

26 February 2018

Heads of Agreement signed with Joint Venture partner

Resolution of dispute and joint venture restructure

ATC Alloys Limited (**ATA** or the **Company**) is pleased to advise that it has entered into a Heads of Agreement (**HoA**) to end the ongoing dispute with its joint venture partner, Mr George (Guangyu) Chen and to restructure the Vietnamese Ferro-Tungsten producing joint venture (**Joint Venture**) which is owned by the 60% owned Asia Tungsten Products Co Limited (**ATCHK**).

Under the terms of the HoA, the Company has agreed to purchase Mr Chen's 40% shareholding in ATCHK, resulting in the Company's ownership of the Vinh Bao Ferro-Tungsten plant increasing to 100% via the acquisition (**Transaction**).

The purchase of the additional 40% of ATCHK will be conducted on the following terms and conditions:

(a) ATA will provide to Mr Chen, as consideration:

- (i) A\$800,000 in cash;
- (ii) A\$3,000,000 in fully paid ordinary shares in the Company, issued upon completion of the Transaction, at the same issue price as the Company's next capital raising; and
- (iii) A\$2,400,000 deferred consideration, to be paid in cash or issued in fully paid ordinary shares in the Company or proportions thereof (**Deferred Consideration**), with the Company to determine which payment method is to be utilised. Payment of this Deferred Consideration will be subject to a number of milestones being achieved, which are to be mutually determined by the Company and Mr Chen prior to finalising a formal sale and purchase agreement. The Company will advise the market of such milestones upon their being agreed.

(b) Upon completion, the Company will procure the appointment of Mr Chen and Mr John Chegidden (a previous director of the Company) as non-executive directors of the Company.

(c) Upon completion, the Company will enter an executive services agreement with Mr Chen personally, on mutually agreed terms, which may (but is not required to) include a performance based option package.

(d) The Company may, prior to 12 March 2018, conduct all such due diligence in relation to the Transaction as it reasonably requires and which must prove satisfactory to ATA in its absolute discretion.

(e) The Transaction will be subject to the following conditions precedent which must be satisfied before the Transaction may complete:

- (i) the execution of a formal, binding sale and purchase agreement;
- (ii) each party obtaining all such approvals and consents as are necessary to give effect to the Transaction;
- (iii) the Company completing a capital raising achieving a minimum of A\$3,000,000;
- (iv) the Company receiving written confirmation from the ASX in respect of the lifting of the suspension on trading on the Company's securities, conditional only upon completion of the Transaction;
- (v) ATA releasing Mr Chen in respect of any money owing to ATA before completion or any claims made (the cause of action for which accrues before completion) by ATA in respect of the Joint Venture;
- (vi) Mr Chen releasing ATA in respect of any money owing to Mr Chen before completion or any claims made (the cause of action for which accrues before completion) by Mr Chen in respect of the Joint Venture; and
- (vii) the Company and Mr Chen releasing ATCHK and its subsidiaries in respect of any monies owing to ATA and Mr Chen (as the case may be) or any claims made before completion by ATA or Mr Chen (the cause of action for which accrues before completion) in respect of the various agreements between ATA, Chen and ATCHK and its subsidiaries,

(together, the **Conditions Precedent**). The parties must use their best endeavours to procure that the Conditions Precedent are met by 5:00 pm (AEDT) on 30 April 2018. Completion is intended to occur five business days after the Conditions Precedent are satisfied.

The Transaction will result in ATCHK becoming a wholly owned subsidiary of the Company. The Company will keep the market informed as the Transaction progresses and documentation is finalised and executed. The Company looks forward to the completion of the Transaction and the re-commencement of production at the Vinh Bao ferro-tungsten plant.

Yours faithfully,



Nathan Featherby
Executive Director