

Grassy Mountain Coal Project Decision May Sound the Death Knell for Montem and Atrum Coal

June 18, 2021

Report of the Joint Review Panel

Benga Mining Limited

Grassy Mountain Coal Project

Crowsnest Pass

June 17, 2021

Yesterday's Grassy Mountain Coal Project Joint Review Panel categorical rejection of Benga Mining's applications for the Grassy Mountain mine may very well sound the death knell for Montem Resources and Atrum Coal. Today, both companies requested that trading in their shares on the Australian Securities Exchange be stopped.

Before Montem's request was accepted its stock lost 20 percent of its value. Its last trade was at 7 cents a share; Atrum's last trade was at 4.7 cents a share.

"The Grassy Mountain decision, combined with federal Environment and Climate Change Minister Wilkinson's decision to subject all proposed metallurgical coal mines to federal impact assessments, delivers a one-two punch to these financially struggling companies," said Ian Urquhart, AWA Conservation Director. "It may well knock them both out."

Several aspects of the Grassy Mountain decision set off alarm bells for investors in Montem and Atrum. First, Commissioners Bolton, O'Gorman, and Matthews were not convinced by Benga Mining's assertions about Grassy Mountain's economic benefits. Second, even more significantly perhaps, the Joint Review Panel concluded that, even if it accepted Benga's economic analysis, "the character and severity of the environmental effects are such that we must reach the conclusion that approval of the *Coal Conservation Act* applications is not in the public interest."

This underlines the seriousness with which the Panel regarded market risks that Benga preferred to minimize in its presentations. "The Panel didn't believe Benga treated climate change actions and associated technological changes to steel making seriously enough in their arguments," said Urquhart. "The Panel, like organizations such as the International Energy Agency and Canadian Energy Regulator, took very seriously the possibility that we are on the cusp of a major sea-change in steel making and metallurgical coal

production.”

AWA detailed the already very weak financial positions of Montem and Atrum in its June 9, 2021 presentation to Alberta’s Coal Policy Committee. The relevant excerpt from that report is found below.

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Montem Resources:

Montem’s financial weakness is underlined by several recent corporate developments and statements:

- Since Montem listed on the ASX on September 15, 2020, its market value has plunged 63 percent, to AUD\$0.092 from its listing price of AUD\$0.25. (see above for today’s further drop before trading was suspended.)
- In November 2020, Montem was under contract to deliver a \$1.15 million lumpsum payment to Westshore Terminals. This fee is to reserve seaborne coal shipping capacity at Westshore’s facilities on the Strait of Georgia. This contractual arrangement was renegotiated. Now the fee will be paid over four quarterly payments. The first installment reportedly was paid on October 28, 2020. In February 2021, neither Montem nor Westshore Terminals would confirm to AWA if the second payment of C\$287,500 was paid.
- In January 2021, Montem renegotiated a second financial contract. This commitment was a land purchase agreement for a rail loading facility. That deal was supposed to close on January 4, 2021 with a payment of \$2,535,000 from Montem. It has now been extended, at an increased purchase price, to January 4, 2022.

Atrum Coal:

Atrum Coal’s financial circumstances arguably are even more dire:

- On February 8, 2021 Atrum’s share price on the ASX was AUD\$0.25. On June 15, 2021 its last trade was at AUD\$0.047. It’s fallen by 81 percent over this period.
- The company’s balance sheet shows that it’s rapidly burning through capital. At the end of the second Quarter of 2020 Atrum held \$17,636,000 in cash and cash equivalents. At the end of March 2021, Atrum’s cash and cash equivalents position had shrunk to just \$4,914,000.
- The securities market, Atrum’s main source of cash, has dried up. Atrum told the ASX in December 2020 it expected to raise \$20.6 million from selling 103 million share options. Reinstating the Coal Policy in February 2021 killed that deal; Atrum’s underwriters terminated the agreement. Instead of raising more than \$20 million the sale of these options only raised \$183,000.

- Finally, on June 9, 2021 Treasury Services Group Pty Ltd ATF Nero Resource Fund sold all of the 850,000 shares it held in Atrum.^[1]

^[1] Australian Securities Exchange, “Notice of ceasing to be a substantial holder,” June 10, 20221, https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02384032-6A1036523?access_token=83ff96335c2d45a094df02a206a39ff4



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