

2 May 2018

UPDATE ON TRANSACTION

ATC Alloys Limited (**ATA** or the **Company**) is pleased to provide an update on its acquisition of the remaining 40% of its ferro-tungsten producing joint venture, Asia Tungsten Products Co Limited (**ATCHK**) from its joint venture partner, Mr George Chen (**Transaction**).

Since announcing the terms of the Transaction on 26 February 2018, the Company has been working with Mr Chen in progression of the Transaction, including carrying out due diligence investigations and preparing the requisite documentation as required to give effect to the Company's proposed capital raising and shareholder meetings.

The Company and Mr Chen have agreed that the end date for the Transaction (previously, 30 April 2018), will be extended. The Company and Mr Chen must use their best endeavours to provide that the conditions precedent to the Transaction (set out in paragraph (e) below) are satisfied by 30 June 2018.

The Transaction 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 proposed 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 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 Chegwidan (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 conducting 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 by ATA in respect of the Joint Venture;
 - (vi) 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.

Yours faithfully,



Nathan Featherby
Director