

## QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDING 30 SEPTEMBER 2016

### HIGHLIGHTS

- Atrum secures an additional 42 coal licences from the British Columbia Government, following conversion of all license applications, for its Groundhog Anthracite Project, more than doubling the area of exclusive coal exploration and development rights.
- Atrum signs Joint Exploration Agreement with Japan Oil, Gas & Metals National Corporation (JOGMEC) to conduct exploration work at Atrum's Panorama North coal tenure in the western area of the Groundhog North Project in British Columbia.
- Successful drilling program at Panorama North concludes in the Second Quarter with coal samples from four core holes being sent for testing.
- Atrum commenced due diligence regarding possible takeover of Atlantic Carbon Group PLC (ACG), however is no longer considering an acquisition of the shares in ACG.
- Atrum secures up to 100,000 tonnes of anthracite from ACG to sell to potential long term international customers.

Atrum Coal NL ("**Atrum**" or the "**Company**") (**ASX: ATU**) is pleased to provide its Quarterly Activities Report for the period ending 30 September 2016.

*Bob Bell, Executive Chairman of Atrum commented:*

*"It has been a very busy and productive Quarter for Atrum. The multi-year exploration agreement with JOGMEC to finance an exploration program at our Panorama North tenure is already paying dividends as we have been able to complete the first year drilling program. No drilling has ever been done in the Panorama North area before, other than shallow auger holes, and we look forward to releasing the results, after coal testing is complete, and to undertaking an expanded program in 2017 with the support of JOGMEC and our Aboriginal Partners."*

*"Atrum entered an agreement during the Quarter to acquire a 26.68 per cent stake in Atlantic Carbon Group PLC (ACG), a public, but unquoted, anthracite mining company operating in Pennsylvania, USA. The Company then advised ACG of its intention to conduct due diligence with*



**Registered Office**  
Level 19, 1 O'Connell St, Sydney,  
NSW, 2000  
T +61 2 8249 1884  
E [info@atrumcoal.com](mailto:info@atrumcoal.com)  
[www.atrumcoal.com](http://www.atrumcoal.com)

**Board of Directors**  
Executive Chairman  
Non-Executive Director  
Non-Executive Director  
Non-Executive Director  
Non-Executive Director  
Company Secretary

R. Bell  
J. Chisholm  
S. Boulton  
C. Vorias  
J. Wasik  
T. Renard

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

*the aim of making an offer for all the shares and warrants in the ACG. However, the tight timeframes required by the UK Takeover Code and the difficulty in conducting due diligence on various US subsidiaries has resulted in a decision by Atrum not to pursue the purchase of ACG shares and warrants either at a minority or controlling level. The Company is in discussions with ACG in relation to a possible alternative transaction involving ACG.”*

*“Atrum secured the rights to sell up to 100,000 tonnes of anthracite from ACG. We arranged laboratory testing of the anthracite and the results, confirming its premium quality, have been sent to numerous European and North Asian anthracite buyers. The Company is now in discussions with rail and port operators to co-ordinate possible shipments to potential customers.”*

*“During the Quarter, all of Atrum’s Groundhog Anthracite Project coal license applications were converted to coal licenses by the British Columbia Government. Atrum now has considerable exclusive coal exploration and development rights and greater certainty with respect to future exploration planning.”*

## **Groundhog Anthracite Project**

The Groundhog Anthracite Project is located in the Groundhog Coalfield in northwest British Columbia, Canada. Groundhog covers an area of more than 800km<sup>2</sup>. Groundhog is prospective for high grade and ultra-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 concept plans for multiple mines for development in the Groundhog Coalfield, beginning with the Groundhog North Mining Complex, feeding a common coal handling and preparation facility (CHPP).

## **Bulk Sample Project**

As noted in the Company’s prior Quarterly Report, in May 2016, Atrum was awarded a Bulk Sample and related permits required to support the commencement of mining activities at Groundhog North. These permits allow Atrum to extract a bulk sample of up to 100,000 tonnes of anthracite from Groundhog North. The ultra-high grade lump and fine anthracite produced from the bulk sample are expected to be sold to various international customers for trials in blast furnace and sinter plants, with the potential to provide a portion of the product for beneficiation for specialty industrial users. These customer trials will assist the Company to secure long-term offtake agreements for supply of Groundhog Ultra High Grade 10% ash anthracite.

During the Quarter, Atrum continued with its preparation planning for the bulk sample mining operations. Additionally, internal planning work advanced in relation to implementation of the Special Use Permit also awarded to Atrum, which enables Atrum to establish ground based site access.

Atrum continues to discuss offtake with multiple anthracite consumers, and has received a number of new enquiries from traditional ferrous industry participants, and more recently

consumers of specialised anthracite products. The bulk sample will assist customers to assess the suitability of Groundhog Ultra-High grade anthracite in their processes. Potential customers are a key avenue for assisting to fund the development of the Phase 1 mine, and the Company now has several groups investigating the technical details of the Groundhog Project. Given the continuing strong demand for anthracite in the seaborne market, the Company is investigating various ways to accelerate the Company's projects and supply ultra-high grade anthracite that remains in short supply.

### **Conversion of Coal Applications to Licenses**

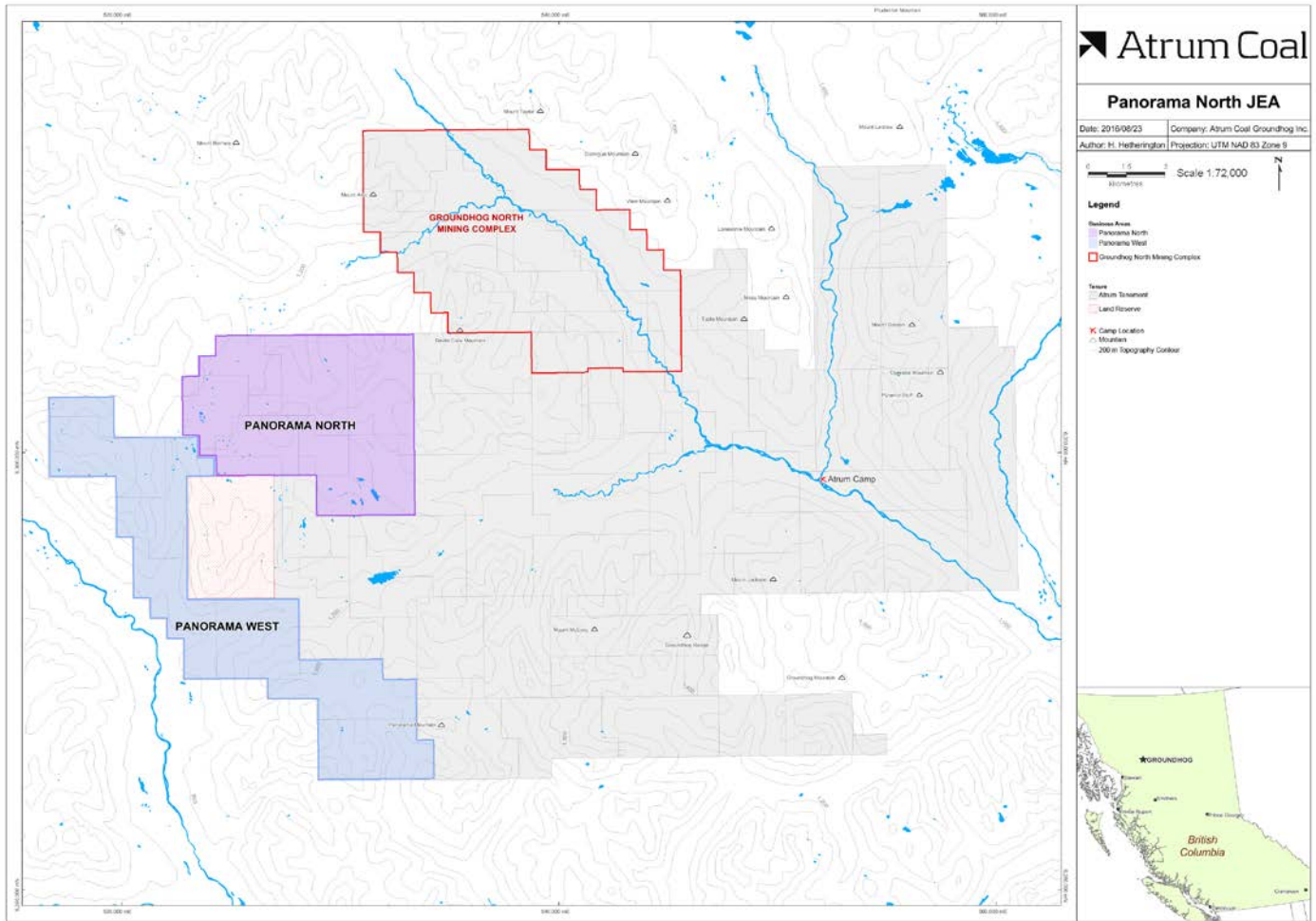
Late in the Quarter, all of the Company's Groundhog Anthracite Project coal license applications were converted to coal licenses by the British Columbia Government. Groundhog covers an area exceeding 800km<sup>2</sup>, and now comprises 88 granted coal licences. The additional 42 licences granted this Quarter almost doubles the area available for active exploration to the Company.

Obtaining these new coal licences is another positive development providing considerable additional exclusive coal exploration and development rights in the Groundhog area. They also provide the Company with greater certainty with respect to exploration planning in these areas, which augers well for maximizing the overall potential of the Groundhog Anthracite Project in the future. This is because drilling and mechanical trench sampling are not permitted on license applications but are permitted on full licenses.

### **Panorama Projects**

Atrum has three projects comprising its Panorama coal block, namely Panorama North, Panorama West and Panorama South, all situated southwest of Groundhog North (see Figure 1). These three areas were previously explored in the early 1980's by Gulf Corporation (Canada), however Gulf's exploration efforts concentrated only on surface mapping, trenching and shallow auger drilling. The culmination of this phase of exploration was the declaration by Gulf of significant exploration targets for shallowly emplaced anthracite deposits.

The total area of all three Panorama Projects is 25,127 hectares. Panorama North has a total area of 7,359 hectares. Based on the value of JOGMEC's investment under the recently signed Panorama North Joint Exploration Agreement (discussed below), the implied current value of the three Panorama Projects combined is estimated at approximately A\$50 Million.



**Figure 1: Panorama North and Panorama West Project Areas**

### Panorama North Joint Exploration Agreement

As announced on 29 August 2016, Atrium and its wholly owned subsidiary, Atrium Coal Panorama Inc., entered into a Joint Exploration Agreement with JOGMEC. Partnering with such a respected corporation as JOGMEC will assist Atrium to accelerate exploration at its Panorama North Project.

Historical exploration indicates Panorama North is highly prospective for anthracite. The focus of the next stage of exploration at Panorama North will be to build upon historical exploration and to begin quantifying the resource potential of this area. If successful, the three years of exploration will support future feasibility work, helping to establish Panorama North as another development zone within the Groundhog coalfield.

Under the Agreement, JOGMEC can acquire up to 35% equitable interest in the Panorama North Project by investing up to C\$5.0 Million in cash or in kind for exploration expenditures across the project over a three-year period. The Agreement is based on three (3) Farm-In Periods which are tied to specific funding milestones:

1. During the First Farm-in Period (ending 31 March 2017), JOGMEC will contribute C\$1,500,000 in cash or in kind towards exploration at the Panorama North Project;
2. During the Second Farm-In Period (ending 31 March 2018), JOGMEC will contribute C\$1,500,000 in cash or in kind towards exploration at the Panorama North Project; this will earn JOGMEC an unencumbered right, title and benefit to 21% of the Joint Venture Property;
3. During the Third Farm-In Period (ending 31 March 2019), JOGMEC will contribute C\$2,000,000 in cash or in kind towards exploration at the Panorama North Project, earning an unencumbered right, title and benefit to a further 14% of the Joint Venture Property.

As of completion of each Farm-In Period, subject to JOGMEC's contribution, the Parties' respective actual or deemed equitable interests in the Panorama North Project shall be:

- i. End of Second Farm-In Period:
  - Atrum 79%
  - JOGMEC 21%
- ii. End of Third Farm-In Period:
  - Atrum 65%
  - JOGMEC 35%.

As part of the Joint Exploration Agreement, JOGMEC will also receive an exclusive negotiation right to enter a further joint arrangement with Atrum at the Panorama West Project. This exclusivity period remains in effect for a total of four years.

### **First Drilling Program at Panorama North Concludes**

Subsequent to quarter-end, on October 6<sup>th</sup>, exploration drilling under the JOGMEC Agreement commenced at Panorama North. This quick start to exploration enabled Atrum to undertake a limited program of about two weeks' duration intended to produce early results confirming the prospects for anthracite coal in select drill areas. It also provided an opportunity for Atrum to further develop relationships with the Aboriginal Groups whose traditional territories overlap the Panorama North tenure.

Atrum employed two drill rigs which completed almost 1200 metres of fully cored diamond drilling in four holes. Shallow coal seams were intersected, including a seam with total vertical thickness of 2.30 metres, occurring at 12 metres depth. Two seams within the boreholes have similar geophysical signatures to the Duke E seam which is the primary economic target at Groundhog North. With field work concluded on October 21st, the cores will now be sent for further laboratory testing and analysis.

With the encouraging results from this initial program, the Company and JOGMEC intend to commence discussions regarding a 2017 drilling program, covering a wider area. Re-engagement with our Aboriginal partners in this process will also be undertaken.



**Figure 2: Panorama North core logging operation – coal intersection**

### **Anthracite Market Update**

Global anthracite markets remain undersupplied, and market prices for anthracite are strengthening. Current prices for imported anthracite are approximately US\$165/t for lumps and US\$125/t for fines as illustrated in Figure 3. Recent metallurgical coal price increases are expected to put upward pressure on seaborne anthracite pricing. The benchmark coking coal price for premium hard coking coal price for the October quarter, widely reported in the coal industry, more than doubled from the previous level to US\$200/tonne FOB Queensland which increases the value of anthracite as a coke replacement product.

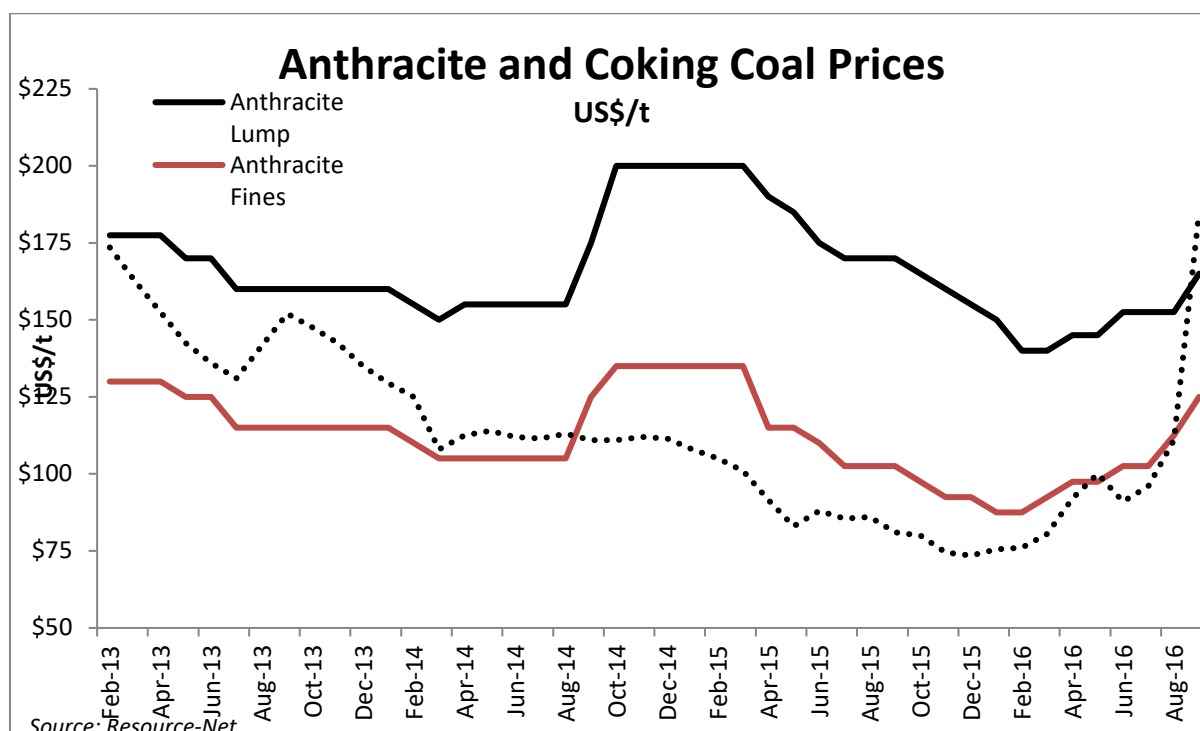


Figure 3: Historical Anthracite and Coking Coal Prices (US\$/tonne CFR N Europe)

## CORPORATE

### Acquisition of Shares and Takeover of Atlantic Carbon Group PLC

On 4 August 2016, Atrum announced it had entered into an agreement related to the proposed acquisition of a 26.68% interest in Atlantic Carbon Group PLC (“ACG”). ACG is an unlisted public company registered in the United Kingdom and operates three high grade and ultra-high grade anthracite mines in northeast Pennsylvania, USA. On 15 August 2016, Atrum issued an ASX release providing further background on ACG.

The acquisition was subject to conditions including, inter alia, further due diligence, funding and Atrum shareholder approval. At an Extraordinary General Meeting held 29 September 2016, the required shareholder approval was granted.

On 20 September 2016, the Company announced that it had approached ACG in relation to making a possible takeover offer for all of the shares issued by ACG. Under the UK City Code on Takeovers and Mergers, following an application to the UK Takeover Panel, Atrum had until 5pm on 26 October 2016 (UK time) before it was required to either announce its intention to proceed with the takeover offer (and announce the terms of the offer) or announce that no offer would be submitted.

Due to the time constraints of the UK City Code and the difficulty in sourcing information from regulators in relation to ACG’s US subsidiaries, the Company announced on 27 October 2016

that no offer will be submitted for all of the shares of ACG and that it has terminated the agreement to purchase a 26.68% minority stake. As of the end of October, the Company is in discussions with ACG in relation to a possible alternative transaction involving ACG.

### **Option Secured for 100K tonnes of Anthracite from ACG**

On 11 August 2016, Atrum announced it had entered into an option agreement with ACG wherein ACG would make available up to 100,000 tonnes of anthracite to Atrum to sell to potential customers in Europe, South America and Asia. Net profits generated by the sale will be split on a 50/50 basis. This agreement allows Atrum to start selling anthracite into target export markets prior to development of the flagship Groundhog Project and while these markets are undersupplied and anthracite prices increasing.

### **Atrum Share Transactions**

#### **Conversion of Partly Paid Shares**

Subsequent to the Quarter, Atrum former director Russell Moran converted 2.7 million partly paid shares to fully paid ordinary shares.

Completion of this transaction will support Atrum's plans to shift from a "No Liability" (NL) corporate entity to a "Limited" (Ltd) structure. Atrum will be including a resolution at the upcoming AGM to reflect this change.

#### **Conversion of Convertible Notes**

During the quarter, a number of investors elected to convert their advances and money owing under respective Convertible Notes to fully paid ordinary Atrum shares, with the entitlement to receive one option for each share issued.

Atrum issued a total of 8,198,786 fully paid ordinary Atrum shares at a price of \$0.50 per share and an equal amount of options for fully paid ordinary Atrum shares with an exercise price of \$0.60 each and an expiry date of 7 July 2018.

The conversion of these notes and issue of shares raised \$4,100,000. Atrum has no further convertible notes on issue.

A total of 4,300,000 options at an exercise price of \$0.30 each were exercised during the quarter, raising \$1,290,000. At the end of the Quarter, Atrum had 201,290,604 shares on issue.

### **Results of Extraordinary General Meeting**

An Extraordinary General Meeting was held on 29 September 2016 for the purpose of voting on four resolutions (refer to 1 September 2016 Notice of Extraordinary General Meeting for more details):



1. The issue by the Company of consideration shares for the acquisition of a 26.68% interest in the shares of ACG;
2. Issue by the Company of up to \$20 million worth of shares in a placement as one of the options to finance an interest in ACG;
3. Ratify the allotment of 1,000,000 options to Anglo Pacific Group PLC for its agreement to extend the terms of a promissory note agreed with the Company (the details of which were announced to the ASX on 29 August 2014); and
4. Ratify the allotment of 4,300,000 million shares that were issued on 5 July 2016 following the exercise of options.

After tallying the votes for each resolution, all the resolutions were passed.

**For further information, contact:**

**Robert W. Bell**  
Executive Chairman  
**M** +1 604 763 4180  
[rbell@atrumcoal.com](mailto:rbell@atrumcoal.com)

**Theo Renard**  
Company Secretary  
**M** +61 430 205 889  
[trenard@atrumcoal.com](mailto:trenard@atrumcoal.com)

**Nathan Ryan**  
Investor Relations  
**M** +61 420 582 887  
[nathan@atrumcoal.com](mailto:nathan@atrumcoal.com)

## Tenements holdings as at September 30, 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
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
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 Licence Application	1200
417845	Atrum Coal Naskeena Inc.	Coal Licence Application	1125
418103	Atrum Coal Peace River Inc.	Coal Licence Application	1875
418136	Atrum Coal Peace River Inc.	Coal Licence Application	1875

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

**Atrum Coal NL**

ABN

153 876 861

Quarter ended ("current quarter")

30 September 2016

### Consolidated statement of cash flows

	Current Quarter \$A'000	Year to date (3 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(120)	(120)
(b) development	-	-
(c) production	-	-
(d) administration	(3,122)	(3,122)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	16	16
1.5 Interest and other costs of finance paid	(75)	(75)
1.6 Income taxes paid	-	-
1.7 Other - (GST paid/received)	396	396
Other - Spin out costs	-	-
<b>Net Operating Cash Flows</b>	<b>(2,905)</b>	<b>(2,905)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (Performance Bond)	-	-
<b>Net investing cash flows</b>	<b>-</b>	<b>-</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(2,905)</b>	<b>(2,905)</b>

**Notes:**

1. Administration includes \$659k Due Diligence costs.

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(2,905)	(2,905)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	633	633
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	900	900
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (Convertible note subscription)	250	250
	Other (capital raising costs)	-	-
	Other (Forward contract losses)	-	-
	<b>Net financing cash flows</b>	<b>1,783</b>	<b>1,783</b>
	<b>Net increase (decrease) in cash held</b>	<b>(1,122)</b>	<b>(1,122)</b>
1.20	Cash at beginning of quarter/year to date	1,871	1,871
1.21	Exchange rate adjustments to item 1.20	(18)	(18)
1.22	<b>Cash at end of quarter *</b>	<b>731</b>	<b>731</b>

\*Any fractional differences are due to rounding

**Notes:**

- Application is being processed for all exploration-related activities conducted from 1 July 2014 through to 31 December 2014. This additional METC claim is for approximately C\$3.2 million.
- Convertible Notes for A\$250,000 issued.

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

	Current Quarter \$A'000	
1.23	Aggregate amount of payments to the parties included in item 1.2	123
1.24	Aggregate amount of loans to the parties included in item 1.10	-

- 1.25 Explanation necessary for an understanding of the transactions

Item 1.23 refers to payments to Directors and related parties for the quarter.

Item 1.2 (a) The exploration and evaluation expenditure relates to previous and recent exploration expenditure for the Groundhog Anthracite Project, including coal quality analysis and environmental monitoring and baseline testing, the costs of which have been included in Item 1.2 (a).

+ See chapter 19 for defined terms.

## Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

## Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	3,909	3,509
3.2 Credit standby arrangements	-	-

### Notes:

- On 30 September 2013, the Company entered into a variation to the Offset Loan Agreement in place with Lenark Pty Ltd. Pursuant to the variation that was executed, Lenark Pty Ltd increased the credit available pursuant to the Offset Loan Agreement by an additional \$2 million.

The original Facility Limit of \$2,681,927 was repaid by way of the conversion of partly paid shares to fully paid shares. The subsequent \$2 million has been drawn down by the Company as noted in previous quarterly reports and a \$500,000 increase was agreed between the Company and the Lender during H1 2015. On 24 August 2015, \$1,079,383 of the outstanding loan was converted into 2,158,766 ordinary fully paid shares in order to take up the Lenark entitlement. As at 31 December 2015, the outstanding loan was \$1,509,234 with the available balance under the facility limit being \$954,000. The Board considers that the terms of the facility with Lenark Pty Ltd are arms-length.

On 27 January 2016, Lenark Pty Ltd offered further funding support, if required, subject to cash calls and approvals.

## Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	134
4.2 Development	-
4.3 Production	-
4.4 Administration (including spin out costs)	571
<b>Total</b>	<b>705</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

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**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	638	1,493
5.2	Deposits at call	93	378
5.3	Bank overdraft		
5.4	Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>		<b>731</b>	<b>1,871</b>

**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	Nil		
6.2	Interests in mining tenements acquired or increased	Nil		

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+ See chapter 19 for defined terms.



### Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference + securities</b> (description)	-	-		
7.2 Changes during quarter				
7.3 <b>+Ordinary securities</b>	201,290,604	201,290,604	Fully Paid	Fully Paid
	2,761,600	-	Partly Paid - \$0.20	\$0.00008 per share
7.4 Changes during quarter (a) Increases through issues  (b) Decreases through returns of capital, buy-backs	6,138,858	6,138,858	Fully Paid	Fully Paid
7.5 <b>+Convertible debt securities</b> (description)	250,000	Nil	\$0.55	N/A
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	250,000	Nil	\$0.55	N/A
7.7 <b>Options</b> (description and conversion factor)	100,000 9,005,210 3,150,000 8,198,786	- - - -	<i>Exercise price</i> \$1.40 \$0.80 \$0.80 \$0.60	<i>Expiry date</i> 14/03/2017 25/08/2017 07/09/2017 2/07/2018
7.8 Issued during quarter				
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	-	-	-	-
7.11 <b>Performance Rights</b>	4,940,000	Nil		
7.12 Issued during quarter	Nil	Nil		
7.13 Exercised during quarter	Nil	Nil		
7.14 Expired during quarter	Nil	Nil		

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

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7.15	<b>Debentures</b> <i>(totals only)</i>	-	-		
7.16	<b>Unsecured notes</b> <i>(totals only)</i>	-	-		

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+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: \_\_\_\_\_  
(Company Secretary)

Date: 31 October 2016

Print name: Theo Renard

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not

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+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

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address a topic, the Australian standard on that topic (if any) must be complied with.

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