

QUARTERLY ACTIVITIES REPORT

31 MARCH 2018

ATC Alloys Limited ('ATA' or 'the Company') is pleased to present its quarterly activities and cash flow report for the quarter ending 31 March 2018.

Operations

ATC Ferrotungsten Plant, Vietnam

During the quarter, there was no production runs conducted by the Company's ferro-tungsten producing joint venture with Guangyu (George) Chen ('Mr Chen').

Joint venture

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 ('Mr 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.

As announced to the market on 26 February 2018, the Company finalised negotiations with Mr Chen during the quarter for a transaction in which the Company would purchase from Mr Chen his entire 40% interest in ATCHK, on the following terms and conditions:

- (a) The Company 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 Chegviden (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 conduct all such due diligence in relation to the Transaction as it reasonably requires and which must prove satisfactory to the Company 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) the Company releasing Mr Chen in respect of any money owing to the Company before completion or any claims made by the Company in respect of the Joint Venture;
 - (vi) Chen releasing the Company 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 the Company and Mr Chen (as the case may be) or any claims made before completion by the Company or Mr Chen (the cause of action for which accrues before completion) in respect of the various agreements between the Company, 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 effect of the Transaction is that Company will, upon completion, hold 100% of ATCHK, its wholly owned subsidiary, Asia Tungsten Products Vietnam Co Ltd ('ATCVN') and the ferrotungsten producing plant owned by ATCVN.

Financing

Throughout the quarter, the Company issued a number of convertible notes (**Notes**) to institutional and sophisticated investors, and subsequently raised A\$300,000. The issue of the Notes was conducted on the following terms:

- Conversion price: Convertible into fully paid ordinary shares in the Company at the price of the Company's impending rights issue capital raising (**Capital Raising**).
- Interest rate of 10% per annum, payable semi-annually via the issue of shares at the 5 trading day volume weighted average price prior to issue.
- Maturity: 12 months from the date of issue.
- Any conversion of the convertible notes will be subject to the Company's shareholders first providing approval to the issue of Shares.

The funds raised following the issue of the convertible notes will be used for progression of the Company's purchase of the remaining 40% of ATCHK and a partial repayment of the Company's secured loan from Siderian Resource Capital Limited.

Further to issue of the notes, the Company intends to seek shareholder approval to undertake the Capital Raising and to allow for conversion of the convertible notes into shares.

The Company is also well progressed in arranging the required documentation for the proposed Capital Raising. It is expected that the Capital Raising will be announced, and will open, within the coming quarter.

Secured Loan

The Company further advises that throughout the quarter, it continued discussions with its secured lender, Siderian Resource Capital Limited ('Siderian'), in relation to the repayment of the Company's debt to Siderian.

Nathan Featherby
Director
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 March 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	-	-
(e) administration and corporate costs	(94)	(145)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(2)	(2)
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	(96)	(147)

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	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	13
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	(25)	(25)
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(25)	(12)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	300	300
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	58	110
3.6 Repayment of borrowings	(238)	(252)
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	120	158

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	1	1
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(96)	(147)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(25)	(12)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	120	158
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of period	-	-

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	-	1
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)	-	1

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
62
Nil

Consulting fees

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
Nil
Nil

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	2,420	2,420
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.		

Loan from Siderian Resource Capital Ltd

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	-
9.2 Development	-
9.3 Production	-
9.4 Staff costs	-
9.5 Administration and corporate costs	12
9.6 Other (including loan repayment to Siderian)	90
9.7 Total estimated cash outflows	102

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
 (Company secretary)

Date: 9 August 2018

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.