

ACQUISITION OF SHARES IN ATLANTIC CARBON GROUP PLC

HIGHLIGHTS

- Atrum Coal NL has entered into a binding agreement relating to the proposed acquisition of a 26.68% interest in Atlantic Carbon Group PLC (incorporated in England and Wales) (**ACG**).
- Atrum is intending to complete the acquisition of the interest in ACG (**Acquisition**) by late September 2016 subject, *inter alia*, to shareholder approval being gained at an Extra-Ordinary General Meeting (**EGM**)

Atrum Coal NL ("**Atrum**" or the "**Company**") (**ASX: ATU**) is pleased to announce that it has entered into a binding agreement to acquire a 26.68% stake in Atlantic Carbon Group PLC, a public but unquoted anthracite mining company operating in Pennsylvania, USA, the heart of North American anthracite operations. The acquisition is subject to certain conditions including, *inter alia*, final due diligence, funding and Atrum shareholder approval (further details of which are set out below).

Bob Bell, Executive Chairman of Atrum, commented: "*We are very excited by the possibilities offered through the acquisition of a significant stake in Atlantic Carbon Group PLC. ACG mines some of the highest quality anthracite in the USA and sells into local conventional and specialty anthracite markets. With the high quality of the sized products ACG produces, and direct access to two under-utilised deep-sea ports, we are confident of helping ACG open up new export markets for ultra-high grade anthracite. The proposed transaction provides Atrum exposure to undersupplied markets in Europe and Asia, assisting to build the Atrum brand and strengthen relationships with key international offtake customers. A Notice of Meeting will be issued shortly, to allow our shareholders to consider the opportunity to acquire a foothold in the anthracite market in North America.*"

About ACG

ACG is a high grade and ultra-high grade anthracite producer with operations in north eastern Pennsylvania, USA. It operates mines and processing plants near the town of Hazleton, Pennsylvania.



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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
Naskeena
Bowron River

Ownership: 100%
Ownership: 100%
Ownership: 100%

The Stockton mine is an established anthracite mine and is the top anthracite producing pit in the USA¹. It is a fully operational open-cut anthracite mine with an on-site processing plant and a new rail-loading facility providing direct rail access. ACG public documentation shows that the Stockton mine has an estimated mine life of 10 years². More information about ACG anthracite deposits at the Stockton mine³ can be found in the ACG Annual Report. The ACG website also provides information on the anthracite deposits at the neighbouring Hazelton Shaft and the Beaver Brook and Sandy Run⁴ project.

Key performance statistics for the year ended 31 December 2015 relating to the Stockton mine are set out below⁵:

- Anthracite production of 204,746 tons, an increase of 24% on the previous year (2014: 165,046 tons).
- Run on Mine (ROM) production of 638,697 tons, an increase of 87% on the previous year (2014: 341,155 tons).
- Total anthracite sales in 2015 of 261,564 tons.

ACG has recently acquired the Hazleton Shaft and Jeansville mines in Pennsylvania, USA. Jeansville is located 3.5 miles from the Stockton mine and Hazelton Shaft is part of the western extension of the Stockton Basin and borders the Stockton Mine.

¹ Atlantic Carbon Group, "Stockton Mine top anthracite producer in USA in 2015", 29 January 2016

² Atlantic Carbon Group, "Annual Report and Financial Statements for the Year Ended 31 December 2015", 1 June 2016

³ Atlantic Carbon Group, "Annual Report and Financial Statements for the Year Ended 31 December 2015", 1 June 2016

⁴ Atlantic Carbon Group, "Atlantic Carbon Group plc announces the acquisition of Hazleton Shaft Corporation to become major player in the US anthracite coal industry", 1 June 2016

⁵ Atlantic Carbon Group, "Annual Report and Financial Statements for the Year Ended 31 December 2015", 1 June 2016



Fig. 1. Atlantic Carbon Group Anthracite Operations. Source: ACG Investor Presentation – June 2016

With the acquisition of the Hazleton Shaft and Jeansville mines, ACG now operates three mines, two primary processing plants and a secondary processing (drying) plant.

In addition to these three operating sites, two of which have only been acquired by ACG in the last few weeks, ACG holds the following anthracite properties:

- Beaver Brook and Sandy Run Project, Hazleton, Pennsylvania – fully permitted for mining with unquantified resources
- Pott and Bannon Project, New Castle, Pennsylvania – fully permitted for mining with unquantified resources

ACG has recently completed the full reclamation of the Gowen mine site, Nuremberg, Pennsylvania.



Fig. 2. Stockton Open-Cut Mine. Source: ACG Website

Key financial statistics for ACG for the financial year ended 31 December 2015, prior to the purchase of Hazelton Shaft Corporation (HSC) are set out below⁶:

- Sales of US\$25,877,924.
- Profit before tax of US\$5,446,168.
- Average sales price FOB mine US\$127.00/ton for sized product which makes up all but minor volumes

A summary of the statement of financial position of ACG and its subsidiaries (excluding HSC) on a consolidated basis (expressed in US\$) as at 31 December 2014 and 31 December 2015 is also set out below⁷:

⁶ Atlantic Carbon Group, "Annual Report and Financial Statements for the Year Ended 31 December 2015", 1 June 2016

⁷ Atlantic Carbon Group, "Annual Report and Financial Statements for the Year Ended 31 December 2015", 1 June 2016

	Audited 31-Dec-2015	Audited 31-Dec-2014
Current Assets	\$8,020,264	\$5,077,486
Non-Current Assets	\$37,631,073	\$28,740,802
Total Assets	\$45,651,337	\$33,818,288
Current Liabilities	\$12,157,052	\$12,062,308
Non-current Liabilities	\$20,269,474	\$14,128,505
Total Liabilities	\$32,426,526	\$26,190,813
Net Assets	\$13,224,811	\$7,627,475



Fig. 3. Truck fleet at Stockton Mine. Source: ACG Investor Presentation June - 2016

Atrum has commenced financial and legal due diligence on ACG and further information about the likely effect of the Acquisition on Atrum's total assets, total equity interests, annual revenue, annual profit before tax and extraordinary items will be made available in due course. We have also begun discussions with European export customers that may have interest in purchasing this anthracite via Atrum. In a recent presentation, ACG identified target markets that included coke replacement, steel recarburization, water filtration, chemical purification, glass manufacture, activated carbon for purification, and rubber and plastics manufacture⁸.

Key Acquisition Terms

The binding agreement for the Acquisition has been entered into with Stephen Best (the current CEO of ACG) and persons and entities connected with Stephen Best, including Mayford Equities Limited, Mary Best, Willoughby (465) Limited, Lucy Best, Helen Frankland, Penn Carb Inc and Mount Charles (Mayfair) Limited (together, the **Vendors**).

Subject to the satisfaction of various conditions to completion (set out below), Atrum will acquire a total of 1,042,017,264 ACG shares and 576,000,000 warrants that are convertible into a similar number of ACG shares. The exercise of the warrants would result in Atrum acquiring a total of 1,618,017,264 ACG shares (amounting to an interest of 26.68% of ACG's enlarged issued share capital).

The consideration for the Acquisition will consist of the following cash and scrip components payable on completion of the Acquisition:

- a cash payment of US\$3,000,000;
- a cash payment of approximately US\$1,130,000 for outstanding warrants and as a negative control premium, the payment of which is conditional on Atrum acquiring a minimum of 25.01% of ACG on a fully diluted basis; and
- such number of Atrum shares that is equal to US\$3,000,000 (**Consideration Shares**).

When calculating the number of Consideration Shares to be issued, Atrum must use the volume weighted average price of Atrum shares during the 10 trading days immediately before completion of the Acquisition and applying the AUD/USD exchange rate for the business day before the day on which completion of the Acquisition is to occur.

The transaction is not expected to result in any changes to the Atrum board.

⁸ Atlantic Carbon Group, "The latest innovations in anthracite's industrial use", presented at the Coaltrans Anthracite and Coking Coal Conference, Hong Kong, 20 June 2016



Fig. 4. Sized Anthracite stockpile, Hazelton Shaft. Source: ACG Investor Presentation June - 2016

Conditions to Completion

Completion of the Acquisition is subject to a number of conditions being satisfied or waived. If required by Atrum during the due diligence process, the parties will be required to enter into a more detailed share purchase agreement documenting the terms of the Acquisition. The other conditions include:

- Atrum calling an EGM of its shareholders and obtaining all approvals necessary to enter into or obtain the benefit of the escrow agreement referred to below, issue the Consideration Shares to the Vendors, finance the Acquisition and otherwise complete the Acquisition.
- A condition relating to the financing of the Acquisition.
- The results of any due diligence investigation carried out by Atrum in relation to ACG and its subsidiaries being satisfactory to Atrum.
- The Vendors each signing an escrow agreement under which they agree not to sell or otherwise deal with any of the Consideration Shares to be issued to the Vendors for a period of 12 months following completion of the Acquisition (unless the dealing is part of a transfer arranged by Atrum and approved by the relevant Vendor).

Atrum Shareholder Approvals

As part of the transaction, Atrum will be calling an EGM for the purpose of obtaining approval from shareholders under Listing Rule 7.1 in relation to the allotment of the Consideration Shares. Atrum has

received confirmation from the ASX that it will not require Atrum to obtain approval from shareholders under Listing Rules 11.1.2 or 11.2 (or require Atrum to re-comply with the requirements for admission and quotation under Listing Rule 11.1.3).

Indicative Timetable

An indicative timetable for the transaction is set out below. This timetable may be subject to change.

Key events / future milestone	Date / Proposed date (approximate)
Announcement of Acquisition	Wednesday 3 August 2016
Draft Notice of Meeting submitted to ASX for review (assume 5 business day review period)	Thursday 11 August 2016
Despatch of Notice of Meeting to shareholders	Monday 22 August 2016
EGM	Week commencing 19 September 2016
Completion of the Acquisition, associated financing arrangements and allotment of Consideration Shares to the Vendors	Mid to late September 2016

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