

13 September 2017

COMPANY UPDATE

ATC Alloys Limited (**Company**) provides to the market an update in relation to its recent activities.

Joint Venture

As announced on 30 June 2017, having obtained shareholder approval for the Company's proposed sale of the majority of its shareholding in its ferrotungsten joint venture, Asia Tungsten Products Co Limited (**ATC-HK**), the proposed buyer and the Company's minority joint venture partner, Mr Guangyu (George) Chen (**Chen**) (**Sale Transaction**) has indefinitely delayed the Sale Transaction.

Whilst the Company was looking forward to the progression and resolution of the Sale Transaction with Chen, the Company has terminated further consideration of the Sale Transaction with Chen and has been exploring other options in respect of finalising the dispute with Chen regarding the proposed Sale Transaction.

As the majority shareholder in ATC-HK, the Company has served a disenfranchisement notice on Chen (**ATC Disenfranchisement Notice**) for, among other things, failing to:

- maintain proper and complete accounting and financial records of ATC-HK and its wholly owned Vietnamese subsidiary Asia Tungsten Products Vietnam Limited (**Subsidiary**);
- provide to the Company reconciliations and other financial reports as required relating to ATC-HK and the Subsidiary; and
- procure that the Subsidiary's profits were available for distribution.

Each of these failures resulted in a material breach of Chen's obligations pursuant to the joint venture agreement between Chen and the Company.

The effect of the ATC Disenfranchisement Notice is the immediate suspension of Chen's rights as a shareholder in ATC-HK. In response to the ATC Disenfranchisement Notice, Chen has sought to serve a disenfranchisement notice on the Company (**Chen Disenfranchisement Notice**), in addition to a statement of claim against the Company (**Chen Statement of Claim**), seeking an order from the High Court of the Hong Kong Special Administrative Region Court of First Instance, that the ATC Disenfranchisement Notice is void and invalid and that the Chen Disenfranchisement Notice is valid and effective. The Company has engaged Hong Kong legal counsel to act on its behalf in relation to the Chen Statement of Claim.

Appointment of representative in Vietnam

In addition to the actions referred to above, the Company has appointed Mr Huang Ming Xing of Vietnam Youngsun Tungsten Industry Co Ltd, a Vietnamese ferrotungsten producer, to act as the Company's representative in Vietnam to assist with the resolution of matters with Mr Chen and assist the Company to regain access to and the recommencement of the operations at ATC-HK's Vinh Bao ferrotungsten plant.

The Company is optimistic about Mr Huang Ming Xing's involvement in this matter, and looks forward to his material contribution to the expeditious resolution of the above dispute.

Capital raising

The Company is also pleased to advise that it is currently in advanced discussions regarding conducting an underwritten capital raising to raise up to A\$3 million. Whilst the terms of the proposed capital raising are not currently finalised, the Company expects to make an announcement regarding terms and conditions of the raising within the coming weeks, subject to finalisation of the Company's audited financial accounts and annual report.

Siderian facility

The Company further advises that it has been continuing discussions with its secured lender, Siderian Resource Capital Limited (**Siderian**), in relation to the repayment of the Company's debt to Siderian. The Company will update the market once the revised terms of repayment have been finalised.

Yours faithfully



Trent Franklin
Company Secretary