

ASX Announcement

26 March 2021

ELAN PROJECT AND CORPORATE UPDATE

KEY POINTS

- Alberta Coal Policy (1976) reinstated with additional interim directives.
- Alberta Government stakeholder consultation process to commence shortly; initial process details expected to be released publicly next week and Atrum will update the market as details become available.
- Stated objective of this process is a new, modern coal policy that provides greater certainty and considers the potential development of metallurgical coal resources in a responsible and sustainable manner.
- Elan Project PFS has been paused and this position will continue to be reviewed in the short term; all site-based activities (excluding baseline environmental studies) to be halted to direct maximum focus and effort to the stakeholder consultation process.
- Cost reduction measures being implemented in-line with reduced 2021 site activity levels.
- Board renewal process completed; ATUO listed options underwriting agreement terminated.

Atrum Coal Limited (ASX: ATU) (**Atrum** or the **Company**) advises of a decision announced by the Government of Alberta to reinstate the previously rescinded Coal Development Policy for Alberta (1976) (**Coal Policy**). Atrum's Elan Hard Coking Coal Project (**Elan Project**) is located on what had been designated Category 2 land under the Coal Policy.

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

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

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

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

There has been exemption granted in the past to allow open pit mining on Category 2 land (exemption to Ram River Coal Corporation in 2016) and Atrum is seeking greater clarity under what conditions open pit mining will be allowed under the new coal policy.

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

Cost reduction measures are being implemented to reflect the now significantly lower level of site activities expected in 2021. The planned process of Board renewal flagged at Atrum's 2020 Annual General Meeting has also been implemented with the resignation of two non-executive directors and the appointment of two replacement non-executive directors.

Atrum Managing Director and CEO, Andrew Caruso, commented:

"We fully accept the Alberta Government's reinstatement decision. We also welcome a consultation process that is rigorous, inclusive and transparent. We believe such a process is precisely how all key stakeholders including First Nations, ranchers, local communities, industry and other land users can work towards a balanced, modern policy that makes Alberta a world leader in sustainable resource development."

"The resources sector, as with almost all key industries, has progressed dramatically across recent decades. Stakeholders rightly expect that project proponents can demonstrate their comprehensive plans to protect the surrounding environment, generate meaningful socio-economic benefits for First Nations, local communities and Government alongside returns for investors. Atrum can do exactly this. We look forward to the opportunity to present how modern, sustainable mining and land use practices will enable Alberta to unlock the valuable hard coking coal resource it holds at Elan while protecting its environment and waterways."

"I believe it is critical to continue to emphasise that Elan is a hard coking coal, also known as metallurgical coal, project. Unlike thermal coal, for which there are many alternative energy sources, there is no viable substitute for hard coking coal in the production of high strength and hardness carbon steel via the blast furnace route. Steel is essential to modern life and socio-economic development, including in the construction of many of the renewable energy technologies and infrastructure that form the basis of the world's transition towards a carbon-neutral setting."

Alberta Coal Policy update

Background

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

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

Atrum's Elan Project is located on tenure that is classified as Category 2 land under the Coal Policy. The Category 2 designation refers to land that is not normally considered for open pit coal mining unless

appropriate environmental stewardship is applied to the project. This means that any open pit permitting approval for the Elan Project under the Coal Policy framework requires an exemption to be granted.

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

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

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

The result has been the delineation of a world-class hard coking coal resource of Tier-1 quality on the Elan tenure, comprising a total Mineral Resource estimate of 486 million tonnes (6.9 Mt Measured, 228 Mt Indicated and 252 Mt Inferred, see Atrum ASX release dated 25 November 2020, *Isolation South Resource Update*)¹. It has enabled Atrum to complete a Scoping Study (April 2020) and Updated Scoping Study (December 2020) on the Elan Project. It has also enabled progression of a Pre-Feasibility Study (PFS) that was, to this point, on track for completion by mid-2021.

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

Interim framework application

Current exploration on Category 2 lands can continue under existing CEP approvals. The AER has confirmed however that no new CEPs will be granted on Category 2 lands prior to the formulation of a new coal policy by the Alberta Government.

Atrum is therefore able to continue any activities on the Elan Project already approved under its 2019 and 2020 CEPs. However, Atrum confirms that it will halt all major site-based activities, including any planned drilling in 2021, with the exception of baseline environmental study work that is required to ensure the continuity and integrity of work done in previous years. This decision has been taken in order to preserve cash and to direct maximum focus and effort towards the stakeholder consultation process.

Consultation process

It is expected that a panel to facilitate the stakeholder consultation process will be appointed by the Alberta Government in the next month, along with the provision of the terms of reference. This panel is expected to include First Nations members, environmental group representatives, southwestern Alberta ranchers and municipality stakeholders and Albertan coal industry participants. The consultation process is expected to begin shortly thereafter.

The objective of the process has been stated to develop a new, modern coal policy that provides greater certainty for all stakeholders and considers the potential development of metallurgical coal resources in a responsible and sustainable manner.

Ongoing activities and focus

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

As a result of these decisions, the Elan Project Pre-Feasibility Study (**PFS**) has been paused. This decision reflects the aforementioned intent to direct maximum focus to the stakeholder consultation process. It is also made in acknowledgment of the potential for a new coal policy to impact on design elements of the proposed Elan Project development. This position will continue to be reviewed in the short term in light of ongoing developments.

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

Funding position

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

As at 15 March 2021, Atrum holds A\$4.9 million cash and zero debt (excluding typical trade creditors). Cost reduction measures are being implemented to reflect the now significantly lower level of site activities expected in 2021.

Board renewal

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

This process has now been implemented with the following changes effective as of today:

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

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

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

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

Jeff Gerard

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

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

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

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

Anita Perry

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

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

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

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

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

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

Andrew Caruso, Managing Director and CEO

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