

QUARTERLY ACTIVITIES REPORT

30 SEPTEMBER 2017

ATC Alloys Limited ('ATA' or 'the Company') is pleased to present its quarterly activities and cash flow report for the quarter ending 30 September 2017.

Operations

ATC Ferrotungsten Plant, Vietnam

During the quarter, there was no production runs conducted by the Joint Venture.

Suspension from trading and joint venture dispute

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 ('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 previously advised to the market, the Company has continued to work towards finalising the dispute. During the first half of the year, the Company was pursuing the sale of 35% of ATCHK to Chen to settle the dispute (see the Company's announcement dated 18 January 2017) ('Transaction'), however, following Chen advising the Company that the Transaction would be indefinitely delayed, the Company elected to terminate any further consideration of the Transaction.

Throughout the quarter, the Company served a disenfranchisement notice on Chen ('ATC Disenfranchisement Notice') for, among other things, failing to:

- maintain proper and complete accounting and financial records of ATCHK and its wholly owned Vietnamese subsidiary Asia Tungsten Products Vietnam Limited ('Subsidiary');
- provide to the Company reconciliations and other financial reports as required relating to ATCHK and the Subsidiary; and
- procure that the Subsidiary's profits were available for distribution.

Each of these failures resulted in a material breach of Chen's obligations pursuant to the joint venture agreement between Chen and the Company.

The effect of the ATC Disenfranchisement Notice was the immediate suspension of Chen's rights as a shareholder in ATCHK. In response to the ATC Disenfranchisement Notice, Chen has sought to serve a disenfranchisement notice on the Company ('Chen Disenfranchisement Notice'), in addition to a statement of claim against the Company ('Chen Statement of Claim'), seeking an order from the High Court of the Hong Kong Special Administrative Region Court of First Instance, that the ATC Disenfranchisement Notice is void and invalid and that the Chen

Disenfranchisement Notice is valid and effective. The Company has engaged Hong Kong legal counsel to act on its behalf in relation to the Chen Statement of Claim.

Secured Loan

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

By Order of the Board

ATC Alloys Limited



11 December 2017

ASX Announcements
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152-158 St Georges Terrace
PERTH WA 6000

ATC ALLOYS LIMITED – QUARTERLY CASHFLOW REPORTS

ATC Alloys Limited (**ATA** or the **Company**) is pleased to provide its quarterly cash flow and activity reports.

As shareholders will be aware, in 2017 the Company directed its efforts towards achieving a resolution of its ongoing dispute with its joint venture partner in Hong Kong, Mr Guangyu (George) Chen (**Dispute**).

As advised to the market on 23 September 2016, the Company and Mr Chen have been involved in a dispute in relation to the Vietnamese ferrotungsten production facility which is owned by Asia Tungsten Products Co Limited, (**ATCHK**) a Hong Kong based entity in which the Company owns 60% of the issued capital and Mr Chen owns the remaining 40%.

The Dispute is ongoing and it is the Company's intention to resolve the matter through the court proceedings. The Company's review of the activities has required the directors to assess whether they had control of Hong Kong and Vietnam for accounting purposes. Following such review, it was deemed that for accounting purposes the Company cannot demonstrate that it had control of ATCHK and its subsidiary throughout the financial year. Accordingly, the board has determined to deconsolidate ATCHK and its Vietnamese subsidiary which owns the Vietnamese production facility. The group maintains the 60% ownership in the Joint Venture.

Currently, the Company is working towards resolving the dispute which may result in regaining control for accounting purposes.

As a result of this deconsolidation, the 2017 financial statements of the Company and its Appendices 5B, Quarterly Cashflow Reports have been prepared on a deconsolidated basis, for accounting purposes only.

By order of the Board

ATC ALLOYS LIMITED

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ASX ATA

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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 September 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 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	(33)	(33)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
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	(33)	(33)

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

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
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	34	34
3.6 Repayment of borrowings	(14)	(14)
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	20	20

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)	(33)	(33)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	13	13
4.4 Net cash from / (used in) financing activities (item 3.10 above)	20	20
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of period	1	1

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	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	1

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	Nil
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	Nil
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	Nil
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	Nil
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

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	2510	2510
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	100
9.6 Other (repayment to loan from Siderian)	1,500
9.7 Total estimated cash outflows	1,600

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: 11 December 2017

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.