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Atrum Coal
COAL FOR STEEL

ASX Release

24 October 2018

QUARTERLY ACTIVITIES REPORT
FOR THE PERIOD ENDING 30 SEPTEMBER 2018

HIGHLIGHTS

- **Phase 2 of Elan South 2018 drilling program completed; Phase 3 large diameter coring for coal quality testing to start in late October**
- **Significant coal intersected in drilling and exposed in cuttings of access roads during Phases 1 and 2 of the program**
- **Preliminary coal quality analysis indicates high-quality coking coal**
- **Elan South JORC resource estimate expected in late 2018**
- **Hancock Prospecting acquisition of 19.9% of Riversdale Resources for A$68.9m cash; Riversdale's flagship Grassy Mountain Project borders Atrum's Elan South**
- **2018 Panorama North field program, fully funded by JOGMEC, now complete; maiden JORC resource estimate expected in 1Q 2019**

Atrum Coal Ltd ("**Atrum**" or the "**Company**") (**ASX: ATU**) is pleased to provide its Quarterly Activities Report for the period ending 30 September 2018.

Non-Executive Chairman, Charles Blixt, commented: "*The recent quarter has been extremely busy. Results from the Phase 2 drilling at Elan South have delineated a now substantial potential strike extent of coal deposit with impressive apparent seam thicknesses. Preliminary coal quality analysis also indicates high-quality coking coal parameters. Phase 3 large-diameter drilling is now set to begin with more detailed coal quality analysis and an updated JORC resource estimate expected prior to year end.*

"The continued investment of JOGMEC in our Panorama North Project has enabled us to complete a fully funded C$1.9M program this year which, together with the work done in the previous two years, should allow us to deliver a maiden JORC resource estimate early next year. Our partnership with JOGMEC has been further strengthened by the exclusivity agreement we have signed for Panorama South."

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Board of Directors

Non-Executive Chairman	C. Blixt
Managing Director/CEO	M. Wang
Non-Executive Director	J. Chisholm
Non-Executive Director	C. Fear
Non-Executive Director	G. Edwards
Company Secretary	J. Stedwell

Key Projects

Groundhog	Ownership: 100%
Naskeena	Ownership: 100%
Elan Coal	Ownership: 100%

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Elan Project Update

Phase 2 exploration program completed at Elan South

Phase 2 of the Elan South drilling program started and predominantly completed during the quarter, with the last two holes finished in the first week of October. A total of 32 open holes were drilled between Phase I and Phase 2, with over 6,500m of drilling completed. Significant coal was intersected in most drill holes and exposed in road cuttings, including an apparent cumulative intersection up to 42.8m in hole ESRAB18-4.

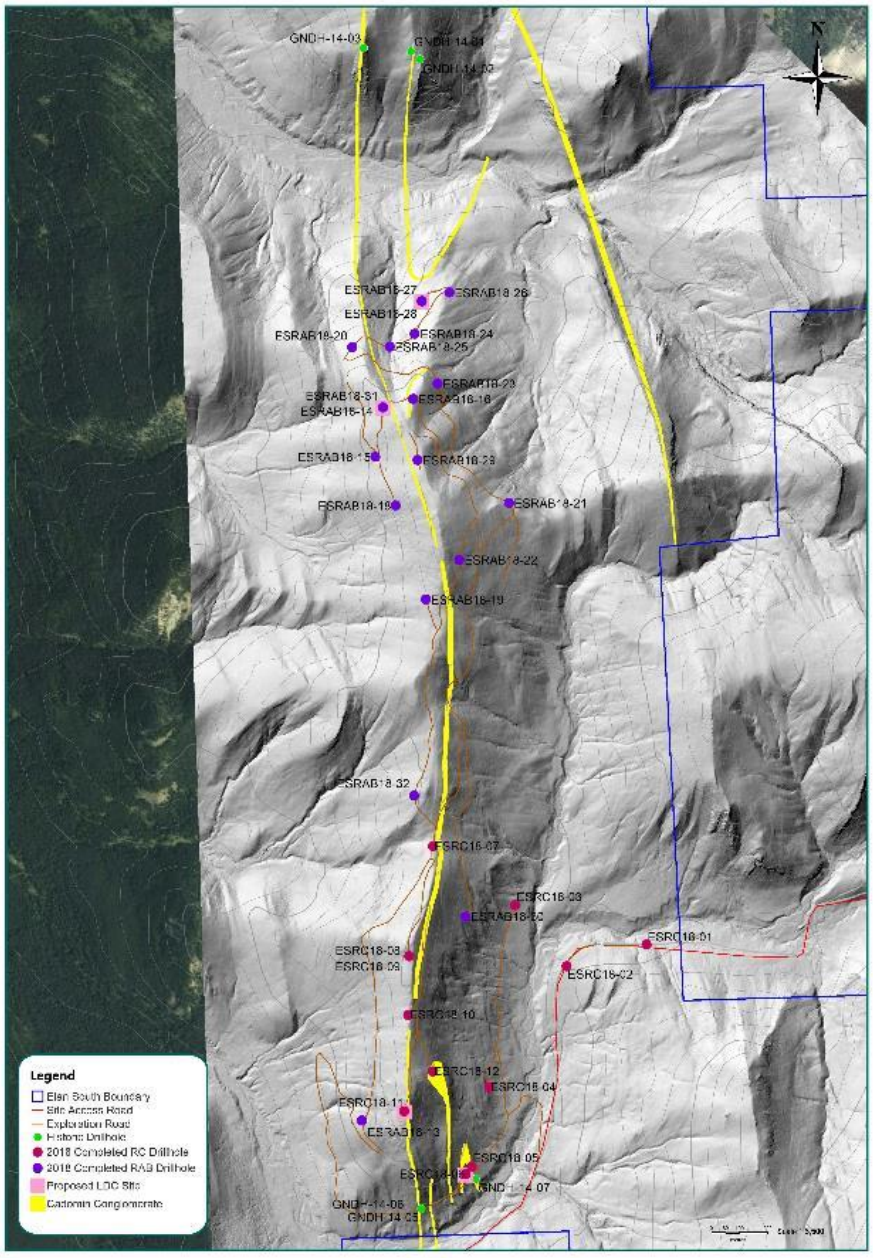

Figure 1. Elan South Drillhole Locations

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As outlined in Atrum's ASX release of 25 September 2018 (*Substantial high-quality hard coking coal defined at Elan South*), the strategy for the 2018 program was to define the structural geology of the deposit, refine coal quality and coking properties, and to underpin an increase in the JORC resource estimates.

Preliminary coal quality testwork supports the assertion that Elan South is a high-quality hard coking coal.

Work underway in the current quarter

Phase 3 drilling

Large diameter cored drilling (Phase 3) is due to start in late October 2018. This phase consists of six boreholes, extract 150mm diameter cored coal samples through the coal seams, twinning those intersected in the previously drilled holes. The large diameter core samples will be subjected to coal quality, washability and coke characterisation testwork.

JORC resource estimate

One of the objectives of the 2018 drilling program is to update the existing Elan South JORC resource estimate which was based on limited data acquired during the 2014 drilling and field survey. Geological interpretation and modelling work are currently being undertaken to update 3D models with the large amount of borehole and field survey data, in order to significantly expand on the JORC resource at Elan South. The updated JORC resource estimate and report for Elan South are expected prior to year end.

The Company is also reviewing the large volume of historical information available on Atrum's other tenement areas within the broader Elan Project, with new geological databases and 3D models being constructed. These models will underpin work to characterise the geology and update the resource estimates for these other Elan areas.

Permits

The Environmental Baseline Study has already started at Elan South with the aim of collecting baseline environmental data for permitting the project. Further collection of field data is expected in the current quarter.

See Atrum's ASX release of 25 September 2018 (*Substantial high-quality hard coking coal defined at Elan South*) for further details.

Increased interest in coking coal projects in the Crowsnest Pass

There has been increased interest observed in coking coal project investment in the Crowsnest Pass area of Alberta. During the quarter Hancock Prospecting acquired 19.9% of Riversdale Resources for A$68.9M cash. Riversdale's flagship Grassy Mountain project borders Atrum's Elan South project and has similar geological characteristics.

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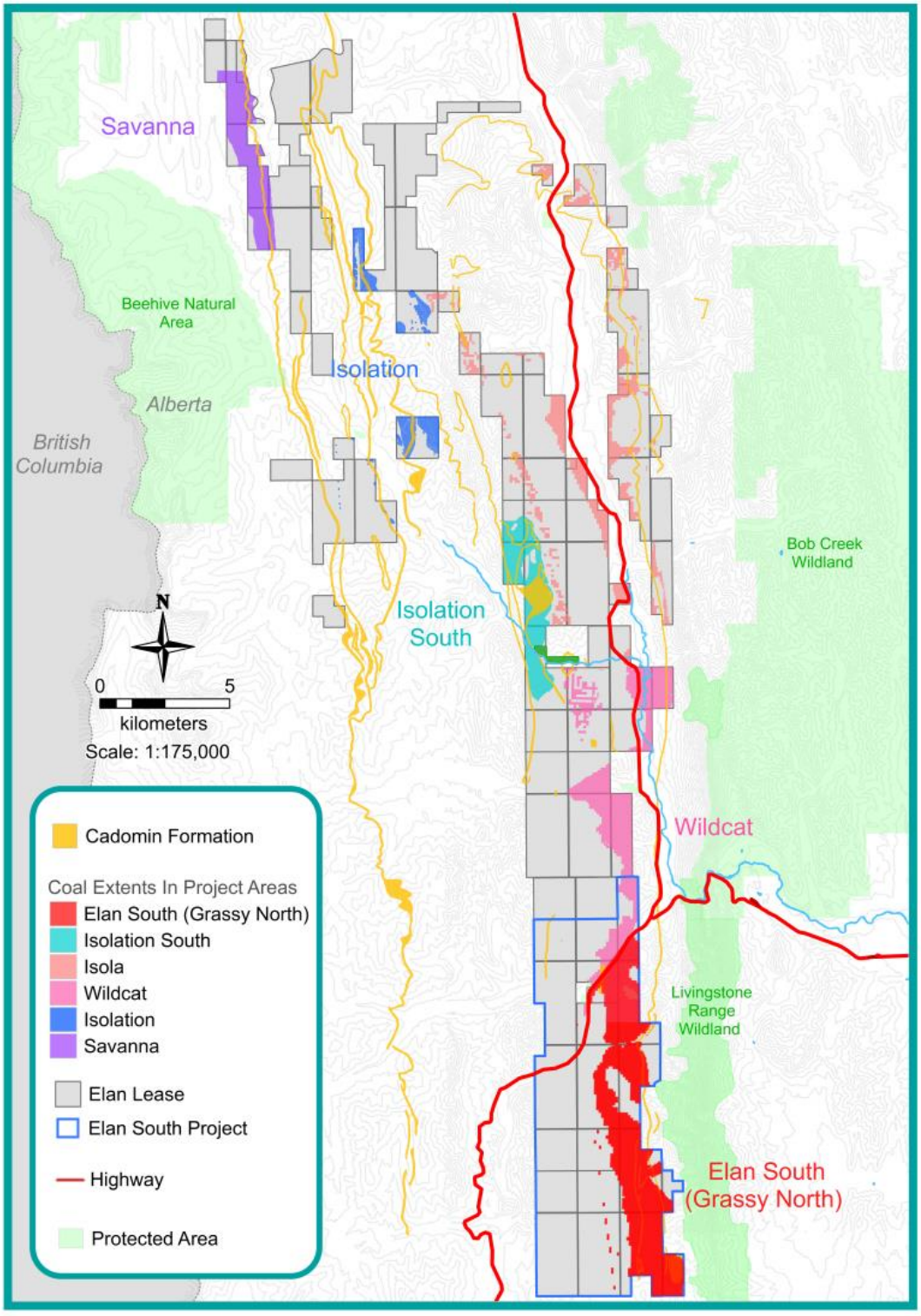

Figure 2. Different Project Areas of Elan Coal

Panorama North

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The Panorama North Project is located south-west of Groundhog North in British Columbia. Atrum has an exploration joint venture agreement with Japan Oil, Gas and Metals National Corporation (JOGMEC). Under the agreement, JOGMEC can earn in up to a 35% interest in the Panorama North Project by investing C$5.0M in exploration expenditures across the project over a three-year period.

The 2018 field program which commenced mid-August has now been completed as planned. The program was fully funded by JOGMEC for a total budget of C$1.9M. A total of 1,979 metres of fully cored diamond drill holes were completed at eight sites, with significant coal seam intersections. The cores have been submitted for analysis at an independent laboratory and results are expected in the current quarter. Initial visual inspections are promising, with cores displaying physical properties similar to the samples taken from the 2016 and 2017 drilling programs.

Atrum and JOGMEC designed the 2018 field program at Panorama North with the aim of identifying the extent of the anthracite deposit within a wide area at Panorama North. The holes drilled this year, combined with those drilled in 2016 and 2017, were designed to obtain adequate drill data to underpin a JORC resource estimate and to provide more information on the local geology structure of anthracitic coal seams.

Work underway in the current quarter

Coal quality laboratory results from the 2018 drill program cores are expected late in the current quarter. In combination with previous drilling results, the 2018 drill data will also form the basis of a maiden JORC resource estimate on Panorama North. This is currently targeted for completion and release in 1Q 2019. Panorama North is adjacent to the Groundhog Project (100% Atrum), which hosts a 1.02 billion tonne JORC resource.

See Atrum's ASX release of 5 October 2018 (*Significant coal intersections in 2018 Panorama North drilling program*) for further details.

Panorama South

During the quarter JOGMEC and Atrum signed an exclusivity agreement for negotiating a joint venture on the Panorama South tenements, as an addendum to the existing Panorama North joint venture agreement. Subject to other detailed terms and conditions specified in the agreement, the addendum provides that, until 31 March 2021, the Company and JOGMEC will negotiate exclusively for a possible joint venture agreement to explore Panorama South. JOGMEC will refund Atrum the tenements lease payments for Panorama South made, or to be made, by the Company from 1 April 2018 to 31 March 2021.

Groundhog Project

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The Groundhog Anthracite Project (Groundhog) is in the Groundhog Coalfield in north-western British Columbia, Canada. Atrum's Groundhog tenements consist of a total area of approximately 600 km² as at the end of the quarter, including those of the Panorama Projects, which are known to contain high grade anthracite deposits. Atrum has conducted significant exploration and drilling in the area over the past several years and the Company continues to explore joint venture opportunities with other potential partners to further the exploration and development of the remaining tenements at Groundhog.

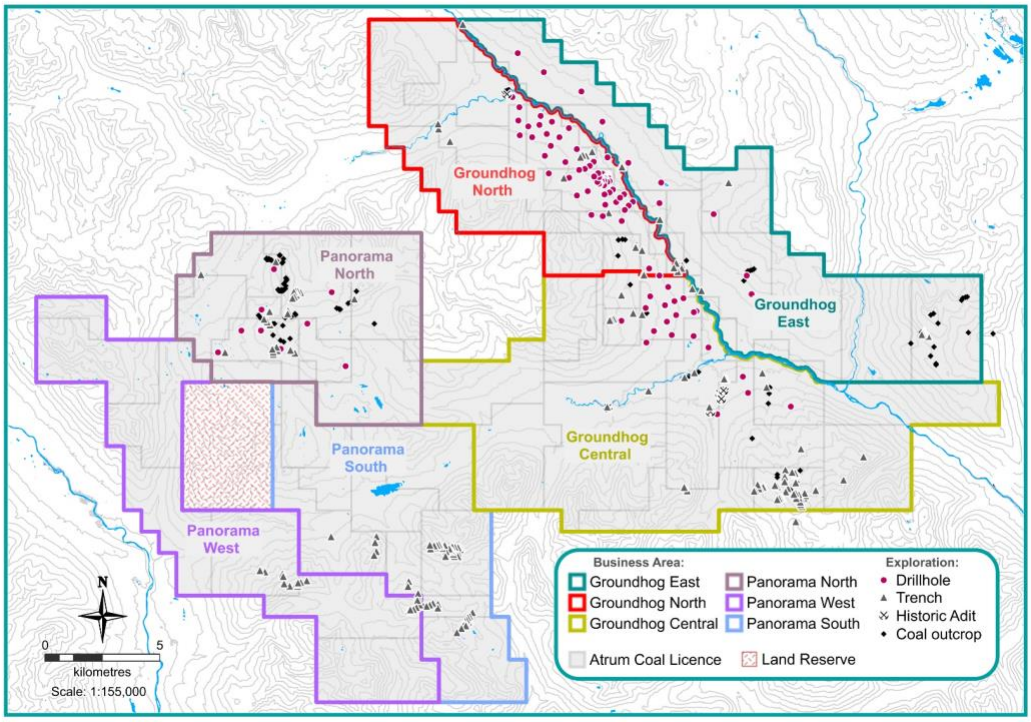

Figure 3. Groundhog and Panorama Coal Tenements

Export Sales Joint Venture with Atlantic Carbon Group PLC

During the quarter, Atrum received US$106,100 from Atlantic Carbon Group PLC as part payment with respect to the export sales joint venture the companies operate. The balance outstanding of US$616,400 is expected to be received in monthly instalments over the next 6 months.

CORPORATE

Appointment of Palaris

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During the quarter, the Company appointed the highly regarded international mining consulting firm, Palaris Australia Pty Ltd, to assist with geological support and JORC resource estimation. The JORC Competent Person visited the Elan site in September and will support the Company in updating JORC resource estimates and reports for the Elan Project and Panorama North. Palaris is also evaluating historical exploration data for the purpose of geological modelling and JORC resource estimation of different project areas at Elan Coal, as well as providing independent ASX compliance reviews.

Appointment of Fivemark

Atrum has also appointed Australian firm, Fivemark Partners, as its equity market and investor relations advisor. Fivemark will work collaboratively with the Company with respect to its investor relations and equity market strategies, as well as providing support for media communications.

Presentation at Canadian Coal Conference

Atrum Managing Director, Max Wang, gave a presentation on the Company and its key projects at the Canadian Coal Conference, which was held in September 2018 in Vancouver. Max was also re-elected to the board of the Coal Association of Canada during that time.

Tenements

The Company relinquished a number of tenements in BC which it considers less promising. These include all the Panorama West tenements and three Groundhog tenements. All these tenements were originally staked by the Company. Please see the map below which shows the details of the tenements relinquished. These relinquished tenements have insignificant impact on the company's overall explanation plans, reported resources and envisaged future development potential for Panorama and Groundhog.

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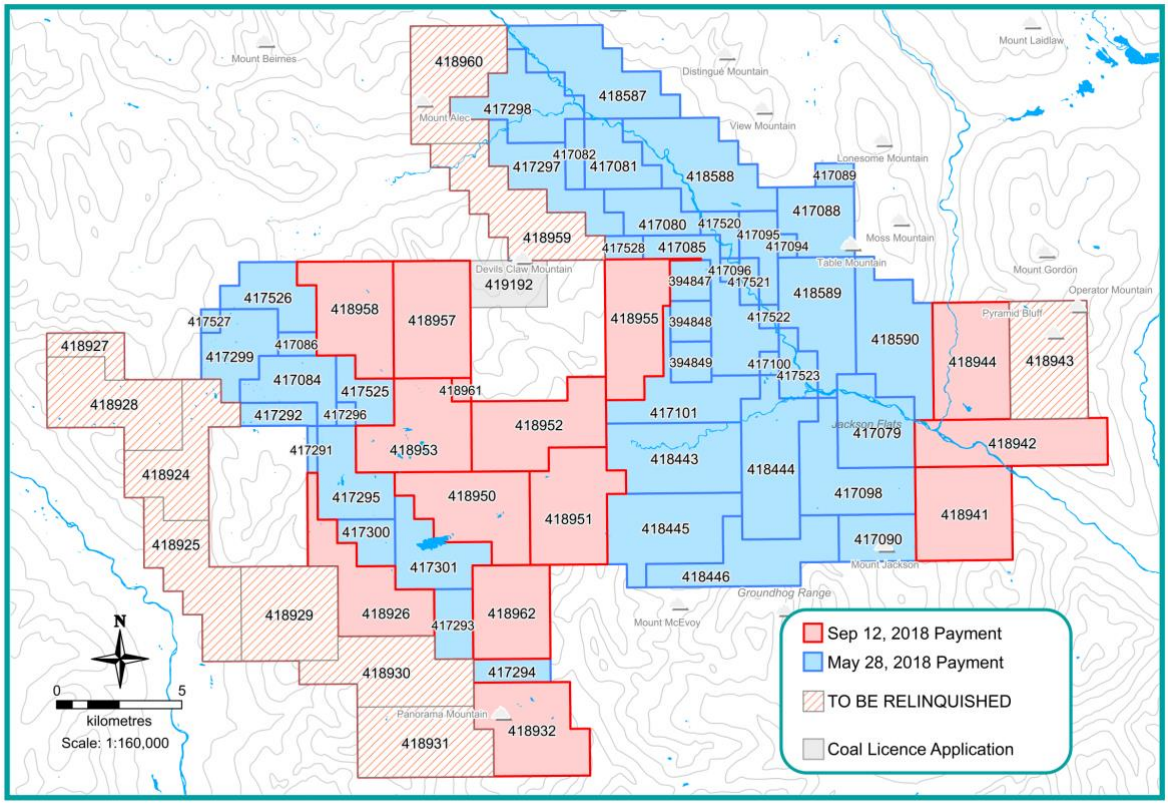

Figure 4. Atrum's Panorama and Groundhog coal tenements

Kuro Coal Convertible Notes and outstanding debts

During the quarter, the Company issued 50,000 shares to redeem a further A$5,000 of the Kuro Notes, reducing the amount outstanding to A$25,000.

The Company also issued a total of 1,440,000 shares to former directors of Kuro Coal Ltd, in lieu of A$144,000 of fees due to them.

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APPENDIX 1. BRIEF MARKET UPDATE

The third quarter of calendar 2018 saw continued strength in both coking coal and anthracite markets, as indicated in Figures 5 and 6. Most commentators expect the market to remain relatively strong in the foreseeable future.

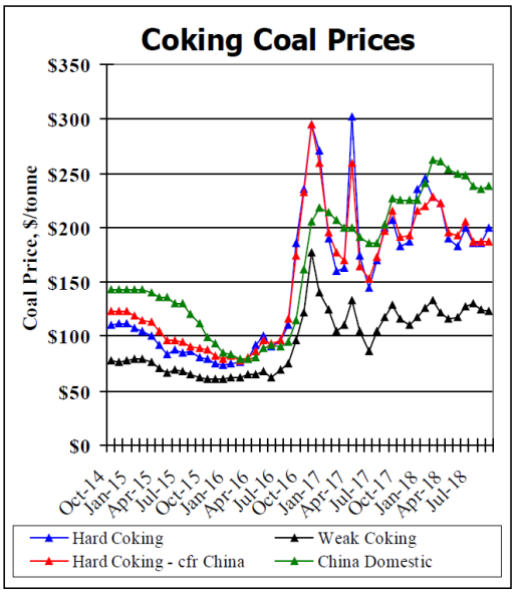

Figure 5: Coking Coal Price Chart (from Resource-Net)

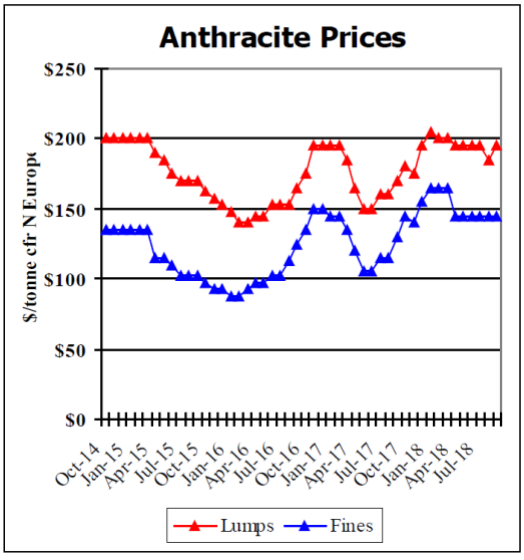

Figure 6: Anthracite Price Chart (from Resource-Net)

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Appendix 2: TOP 20 SHAREHOLDERS

ATRUM COAL LIMITED

Top 20 Listing – At 24 October 2018

Rank		Holder name	Designation	Current 24/10/2018 Securities	%	Previous Top * As at: 28/09/18 * Securities	%	Rank at 28/09/18
*	1	LENARK PL	LENARK INV A/C	42,701,384	11.83%	42,701,384	11.88%	1
	2	NERO RESOURCE FUND PL	NERO RESOURCE FUND	13,158,096	3.65%	12,573,628	3.50%	2
	3	WUSATY EUGENE		10,376,888	2.88%	10,376,888	2.89%	3
*	4	STEPHENS B O + E J	STEPHENS GRP S/F A	10,000,000	2.77%	10,000,000	2.78%	4
*	5	JONES RODNEY M + C R	HOPERIDGE ENT PL S	9,749,240	2.70%	9,749,240	2.71%	5
	6	CARJAY INV PL		8,862,946	2.46%	8,862,946	2.47%	6
*	7	HSBC CUSTODY NOM AUST LTD		8,486,163	2.35%	8,228,260	2.29%	7
*	8	MONEX BOOM SEC HK LTD	CLIENTS ACCOUNT	5,658,256	1.57%	5,658,256	1.57%	8
*	9	YARANDI INV PL	GRIFFITH FAM NO 2	5,438,989	1.51%	5,438,989	1.51%	9
	10	MARFORD GRP PL		4,940,000	1.37%	4,940,000	1.37%	10
*	11	BOOTH WILLIAM		4,379,408	1.21%	4,379,408	1.22%	11
	12	ENGLER ROBERT		4,351,598	1.21%	4,351,598	1.21%	12
	13	BERNATOVIC MARIO DAMIR		4,330,000	1.20%	3,850,000	1.07%	15
*	14	WALLIS-MANCE PL	WALLIS-MANCE FAM A	4,125,000	1.14%	4,125,000	1.15%	13
*	15	ASHABIA PL	ASHABIA S/F A/C	4,025,000	1.12%	4,025,000	1.12%	14
	16	ABROLHOS EDGE PL	ABROLHOS EDGE SUPE	4,000,000	1.11%	3,600,000	1.00%	17
*	17	TOPSFIELD PL		3,762,606	1.04%	3,762,606	1.05%	16
	18	HURST DOUGLAS CULMER		3,500,000	0.97%	3,500,000	0.97%	18
*	19	CTSF PL	VC SUPER FUND A/C	3,413,976	0.95%	3,313,976	0.92%	20
*	20	BOSTON FIRST CAP PL		3,332,084	0.92%	3,332,084	0.93%	19
			TOP 20 TOTAL	**158,591,634**	**43.96%**	**156,769,263**	**43.61%**	

* Denotes merged holders.

Note: All holders are included in the report.