

QUARTERLY ACTIVITIES REPORT

31 DECEMBER 2016

ATC Alloys Limited ('ATA' or 'the Company') is pleased to present its quarterly activities and cash flow report for the quarter ending 31 December 2016.

Operations

ATC Ferrotungsten Plant, Vietnam

During the quarter, there was no production runs conducted by the Joint Venture.

Suspension from trading

On 1 September 2016, the Company entered a voluntary suspension, and subsequently announced that a dispute had arisen between the Company and its joint venture partner, Mr Guangyu (George) Chen ('Chen'). The Company's Vietnam operations, held by Hong Kong company Asia Tungsten Products Co Limited ('ATCHK') are held 60% by the Company and 40% by Chen. Throughout the quarter, the Company and Chen worked towards achieving a resolution in respect of the dispute. A heads of agreement was signed in January regarding a proposed settlement of the matter, as announced on 18 January 2017.

Board Changes

Throughout the quarter, the Company's Board underwent a number of changes. Ms Carol New, appointed as an executive director on 24 June 2016, resigned as a director on 16 December 2016, remaining as Chief Financial Officer and Company Secretary of the Company.

Mr Nathan Featherby was appointed as a non-executive director of the Company on 18 November 2016. Mr Featherby has a bachelor of commerce from Curtin University and has substantial experience in stockbroking and merchant banking with a focus on small to medium mining and exploration companies. Mr Featherby is currently the Executive Chairman of Ochre Group Holdings Limited and Magnum Gas and Power Limited, and has greatly strengthened the corporate expertise of the Company's board.

Mr Saxon Ball was appointed as a non-executive director of the Company on 23 December 2016. Mr Ball is currently a non-executive director of Ochre Group Holdings Limited and Magnum Gas and Power Limited and has previously served on the board of Silver Mines Limited. Mr Ball is also a director of STB Projects Pty Limited, an Australian private company focused on infrastructure installation services and development, within the natural resources sector.

Extension of Forbearance

During October, the Company received a notice from its secured lender, Siderian Resource Capital Limited ('Siderian') stating that previous forbearance arrangements had ceased, and requiring payment of the loan monies outstanding by 21 October 2016. The Company and Siderian engaged in negotiations throughout the quarter, ultimately extending the forbearance period to 31 March 2017, in consideration for the Company making a payment of A\$500,000 against the outstanding monies. As at 31 December 2016, the total amount outstanding to Siderian was US\$1,632,557.

Capital Raising

Throughout the period, the Company announced an underwritten entitlements issue and issued a prospectus to shareholders. However, the underwriter to the entitlements issue terminated the underwriting agreement on the bases that the quotation of the shares to be issued had not been obtained by the applicable deadline. Accordingly, the Company determined to cancel the entitlements issue.

By Order of the Board

ATC Alloys Limited

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

ATC Alloys Limited

ABN

88 118 738 999

Quarter ended ("current quarter")

31 December 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	611	1,503
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	(960)	(1,882)
(d) staff costs	(68)	(129)
(e) administration and corporate costs	(511)	(882)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(28)	(325)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(955)	(1,714)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	50
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	1,126	1,682
3.6	Repayment of borrowings	(500)	(500)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	626	1,232

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	72	213
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(955)	(1,714)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	626	1,232
4.5	Effect of movement in exchange rates on cash held	321	333
4.6	Cash and cash equivalents at end of period	64	64

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	64	72
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	64	72

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	317
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	Nil
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Director remuneration

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	Nil
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	Nil
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	2,265	2,265
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	-
9.2 Development	-
9.3 Production	150
9.4 Staff costs	50
9.5 Administration and corporate costs	350
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	550

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	N/A			
10.2 Interests in mining tenements and petroleum tenements acquired or increased	N/A			

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: SIGNATURE ON FILE Date: 18 April 2017
 (Company secretary)

Print name: TRENT FRANKLIN

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.