

Atrum Coal NL - Quarterly Activities and Cashflow Report 30 Sept. 2015

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Sydney, Australia (ABN Newswire) - [Atrum Coal NL](#) ("Atrum" or the "Company") (ASX:ATU) (OTCMKTS:ATRCF) is pleased to report the Company's activities for the quarter ended 30 September 2015.

Commenting on the quarterly achievements, Executive Chairman James Chisholm stated: "During the quarter, we made progress on the sale of a minority interest in the Groundhog North Mining Complex, paid over-hanging commitments related to previous acquisitions of tenements in Groundhog and continued with development planning for the Bulk Sample and Small Scale Mine.

Further discussions with potential customers has identified a number of products that could potentially be provided from Groundhog, not just blast furnace coke replacement. This has allowed us to further refine our financial model and development plans.

During the next quarter, we expect to progress the sale of a minority interest in the Groundhog North Mining Complex, receive funds related to our latest METC claim and secure the government permit to mine a Bulk Sample at Groundhog. This will enable us to meet customer delivery schedules for 2016."

Groundhog Anthracite Project

The Groundhog Anthracite Project (Groundhog) is located in the Groundhog Coalfield in northwestern British Columbia, Canada. Groundhog covers an area of over 800km², and comprises 46 granted coal licences and 37 coal licence applications. Groundhog is prospective for high grade and ultra-high grade anthracite suitable for application in the manufacture of specialty steels and alloys, in electric arc furnaces, for ore sintering, as a reductant and cathode paste, as filter media, as feedstock for industrial chemical production and as an economic alternative to graphite.

Following the 2014 drilling program, a mine propensity study was undertaken to ascertain the scale of potential mines at Groundhog. The propensity study identified multiple possible mining opportunities across the Groundhog North Mining Complex (refer Figure 1 in link below). The area, highlighted in the map below, hosts multiple potential mining domains. Value engineering of the original Prefeasibility study, and supplementary mining and transport studies have shown a small scale mining operation could be commissioned for under US\$50m.

The production plan to extract anthracite from mines designed in the Groundhog North Mining Complex is based on initial saleable product limited to 250ktpa, under a small-scale mining permit.

Production would be increased to approximately 1.0Mtpa once the Environmental Assessment process is successfully completed, which at this stage is anticipated to be in 2017, and then increase to 3.5Mtpa and beyond thereafter. Environmental studies required for the various permits and approvals continue at Groundhog, and are anticipated to be complete for preparation of an Environmental Impact Assessment in H1 2016.

During the Quarter, the Company continued to monitor various environmental stations at Groundhog for environmental impact assessment for the commercial mine, and to provide supporting data for the Bulk Sample Permit application and a Small Scale Mine Permit application.

As well, more field mapping was undertaken, and further outcropping anthracite seams were identified (see link below).

The Company has a services contract at Stewart Bulk Terminals and an MOU at Stewart World Port for loading anthracite mined at Groundhog North into Handymax, Panamax and eventually Capesize vessels for delivery to steel mills, industrial users and briquetting plants around the world.

During the Quarter, Stewart World Port completed construction of their berth (see photo below) and are now in the process of designing a loader capable of loading lump and fine anthracite.

The Company is also in negotiations with rail operators to enable anthracite to be railed south from

Groundhog to Prince George and then west to the under-utilised Ridley Coal Terminals at Prince Rupert.

During the Quarter, the Company progressed joint venture discussions on other areas in Groundhog, focussed on the Panorama Projects (Panorama North; Panorama South and Panorama West). The Panorama Projects contain historical exploration, including 96 surface trenches, and significant surface mapping. Historical coal quality analysis of surface samples indicate the Panorama Projects are prospective for high grade and ultra-high grade anthracite, and the Company intends to focus exploration in 2016 in these areas investigating the occurrence of near surface emplacements of low stripping ratio anthracite. The Company intends to fund this exploration through farm-in style joint-ventures on the Panorama Projects.

Historical exploration activities have shown encouraging results at Panorama and the Company is keen to explore the areas in the future. Joint venturing the Panorama project areas allows the Company to undertake exploration activities without the need for additional capital raises and, at the same time, introduces major Asian partners to the Company, one from Japan and one from China.

As advised in the Company's press release of 16 October 2014, the Company is also investigating separating Groundhog Central and Groundhog South into new companies for further exploration activities.

It should be noted that another company, formed by ex-directors of Atrum have used the name Groundhog South in recent unsolicited communications to many Atrum shareholders. The Company will deal with this issue once the Bulk Sample Permit is secured.

Groundhog Marketing and Offtake Negotiations

Meetings continue with potential off-take and funding partners. These meetings are progressing well with potential customers now identifying several areas in steel production suitable for Groundhog anthracite. There is strong demand for a higher ash, high carbon fine product for use in sinter plants. Given the lower processing costs associated with such a product, margins are attractive and such markets make use of the anthracite fines.

Anthracite Market Update

Unlike many current resource development projects, the expected margins at Groundhog are excellent even in the current market. Whilst hard coking coal prices remain subdued, high-grade anthracite is selling for between \$150/t-\$175/t in Japan and Europe, and demand for anthracite remains strong (refer to Figure 3 and Figure 4).

Anthracite production for export continues to decrease, and whilst hard coking coal markets are in over supply, anthracite markets are undersupplied. Vietnam and Ukraine, once the largest exporters of high grade anthracite are quickly receding from the market with their combined exports anticipated to be only 2.7Mt in 2015, against supply of 20.8Mt in 2012, and 11.7Mt last year (refer Figure 2 in link below). The rapid decrease in anthracite exports appears unable to be supplied from other major exporters in Russia and South Africa, resulting in a tight supply and demand dynamic, creating a strong price environment. There is only minor new supply available, and consumers of anthracite are turning to less suitable alternate supplies of carbon in the form of metallurgical coke, petroleum coke, and lower carbon coals in the interim.

Bulk Sample Permit

The Bulk Sample Permit Application is in the statutory Review period. Approval in H2 2015 will allow the Company to provide trial cargoes to steel producers in Asia, USA and South America, and also provide specialist end-users with samples of very low ash, ultra-high grade anthracite for trial, as well as higher ash, high carbon fine products for sinter plants.

Peace River and Naskeena

During the quarter, the Company elected to relinquish the Peace River Project tenements. Desktop work conducted on the project, along with the 0 - 25mt JORC target was not considered to be commercially sustainable to maintain annual tenement rentals. The Company had previously reduced the Naskeena holdings as well, and is currently reviewing the Bowron River Project. An updated table of tenements held by the Company is shown at end of this report.

Financing

Atrum has formalised a binding MOU previously signed with CCTEG by entering into a general contract with CCTEG for the supply of equipment for the Groundhog Project.

During the Quarter, the Company raised approximately \$8 million via an Entitlement Issue and Placement. \$1 million was offset against the working capital loan provided by Lenark Pty Ltd. Other payments were made in relation to past tenement acquisitions, site activities to prepare the Groundhog site for the winter period, significant environmental reports and final submissions relating to the Bulk Sample Permit, anthracite quality reports required for sell-down discussions and legal costs associated with the injunction forced on the Company by previous directors. The discrepancy between the forecast expenditure and actual expenditure during the quarter resulted from the payment to Anglo Pacific PLC, fees and costs associated with the capital raise and costs associated with the injunction.

Given the Company's focus is on securing the required permits to begin mining, project expenditure has been minimised to that associated with obtaining the Bulk Sample Permit. As noted earlier in this report, exploration activities for other areas in Groundhog and Panorama are under joint venture discussions such that the Company will not be required to fund the planned exploration.

With remaining cash reserves, and C\$3.2m METC refund, the Company has sufficient financial resources for planned activities.

Atrum remains committed to financing the mine through the combination of the existing equipment finance, traditional project finance, and selling a minority share in the Groundhog North Mining Complex (Complex). As permitting is imminent, the Complex requires a modest level of investment from Q2 2016 to enable trial cargoes to be sold to customers in 2016. The Company is confident the sale process will reach a successful conclusion prior to project construction beginning in 2016.

SUBSEQUENT TO THE QUARTER

Mineral Exploration Tax Credit (METC)

Subsequent to the Quarter, the Company finalised accounts relating to the next METC refund for C\$3.2m. Based on the three previous METC refunds, funds associated with the METC are expected prior to Christmas. A separate refund application is being prepared for work completed on the Elan project in Alberta.

Kuro Coal Ltd

During and subsequent to the Quarter, the Company has undertaken a review of the Elan Coking Coal Project in Alberta, and a number of other opportunities that have been presented with the downturn of the coking coal market. Although focussed on the development of Groundhog, the Board is reviewing acquisition opportunities for Kuro. A meeting of Kuro Coal noteholders is being planned to vote on converting notes to Atrum shares and options.

Annual General Meeting

The 2015 AGM will be held at 11am on 27th November on level 27 of Angel Place, 123 Pitt St, Sydney. All shareholders are encouraged to attend to discuss the Company and its projects with directors, receive an update on activities, vote on resolutions and raise any concerns.

To view the report, with tables and figures, please visit:
<http://media.abnnewswire.net/media/en/docs/ASX-ATU-740223.pdf>

About Atrum Coal NL:

[Atrum Coal NL](#) (ASX:ATU) is an emerging metallurgical coal explorer and developer.

The Company has a substantial coal position in British Columbia which, as a region boasts:

- Abundance of high quality PCI, coking and anthracite coals
- Well developed rail and port infrastructure with excess capacity
- Access to deep sea ports
- Competitive shipping distance to Asia
- Positive government stance on mining

The Company is building a quality portfolio of metallurgical coal assets suited to the Asian export market and the Board of Directors have a strong track record in identifying and developing world class coal assets in Australia and abroad.

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