

23 September 2016

- **Termination of Heads of Agreement by Almonty**
- **Joint Venture Update**

ATA Alloys Ltd (**ATA** or the **Company**) (ASX:ATA) has received notice from Almonty Industries, Inc. (Almonty) that it has terminated the binding Heads of Agreement pursuant to which Almonty had conditionally agreed to make a recommended off-market takeover offer for all of the issued, and to be issued, securities of ATA. ATA refers to Almonty's Announcement of today's date for further details on the termination.

ATA provides the following update with respect to its ATC Ferro-Tungsten Joint Venture in Vietnam (Joint Venture).

As disclosed in the 30 June 2016 quarterly report released on 31 July 2016, ATA has undertaken a review of the operation and performance of the Joint Venture under the operatorship of the 40% Joint Venture partner, Mr Guangyu (George) Chen.

The review of operations has revealed that Mr Chen has been acting in his own interests and the interests of local and international third parties, against the best interests of the Joint Venture, in clear breach of his duties as a Director of the Joint Venture company, and the terms of both the Joint Venture agreement and his Employment Agreement with ATA. ATA has persistently and tirelessly sought to address these concerns with Mr Chen, but he has refused to acknowledge or engage with ATA but rather has persisted with these courses of action.

Therefore, on 30 August 2016, ATA served Mr Chen with a Disenfranchisement Notice for material breach of the Joint Venture and Shareholders Agreement between the parties. Exercising its rights under the Disenfranchisement Notice, ATA then removed Mr Chen as a Director of the Joint Venture company, Hong Kong registered Asia Tungsten Products Co Limited (ATPHK). Following this, ATA, ATPHK, and its wholly owned Vietnamese subsidiary and the operator of the Vietnamese Ferro-Tungsten Plant, Asia Tungsten Products Vietnam Limited (ATPV), terminated Mr Chen's employment, removing him as President and General Director of ATPV (Termination).

ATA Director, Mr Michael Bourne, has been appointed President and General Director of APTV. Mr Bourne will be representing ATPHK and ATPV at the International Tungsten Industry Association AGM in Stockholm later this month.

To date, Mr Chen has refused to acknowledge the actions taken by ATA on 30 August 2016.

He has sought to maintain that he is still President and General Director of ATPV and remain at ATPV's Ferro Tungsten facility in Vietnam to the exclusion of ATA representatives in direct contravention of the Termination and the demands of bailiffs, police and other lawful authorities in Vietnam. Furthermore, we understand Mr Chen has, since last week, been undertaking tolling production for Golden Touch Trading Co Limited (Golden Touch) in direct contravention of both the Termination and an earlier Resolution of the Board of ATPHK that no production should occur pending resolution of the issues related to prior tolling conducted by Mr Chen.

ATA is concerned that Mr Chen may, in the current production run being undertaken for Golden Touch, favour Golden Touch to the detriment of the Joint Venture by removing part of the tungsten liner of the ferro-tungsten furnace, an asset of the Joint Venture, and furnishing this as product to Golden Touch.

On 25 August 2016, prior to the Termination, ATPHK and ATPV received a letter of demand from Hong Kong lawyers for Golden Touch related to previous production runs, demanding product it claimed it was owed or alternatively payment on or before 14 September 2016. ATPHK and ATPV replied to the lawyers requesting they advise whether they also acted or had acted in the past for Mr Chen. No reply was received from the lawyers, but rather a fresh demand letter, in the same terms, was received from a different Hong Kong law firm on 31 August 2016. ATPHK and ATPV replied to this new letter of demand, refuting the claims, expressing its concern as to the relationship and conduct of Mr Chen and Golden Touch in past production runs, demanding unpaid tolling fees in the amount of \$131,700 and advising further amounts may be owing once a full investigation had been carried out into Golden Touch and Mr Chen's activities. No reply has been received and it is noted that the deadline in the Golden Touch letter of demand has passed.

Mr Chen has attempted, through both Hong Kong and Australian lawyers, to challenge the actions taken by ATA. ATA does not consider there is any merit in these actions and furthermore notes Mr Chen's actions in continuing to produce ferro-tungsten in direct contravention of a Resolution of ATPHK. ATA is working tirelessly with the lawful authorities in Vietnam to enforce the Termination and to cease production at ATPHK's Ferro Tungsten Plant until such time as the investigation referred to above has been completed and shall keep the market advised as to progress in this regard.

For further information,

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