

09 July 2019

Memorandum of Understanding signed with Joint Venture partner

Joint venture restructure

ATC Alloys Limited (**ATA** or the **Company**) is pleased to advise that it has entered into a Memorandum of Understanding (**MOU**) with its joint venture partner and non-executive director, Mr George (Guangyu) Chen (**Mr Chen**) to restructure the Vietnamese Ferro-Tungsten producing joint venture (**Joint Venture**) which is owned by the 60% owned Asia Tungsten Products Co Limited (**ATCHK**) (**Proposed Transaction**).

On 26 February 2018, the Company announced that it had agreed to acquire the remaining 40% of its ferro-tungsten producing joint venture, ATCHK from Mr Chen and subsequently entered into a share purchase and sale agreement on 4 July 2018 (**Previous Transaction**). The parties have now agreed to amend the terms of Previous Transaction and proceed with the Proposed Transactions on the terms of the MOU.

Upon completion of the Transaction the Company will own 100% of ATCHK and its Vietnamese subsidiary (Asia Tungsten Products Vietnam Limited) (**ATCVN**), which owns the ferro tungsten production facility in Vietnam (**Ferrotungsten Plant**).

Under the terms of the MOU, the Company has agreed to purchase Mr Chen's 40% shareholding in ATCHK, resulting in the Company's ownership of the Ferrotungsten Plant increasing to 100% via the Proposed 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 A\$8,000,000 in fully paid ordinary shares in the Company, issued upon completion of the Proposed Transaction (**Consideration Shares**), at an issue price being the lesser of:
 - (i) \$0.02 per share; or
 - (ii) the issue price of shares issued by the Company as part of a proposed \$2.5 million capital raising; or
 - (iii) the conversion price of shares of any convertible note holder or creditor of the Company.
- (b) The Proposed Transaction will be subject to the execution of a formal, binding sale and purchase agreement.

- (c) The Proposed Transaction will be subject to the following conditions precedent which must be satisfied before the Proposed Transaction may complete:
- (i) each party obtaining all such approvals and consents as are necessary to give effect to the Proposed Transaction, including shareholder approval, Australian Securities Exchange (**ASX**) approval and any other regulatory approvals as may be required;
 - (ii) the Company completing a capital raising achieving a minimum of A\$2,000,000;
 - (iii) 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 Proposed Transaction;
 - (iv) the Company accepting the financial accounts of ATCHK and ATCVN including any outstanding liabilities for the year ended 30 June 2019 and at the date of completion;
 - (v) the Company settling or entering into arrangements to settle all liabilities of the Company, ATCHK and ATCVN to the satisfaction of the Mr Chen;
 - (vi) the Company agreeing to pay all legal fees with respect to the Proposed Transaction, and the Previous Transaction;
 - (vii) the directors of the Company, ATCHK and ATCVN entering into a separate repayment and settlement agreement with the non-related funders of ATCVN for any outstanding amounts owing to them prior to completion of the Proposed Transaction;
 - (viii) the Company agreeing that Mr Chen will continue in his role as President, General Director and Legal Representative of ATCVN;
 - (ix) the Company entering into an executive services agreement with Mr Chen;
 - (x) the Company entering into a new technical services engagement with the existing technical team of ATCVN;
 - (xi) the Company agreeing to fund an agreed budget of operations at ATVN and ensure the Ferrotungsten Plant remains in good standing and continues to be able to operate;
 - (xii) the Company settling all debts and liabilities owing to Siderian Resource Capital Limited and Almonty Industries Inc (and or their assignee(s)) prior to completion of the Proposed Transaction;
 - (xiii) the Company having advanced an interest free loan of USD50,000 to ATCVN within 21 days of execution of the MOU; and
 - (xiv) the Company providing written confirmation from its board acknowledging the continued support and guarantee of any outstanding liabilities of ATCVN.

(together, the **Conditions Precedent**).

(d) Completion of the Proposed Transaction shall take place after all condition's precedent have been satisfied or waived (**Completion**).

(e) The Company and Mr Chen have also agreed that in the event that the Proposed Transaction does not complete by 30 June 2020, Mr Chen will have a first right of refusal to purchase the Company's 60% ownership interest in ATCHK on mutually acceptable terms.

Related Party Transaction

Mr Chen is a non-executive director of the Company. Given that Mr Chen is selling his 40% interest in ATCHK to the Company, the Company has deemed that the Proposed Transaction is a related party transaction for the purposes of the ASX Listing Rules and the Corporations Act (**Related Party Transaction**). As the Proposed Transaction is a Related Party Transaction, The Company will require approval of its shareholders for the Proposed Transaction for the purpose of Listing Rules 10.1 and 10.11.

The Company will also be also be commissioning an independent expert to prepare an independent expert report on the Proposed Transaction pursuant to Listing Rule 10.10.2, and this report will be dispatched with a notice of meeting to shareholders, with such notice containing detailed information relating to the Proposed Acquisition.

Capital Raising

The Proposed Transaction will be underpinned by a A\$2.5 million dollar capital raising (**Capital Raising**). Raising at least \$2 million under the Capital Raising is a condition precedent to the completion of the Proposed Transaction.

Indicative Capital Structure

The indicative effect of the Proposed Transaction and Capital Raising on the capital structure of the Company (assuming that there is no consolidation of capital) is anticipated to be as follows:

Shares	
currently on issue	140,891,481
Proposed issue of Consideration Shares to Mr Chen on Completion (subject to shareholder approval) ¹	400,000,000
Shares issue pursuant to Capital Raising ²	125,000,000
Shares issued pursuant to conversion of existing convertible notes ¹	206,500,000
Shares issued to existing creditors in lieu of payment of debt ¹	127,608,519
proposed maximum total shares on issue at Completion	1,000,000,000

1. Assumes an issue price of \$0.02.

2. Assumes Capital Raising is fully subscribed at an issue price of \$0.02.

Indicative Timetable

The indicative timetable for the Proposed Transaction will be provided following finalisation of a definitive sale and purchase agreement and before dispatch of the Notice of Meeting and Explanatory Memorandum to shareholders.

Cautionary Statement

The Company is optimistic about completing the Proposed Transaction, however, as at the date of this announcement there cannot be any assurance that the Proposed Transaction will complete or that the Conditions Precedent with respect to the Proposed Transaction will be completed or waived to the satisfaction of each party. Accordingly, investors are cautioned against making investment decisions based on this announcement.

Due to the Company's long-term suspension from trading on the ASX, the Company may be removed from quotation on the ASX on 1 September 2019 subject to any extension granted by the ASX.

The Company will keep the market informed as the Proposed Transaction progresses and documentation is finalised and executed.

BY ORDER OF THE BOARD

ATC ALLOYS LIMITED