Extraordinary General Meeting which the Company expects to convene in the 2nd quarter of 2017. Lenark is associated with Non-Executive Director, Mr James Chisholm.

Change in Share Ownership and Block Trade

During the quarter, Argonaut Equity Partners Pty Ltd ("AEP") acting in its capacity as Facility Agent and Security Trustee acquired 24 million shares in Atrum in accordance with the terms of a loan agreement between Mr Russell Moran and a syndicate of lenders. These shares were sold to institutional and sophisticated investors at \$0.50 per share in a block trade executed as a Special Crossing on the ASX. AEP advised Atrum it had also reached a confidential settlement on the loan with Mr Gino D'Anna.

Partly Paid Shares Paid in Full

During the quarter, the remaining 2,761,600 partly paid shares held by former director and founder Mr Russell Moran were paid up so there were no longer any partly paid shares in the Company. This allowed the Company to put forward a resolution at its Annual General Meeting (“AGM”) in November to vote on converting the Company from a No Liability Company (NL) to a Public Company Limited by Shares (Ltd) structure. This resolution was subsequently passed by shareholders at the AGM. The change in company name and type was recorded on 20 January 2017.

Board and Management Changes

During the quarter, Executive Chairman, Mr Robert (Bob) Bell became ill and subsequent to the quarter, resigned from the Company due to on-going health issues. The Board has initiated a search for a suitable Chief Executive Officer. Mr Stephen Boulton and Mr John Wasik, both Non-Executive Directors, retired from the Board and subsequent to the quarter, Non-Executive Director, Mr Cameron Vorias resigned to concentrate on his other mining activities. The Board has commenced interviewing potential non-executive directors to assist with the Company’s growth.

Mr Craig Burton joined the Atrum Board as a Non-Executive Director, effective 1 January 2017. Mr Burton has more than 25 years’ experience in financing, developing and managing emerging resource projects in Australia, Canada and the UK. Seven resource projects co-founded by him have advanced from exploration into production, including two that became ASX/200 companies. Mr Burton is currently a non-executive director of two listed companies, Cradle Resources Ltd (ASX: CXX) and Capital Drilling Ltd (LON: CAPD). Mr Burton invested \$2.5 million in Atrum during the December Placement and Block Trade.

During the quarter, Mr Theo Renard resigned as VP Finance to concentrate on his other mining finance role, and Mr Alan Ahlgren was appointed as Chief Financial Officer (CFO), commencing 15 December 2016. Mr. Ahlgren is a Chartered Professional Accountant who has extensive experience as CFO with Graphite One Resources Inc., AQM Copper Inc. and First Coal Corporation. Before First Coal, Mr. Ahlgren served as Vice President Finance with Kinross Gold Corporation. Mr Renard remained as Company secretary during the Placement and retired from the role on 12th January 2017. Mr Chris Brown was appointed Company Secretary effective 12 January 2017.

Results of Meeting

Atrum held its AGM on 30 November 2016. Seven resolutions were passed as ordinary resolutions, four were passed as special resolutions and one withdrawn by the Company prior to the meeting.

Tenements

There were no changes to the Company's tenement holdings during the quarter. Please refer to the attached listing for tenement details.

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List of Tenements held by the Company (31 December 2016)

Tenure Number	Owner	Tenure Type	Tenure Sub Type	Area (ha)
394848	Atrum Coal Groundhog Inc.	Coal	Licence	259
394849	Atrum Coal Groundhog Inc.	Coal	Licence	259
417079	Atrum Coal Groundhog Inc.	Coal	Licence	991
417088	Atrum Coal Groundhog Inc.	Coal	Licence	777
417089	Atrum Coal Groundhog Inc.	Coal	Licence	142
417090	Atrum Coal Groundhog Inc.	Coal	Licence	568
417094	Atrum Coal Groundhog Inc.	Coal	Licence	71
417098	Atrum Coal Groundhog Inc.	Coal	Licence	1204
417100	Atrum Coal Groundhog Inc.	Coal	Licence	71
417101	Atrum Coal Groundhog Inc.	Coal	Licence	960
417522	Atrum Coal Groundhog Inc.	Coal	Licence	71
417523	Atrum Coal Groundhog Inc.	Coal	Licence	354
418443	Atrum Coal Groundhog Inc.	Coal	Licence	1416
418444	Atrum Coal Groundhog Inc.	Coal	Licence	1416
418445	Atrum Coal Groundhog Inc.	Coal	Licence	1417
418446	Atrum Coal Groundhog Inc.	Coal	Licence	1205
418589	Atrum Coal Groundhog Inc.	Coal	Licence	1273
418590	Atrum Coal Groundhog Inc.	Coal	Licence	1415
418921	Atrum Coal Groundhog Inc.	Coal	Licence	143
418922	Atrum Coal Groundhog Inc.	Coal	Licence	853
418923	Atrum Coal Groundhog Inc.	Coal	Licence	853
418934	Atrum Coal Groundhog Inc.	Coal	Licence	1421
418935	Atrum Coal Groundhog Inc.	Coal	Licence	1420
418936	Atrum Coal Groundhog Inc.	Coal	Licence	1419
418937	Atrum Coal Groundhog Inc.	Coal	Licence	778
418938	Atrum Coal Groundhog Inc.	Coal	Licence	1133
418939	Atrum Coal Groundhog Inc.	Coal	Licence	1276
418940	Atrum Coal Groundhog Inc.	Coal	Licence	1418
418941	Atrum Coal Groundhog Inc.	Coal	Licence	1418
418942	Atrum Coal Groundhog Inc.	Coal	Licence	1417
418943	Atrum Coal Groundhog Inc.	Coal	Licence	1416
418944	Atrum Coal Groundhog Inc.	Coal	Licence	1416
418945	Atrum Coal Groundhog Inc.	Coal	Licence	1414
418946	Atrum Coal Groundhog Inc.	Coal	Licence	1414
418947	Atrum Coal Groundhog Inc.	Coal	Licence	1413

Tenure Number	Owner	Tenure Type	Tenure Sub Type	Area (ha)
418948	Atrum Coal Groundhog Inc.	Coal	Licence	1413
418952	Atrum Coal Groundhog Inc.	Coal	Licence	1417
418954	Atrum Coal Groundhog Inc.	Coal	Licence	1416
418955	Atrum Coal Groundhog Inc.	Coal	Licence	1265
418956	Atrum Coal Groundhog Inc.	Coal	Licence	1415
394847	Atrum Coal Groundhog Inc.	Coal	Licence	259
417080	Atrum Coal Groundhog Inc.	Coal	Licence	565
417081	Atrum Coal Groundhog Inc.	Coal	Licence	636
417082	Atrum Coal Groundhog Inc.	Coal	Licence	212
417085	Atrum Coal Groundhog Inc.	Coal	Licence	1031
417095	Atrum Coal Groundhog Inc.	Coal	Licence	425
417096	Atrum Coal Groundhog Inc.	Coal	Licence	71
417297	Atrum Coal Groundhog Inc.	Coal	Licence	918
417298	Atrum Coal Groundhog Inc.	Coal	Licence	1059
417520	Atrum Coal Groundhog Inc.	Coal	Licence	212
417521	Atrum Coal Groundhog Inc.	Coal	Licence	142
417528	Atrum Coal Groundhog Inc.	Coal	Licence	142
418587	Atrum Coal Groundhog Inc.	Coal	Licence	1411
418588	Atrum Coal Groundhog Inc.	Coal	Licence	1412
418959	Atrum Coal Groundhog Inc.	Coal	Licence	1414
418960	Atrum Coal Groundhog Inc.	Coal	Licence	1412
417291	Atrum Coal Groundhog Inc.	Coal	Licence	73
417293	Atrum Coal Groundhog Inc.	Coal	Licence	426
417294	Atrum Coal Groundhog Inc.	Coal	Licence	284
417295	Atrum Coal Groundhog Inc.	Coal	Licence	851
417300	Atrum Coal Groundhog Inc.	Coal	Licence	355
417301	Atrum Coal Groundhog Inc.	Coal	Licence	851
418926	Atrum Coal Groundhog Inc.	Coal	Licence	1280
418932	Atrum Coal Groundhog Inc.	Coal	Licence	1421
418950	Atrum Coal Groundhog Inc.	Coal	Licence	1418
418962	Atrum Coal Groundhog Inc.	Coal	Licence	1136
418933	Atrum Coal Groundhog Inc.	Coal	Licence	1421
418949	Atrum Coal Groundhog Inc.	Coal	Licence	1419
418951	Atrum Coal Groundhog Inc.	Coal	Licence	1418
418924	Atrum Coal Groundhog Inc.	Coal	Licence	1239
418925	Atrum Coal Groundhog Inc.	Coal	Licence	1332
418927	Atrum Coal Groundhog Inc.	Coal	Licence	354
418928	Atrum Coal Groundhog Inc.	Coal	Licence	1416

Tenure Number	Owner	Tenure Type	Tenure Sub Type	Area (ha)
418929	Atrum Coal Groundhog Inc.	Coal	Licence	1419
418930	Atrum Coal Groundhog Inc.	Coal	Licence	1420
418931	Atrum Coal Groundhog Inc.	Coal	Licence	1421
417084	Atrum Coal Panorama Inc.	Coal	Licence	708
417086	Atrum Coal Panorama Inc.	Coal	Licence	142
417292	Atrum Coal Panorama Inc.	Coal	Licence	279
417296	Atrum Coal Panorama Inc.	Coal	Licence	71
417299	Atrum Coal Panorama Inc.	Coal	Licence	779
417525	Atrum Coal Panorama Inc.	Coal	Licence	425
417526	Atrum Coal Panorama Inc.	Coal	Licence	707
417527	Atrum Coal Panorama Inc.	Coal	Licence	71
418953	Atrum Coal Panorama Inc.	Coal	Licence	1346
418957	Atrum Coal Panorama Inc.	Coal	Licence	1415
418958	Atrum Coal Panorama Inc.	Coal	Licence	1345
418961	Atrum Coal Panorama Inc.	Coal	Licence	71
417842	Atrum Coal Naskeena Inc.	Coal	Application	1200
417845	Atrum Coal Naskeena Inc.	Coal	Application	1125
418103	Atrum Coal Peace River Inc.	Coal	Application	1875
418136	Atrum Coal Peace River Inc.	Coal	Application	1875