

## ASX Announcement

27 January 2021

# QUARTERLY ACTIVITIES REPORT

## For the Quarter Ended 31 December 2020

Atrum Coal Limited (ASX: ATU) (**Atrum** or the **Company**) provides its Quarterly Activities Report for the period ending 31 December 2020. Intensive activities continued through the quarter with respect to Atrum's 100%-owned Elan Hard Coking Coal Project in southern Alberta, Canada (**Elan Project**).

### HIGHLIGHTS

- **Isolation South resource update<sup>1</sup>.** Interim resource update following 2020 Elan Project drilling program saw total Isolation South resource increased 32 Mt to 262 Mt (+14%). This included an increase of 93 Mt in Measured + Indicated (M+I) resource to 175 Mt (+113%). Total Elan Project resources now stand at 486 Mt (7 Mt Measured, 228 Mt Indicated and 252 Mt Inferred). Further Isolation South resource update expected in 1Q 2021 following receipt of additional coal quality results.
- **Updated Scoping Study release<sup>2</sup>.** Incorporates the Isolation South resource upgrade into an enlarged and enhanced mine schedule. Delivered a 62% increase to post-tax NPV<sub>9%</sub> (now US\$1.4B), driven by a 28% reduction in ROM strip ratio (44% decrease in the first 10 years) and a 6-year mine life extension. This substantial value uplift is inclusive of a 13% increase in estimated pre-production capital cost and the displacement of all mined tonnes at Elan South from the mine schedule.
- **PFS on schedule.** Key Pre-Feasibility Study (**PFS**) workstreams were progressed during the quarter. Initial trade-off studies and subsequent evaluation have validated a base case mine and plant throughput of 10.8 Mtpa ROM for the PFS (compares with 10.0 Mtpa ROM in both the Scoping Study and Updated Scoping Study). Coal quality analyses on residual core samples from 2020 drilling continue, including washability tests to inform yield determination and product specifications. Further updates will be provided in 1Q 2021. The PFS remains on track for completion by mid-2021.
- **2021 field program.** The 2021 Elan field program is currently being finalised. Key components are expected to include continuing environmental baseline studies, further detailed coal quality assessment (including larger scale carbonisation test work) and additional drilling (targeting further resource classification upgrades and geotechnical/hydrogeological parameters for planned Definitive Feasibility Study (**DFS**) commencement in 2H 2021).
- **Robust balance sheet.** Atrum held A\$8.1 million cash at 31 December 2020 and zero debt (excluding usual creditors balances).
- **Listed options underwritten.** Underwriting agreement executed to provide, in conjunction with exercise commitments received from Atrum directors and associated parties, for the exercise of all outstanding ATUO listed options (exercise price of A\$0.20 and expiry of 31 March 2021). This agreement is expected to see Atrum receive gross proceeds of at least A\$20.6 million by April 2020.

<sup>1,2</sup> For full details of the updated resource estimate, please refer to ASX release dated 25 November 2020, *Isolation South Resource Update*. For full details of the Elan Project Updated Scoping Study, please refer to ASX release dated 8 December 2020, *Elan Project Updated Scoping Study*. Atrum confirms that it is not aware of any new information or data that materially affects the information included in those releases. All material assumptions and technical parameters underpinning the estimates in those releases continue to apply and have not materially changed.

# Elan Hard Coking Coal Project (100% Atrum)

## Isolation South resource update

During November 2020, Atrum released an updated resource estimate for Isolation South.

For full details of the updated 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 that release. All material assumptions and technical parameters underpinning the estimates in that release continue to apply and have not materially changed.

### Northern Area

The Isolation South (Northern Area) resource estimate has increased to 240 Mt (7 Mt Measured, 168 Mt Indicated and 66 Mt Inferred). Measured and Indicated resources now total 175 Mt (or 73% of the total Northern Area resource), as summarised in Table 1. The thick Seam 3 package comprises 146 Mt (or 61%) of the total Northern Area resource.

**Table 1: Isolation South (Northern Area) Resources (November 2020)**

Seam Group	MEASURED (Mt)	INDICATED (Mt)	MEASURED and INDICATED (Mt)	INFERRED (Mt)	TOTAL (Mt)
SEAM 1	4.6	18	22	9	31
SEAM 2	2.3	13	16	10	25
SEAM 3	-	119	119	28	146
SEAM 4	-	18	18	20	37
<b>TOTAL</b>	<b>6.9</b>	<b>168</b>	<b>175</b>	<b>66</b>	<b>240</b>

The strong conversion of previously Inferred resources to Measured and Indicated classification has demonstrated that the previously lesser explored northern areas at Isolation South are broadly consistent with the southern Indicated resource areas within the pit shell defined during the Scoping Study (April 2020).

### Southern Area

No exploration was carried out in the southern area (south of the Oldman River) in 2020 and therefore no adjustment to the Isolation South (Southern Area) resource estimate has been made (Table 2).

### Total Isolation South

Total Isolation South resources have increased 32 Mt (+14%) to 262 Mt (7 Mt Measured, 168 Mt Indicated and 88 Mt Inferred).

**Table 2: Total Isolation South Resources (November 2020)**

AREA	MEASURED (Mt)	INDICATED (Mt)	MEASURED and INDICATED (Mt)	INFERRED (Mt)	TOTAL (Mt)
NORTHERN AREA	6.9	168	175	66	240
SOUTHERN AREA	-	-	-	22	22
<b>TOTAL</b>	<b>6.9</b>	<b>168</b>	<b>175</b>	<b>88</b>	<b>262</b>

Critically, the interim resource update has delivered a total of 175 Mt resources classified as either Measured or Indicated (a 113% increase in M+I quantity).

A comparison with the previous Isolation South resource estimate is provided in Table 3 below.

**Table 3: Changes in total Isolation South Resources (November 2020)**

UPDATE DATE	MEASURED (Mt)	INDICATED (Mt)	INFERRED (Mt)	TOTAL (Mt)
Starting base (Feb 2020)	0	82	148	230
<b>Interim resource (Nov 2020)</b>	<b>6.9</b>	<b>168</b>	<b>88</b>	<b>262</b>
2020 Program Increase (Mt)	6.9	86	-60	32
<b>2020 Program Increase (%)</b>	<b>-</b>	<b>105%</b>	<b>-41%</b>	<b>14%</b>

For details of the previous Isolation South resource estimate, see Atrium ASX release dated 10 February 2020.

### Global Elan Project resources

Total Elan Project resources now stand at 486 Mt (7 Mt Measured, 228 Mt Indicated and 252 Mt Inferred) – a 32 Mt increase.

Following the substantial classification upgrade to the Isolation South resource, higher confidence Measured and Indicated resources now comprise almost 50% of the total Elan Project resource base per Table 4 below.

**Table 4: Total Elan Project Resources (November 2020)**

PROJECT	PROJECT AREA	MEASURED (Mt)	INDICATED (Mt)	MEASURED + INDICATED (Mt)	INFERRED (Mt)	TOTAL (Mt)	DATE REPORTED
<b>ELAN NORTHERN TENEMENTS</b>	ISOLATION SOUTH	7	168	175	88	262	25-Nov-20
	ISOLATION	-	-	-	51	51	22-Jan-19
	SAVANNA	-	-	-	30	30	22-Jan-19
<b>ELAN SOUTH</b>	SOUTH EAST CORNER	-	16	16	22	38	10-Feb-20
	FISH HOOK	-	15	15	11	26	10-Feb-20
	OIL PAD RIDGE	-	29	29	50	80	10-Feb-20
<b>TOTAL</b>		<b>7</b>	<b>228</b>	<b>235</b>	<b>252</b>	<b>486</b>	

### Next steps

The core objectives of the 2020 exploration program at Isolation South were to demonstrate structural and coal quality continuity of the four seam groups over the pit shell extent identified in the Scoping Study (April 2020), upgrade resource classification and to acquire the necessary data to underpin key Elan Project PFS workstreams (including mine planning, plant design and product strategy to market). These aims have all been achieved.

The significant increase in Measured and Indicated resources at Isolation South provides the potential for declaration of a substantial maiden Coal Reserve in accordance with JORC (2012) following the targeted completion of a successful PFS by mid-2021.

A further update to the Isolation South resource is expected in 1Q 2021, following receipt of additional coal quality testwork results.

The 2021 Elan field program is currently being finalised. Key components are expected to include continuing environmental baseline studies, further detailed coal quality assessment (including larger scale carbonisation test work) and additional drilling (targeting further resource classification upgrades and geotechnical/hydrogeological parameters for planned Definitive Feasibility Study (DFS) commencement in 2H 2021).

### Updated Scoping Study release

During December 2020, Atrum released an Updated Scoping Study for the Elan Project. Leading coal technical consultant, Palaris Australia Pty Limited, was the external Study Manager.

The Updated Scoping Study incorporates the Isolation South resource upgrade (November 2020) into an enlarged and enhanced mine schedule, which displaces all Elan South mining to drive project simplification, permitting efficiency and development fast-tracking. It also incorporates refined capital cost estimates from the current PFS workstream. All other key input parameters from the Scoping Study (April 2020) remained unchanged (including throughput, yield and HCC price assumptions) and were applied to the Updated Scoping Study.

For full details of the Elan Project Updated Scoping Study, please refer to ASX release dated 8 December 2020, *Elan Project Updated Scoping Study*. Atrum confirms that it is not aware of any new information or data that materially affects the information included in that release. All material assumptions and technical parameters underpinning the estimates in that release continue to apply and have not materially changed.

### Updated Scoping Study parameters

The Updated Scoping Study has seen three key revisions to the Scoping Study (April 2020):

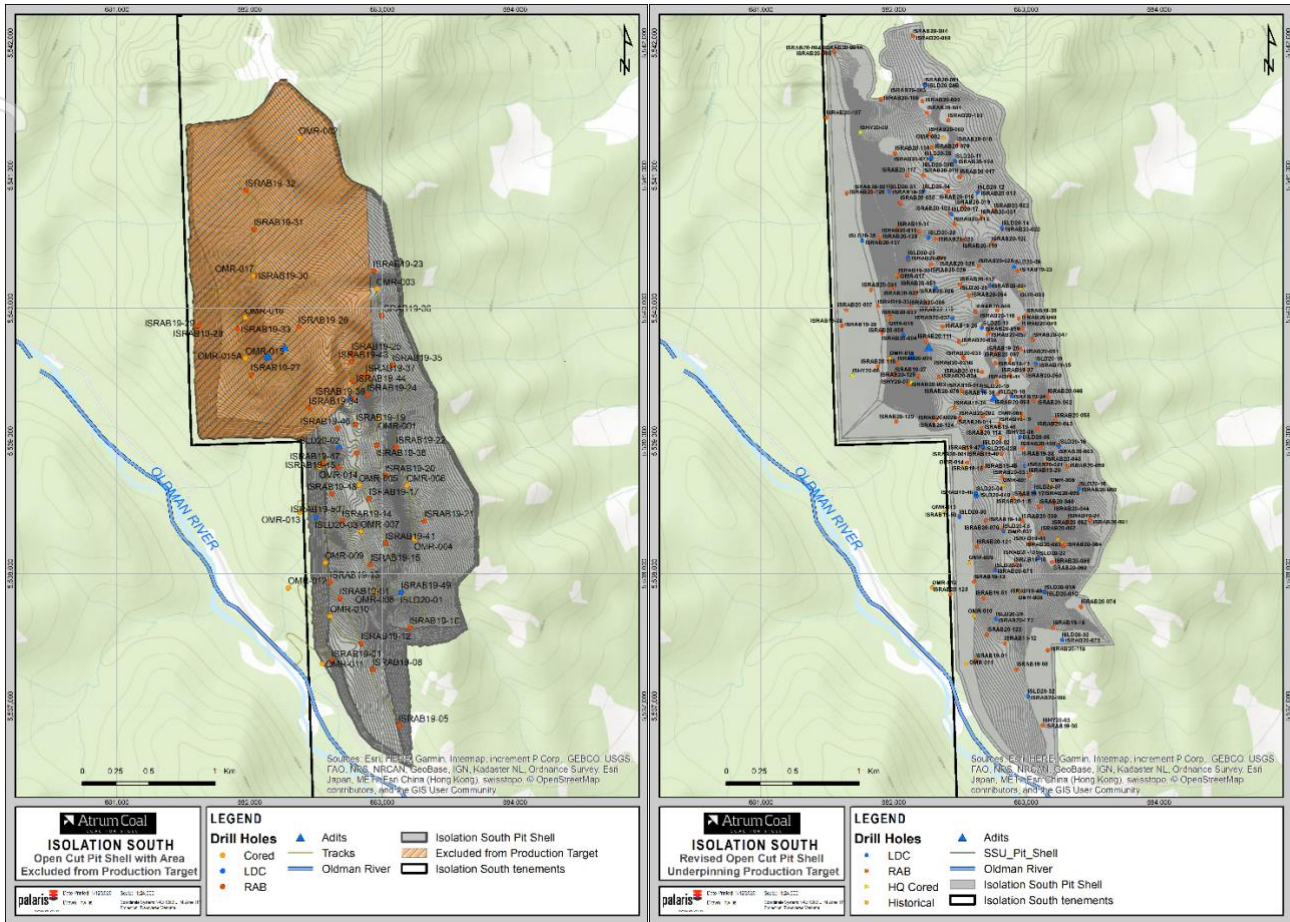
#### 1. New mine schedule incorporating upgraded Isolation South resource

The magnitude of the classification upgrades delivered with the Isolation South resource updated allowed Atrum to enlarge and enhance the mine schedule and production target from the Scoping Study (April 2020).

The context to this is that approximately 108 Mt of Inferred resource within the original Isolation South optimised pit shell (of 188 Mt) was excluded from the mine schedule and production target in the Scoping Study (April 2020), in accordance with the current ASX/ASIC regulatory framework (see Figure 1). The result was that the Scoping Study (April 2020) mine schedule was limited to 126 Mt, being 79.5 Mt from Isolation South and 46.7 Mt from Elan South.

The now successful upgrade of large portions of previously Inferred (and low stripping ratio) resources within that optimised pit shell to Measured and Indicated status allowed for its inclusion in the life-of-mine production target and forecast base case economics presented in the Updated Scoping Study results. This inclusion also allowed the acceleration of lower stripping ratio Isolation South tonnes earlier into the production target, thereby reducing expected stripping ratios and operating costs further in the earlier years of the mine life.

**Figure 1: Isolation South optimised pit shell: Scoping Study (April 2020) on left (with material excluded from mine schedule in brown shading) and Updated Scoping Study on right**



## 2. Sole sourcing from Isolation South

Following the recent resource upgrade, the flagship, low-strip Isolation South resource can now independently support an initial +20-year mine life operation at the world-class scale of 10 Mtpa ROM (6 Mtpa HCC).

As a result of this dynamic, Atrum elected to defer the potential development of Elan South. Concurrently, the decision was taken to remove any mining activity at Elan South from the Updated Scoping Study mine schedule. The key driver of this decision was the considerable simplification of the overall Elan Project scope and footprint that it delivers. This simplification is directly targeted at maximising efficiency in the permitting process and fast-tracking the development of the Elan Project.

It has also reduced the average strip ratio (and expected operating cost) for the Elan Project further. This is a function of the fact that the Elan South mined tonnages included in the Scoping Study (April 2020) (47 Mt), while relatively low-strip by global standards, possess a higher strip ratio than the Isolation South in-pit resources.

It is important to note that Elan South remains a readily viable proposition for future mining activity. As such, clear potential exists for Elan South to be permitted and mined in the future as a Phase 2 expansion development and/or mine life extension for the Elan Project.

### 3. Further refined capital cost estimates

The Updated Scoping Study was informed by further refined pre-production capital cost estimates derived from the current Elan Project PFS workstream. Updated capital expenditure estimates were provided for two major items – the covered overland conveyor systems (+US\$56M) and utilities supply to site (+US\$34M).

The updated capex estimates for these items were based on updated budget quotes for the conveyor system and increased allowances for the power transmission connection.

**Table 5: Updated pre-production capital expenditure estimates**

Capital item	Inclusions	Estimate (US\$M)	Variance to Scoping Study (April 2020) (US\$M)
Utilities supply to site	Raw and potable water, site-wide electrical, controls & instrument infrastructure, internet	67	+34
On site coal handling	Overland conveyor from Product Stockpile to TLO	238	+56
<b>Total</b>		<b>773</b>	<b>+90</b>

All other pre-production capital cost estimates remain unchanged from the Scoping Study (April 2020).

Total pre-production capital expenditure for the Updated Scoping Study was therefore US\$773M (an increase of US\$90M from the Scoping Study (April 2020)). Mining fleet is assumed to be equipment leasing (as was the case in the Scoping Study (April 2020)).

#### A world-class hard coking coal mine

The Updated Scoping Study contemplates a nameplate mining and processing capacity of 10Mtpa ROM (for 6Mtpa product HCC), which is in-line with Case 1 (10Mtpa ROM) from the Scoping Study (April 2020).

**Table 6: Updated Scoping Study key physical and economic outcomes**

	Unit	Updated Study (Nov 2020)	Scoping Study (Apr 2020)	Change	
Total ROM coal mined	Mt ROM	<b>187</b>	126	<b>+ 61 Mt</b>	✓
Annual throughput	Mtpa ROM	<b>10</b>	10		
Initial life-of-mine	years	<b>21</b>	15	<b>+ 6 years</b>	✓
Average strip ratio (ROM)	bcm:t	<b>3.1</b>	4.2	<b>- 28%</b>	✓
Average strip ratio (ROM) – first 10 years	bcm:t	<b>2.3</b>	4.0	<b>- 44%</b>	✓
Processing yield	%	<b>60</b>	60		
Nameplate HCC production	Mtpa saleable	<b>6.0</b>	6.0		
Total product coal (HCC)	Mt saleable	<b>112</b>	76	<b>+ 36 Mt</b>	✓
Resultant clean coal strip ratio (HCC)	bcm:t	<b>5.2</b>	7.2	<b>- 28%</b>	✓
Pre-production capital expenditure	US\$M	<b>773</b>	683	<b>+ US\$90 M</b>	
Cash operating cost (FOB Vanc.)	US\$/t saleable	<b>75</b>	81	<b>- 7%</b>	✓
HCC price (Elan MV HCC FOB Vanc.)	US\$/t saleable	<b>138</b>	138		
NPV <sub>9%</sub> (post-tax, real, ungeared, Y-1)	US\$M	<b>1,395</b>	860	<b>+ US\$535 M</b>	✓
IRR (post-tax, real, ungeared, Y-1)	%	<b>28.8</b>	25.0	<b>+ 3.8%</b>	✓
Project net cashflow (post-tax)	US\$M	<b>4,580</b>	2,610	<b>+ US\$1,970 M</b>	✓

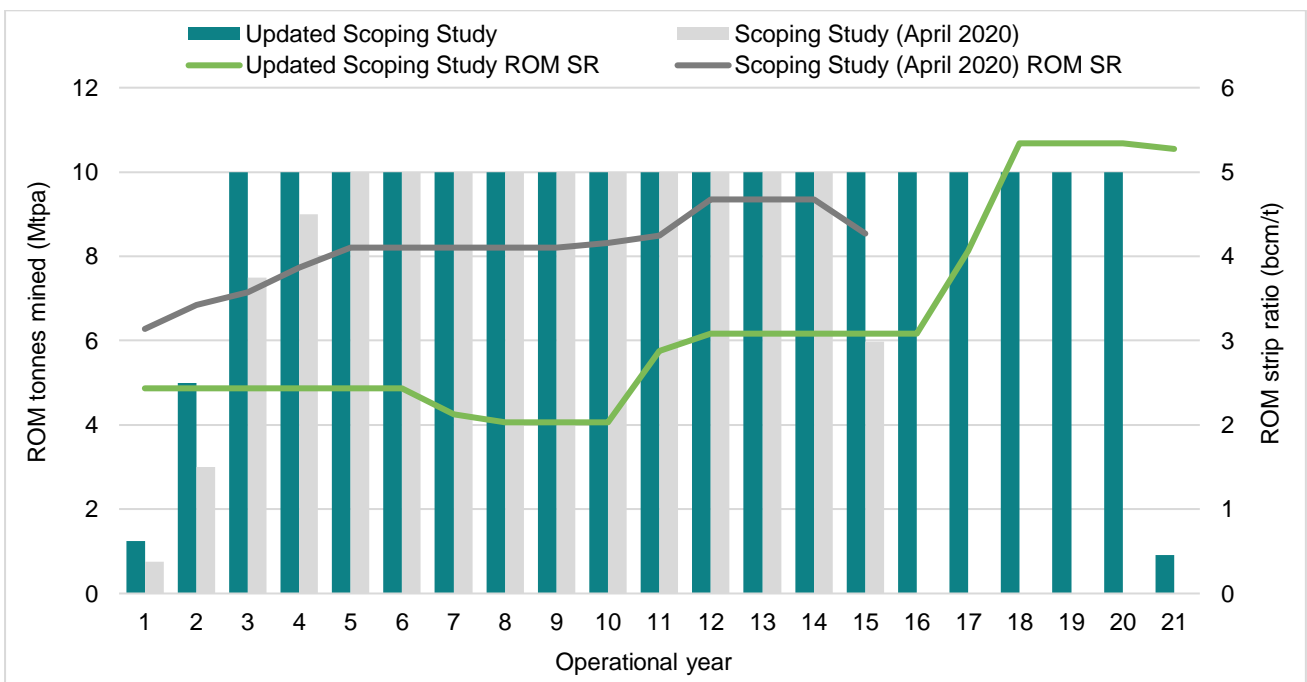
### Key physical outcomes

Scheduled production is now sourced solely from the Isolation South area throughout the project operating life. The net effect of incorporating additional Isolation South tonnage (+108 Mt), and removing all production from Elan South (-47 Mt), is that the ROM production target increases by 61 Mt and overall life-of-mine is increased to approximately 21 years (from 15 years).

The life-of-mine ROM strip ratio is reduced to 3.7 (from 4.3) from solely the inclusion of additional Isolation South tonnes. It is then decreased further to 3.1 (a total reduction of almost 30%) upon the removal of all Elan South material from the mine schedule.

The Updated Scoping Study retains a conservative production ramp-up (albeit more rapid than the original mine schedule given the relative simplicity of solely Isolation South mining activity), with nameplate production not forecast to be reached until Year 3 (see Figure 2).

**Figure 2: Updated Scoping Study mine schedule vs Scoping Study (April 2020) mine schedule**



Inferred resources comprise only 14% of the overall mine schedule and an average of less than 10% over the first three years of operation. Atrum confirms that the financial viability of the Elan Project is not dependent on the inclusion of Inferred resources in the production schedule.

**Table 7: Resources incorporated in Updated Scoping Study mine schedule and production target**

	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)
Resources (Mt)	6.3	154	27	187
<b>Total %</b>	<b>3.4%</b>	<b>82.4%</b>	<b>14.2%</b>	<b>100.0%</b>

The implied product coal (clean coal) LOM strip ratio for the Elan Project is now approximately 5.2 bcm/t HCC (comparing with 7.2 in the Scoping Study (April 2020)).

This product strip ratio is considered very low, particularly when compared with:

- The 2019 average of 11.4 at the nearby Teck Resources' mines in the Elk Valley (see Teck Resources' Q4 2019 Financial Report (page 46), 20 February 2020); and
- The LOM average of 9.2 for the nearby Grassy Mountain HCC Project (see Riversdale Resources' Target's Statement, Grassy Mountain Technical Report by RPM Global (page 8), 28 March 2019).

### Key economic outcomes

Projected economics for the Elan Project from the Updated Scoping Study are outlined in Table 8.

Realised coal price and FX inputs are unchanged from the Scoping Study (April 2020). This represents an average LOM benchmark HCC price of US\$141/t FOB Queensland, which is conservative based on the historical price average over the past 10 years (~US\$180/t). With a forecast 2% discount for Elan medium-to-low volatile HCC products applied, this equates to a realised Elan HCC price of approximately US\$138/t FOB Vancouver. A C\$/US\$ exchange rate of 0.79 has been utilised over the LOM.

All capital and operating cost forecasting is structured on an owner operator basis, with mining fleet equipment leased. Forecast estimation accuracy of the Updated Scoping Study is +/- 35-40%.

**Table 8: Key financial forecasts**

Key financial outcomes	Unit	Updated Study (Nov 2020)	Scoping Study (Apr 2020)
<b>Price inputs (LOM average)</b>			
C\$/US\$ (long term forecast)	C\$ to US\$	<b>0.79</b>	0.79
HCC price (Platts Premium LV FOB Queensland)	US\$/t	<b>141</b>	141
HCC price (Elan MV HCC FOB Vancouver)	US\$/t	<b>138</b>	138
<b>NPV, returns and key metrics</b>			
NPV <sub>9%</sub> (post-tax, real basis, ungeared, Y-1 basis)	US\$M	<b>1,395</b>	860
NPV <sub>9%</sub> (pre-tax, real basis, ungeared, Y-1 basis)	US\$M	<b>1,880</b>	1,180
IRR (post-tax, real basis, ungeared, Y-1 basis)	%	<b>28.8</b>	25
IRR (pre-tax, real basis, ungeared, Y-1 basis)	%	<b>32.9</b>	29
Payback period (post-tax, from first production)	years	<b>3.7</b>	4.4
Payback period (pre-tax, from first production)	years	<b>3.4</b>	4.0
Capital efficiency (post-tax NPV / PP capex)	x	<b>1.8</b>	1.3
Pre-production capital expenditure	US\$M	<b>773</b>	683
LOM sustaining capital expenditure	US\$ / ROM t	<b>1.7</b>	1.7
Project net cashflow (post-tax)	US\$M	<b>4,580</b>	2,610
Project net cashflow (pre-tax)	US\$M	<b>5,968</b>	3,400
<b>Unit cash operating costs</b>			
Mining	US\$/t ROM	<b>18</b>	23
Processing	US\$/t ROM	<b>4</b>	4
Free on Rail (FOR) cash cost	US\$/t ROM	<b>22</b>	27
	US\$/t saleable	<b>37</b>	44
Rail transport and port	US\$/t saleable	<b>29</b>	29
Marketing, commissions and corporate	US\$/t saleable	<b>2</b>	2
Royalties	US\$/t saleable	<b>8</b>	6
Total cash operating cost - Free on Board (FOB)	US\$/t saleable	<b>75</b>	81

Totals may not sum correctly due to rounding differences



Key economic attributes from the Updated Scoping Study include:

- Attractive cash operating cost for Elan product HCC averaging US\$75/t FOB, inclusive of royalties and marketing. This compares with average opex at the nearby Teck Resources' Elk Valley operations of US\$79/t FOB in 2019 (excluding royalties and marketing). This operating cost estimate places the Elan Project in the upper first quartile / lower second quartile of the global seaborne hard coking coal operating cost curve (based on S&P Global Market Intelligence 2019 FOB cost curve).
- Forecast pre-production capital expenditure of US\$773M. This represents a highly competitive upfront capital intensity of circa US\$130 per tonne of installed saleable HCC production.
- Ungeared, real, post-tax NPV<sub>9%</sub> of US\$1.4B and internal rate of return (IRR) of 29%.
- Upfront capital efficiency (pre-production capital expenditure divided by post-tax NPV) of approximately 1.8x.
- Forecast LOM net cashflow of US\$6.0B (pre-tax) and US\$4.6B (post-tax), with pre-production capital payback of less than 3.5 years (post-tax).

### Key opportunities

Several opportunities exist to potentially significantly enhance the outcomes presented in the Updated Scoping Study.

#### 1. Product yield

Regional experience shows Teck Resources' Elk Valley mines, with a similar raw coal ash content range, have product processing yields that typically range from 60 to 70% (which compares with the 60% assumption utilised for the Scoping Study). Further detailed Isolation South washability testwork results are expected in 1Q 2021, which will inform the final PFS input for product coal processing yield.

**Table 9: Product yield sensitivities**

Average process yield	55%	56%	57%	58%	59%	60%	61%	62%	63%	64%	65%
Post-tax NPV (US\$M)	1,150	1,203	1,256	1,291	1,343	1,395	1,447	1,499	1,552	1,604	1,656

#### 2. HCC price

The HCC price and C\$/US\$ inputs utilised for the Updated Scoping Study are unchanged from those used in the Scoping Study (April 2020).

The HCC benchmark price forecast of US\$141/t (FOB Queensland) is based on the long-term real hard coking coal price forecast provided by Consensus Economics (February 2020). It compares with the quarterly average price of nearly US\$180/t over the past decade. Utilising a 10% higher benchmark HCC price input (US\$155/t) increases the Updated Scoping Study Elan Project NPV to approximately US\$1,768M, an approximate 27% increase from the Updated Scoping Study base case.

The long-term C\$/US\$ foreign exchange rate forecast of 0.79 has also been adopted from Consensus Economics (February 2020). This exchange rate drives all US\$ cost assumptions in the Updated Scoping Study that are denominated in C\$ (which is much of the forecast Elan operating cost base).

**Table 10: Post-tax NPV sensitivity analysis (Updated Scoping Study HCC price and C/US\$ inputs)**

Post-tax NPV (US\$M)		C/US\$ rate				
		0.95	0.87	0.79	0.71	0.63
HCC price (US\$/t)		20%	10%	0%	-10%	-20%
113	-20%	152	400	638	873	1,101
127	-10%	543	781	1,011	1,248	1,478
141	0%	934	1,160	<b>1,395</b>	1,623	1,871
155	10%	1,310	1,542	1,768	2,016	2,229
169	20%	1,690	1,913	2,161	2,408	2,615
183	30%	2,058	2,306	2,553	2,758	3,002

### 3. Exploration upside and multiple developments

Substantial resource upside exists across the entire Elan Project tenement base, including at Isolation South and Elan South. This potential is targeted to be realised via further extensional drilling in future field programs.

Further resource delineation has the clear potential to supplement the currently planned Elan Project development by extending operating life and delivering output expansion potential. Moreover, the total areal footprint of the Elan tenement base, combined with its thick, shallow and high-quality coal seam depositions, evidences clear potential for it to host multiple, large Tier 1 hard coking coal developments. Teck Resources' proximate Elk Valley complex produces over 25Mtpa of premium HCC from four operating mines.

### 4. Elan South extension and/or acceleration options

While Elan South was removed from the Updated Scoping Study mine schedule (targeting permitting efficiency and fast-tracking of Elan Project development), it remains a readily viable proposition for future mining activity. Clear potential exists for Elan South to be permitted and mined in the future as a Phase 2 expansion development and/or mine life extension for the Elan Project.

### Elan Project PFS progress

The Elan Project PFS remains on track for completion by mid-2021. Final specialist discipline consultants for the PFS were confirmed in October 2020 as part of the Integrated Owners' Team established by Atrum:

- Geology and Resource – Palaris;
- Mining – SRK Consulting Canada Ltd;
- Processing Facilities and Infrastructure – Sedgman Canada Limited;
- Product Transportation – Hatch;
- Power – Power Grid Specialists Corporation; and

- Water – Westhoff Engineering Resources, Inc.

Initial trade-off studies and subsequent evaluation in 4Q 2020 validated the following key inputs and basis for the PFS:

- Mine and plant throughput of 10.8 Mtpa;
- Primary and secondary options for coal processing plant locations;
- Product transportation from coal processing plant to mainline rail, including conveyor and combined rail/conveyer options;
- Site utilities connection (power and water); and
- Primary and secondary port options and associated rail transportation, including preliminary discussions regarding reservation of port capacity.

The PFS is currently focused on:

- Refining mine and plant design elements based on further coal quality results on residual core samples from the 2020 drilling program, including washability tests to inform yield determination and product specifications.
- Finalising key design elements such as infrastructure/asset layouts and project footprint to inform PFS estimates.

Further updates on the progress of the PFS are expected to be provided during 1Q 2021.

### Challenge to Alberta Coal Policy rescission

During May 2020 the Government of Alberta announced the rescission of the Coal Development Policy for Alberta (1976) (**Coal Policy**), effective from 1 June 2020 (the **Rescission**).

A consortium of ranchers (together the **Ranchers**) and four Indigenous groups (Kainai (Blood Tribe), Siksika Nation, Ermineskin Cree Nation and Whitefish (Goodfish) Lake First Nation #128, together the **Indigenous Groups**) have filed Originating Applications in the Court of Queen's Bench of Alberta seeking judicial review of the Rescission. Each argue that, among other things, the Rescission must be stayed pending the conclusion of judicial review proceedings and that the Rescission must be quashed (and the Coal Policy therefore restored) because it was issued without consulting the public, the Ranchers or the Indigenous Groups and without satisfying legislative prerequisites for amendments to the Coal Policy.

The Government of Alberta has filed an Application to strike the Ranchers Originating Application on the basis that, among other things, it seeks judicial review of a policy decision that cannot be reviewed by the courts. The Government of Alberta has also advised in documents filed with the Court that it anticipates bringing an application to strike all or part of the Indigenous Groups' judicial review proceedings. Further, Atrum and several other interested parties have filed applications to intervene and present argument in the Ranchers judicial review.

The Court consolidated the judicial reviews of the Ranchers and the Indigenous Groups on 19 January 2021. On the same date, and continuing on 20 January 2021, the Court heard the Application to strike and Applications for leave to intervene. Following oral submissions, the Honourable Justice Neufeld reserved his decision on the Application to strike and Applications for leave to intervene and indicated that he hoped to provide his decision in the next couple of months.

Atrum Managing Director and CEO, Andrew Caruso, commented: *“While we respect the right of interested parties to seek to challenge the Alberta Government’s decision, Atrum strongly believes that the repeal of the outdated 1976 Coal Policy was to the benefit of all Albertans. Most importantly, the decision saw zero*

*loss of integrity with respect to proper environmental process. The Elan Project, along with any other proposed coal developments in Alberta, are subject to the highly robust and targeted Federal environmental approvals process and the full scrutiny of the Alberta Energy Regulator.”*

The Government of Alberta has also recently announced the revocation of coal exploration licenses issued since the Rescission. This decision has no impact on Atrum’s Elan Project tenure, which consists entirely of coal licenses issued prior to the Rescission (in most cases by many years). It is also important to note that, even in the event that the Court were to overturn the Rescission and reinstate the Coal Policy, this would also have no direct impact on Atrum’s tenure at the Elan Project.

### **Background**

Repeal of the Coal Policy in June 2020 eliminated the use of coal categories in Alberta, a land use classification system that directed how and where coal leasing, exploration and development could occur. Removal of the outdated coal categories resulted in the coal industry in Alberta simply being subject to the same land use policies as other commodities within the province.

Atrum’s Elan Project is located on tenure that was previously deemed to be Category 2 land. Under the Coal Policy, Category 2 designation referred to land that was generally considered not to be appropriate for open pit coal mining. This meant that any open pit permitting approval for the Elan Project would have required an exemption to be granted under the previous system.

A logical 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.

### **Grassy Mountain permitting update**

The Isolation South deposit is located approximately 20 km north of the Elan South deposit (both within the Elan Project), which shares its southern border with the proposed Grassy Mountain Coal Project (**Grassy Mountain**) owned by Benga Mining Limited.

Grassy Mountain is now in the advanced stages of an Environmental Assessment (**EA**) which is under review by a three-member Joint Review Panel (**JRP**), comprised of appointees representing the Impact Assessment Agency of Canada and the Alberta Energy Regulator (**AER**). The JRP held a public hearing for the review of Grassy Mountain’s EA from 27 October to 2 December 2020.

The Grassy Mountain JRP hearing process provided Atrum with valuable insights on key project aspects that can be applied to the future permit application for Isolation South. Key learnings are planned to be incorporated into project development plans in support of a robust and comprehensive approach to permitting.

In December 2020, the Minister of Environment and Climate Change (**ECCC**) and CEO of the AER granted a 135-day extension to the JRP which must now submit its report no later than 18 June 2021. Any decision to approve the Grassy Mountain Project is expected to be handed down during 4Q 2021 or thereafter.

### **ASX Additional Information**

ASX listing rule 5.3.1 - Exploration and evaluation expenditure during the quarter was \$6,150,000. Details of exploration activity during the December 2020 quarter are set out in this report and are mostly associated with drilling, coal quality test work, environmental baseline studies, trade-off studies for the Pre-Feasibility Study (PFS) 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 December quarter 2020, the Company paid directors fees totaling \$78,000 to non- executive directors and \$117,000 to the Managing Director.

## Corporate

### Underwriting of listed options

During the quarter, Atrum executed an Underwriting Agreement (**Agreement**) with Argonaut Capital Limited and Shaw and Partners Limited (collectively the **Underwriters**) to provide, in conjunction with exercise commitments received from Atrum directors and associated parties, for the exercise of all its outstanding ATUO listed options (which have an exercise price of A\$0.20 and expiry of 31 March 2021) (**ATUO Options**).

The Agreement provides that, in the event of a shortfall in the exercise of the ATUO Options, the Underwriters agree to take-up, or arrange for their clients to take-up, all share entitlements attached to that shortfall. The Underwriters have advised Atrum that they have procured sub-underwriting commitments to take up any shortfall. The Agreement is subject to customary termination provisions for an agreement of this nature, as outlined in Appendix A of Atrum's ASX release with respect to the Agreement.

There are approximately 103.1 million outstanding ATUO Options. The Agreement covers approximately 99.1 million of these ATUO Options, which represents approximately A\$19.8 million gross proceeds (**Underwritten Amount**). Atrum directors and associated parties have separately committed to exercising the residual approximately 4.0 million ATUO Options, and these ATUO Options do not form part of the Underwritten Amount.

Exercise of all outstanding ATUO Options (including via the Agreement under any shortfall) will see Atrum receive gross proceeds of at least A\$20.6 million. The Underwriters will receive a fee of 6% of the Underwritten Amount.

The Agreement also guarantees the Underwriters a shortfall of 10% of the Underwritten Amount (**Guaranteed Shortfall**). In the event of no shortfall eventuating, or a shortfall lesser than the Guaranteed Shortfall eventuating, to satisfy the Guaranteed Shortfall requirement Atrum will need to issue additional new shares up to a maximum of approximately 9.9 million new shares via a placement at A\$0.20 per share, raising up to a maximum further amount of A\$2.0 million. Any shares needing to be issued under the Guaranteed Shortfall requirement fall within Atrum's existing Listing Rule 7.1 issuance capacity.

The proceeds from exercise of the ATUO Options (and any Guaranteed Shortfall placement) are planned to be directed to expected completion of a Definitive Feasibility Study (DFS), and further exploration drilling, on Atrum's world-class Elan Hard Coking Coal Project in southern Alberta. The current Pre-Feasibility Study (PFS) is on track for completion by mid-2021.

The Agreement does not affect the ability of any existing ATUO Options holder to exercise all of their holding. It also does not affect the ability of any existing ATUO Options holder to sell all or part of their holding on-market. Finally, the Agreement does not affect the ability of any existing ATUO Options holder, or non-holder, from purchasing ATUO Options on-market.

To exercise all or part of their holding, ATUO Options holders should complete and return an options exercise form and make payment of the options exercise price in accordance with the instructions provided on the form. ATUO Options holders can obtain an options exercise form online via

[www.investor.automic.com.au](http://www.investor.automic.com.au), by contacting Automic Registry by email to [hello@automic.com.au](mailto:hello@automic.com.au) or by calling 1300 288 644 (within Australia) or +61 2 9698 5414 (international) or by contacting the Company.

For full details on the underwriting of the ATUO Options, see Atrum ASX release dated 18 December 2020, *Listed Options Exercise Fully Underwritten*.

### Exercise of options

During the quarter, 3,597,112 listed options were exercised at a strike price of A\$0.20 each for a total cash inflow of A\$719,422, and 100,000 unlisted options were exercised at a strike price of A\$0.10 each for a total cash inflow of A\$10,000.

### Cash and debt position

Atrum held A\$8.1 million cash at 31 December 2020. The Company has no debt, excluding usual creditors balances.

### 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

#### For further information, contact:

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## 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

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