

31 JULY 2016

QUARTERLY ACTIVITIES REPORT

30 JUNE 2016

ATC Alloys Ltd (ATC or the Company) (ASX: ATA) today released its Quarterly Activities Report for the quarter ending 30 June 2016 (**June Quarter**).

OPERATIONS

ATC Ferrotungsten Plant, Vietnam

During the June Quarter, no production was undertaken at ATA's 60% owned ATC ferrotungsten operation. In the previous Quarter, over 400 tonnes of ferrotungsten was produced primarily for tolling customers. This is highly encouraging in terms of the potential of the plant, particularly in the context of the proposed takeover by Almonty Industries, Inc. ("Almonty"), and the synergies and improvements to performance this change of ownership is likely to bring. However, concerns have arisen as to the operation and performance of the plant under the operatorship of ATA's 40% joint venture partner, the amount of off-spec Ferrotungsten produced and their ties to the tolling parties. As a result, ATA ceased production pending a full review of operations which is currently ongoing. ATA will keep the market advised as to this review and will recommence production as soon as this has been resolved to ATA's satisfaction.

ATA is cognisant of its ongoing obligations to its three Japanese customers and has put arrangements in place to protect these relationships during this period.

CORPORATE AND FINANCIAL

On 31 May ATA and Almonty jointly announced that they had entered into a binding Heads of Agreement pursuant to which Almonty has agreed to make a recommended off-market takeover offer under the Corporations Act 2001 (Cth) for all of the issued, and to be issued, shares of ATC.

On 27 June 2016, ATA and Almonty jointly announced that they would abandon the original takeover offer and that they had entered into a new Binding Heads of Agreement pursuant to which they would make a new takeover offer for all of the issued, and to be issued, shares of ATC ("**Offer**").

Under the Offer, ATC shareholders will receive one (1) new Almonty share for every 10.38 ATC Alloys shares held.¹

The acquisition will provide Almonty with ATC's interest in the ATC Ferrotungsten Project in Vietnam and thereby a downstream ferrotungsten production capability. The Offer provides ATC shareholders with ownership in a larger, diversified mining company with a portfolio of production, development and growth assets.

The Directors of ATC unanimously recommended that all ATC shareholders accept the Offer in the absence of a superior proposal.

ATC has entered into pre-bid acceptance agreements with a number of ATC shareholders in respect of a total of 19.3% of ATC's issued shares. Under the pre-bid acceptance agreements these shareholders have agreed to accept the Offer within three business days of receiving the Offer, subject to receipt of a superior proposal.

The Offer is subject to the following conditions as set out in the HOA, including:

- 90% minimum acceptance condition;
- Almonty receiving cleared funds to the value of at least US\$5.5 million pursuant to equity, debt or hybrid capital raising or any combination of those types of capital raising;
- At least 75% of the holders (by value) of the ATC AU\$0.05 Convertible Notes convert into ATC Alloys shares prior to completion of the Offer;
- At least 75% of the holders (by value) of the ATC AU\$0.25 Convertible Notes exchange their ATC AU\$0.25 Convertible Notes for convertible notes in Almonty;
- Consent of ATC's secured lender (Siderian Resource Capital Limited);
- All regulatory approvals that are required, including but not limited to that of the ASX, TSX-V and ASIC;
- All other approvals necessary to allow the Offer to occur;
- From the date of this announcement to the end of the Offer Period, no prescribed occurrence (as is standard for a transaction of this nature) occurs in respect of ATC.

The HOA contains customary deal protection and exclusivity arrangements, including no-shop and no-talk provisions, matching and notification rights in the event of a competing proposal and break fees payable by ATC to Almonty if ATC accepts a proposal superior to the Offer.

Further details of the Offer will be contained in Almonty's Bidder's Statement which will be dispatched to ATC Shareholders shortly.

To assist with working capital requirements, in the quarter, the Company also issued convertible notes to raise \$300,000. The Company's issued capital is set out in the table below. Following the end of the Quarter, the Company received an unsecured loan in the amount of \$150,000 from Almonty for working capital purposes. The loan carries a 5% interest rate and is repayable at the earlier of completion of the Offer or the first anniversary of the loan.

¹ If the number of ATC shares held by an ATC Shareholder means that their aggregate entitlement to Almonty shares is not a whole number, then any fractional entitlement will be rounded up to the nearest whole number.

At the end of the quarter further Board changes were implemented. Ms Carol New, a long term member of management as CFO and Company Secretary, was appointed an Executive Director. Mr Mark Warren resigned as a non-Executive Director.

For further information, please contact:

Pat Burke
Chairman
ATC Alloys Ltd

Tel: +61 8 9320 5220
Email: info@atcalloys.com

About ATC Alloys

ATC Alloys Ltd is an Asian focussed manufacturing company. Our current focus is on the continuous improvement of our Vietnam operation and further intention is for the business to have a number of business streams that include manufacturing in tungsten and other specialty alloys that have similarly broad application and advanced uses in a modern society. Ferrotungsten is used in the production of high speed steels, tool steel and temperature resistant alloys. High quality product from ATC meets the specifications of the Japanese and European markets and can be produced from a range of different feedstock sources. ATC is an accredited smelter listed on table one of the e EICC - GeSI Conflict Free Smelter (CFS) program.

Corporate summary (at 30 June 2016)

ASX trading code:	ATA
Quoted shares:	106,568,444
Unlisted options:	2,791,431 (\$2.75, expiring 27 November 2016) 9,663,150 (\$0.75, expiring 9 March 2017) 300,000 (\$0.58, expiring 31 July 2018)
Unlisted convertible notes:	35 x Face Value \$50,000 (\$0.25, expiring 1 July 2018) 2 x Face Value \$25,000 (\$0.25, expiring 1 July 2018) 23 x Face Value \$50,000 (\$0.05, expiring 1 July 2018) 6 x Face Value \$20,000 (\$0.05, expiring 1 July 2018) 2 x Face Value \$10,000 (\$0.05, expiring 1 July 2018) 22 x Face Value \$25,000 (\$0.05, expiring 1 July 2018)
Cash balance at end of quarter:	\$0.442 million
Postal address:	PO Box 670 West Perth, Western Australia 6872
Telephone:	(+61 8) 9320 5220
Facsimile:	(+61 8) 9420 9399

E-mail:	info@atcalloys.com
Web-site:	www.atcalloys.com

Tenement directory (at 30 June 2016)

Project	Tenement number	Status interest	Beneficial
Western Australia			
Cookes Creek	E45/2904	Surrendered	Nil
Cookes Creek	E45/3199	Surrendered	Nil
Cookes Creek	E46/0740	Surrendered	Nil
Cookes Creek	E46/0762	Surrendered	Nil
Cookes Creek	E46/0941	Surrendered	Nil

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, 01/05/2013

Name of entity

ATC ALLOYS LTD

ABN

88 118 738 999

Quarter ended ("current quarter")

30 June 2016

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'ooo	Year to date (12 months) \$A'ooo
1.1 Receipts from product sales and related debtors	849	5,755
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration+ marketing	- - (815) (388)	(224) - (5,396) (2,061)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	3	9
1.5 Interest and other costs of finance paid	(70)	(747)
1.6 Income taxes paid	-	-
1.7 Other – Costs associated with Vietnam production	(137)	(660)
Net Operating Cash Flows	(558)	(3,324)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	- - -	- - (4)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	- - 35	928 - 35
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	35	959
1.13 Total operating and investing cash flows (carried forward)	(523)	(2,365)

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(523)	(2,365)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	3,641
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	300	1,829
1.17	Repayment of borrowings	-	(3,343)
1.18	Dividends paid	-	-
1.19	Other – Share issue costs	-	(243)
	Net financing cash flows	300	1,884
	Net increase (decrease) in cash held	(238)	(481)
1.20	Cash at beginning of quarter/year to date	442	687
1.21	Exchange rate adjustments to item 1.20	8	6
1.22	Cash at end of quarter	212	212

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	82
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	2,269	2,269
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	-
4.3 Production	-
4.4 Administration	300
Total	300

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	212	442
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	212	442

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	N/A		
6.2	Interests in mining tenements and petroleum tenements acquired or increased	N/A		

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3)	Amount paid up per security (see note 3)
7.1	Preference securities (description)			
7.2		Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions		
7.3	+Ordinary securities	106,568,444	106,568,444	
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	300,000 -	300,000 -	\$0.05 \$0.05

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

	Total number	Number quoted	Issue price per security (see note 3)	Amount paid up per security (see note 3)
7.5	*Convertible debt securities <i>(description)</i>	35 x FV \$50,000 2 x FV \$25,000 23 x FV \$50,000 22 x FV \$25,000 6 x FV \$20,000 2 x FV \$10,000	- - - - - -	\$50,000.00 \$25,000.00 \$50,000.00 \$25,000.00 \$20,000.00 \$10,000.00
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	12 x FV \$25,000 -	- - -	\$25,000.00 -
7.7	Options <i>(description and conversion factor)</i>	2,791,429 9,663,150 300,000	- - -	<i>Exercise price</i> \$2.75 \$0.75 \$0.58 <i>Expiry date</i> 27 November 2016 9 March 2017 31 July 2018
7.8	Issued during quarter	-	-	
7.9	Exercised during quarter	-	-	
7.10	Expired during quarter	1,500,000	-	\$0.75 31 July 2019
7.11	Debentures <i>(totals only)</i>			
7.12	Unsecured notes <i>(totals only)</i>			

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does /does not* (*delete one*) give a true and fair view of the matters disclosed.



Sign here: Date: 31 July 2016
(Company secretary)

Print name: Carol New

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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 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.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.
- 6 The quarterly report has being prepared on a consolidated basis and includes all the subsidiaries (including the 60% owned Asia Tungsten Products Co Ltd (ATC) that operates in Hong Kong & Vietnam).

== == == == ==

+ See chapter 19 for defined terms.