

## QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDING 30 SEPTEMBER 2017

### HIGHLIGHTS

- Second exploration program at Panorama North completed, field mapping encountering multiple at-surface coal seams
- Results from 1,227 m of diamond drill holes due January, 2018
- Atrum subsidiary Kuro Coal to acquire Elan Coal's hard coking coal properties in Alberta, Canada
- Max Wang appointed Managing Director and CEO
- Charles ("Chuck") Blixt elected Non-Executive Chairman
- George Edwards and Charles Fear appointed as Directors

Atrum Coal Ltd. ("Atrum" or the "Company") (ASX: ATU) is pleased to provide its Quarterly Activities Report for the period ending 30 September 2017.

Non-Executive Chairman Charles Blixt commented: *"With our new Managing Director now at the helm and our new Board in place, Atrum is ready to focus on what is important to our Company, being the development of the Groundhog anthracite project in British Columbia as well as getting the best value out of our export sales agreement with Atlantic Carbon Group and moving ahead with exploration of the other projects in our portfolio, including Panorama North."*

*"In conjunction with JOGMEC, a second phase of exploration was completed at Panorama North during the quarter, and with multiple at-surface coal seams identified and shallow coal seams intersected in drill holes, we are looking forward to receiving the full results of this drill program by January, 2018."*

*"Our subsidiary Kuro Coal is moving ahead with plans to acquire 100% of the Elan hard coking coal properties in Alberta, Canada, and this is an exciting development as Elan represents another premium metallurgical coal project that is prime for further exploration."*



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**Board of Directors**  
Non-Executive Chairman  
Managing Director/CEO  
Non-Executive Director  
Non-Executive Director  
Non-Executive Director  
Company Secretary

C. Blixt  
M. Wang  
G. Edwards  
C. Fear  
J. Chisholm  
J. Stedwell

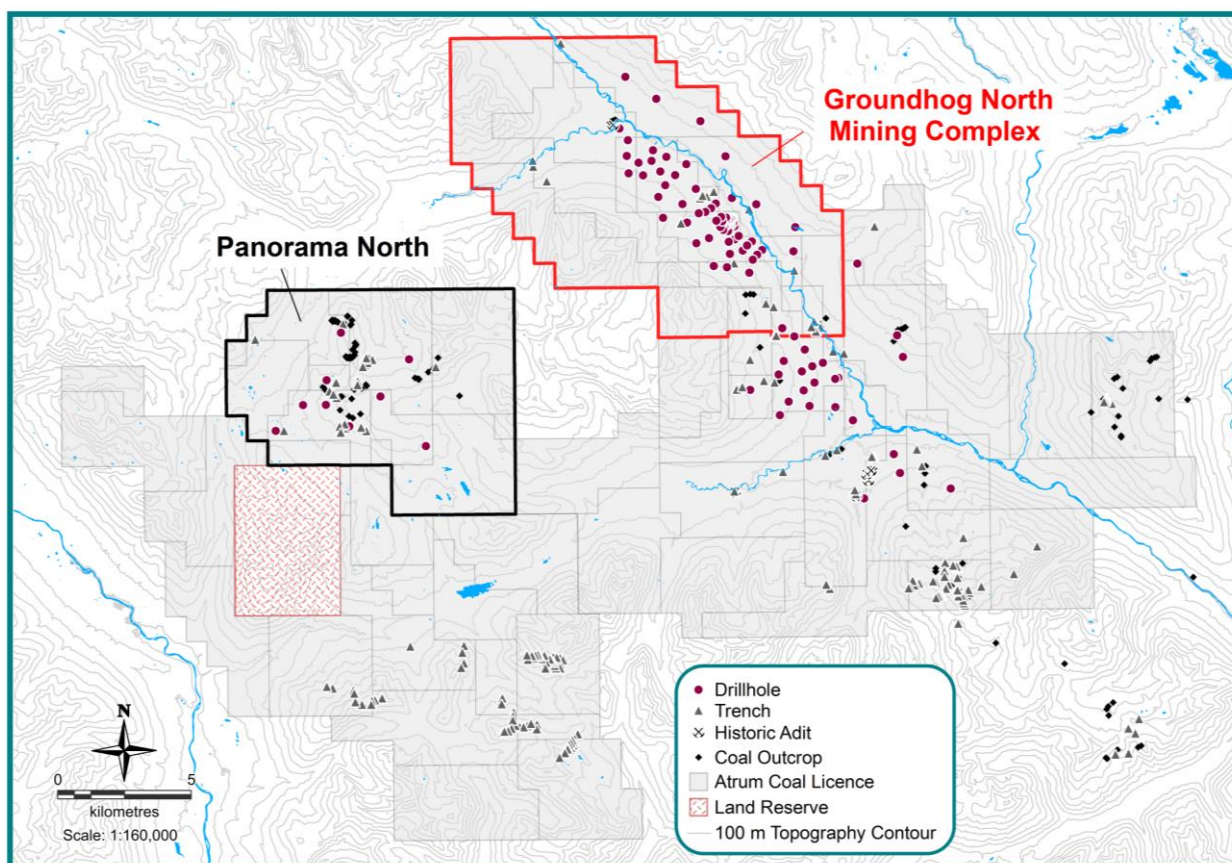
**Key Projects**  
Groundhog  
Naskeena  
Bowron River

Ownership: 100%  
Ownership: 100%  
Ownership: 100%

## Groundhog Anthracite Project

The Groundhog Anthracite Project (“Groundhog”) is in the Groundhog Coalfield in north-western British Columbia, Canada. With the recent relinquishment of non-core tenements, Groundhog covers an area of more than 590km<sup>2</sup>. Groundhog is prospective for high grade anthracite suitable for use in the manufacture of blast furnace steel, as well as electric arc furnaces, as a reductant, filter media, and feedstock for chemical production. The Company has devised multiple mines for development in the Groundhog Coalfield, beginning with the Groundhog North Mining Complex.

Atrum relinquished approximately 200 km<sup>2</sup> of its previously held 800 km<sup>2</sup> coal licences to reduce the annual maintenance fee of Atrum’s Groundhog Coalfield tenements. The tenements that were relinquished are considered to hold little potential to economically recover coal. An updated map of Atrum’s current tenements in the Groundhog Coalfield can be seen in Figure 1. See the Tenement Summary at the end of the report for a list of Atrum’s current tenement holdings.



**Figure 1. Current tenements held by Atrum Coal Ltd.**

## Export Sales Joint Venture with Atlantic Carbon Group PLC

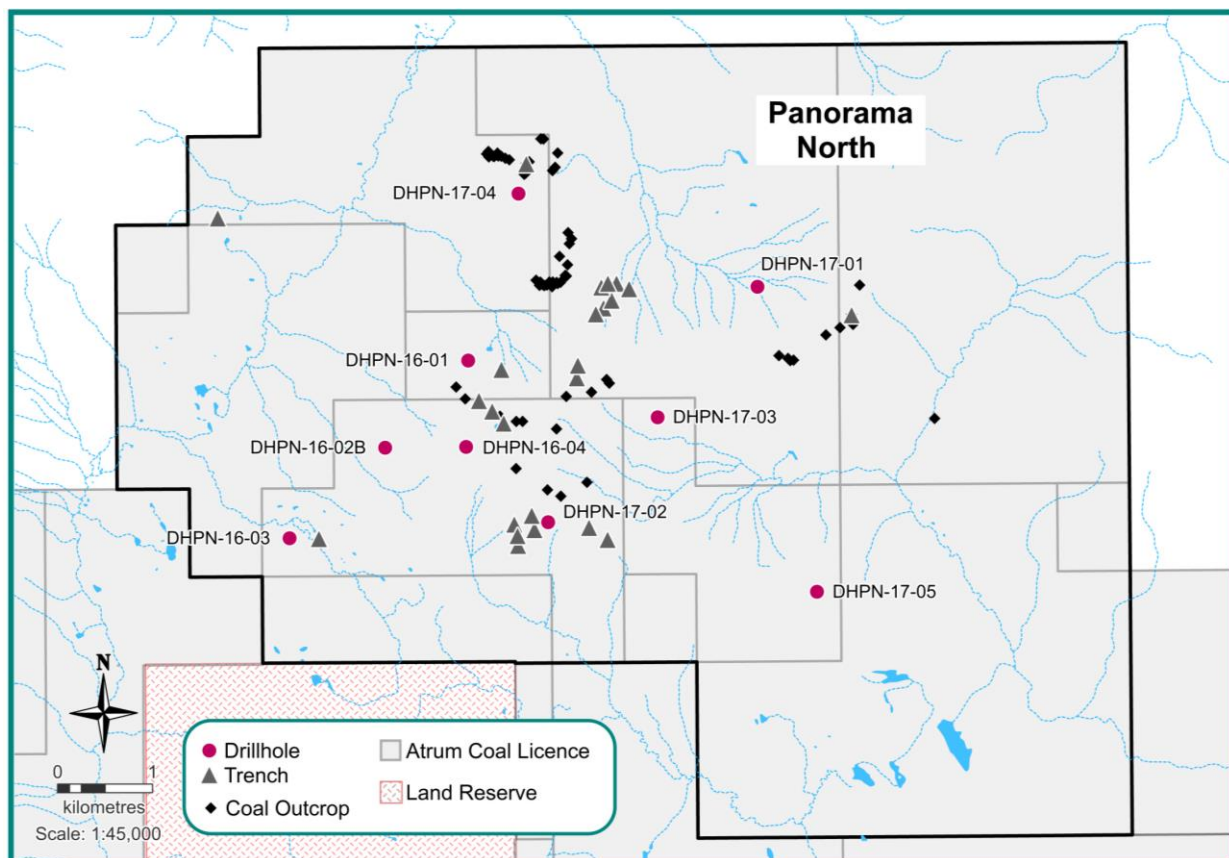
With the appointment of Tyfun (Ty) Zehir as the new VP of Marketing and Business Development, the Atlantic Carbon Group (ACG) export sales joint venture is being re-started, after a hiatus during which anthracite export prices have been quite volatile. This market is now stabilising, allowing both

Atrum and ACG to again look at specific high value anthracite deliveries. Mr Zehir is an experienced coal sales executive with a track record in anthracite and coking coal sales of up to 20mtpa, with his leadership roles in marketing of production from major Canadian producers including Smoky River Coal, Teck Coal and Walter Energy.

## Panorama North

Panorama North is an area to the west of Groundhog North (refer Figure 1). In the 1980's a number of trenches encountered anthracite, but no drilling was undertaken. During 2016, the Company formed a Joint Venture with Japan Oil, Gas and Metals National Corporation ("JOGMEC") to undertake a preliminary exploration programme, including diamond core drilling, and extensive surface mapping of coal and rock outcrop. Under the Agreement, JOGMEC can acquire up to 35% interest in the Panorama North Project by investing C\$5.0 Million in exploration expenditure across the project over a three-year period.

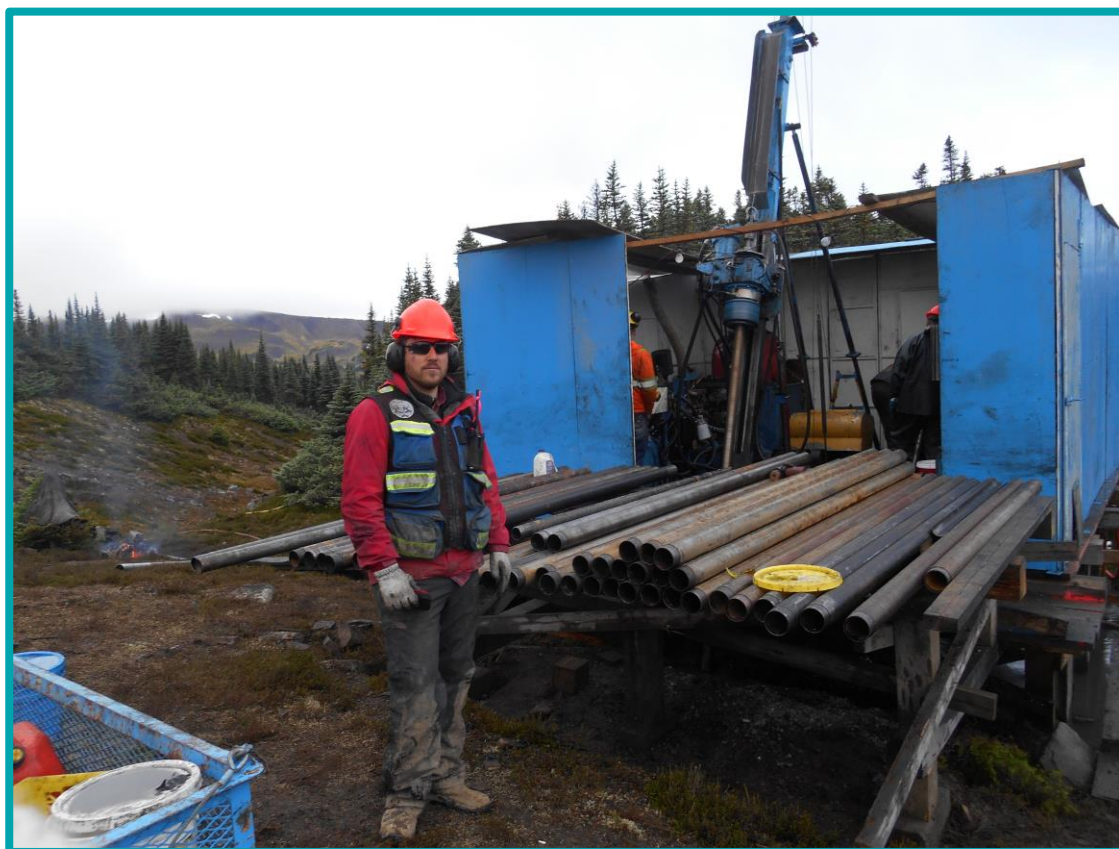
During the quarter, a second exploration program at Panorama North was completed, consisting of diamond drillholes and surface mapping (Figure 2). In August, JOGMEC and the Company mobilised two drilling rigs and associated geophysical logging equipment to Panorama North. Coal seams intersected in the 2016 drilling season and data from surface mapping provided references for the 2017 wide-spaced drillholes, which were designed to further define the coal-bearing rocks at Panorama North and better understand the structural setting.



**Figure 2. Panorama North Drillhole Locations**



Diamond core drilling of five sites was successfully completed (Figure 3), as well as an extensive surface mapping program that identified several coal seams at surface, including trenches cleared with hand tools. Thick, near-surface coal seams were again intersected in the drill holes. All holes were geophysically logged, and Atrum is completing studies of the cores and conducting geological interpretation. Several coal seams of economic significance identified in 2016 were also intersected in 2017, propagating a larger area in Panorama North. (Refer ASX Announcement “Panorama North 2017 Exploration Update” dated 22 September 2017).



**Figure 3. Diamond drill rig at Panorama North, August 2017**

Drill Hole ID	Total Depth	Total Coal	Thickest Seam
DHPN-17-01	317.9 m	9.99 m	2.43 m
DHPN-17-02	219.5 m	7.20 m	0.97 m
DHPN-17-03	286.5 m	11.62 m	3.80 m
DHPN-17-04	156.0 m	4.99 m	1.98 m
DHPN-17-05	248.5 m	3.39 m	0.70 m

**Table 1: Drillhole summary for Panorama North 2017.**

Coal samples were sent to a laboratory in Calgary for testing and analysis. Visual inspection results were encouraging, with cores having similar visible properties as the samples taken from the 2016 drilling program. Results from the program are expected to be completed by January 2018.

## Kuro Coal

Kuro Coal Ltd is a subsidiary of Atrum Coal which holds the Elan Coking Coal Project in Alberta, Canada. Elan is prospective for coking coal. In August 2017, Atrum and its subsidiaries Kuro Coal Ltd (“**Kuro**”) and Kuro Coal Canada Inc entered a share sale deed which proposed that:

- Kuro Coal Canada will purchase all the shares in Elan Coal Ltd (“**Elan**”) (a company incorporated in Canada); and
- Kuro will seek to separately list on the ASX, TSX-V or an alternative international exchange.

Kuro acquired an interest in the Elan Coking Coal properties located in Alberta, Canada (“**Elan properties**”) in 2014 (Figure 4). The acquisition of the interest in the Elan properties occurred via one of Kuro’s Canadian subsidiaries, which entered into a joint venture with Elan and other related companies. Under the joint venture, Kuro could earn up to 70% of the Elan properties (based on its contributions to exploration expenditure).

Previous exploration by Kuro at Elan returned encouraging results from drilling, including:

- Net coal thickness of 20.8m between 54.6m and 82.3m (GNDH-14-02)
- Net coal thickness of 14.3m between 18.3m and 34.4m (GNDH-14-05)
- Net coal thickness of 12.2m between 77.9m and 94.6m (GNDH-14-04)
- Net coal thickness of 10.0m between 55.6m and 67.8m (GNDH-14-07)
- Net coal thickness of 9.6m between 28.9m and 46.8m (GNDH-14-06)
- Net coal thickness of 8.2m between 64.5m and 77.2m (GNDH-14-01)
- Net coal thickness of 5.2m between 23.0m and 29.3m (GNDH-14-03).

*(refer ASX announcement “Major coal intersections at Elan Coking Coal Project” dated 11 December 2014)*

The shares in Elan will be purchased from the following parties (“**Vendors**”):

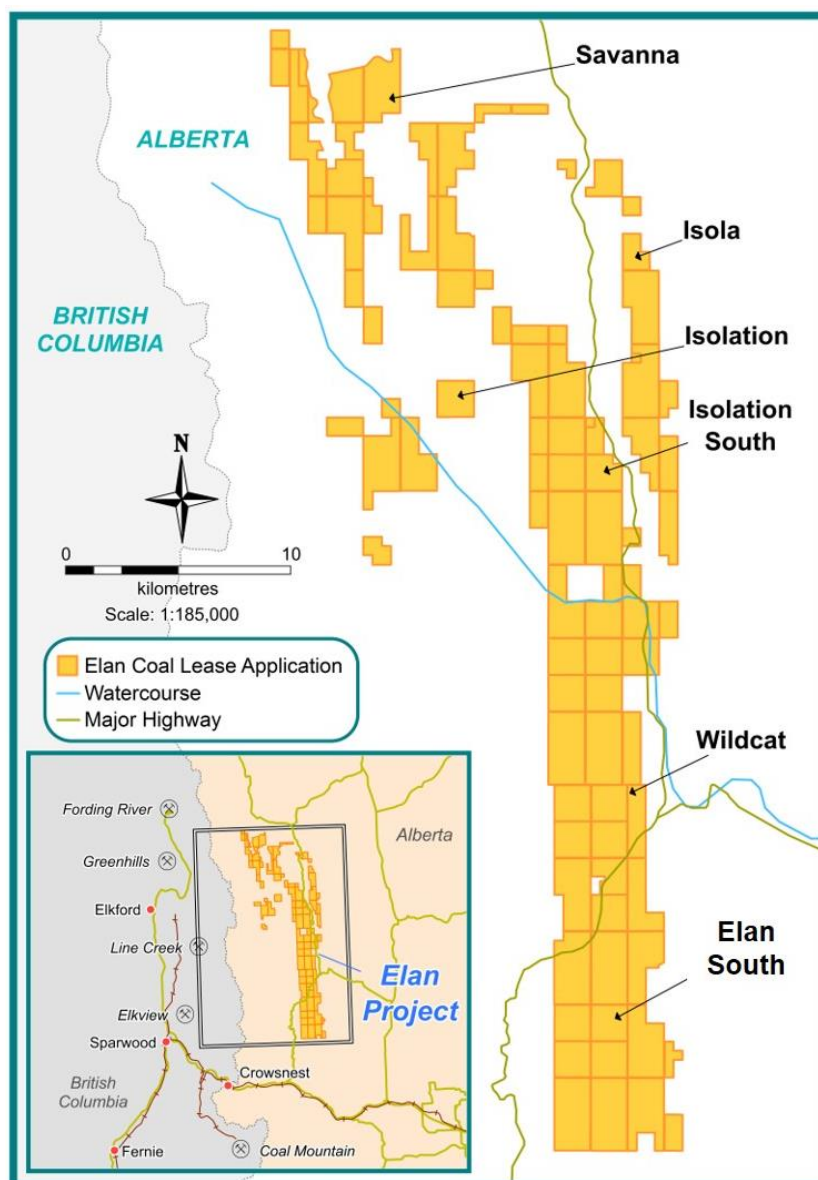
- Eugene Wusaty, Robert Engler, Dermot Lane and Douglas Porter; and
- Altitude Resources Ltd (incorporated in Canada).

The Elan properties are the only projects held by Elan. Atrum has received a determination from the ASX that the Proposed Transaction will not result in a significant change in the nature or scale of Atrum (and that the Proposed Transaction will not require re-compliance with Chapters 1 and 2 of the Listing Rules by Atrum under Listing Rule 11.1.3). However, Atrum shareholders will be required to approve the Proposed Transaction under Listing Rule 11.4.

Completion of the Proposed Transaction is subject to various conditions precedent that are being worked through at present.

As consideration for the acquisition of Elan, the Vendors will receive cash consideration of C\$3.1 million (including C\$100,000 which was paid on the signing of the share sale deed) and Kuro Coal Canada will also be required to issue C\$3.65 million in scrip. The terms of the Kuro capital raising (including the offer pricing and the jurisdiction in which Kuro will seek to conduct the Kuro capital raising) have not yet been decided by the Atrum or Kuro boards. (Refer ASX Announcement “*Kuro Coal to acquire Elan hard coking coal properties*” dated 23 August 2017).

Further details relating to the Kuro capital raising will be released to the ASX in due course. Kuro has already received approaches from potential financiers.



**Figure 4. Elan Project target areas**

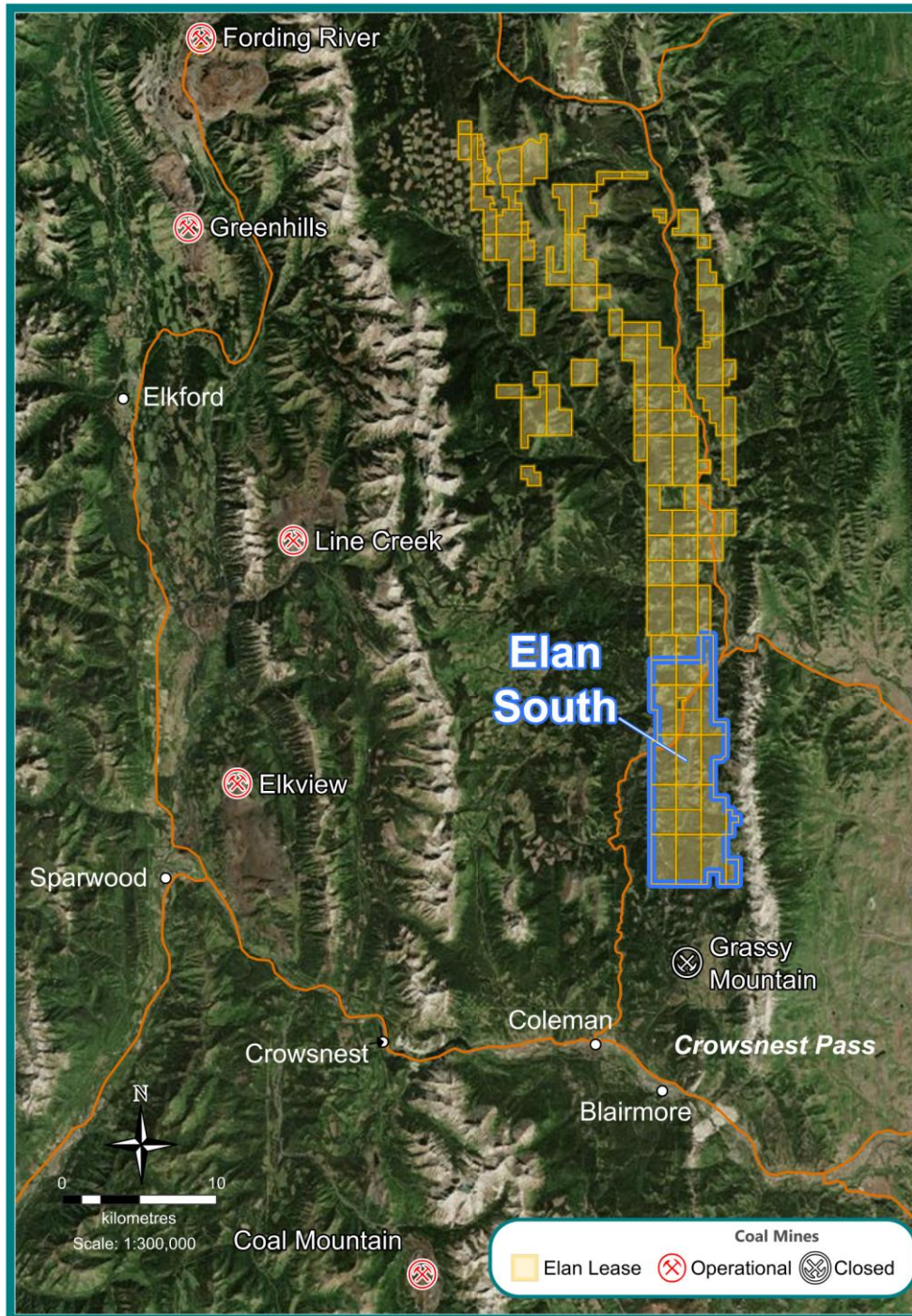
Under the share sale deed, Kuro has an exclusivity period until 31 March 2018. A further exclusivity extension to 30 June 2018 is available if Kuro lodges a listing application with the ASX or an Alternative Stock Exchange before the end of Q1 2018 or concludes an alternatively acceptable settlement outcome with the Vendors. The exclusivity can be extended at any time by mutual agreement.

Similar to the Company's Groundhog asset, Kuro's exploration planning will seek to prove the Elan properties have potential to produce multiple potential coal mining projects, which can be built around a central processing hub for export to Asia.



## Technical Update on Elan South

Kuro has been conducting ongoing due diligence on the Elan property, predominantly on the Elan South project, historically referred to as Grassy North (Figure 5). This includes a 2017 field mapping project to better define coal seams at surface that were drilled in 2014, an independent coal quality analysis of Elan South drill results, and a JORC Resource Estimate. The results will be released separately.



**Figure 5: Map showing location of Elan South and Elan's proximity to existing mines and infrastructure.**

## Anthracite Market Update

Global anthracite markets are beginning to exhibit more stable characteristics after a 9-month period of volatility. The Company and ACG are opening discussions again on potential export orders with key, high value anthracite users.

## CORPORATE

### Board and Management Changes

#### *Charles Blixt*

Charles (“Chuck”) Blixt, previously a Non-Executive Director, was elected as Atrum’s Chairman in August.

#### *Max Wang*

Max Wang was appointed Atrum’s Managing Director and Chief Executive Officer in August. His professional background information was provided in the news release on his appointment to ASX on 17 August, 2017 (“*Atrum Coal appoints Managing Director*”).

Atrum also appointed two new Non-Executive Directors, George Edwards and Charles Fear, in August following the resignations of Craig Burton and Michael Jardine.

### Expiration of unlisted options

During the quarter ended 30 September 2017, a total of 12,189,054 unlisted options exercisable at a price of \$0.80 expired unexercised.

### Loan from Lenark

During the quarter ended 30 September 2017, the Company and Lenark entered into an agreement for the repayment of the outstanding loan. According to the agreement, the Company will reduce the balance outstanding on the loan to \$1.6M through a cash repayment by the end of October. The new balance will be repaid by monthly instalments of \$30,000, at an interest of 8% per annum. Part of the loan may be repaid by shares at the option of Lenark.

### Inventory

During the quarter ended 30 September 2017, the Company received USD 150 K (A\$193 K) from the return of inventory to the original supplier, ACG. According to the agreement between the Company and the supplier, a total amount of USD 750K (A\$900 K) is expected to be received in the current quarter.

### Mineral Exploration Tax Credit (METC)

The Canada Revenue Agency has issued a final assessment regarding the METC claim. An amount of \$1.8M has been agreed and is due to be received in the current quarter. This amount will be used to repay the Moneytech loan with a current outstanding balance of \$1.7M.



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## TENEMENT SUMMARY

Tenure Number	Owner	Project	Tenure Type	Tenure Sub-Type	Area (ha)
394847	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	259
394848	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	259
394849	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	259
417079	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	991
417080	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	565
417081	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	636
417082	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	212
417085	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1031
417088	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	777
417089	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	142
417090	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	568
417094	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	71
417095	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	425
417096	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	71
417098	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1204
417100	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	71
417101	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	960
417297	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	918
417298	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1059
417520	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	212
417521	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	142
417522	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	71
417523	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	354
417528	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	142
418443	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1416
418444	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1416
418445	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1417
418446	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1205
418587	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1411
418588	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1412
418589	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1273
418590	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1415
418941	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1418
418942	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1417
418943	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1416
418944	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1416
418951	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1418
418952	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1417
418955	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1265

Tenure Number	Owner	Project	Tenure Type	Tenure Sub-Type	Area (ha)
418959	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1414
418960	Atrum Coal Groundhog Inc.	Groundhog	Coal	Licence	1412
417291	Atrum Coal Groundhog Inc.	Panorama	Coal	Licence	73
417293	Atrum Coal Groundhog Inc.	Panorama	Coal	Licence	426
417294	Atrum Coal Groundhog Inc.	Panorama	Coal	Licence	284
417295	Atrum Coal Groundhog Inc.	Panorama	Coal	Licence	851
417300	Atrum Coal Groundhog Inc.	Panorama	Coal	Licence	355
417301	Atrum Coal Groundhog Inc.	Panorama	Coal	Licence	851
418924	Atrum Coal Groundhog Inc.	Panorama	Coal	Licence	1239
418925	Atrum Coal Groundhog Inc.	Panorama	Coal	Licence	1332
418926	Atrum Coal Groundhog Inc.	Panorama	Coal	Licence	1280
418927	Atrum Coal Groundhog Inc.	Panorama	Coal	Licence	354
418928	Atrum Coal Groundhog Inc.	Panorama	Coal	Licence	1416
418929	Atrum Coal Groundhog Inc.	Panorama	Coal	Licence	1419
418930	Atrum Coal Groundhog Inc.	Panorama	Coal	Licence	1420
418931	Atrum Coal Groundhog Inc.	Panorama	Coal	Licence	1421
418932	Atrum Coal Groundhog Inc.	Panorama	Coal	Licence	1421
418950	Atrum Coal Groundhog Inc.	Panorama	Coal	Licence	1418
418962	Atrum Coal Groundhog Inc.	Panorama	Coal	Licence	1136
417084	Atrum Coal Panorama Inc.	Panorama North	Coal	Licence	708
417086	Atrum Coal Panorama Inc.	Panorama North	Coal	Licence	142
417292	Atrum Coal Panorama Inc.	Panorama North	Coal	Licence	279
417296	Atrum Coal Panorama Inc.	Panorama North	Coal	Licence	71
417299	Atrum Coal Panorama Inc.	Panorama North	Coal	Licence	779
417525	Atrum Coal Panorama Inc.	Panorama North	Coal	Licence	425
417526	Atrum Coal Panorama Inc.	Panorama North	Coal	Licence	707
417527	Atrum Coal Panorama Inc.	Panorama North	Coal	Licence	71
418953	Atrum Coal Panorama Inc.	Panorama North	Coal	Licence	1346
418957	Atrum Coal Panorama Inc.	Panorama North	Coal	Licence	1415
418958	Atrum Coal Panorama Inc.	Panorama North	Coal	Licence	1345
418961	Atrum Coal Panorama Inc.	Panorama North	Coal	Licence	71
418103	Atrum Coal Peace River Inc.	Bowron River	Coal	Application	1875
419157	Atrum Coal Peace River Inc.	Bowron River	Coal	Application	1350
419159	Atrum Coal Peace River Inc.	Bowron River	Coal	Application	1350
417842	Atrum Coal Naskeena Inc.	Naskeena	Coal	Application	1200
417845	Atrum Coal Naskeena Inc.	Naskeena	Coal	Application	1125