

# QUARTERLY ACTIVITIES REPORT

## 30 JUNE 2018

ATC Alloys Limited ('ATA' or 'the Company') is pleased to present its quarterly activities and cash flow report for the quarter ending 30 June 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 (**Transaction**). For full details see the Company's announcement dated 26 February 2018.

As announced to market on 5 May 2018, the Company and Mr Chen agreed that the end date for the Transaction (previously 30 April 2018) will be extended. The Company and Mr Chen agreed to use their best endeavours to provide that the conditions precedent to the Transaction would be satisfied by 30 June 2018.

Subsequent to the reporting period on 4 July 2018, the Company announced that the Company and Mr Chen executed the share sale agreement (**SPA**) required to facilitate the transaction, 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 an issue price of A\$0.001 per share; and
- (iii) A\$2,400,000 deferred consideration, to be paid twenty four (24) months following completion in fully paid ordinary shares in the Company.

- (b) The Acquisition will be subject to the following conditions precedent which must be satisfied prior to completion:
- (i) the Company obtaining all relevant approvals in respect of the Acquisition;
  - (ii) the Company completing a capital raising and raising a minimum of A\$3,000,000;
  - (iii) the Company receiving written confirmation from ASX in respect of lifting the suspension from trading of the Company's shares;
  - (iv) the Company having paid a sum of \$A1,500,000 to its secured lender Siderian Resource Capital (**Siderian**), and the Company and Siderian entering into a deed, releasing the Company, Mr Chen, ATCHK and Asia Tungsten Vietnam Limited with respect to any claims against them; and
  - (v) the legal representatives of Mr Chen and the Company having signed and filed a consent summons to discontinue proceedings with the High Court of Hong Kong,
- (together, the **Conditions Precedent**).

Completion is intended to occur five (5) business days after the Conditions Precedent are satisfied, or such other date as Mr Chen and the Company may agree (**Completion**).

- (a) Upon Completion, the Company will release Mr Chen in respect of any money owing to the Company or any claims made before Completion (the cause of action for which accrues before Completion) by the Company in respect of the Joint Venture.
- (b) Upon Completion, Mr Chen will release the Company in respect of any money owing to Mr Chen before completion or any claims made before Completion (the cause of action for which accrues before Completion) by Mr Chen in respect of the Joint Venture.
- (c) Upon Completion, the Company and Mr Chen releasing ATCHK and its subsidiaries in respect of any money owing to the Company and Mr Chen (as the case may be) or any claims made before Completion (the cause of action for which accrues before Completion) by the Company or Mr Chen in respect of the various agreements between the Company, Chen, ATCHK and its subsidiaries.

The SPA also includes a number of terms relating to warranties, covenants and conditions as are customary for a SPA of this nature.

Upon Completion, the Company will procure the appointment of Mr Chen and Mr John Chegvidden (a previous director of the Company) as non-executive directors of the Company. Additionally, upon Completion, the Company will enter an executive services agreement with Mr Chen personally, on mutually agreed terms.

The Company will keep the market informed as the Transaction progresses. The Company looks forward to the restructure of the Joint Venture and the re-commencement of production at the Vinh Bao ferro-tungsten plant.

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.

## Management Update

On 24 May 2018 the Company announced the appointment of Mr Imants Kins as Non-Executive Chairman of the Company, commencing immediately.

Mr Imants Kins has been an experienced chairman and non-executive director of a number of listed companies since 2005, delivering governance, leadership, global economic trends and strategy to organisations. He was co-chair (with Mrs Gina Rinehart) and one of the founders of Australians for Northern Development and Economic Vision (ANDEV).

Mr Kins has a Bachelor of Economics (UWA) and a Master of Arts in Future Studies (Curtin University), in addition to extensive experience at a senior level in both the Government (1972 – 1986) and private sector (1986- present) as a senior manager, corporate economist and executive and non-executive director/chairman of ASX listed companies. He has worked in the private sector as a consulting economist since 1986.

Mr Kins has strong skills in project development, having worked in a range of industries including mining, mineral processing, natural resource down streaming, electronics, tourism, local government, property development and manufacturing, assisting with projects in both Australia and overseas. His major areas of experience are in the natural resource sector, with particular focus on feasibility studies and global trend analysis.

Mr Kins' work has included being CEO of a private company developing a world scale greenfields Petrochemicals/EDC-VCM, salt, diatomaceous earth, tantalum concentrates, iron ore, base metals, gold. He is a former director of Tantalum Australia, ABM Resources Limited and Ochre Management. He is currently a director of Pela Global Limited and Baltics in Space.

On 24 May 2018, the Company also announced that Mr Nicholas Halliday had resigned from the Board. On 1 June 2018 the Company announced that Mr Patrick Burke had resigned from the Board.

Following Mr Kins' appointment to the Board and the resignation of Mr Halliday and Mr Burke, the Board of the Company resolved to restructure as follows:

- Non-Executive Chairman – Imants Kins
- Non-Executive Director – Saxon Ball
- Executive Director – Nathan Featherby

### Expiry of Option

Subsequent to the reporting period, on 31 July 2018 the Company announced the expiry of 300,000 unquoted options, exercisable at \$0.058. As a result, the Company currently has no options on issue.

### 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")

30 June 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	-	-
(e) administration and corporate costs	(12)	(156)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	(2)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(12)</b>	<b>(158)</b>

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

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
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	(13)	(38)
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(13)</b>	<b>(25)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	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	99	209
3.6 Repayment of borrowings	(73)	(325)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>26</b>	<b>184</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
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)	(12)	(158)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(13)	(25)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	26	184
4.5 Effect of movement in exchange rates on cash held	-	-
<b>4.6 Cash and cash equivalents at end of period</b>	<b>2</b>	<b>2</b>

5. <b>Reconciliation of cash and cash equivalents</b> 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	2	-
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2</b>	<b>-</b>

**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
Nil
Nil

**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

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	2,653	2,653
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.

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	-
9.2 Development	-
9.3 Production	-
9.4 Staff costs	-
9.5 Administration and corporate costs	-
9.6 Other (including loan repayment to Siderian and the costs associated for the completion of Chen transaction)	2,700
<b>9.7 Total estimated cash outflows</b>	<b>2,700</b>

\*\*The above estimated cash outflows are subject to completion of a capital raise of a minimum \$3 million. For further details of the capital raise please see the Notice of Annual General Meeting dated 23 July 2018.

<b>10. Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
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.