ATC ALLOYS LIMITED

AND ITS CONTROLLED ENTITIES

HALF YEAR REPORT

31 DECEMBER 2016

ATC Alloys Ltd
ABN 88 118 738 999
ASX ATA

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ATC Alloys Limited
ABN 88 118 738 999
and its controlled entities

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CORPORATE DIRECTORY

Directors

Mr Patrick Burke	Executive Chairman
Mr Nathan Featherby	Non-executive Director
Mr Saxon Ball	Non-executive Director
Mr Nicholas Halliday	Non-executive Director

Company Secretary
Mr Trent Franklin

Registered Office
Level 11, 52 Phillip Street
Sydney, New South Wales 2000
Tel: (02) 8316 3993
Fax: (02) 8316 3999

Auditors
Crowe Horwath Sydney
Level 15, 1 O'Connell Street
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Share Registry
Computershare Investor Services Pty Limited
Level 11, 172 St George's Terrace
Perth, Western Australia 6000
Tel: 1300 787 272

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www.atcalloys.com

ASX Code:
ATA

DIRECTOR'S REPORT

The directors of ATC Alloys Limited ('ATA' or 'the Company'), submit the financial report of the Company and its controlled entities ('the Group') for the half-year ended 31 December 2016.

Directors

The names of the directors of the Company during or since the end of the half year are:

Mr Patrick Burke

Mr Nathan Featherby – appointed 18 November 2016

Mr Saxon Ball – appointed 23 December 2016

Mr Nicholas Halliday – appointed 10 March 2017

Ms Carol New – resigned 18 November 2016 (remained Company Secretary until end January 2017)

Mr Michael Bourne – resigned 16 December 2016

Review of Operations

The Company's principle activity involves the production of ferrotungsten in Vietnam. During the reporting period, there were no production runs conducted by the Joint Venture. As per previous announcements, a dispute in relation to the management of the plant arose during the half-year which resulted in suspension of all operations.

A Gross Loss of $395,250 (31 December 2015: profit of $275,375 is reported in the condensed consolidated statement of profit or loss and other comprehensive income for the six month period ended 31 December 2016 on Product Sales Revenue of $1,376,974 (31 December 2015: $4,365,554) for the same period and Tolling Revenue of $125,799 (31 December 2015: $558,319) The consolidated loss for the six month period ended 31 December 2016 is $3,099,218 (31 December 2015: $4,419,066).

During the half-year, the Company signed a heads of agreement with Almonty Industries, pursuant to which Almonty Industries would issue a takeover bid for all of the issued capital in the Company. The heads of agreement was subject to a number a pre-conditions and termination events. The heads of agreement was terminated by Almonty in September 2016 on the grounds that a material adverse change had happened in relation to the Company.

As announced throughout the year, the Company had been reviewing operations at the Vinh Bao plant in Vietnam. This review led to a dispute with the Company's joint venture partner, Mr Guangyu Chen, regarding the ongoing management of the plant. Toward the end of the half year, the Company worked towards a resolution of the dispute with Mr Chen. As announced on 18 January 2017 and further set out below, the Company and Mr Chen have signed a heads of agreement regarding settlement of the dispute. Throughout the half-year the Company has also undergone continuous discussions with its secured lender, Siderian Resource Capital Ltd (**Siderian**) regarding forbearances provided regarding the Company's loan. Since the end of the half-year, the Company has negotiated an extension of the forbearance period to 20 April 2017.

In addition to the above, the Company underwent a change of management during the half-year, including the appointment of Mr Nathan Featherby and Mr Saxon Ball as directors of the Company and the appointment and resignation of Ms Carol New as a director, and the resignation of Mr Michael Bourne.

Events post 31 December 2016

As announced on 18 January 2017, the Company entered into a Heads of Agreement (**HoA**) with its joint venture partner Mr Guangyu (George) Chen to restructure its joint venture, Asia Tungsten Products Co Limited, which owns and operates the Vinh Bao ferro-tungsten production plant in Vietnam. Under this HoA, Mr Chen will acquire an additional 35% of the joint venture in consideration for US$2,000,000 to be paid to the Company (**Chen Transaction**). The ownership structured of the joint venture will, on completion of this HoA will be construed of 75% held by Mr Chen and 25% held by the Company. To satisfy conditions of the HoA, the Company issued a notice of general meeting to shareholders on 21 March 2017 for approval of the transaction with Mr Chen.

Since the end of the half-year, Mr Trent Franklin was appointed as Company Secretary and Mr Nicholas Halliday was appointed as a non-executive director of the Company.

Future of the Company

As announced in the Company's Notice of General Meeting dated 21 March 2017, following completion of the abovementioned Chen Transaction, the Company intends to conduct a capital raising in the form of an underwritten entitlements issue, to raise approximately A$5 million, to fund the Company's future strategy and improve overall financial position. Funds raised under the proposed entitlements issue will be used to fund the Company's commitments in Vietnam as well as to consider other natural resources opportunities, pay the costs of various transactions (including the Chen Transaction) and for general working capital.

Based on preliminary indications and discussions, management anticipates circa 70% of convertible noteholders will elect to convert their notes into shares in the Company, meaning that approximately 30% of convertible notes will be required to be re-paid in cash upon maturity on 1 July 2018.

The Company has provided a pro-forma balance sheet to show the effects of this future strategy and proposed raising as follows:

	Audited as at 31 Dec 2016 $	Proforma as at 31 Dec 2016 $
Current Assets	125,981	4,035,630
Non-current Assets	200,197	200,197
Total Assets	**326,178**	**4,235,827**
Current Liabilities	18,000,879	2,035,000
Total Liabilities	**18,000,879**	**2,035,000**
Net Assets	**(17,674,701)**	**2,200,827**
Total Equity	**(17,674,701)**	**2,200,827**

DIRECTOR'S REPORT (CONTINUED)

Auditor's Declaration

The auditor's independence declaration under section307C of the Corporations Act 2001 (Cth) is included on page 4 of the half-year financial report.

This report is signed in accordance with a resolution of the board of directors made pursuant to section 306(3) of the Corporations Act 2001

Patrick Burke
Executive Chairman
13th April 2017

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The Board of Directors
ATC Alloys Limited
Level 11
52 Phillips Street
SYDNEY NSW 2000

Dear Board Members

ATC ALLOYS LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Directors of ATC Alloys Limited.

As lead audit partner for the review of the consolidated financial statements of ATC Alloys Limited for the period ended 31 December 2016, I declare that to the best of my knowledge and belief, that there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
(ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

Crowe Horwath Sydney

CROWE HORWATH SYDNEY

L Russell

LEAH RUSSELL
Senior Partner

Dated this 13th day of April 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	31 December 2016 $	31 December 2015 $
Revenue		
Product Sales	1,376,974	4,365,554
Tolling Sales	125,799	558,319
Cost of Sales	(1,898,023)	(4,648,498)
Gross Profit	**(395,250)**	**275,375**
Other Income		
Interest	897	792
Profit/(loss) on disposal of asset	-	-
Total revenue and other income	**897**	**276,167**
Administrative expenses	(154,162)	(204,101)
Auditor’s remuneration	(57,697)	(58,209)
Consultancy fees	(483,373)	(708,304)
Depreciation	(26,570)	(42,363)
Directors’ fees	(321,669)	(631,703)
Employee benefits expenses	(93,868)	(326,074)
Finance costs	(805,232)	(1,009,446)
Foreign exchange gains/(losses)	(108,958)	(273,504)
Impairment of property, plant and equipment	2,762	(102,468)
Impairment of inventory	(298,952)	(913,578)
Insurance	(17,339)	(40,389)
Legal fees	(305,008)	(58,188)
Occupancy costs	(3,658)	(98,316)
Impairment of investments	(15,000)	-
Travel and marketing expense	(16,141)	(57,429)
Loss before income tax expense	**(3,099,218)**	**(4,247,906)**
Income tax expense	-	-
Loss for the period from continuing operations	**(3,099,218)**	**(4,247,906)**
Loss from discontinued operations	-	(171,160)
Loss for the period	**(3,099,218)**	**(4,419,066)**
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss:		
Foreign currency translation difference	614,502	238,986
Total comprehensive income for the period	**(2,484,716)**	**(4,180,080)**

Loss attributable to:		
Members of the parent entity	(2,428,895)	(3,216,403)
Non-controlling interest	(670,323)	(1,202,663)
	(3,099,218)	**(4,419,066)**
Total comprehensive income attributable to:		
Members of the parent entity	(1,772,226)	(2,663,630)
Non-controlling interest	(712,490)	(1,516,450)
	(2,484,716)	**(4,180,080)**
Loss per share		
Basic and diluted (cents per share)	(2.76)	(0.18)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	31 December 2016 $	30 June 2016 $
Current assets			
Cash and cash equivalents		63,243	212,650
Trade and other receivables		1,874	588,589
Other assets	3	60,864	252,918
Total current assets		**125,981**	**1,054,157**
Non-current assets			
Property, plant and equipment	4	25,197	27,703
Investments	5	175,000	200,000
Total non-current assets		**200,197**	**227,703**
Total assets		**326,178**	**1,281,860**
Current liabilities			
Trade and other payables		5,395,645	5,339,707
Provisions	7	1,958,340	1,991,938
Subscription deposits advanced		760,000	-
Financial liabilities	8	9,886,894	9,329,318
Total current liabilities		**18,000,879**	**16,660,963**
Total liabilities		**18,000,879**	**16,660,963**
Net assets		**(17,674,701)**	**(15,379,103)**
Equity			
Issued capital	6	66,749,301	66,550,183
Reserves		4,795,357	4,938,987
Accumulated losses		(75,433,907)	(73,795,310)
Parent interest		(3,889,249)	(2,306,140)
Non-controlling interest		(13,785,452)	(13,072,963)
Total equity		**(17,674,701)**	**(15,379,103)**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Members of parent entity			Attributable to owners of the parent	Non-controlling interest	Total Equity
	Issued Capital	Reserves	Accumulated Losses			
	$	$	$	$	$	$
Balance at 1 July 2015	62,728,007	4,337,093	(62,475,370)	4,589,730	(6,643,810)	(2,054,080)
Prior year error		748,371	(748,371)	-	-	
Adjusted balance at 1 July 2015	62,728,007	5,085,464	(63,223,741)	4,589,730	(6,643,810)	(2,054,080)
Loss for the period	-	-	(3,216,403)	(3,216,403)	(1,202,663)	(4,419,066)
Other comprehensive income	-	552,773	-	552,773	(313,787)	238,986
Total comprehensive income for the period	**-**	**552,773**	**(3,216,403)**	**(2,663,630)**	**(1,516,450)**	**(4,180,080)**
Transactions with owner, directly recognised in equity						
Issues of shares	3,829,948	-	-	3,829,948	-	3,829,948
Cost of share issues	(387,776)	-	-	(387,776)	-	(387,776)
Issue of options	-	231,725	-	231,725		231,725
Expiry of options	-	(716,150)	716,150	-	-	-
Financial asset revaluation	-	105,000	-	105,000	-	105,000
Balance at 31 December 2015	**66,170,179**	**5,258,812**	**(65,723,994)**	**5,704,997**	**(8,160,260)**	**(2,455,263)**
Balance at 1 July 2016	66,550,183	4,938,987	(73,795,310)	(2,306,141)	(13,072,963)	(15,379,103)
Loss for the period	-	-	(2,428,895)	(2,428,895)	(670,323)	(3,099,218)
Other comprehensive income	-	656,668	-	656,668	(42,166)	614,502
Total comprehensive income for the period	**-**	**656,668**	**(2,428,895)**	**(1,772,226)**	**(712,490)**	**(2,484,716)**
Transactions with owner, directly recognised in equity						
Issues of shares	199,118	-	-	199,118	-	199,118
Cost of share issues	-	-	-	-	-	-
Issue of options	-	-	-	-		-
Expiry of options	-	(790,298)	790,298	-	-	-
Financial asset revaluation	-	(10,000)	-	(10,000)	-	(10,000)
Balance at 31 December 2016	**66,749,301**	**4,795,357**	**(75,433,907)**	**(3,889,249)**	**(13,785,452)**	**(17,674,701)**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	31-Dec 2016 $	31-Dec 2015 $
Cash flows from operating activities		
Receipts from customers	1,503,308	4,454,934
Payments to suppliers and employees	(2,893,257)	(5,878,029)
Payments for deferred exploration expenditure	-	(206,226)
Interest and other income received	897	792
Interest paid	-	
Net cash used in operating activities	**(1,389,052)**	**(1,628,529)**
Cash flows from investing activities		
Payment for property, plant and equipment	-	(38,774)
Proceeds from sale of asset	-	975,000
Net cash used in investing activities	**-**	**936,226**
Cash flows from financing activities		
Proceeds from issues of equity securities	-	3,392,908
Payment for share issue costs	-	(292,536)
Proceeds from borrowings	1,732,035	1,240,000
Repayment of borrowings	(500,000)	(2,775,400)
Financing costs	-	(259,534)
Interest expense	(324,998)	(395,599)
Net cash (used in)/provided by financing activities	**907,037**	**909,839**
Net decrease in cash and cash equivalents	(482,015)	217,536
Cash and cash equivalents at the beginning of the half-year	212,650	648,430
Effects of exchange rates changes on the balance of cash held in foreign currencies	332,608	19,348
Cash and cash equivalents at the end of the half-year	**63,243**	**885,314**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

1. SUMMARY OF ACCOUNTING POLICIES

a) Basis of preparation

These General Purpose consolidated interim financial statements for the half-year reporting period ended 31 December 2016 have been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by ATC Alloys Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

b) Principle of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of ATC Alloys Limited as at 31 December 2016 and the results of its subsidiaries for the period then ended. ATC Alloys Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity' or 'the group'.

c) Going concern

The half year financial reports have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlements of liabilities in the ordinary course of business. The Consolidated Entity incurred an operating loss of $3,099,218 for the half-year ended 31 December 2016 (31 December 2015: loss of $4,419,066).

The net working capital deficit of the Consolidated Entity at 31 December 2016 was $17,874,898 (30 June 2016: working capital deficit of $15,606,806) and the net cash outflows from operating activities during the half year was $1,389,052 (31 December 2015: $1,628,529).

The ability of the Consolidated Entity to continue to pay its debts as and when they fall due is dependent upon the Consolidated Entity settling the $2.265 million loan from Siderian Resource Capital Ltd and achieving one or more of the following objectives: raising additional share capital; developing, joint venturing or selling one or more of its non-core assets or other assets; and the successful production and sale of Ferrotungsten. These conditions indicate a material uncertainty that may cast doubt about the ability of the Consolidated Entity to continue as a going concern.

The directors have prepared a cash flow forecast, which indicates that the Consolidated Entity will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report. The Directors believe it is appropriate to prepare these accounts on a going concern basis because:

c) Going concern continued

- On 18 January 2017, the Company entered into a Heads of Agreement to end its current dispute with its joint venture partner, Mr Guangyu Chen and to restructure its Vietnamese Ferro-Tungsten Joint Venture. Under the terms of the Heads of Agreement, Mr Chen will acquire an additional 35% of the Joint Venture in consideration for US$2,000,000 together with forgiveness of all loans owed by the Joint Venture to Mr Chen and all fees and other debts owed by the Joint Venture to Mr Chen. Upon settlement, which shall occur on or before 20 April 2017, Mr Chen will hold a 75% interest in the Joint Venture and the Company will hold a 25% interest in the Joint Venture. The parties will enter into a new Joint Venture Agreement upon settlement.

- Siderian Resource Capital Limited has extended the forbearance period to 20 April 2017 under a revised forbearance letter, whereby all outstanding debt to be fully repaid by 20 April 2017 upon settlement of the Joint Venture agreement with Mr Chen.

- The Company is currently finalising arrangements for a fully underwritten entitlement issue offer, to raise up to A$5 million, as described in the Company's notice of meeting dated 21 March 2017. The Company expects to provide further information regarding the proposed entitlement issue within the coming weeks.

- At the date of this report, the Company is not in receipt of any statutory demands;

- As at 31 December 2016 the entity has convertible notes with a face value of $3.69 million outstanding. These notes can be converted into ordinary shares in ATC at fixed terms, and redeemable in cash at maturity date being 1 July 2018.

- As at 31 December 2016 the entity have promissory notes with a face value of $400,000 from Almonty Industries Inc. These notes has interest rate of 5% per annum, and repayable at maturity date on 29 July 2017.

- On 16 January 2017 at the Company's Annual General Meeting for 2016, shareholders approved the issue of 18,124,800 ordinary shares in satisfaction of existing creditors to the value of $181,248 to take payment in shares of the entity thereby reducing the cash outflow required.

Should the Consolidated Entity not achieve the matters set out above, there is material uncertainty whether it would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements. The financial statements do not include any adjustment relating to the recoverability or classification of recorded asset amounts or to the amounts or classifications of liabilities that might be necessary should the Consolidated Entity not be able to continue as a going concern.

2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are consistent with 30 June 2016.

3. SEGMENT INFORMATION

The Group has assess that there is two segments, being Hong Kong and Vietnam. Previously there was three segments including treasury which is now considered as incorporated into administration. No other changes has been made.

a) Segment performance continuing operations

Six months ended 31 December 2016	Hong Kong $	Vietnam $	Total $
Revenue - external	125,799	1,376,974	1,502,773
Intersegment sales		120,540	120,540
Total sales revenue	125,799	1,497,514	1,623,313
Other revenue	-	-	-
Total segment revenue	125,799	1,497,514	1,623,313
Intersegment revenue			(120,540)
Unallocated revenue			1,432
			1,504,205
EBITDA	(1,087,858)	(129,676)	(1,217,534)
Unallocated expense			(738,694)
Depreciation			(26,570)
Amortisation			(311,189)
Interest income			1,949,653
Finance costs			(2,754,884)
Profit before income tax			(3,099,218)
Income tax expense			-
Profit after income tax expense			(3,099,218)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

2. SEGMENT INFORMATION (CONTINUED)

a) Segment performance continuing operations

Six months ended 31 December 2015	Hong Kong	Vietnam	Total
	$	$	$
Revenue - external	4,404,286	519,587	4,923,873
Intersegment sales		497,197	497,197
Total sales revenue	4,404,286	1,016,784	5,421,070
Other revenue	-	-	-
Total segment revenue	4,404,286	1,016,784	5,421,070
Intersegment revenue			(497,197)
Unallocated revenue			(6,477)
			4,917,396
EBITDA	(125,762)	(965,579)	(1,091,341)
Unallocated expense			(1,511,993)
Depreciation			(5,594)
Amortisation			(1,016,045)
Interest income			1,967,328
Finance costs			(2,761,421)
Profit before income tax			(4,419,066)
Income tax expense			-
Profit after income tax expense			(4,419,066)

b) Segment assets

Six months ended 31 December 2016	Hong Kong	Vietnam	Total
	$	$	$
Segment assets	13,885,719	762,006	14,647,725
Inter-segment eliminations			(14,592,613)
			55,112
Unallocated assets			
Cash at bank			17,449
Trade and other receivables			1,874
Other assets			51,546
PPE			25,197
Investments			175,000
Total assets			326,178

2. SEGMENT INFORMATION (CONTINUED)

b) Segment assets

Year ended 30 June 2016	**Hong Kong**	**Vietnam**	**Total**
	$	**$**	**$**
Segment assets	13,694,618	1,013,612	14,708,230
Inter-segment eliminations			(14,090,418)
			617,812
Unallocated assets			
Cash at bank			144,042
Trade and other receivables			42,387
Other assets			249,916
PPE			27,703
Investments			200,000
Total assets			1,281,860

c) Segment liabilities

Six months ended 31 December 2016	**Hong Kong**	**Vietnam**	**Total**
	$	**$**	**$**
Segment liabilities	33,140,185	15,123,455	48,263,640
Inter-segment eliminations			(38,426,344)
			9,837,296
Unallocated liabilities			
Trade and other payables			1,189,937
Provisions			-
Subscriptions			760,000
Financial liabilities			6,213,646
Total liabilities			18,000,879

Year ended 30 June 2016	**Hong Kong**	**Vietnam**	**Total**
	$	**$**	**$**
Segment liabilities	30,772,354	14,602,883	45,375,237
Inter-segment eliminations			(36,002,656)
			9,372,581
Unallocated liabilities			
Trade and other payables			1,475,266
Provisions			57,774
Subscriptions			-
Financial liabilities			5,755,342
Total liabilities			16,660,963

3. OTHER ASSETS

The movement in Other Assets results from a reduction in deposits paid against feedstock and the provision for non-recovery against Sale & Option agreements.

	31 December 2016	30 June 2016
Current	**$**	**$**
Prepayments	60,864	252,919
	60,864	252,919

4. PROPERTY, PLANT AND EQUIPMENT

Consistent with 30 June 2016, the carrying value of all property, plant and equipment, and the liner in the Joint Venture were fully impaired as a result of the ongoing concerns over the operations of the plant by the 40% joint venture partner. The carrying value as at 31 December 2016 is: $25,197 (30 June 2016: $27,703)

5. INVESTMENTS

On 15 December 2015, the Company received 5,000,000 shares in Tungsten Mining NL as part consideration of its sale of its tungsten tenements. The shares were escrowed until 15 December 2016. At 31 December 2016 the shares had a value of $175,000. These were valued using level 1 input.

6. EQUITY SECURITIES

Shares

The following shares were issued during the half-year reporting period ended 31 December 2016:

	Half year 31/12/2016 No. of shares	Full year 30/06/2016 No. of shares	Half year 31/12/2016 $	Full year 30/06/2016 $
Opening Balance	**106,568,444**	**25,936,370**	**66,550,183**	**62,728,007**
Issue of shares	6,107,928	80,632,074	199,118	4,238,957
Movements during the year	**6,107,928**	**80,632,074**	**199,118**	**4,238,957**
Less cost of capital	-	-	-	(416,781)
Closing balance	**112,676,372**	**106,568,444**	**66,749,301**	**66,550,183**

Options

The following options were issued during the half-year reporting period ended 31 December 2016:

	Half year 31/12/2016 No. of options	Full year 30/06/2016 No. of options	Half year 31/12/2016 $	Full year 30/06/2016 $
Opening Balance	**12,754,581**	**4,768,362**	**978,433**	**1,506,448**
Granted during the financial year	-	9,886,219	-	284,033
Cancelled during the financial year	-	(1,500,000)	-	(95,898)
Expired during the financial year	(2,791,431)	(400,000)	(790,298)	(716,150)
Movements during the year	**(2,791,431)**	**7,986,219**	**(790,298)**	**(528,015)**
Closing balance	**9,963,150**	**12,754,581**	**188,135**	**978,433**

7. PROVISIONS

	31 December 2016 $	30 June 2016 $
Provisions for amounts owed under processing agreement	1,934,164	1,934,164
Provisions for annual leave	24,176	57,774
Total provisions	1,958,340	1,991,938

The provision for amounts owed under processing agreement relates to 58,208kg W ferrotungsten not delivered as part of tolling contract. The value of the ferrotungsten at 31 December 2016 is $1,934,164. Payments of this amount is pending negotiations with the counter party.

8. FINANCIAL LIABILITIES

	31 December 2016 $	30 June 2016 $
Financial liabilities short-term		
Secure Debt facilities (i)	2,265,041	2,297,103
Unsecured Loan - George Chen (ii)	3,673,248	3,573,976
Secured Convertible Notes (iii)	3,690,000	3,640,000
Cost of notes to be amortised	(141,395)	(181,761)
Promissory Notes (iv)	400,000	-
Closing balance	**9,886,894**	**9,329,318**

(i) This debt facility was provided by Siderian Resource Capital Limited and is due to be repaid including all outstanding interest and charges on 20 April 2017 as per the agreed terms in the latest Forbearance letter dated 30 March 2017. Interest is payable at 17%. Loan is secured by the ferrotungsten liner and other company assets.

(ii) This loan is a shareholder loan provided by Joint Venture partner Guangyu Chen to the Hong Kong subsidiary.

(iii) Unsecured Debt facilities relates to Convertible Notes on issue with an expiry date of 1 July 2018 and an interest rate of 12%.

(iv) These promissory notes were provided by Almonty Industries Inc and are due to be repaid including all outstanding interest on 29 July 2017 for the principal amount of $150,000 and 18 August 2017 for the principal amount of $250,000.

9. INVENTORIES

Consistent with 30 June 2016, the carrying value of all inventory was fully written down which resulted in a write down of $298,952 which has been recognised in the profit and loss.

10. RELATED PARTY TRANSACTIONS

a) Directors

The names and positions held of Company key management personnel in office at any time during the financial period are:

Key management person	Position
Patrick Burke	Executive Chairman
Nathan Featherby	Non-executive Director
Saxon Ball	Non-executive Director
Michael Bourne	Executive Director (from 31 March 2016 to 19 December 2016)
Carol New	Executive director (from 24 June 2016 to 16 December 2016) and Company Secretary

Since the end of the financial period, the Company appointed Mr Nicholas Halliday as a non-executive director and Mr Trent Franklin as company secretary.

The group has payables to directors at period end for fees not paid. Total outstanding was $65,800.

The following are the significant related party transactions during the period, or at period year end:

Mr Chen Guang Yu holds 40% interest in Asia Tungsten Products Group. The balances of Mr Chen's loan account as at 31 December 2016 is: Principal $3,673,248 (US$ 2,660,000) and interest $1,519,657 (US$ 1,100,467).

Ochre Group Holdings Limited (OGH) has common directors being Nathan Featherby and Saxon Ball. The Group holds convertible notes totalling $50,000 and has payable of $505,000 (June 2016: $50,000) in OGH.

Jemaya Pty Ltd ATF The Featherby Family Trust, a related entity to Nathan Featherby, holds convertible notes totalling $250,000 (June 2016: $250,000)

Rowan Hall Pty Ltd ATF Rowan Hall Investment Trust, a related entity to Patrick Burke, holds convertible notes totalling $25,000 (June 2016: $25,000)

11. EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to half year the following material events occurred:

On 7 April 2017, the Company announced that Siderian Resource Capital Limited (**Siderian**) agreed to extend the forbearance period further to 20 April 2017. The extension also satisfied a condition precedent to sell its interest in the Joint Venture to repay Siderian.

On 18 January 2017, the Company entered into a Heads of Agreement with Mr Chen to restructure its Vietnamese Ferro-Tungsten Joint Venture (**JV**). Under this Heads of Agreements, Mr Chen will acquire an additional 35% of the JV in consideration for US$2,000,000 together with forgiveness of all loans owed by the Joint Venture to Mr Chen and all fees and other debts owed by the Joint Venture to Mr Chen. Upon

11. EVENTS SUBSEQUENT TO BALANCE DATE (CONTINUED)

settlement, which shall occur on or before 20 April 2017, Mr Chen will hold a 75% interest in the Joint Venture and the Company will hold a 25% interest in the Joint Venture.

On 16 January 2017, shareholders approved the following:

- The issue of convertible notes totalling $140,000 at coupon rate of 12% per annum.
- The issue of 10,090,309 ordinary shares in lieu of interest due on Convertible Notes as at 31 December 2016.
- The issue of 18,124,800 ordinary shares were issued in satisfaction of outstanding debt $181,248.
- Extraordinary General Meeting has been called for shareholders to approve the sale of 35% interest in Joint Venture and approve raising up to $5 million in capital.

12. CONTINGENT LIABILITY

During the period, ATCV was audited by the tax authorities in Vietnam for the financial years 2010 to 2014. The preliminary results showed an additional liability of $120,636 was required to be taken up in relation to Personal Income Tax (PIT). This was accrued for at 30 June 2016. Based on the methodology undertaken ATPV reviewed its PIT workings for the 2015 and 2016 financial years and identified an addition $67,410 which needed to be accounted for and this was accrued for at 30 June 2016.

The extent to which an outflow of funds will be required in excess of the above amounts which have been accrued is dependent on receipt of the finalised tax report from the authorities for the years 2010 to 2014 and any further action or audits which may be taken in relation to 2015 and 2016 financial years.

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

Patrick Burke
Executive Chairman
13th April 2017

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ATC Alloys Limited and its Controlled Entities

Independent Auditor's Review Report to the Members of ATC Alloys Limited

Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of ATC Alloys Limited (the Company) and its controlled entities (the Consolidated Entity), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the half-year ended on that date, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

Directors' Responsibility for the Half-year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of ATC Alloys Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Crowe Horwath

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of ATC Alloys Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Basis for Qualified Conclusion

The Consolidated Entity has a subsidiary in Vietnam called Asia Tungsten Products Vietnam Limited. Information was requested from the auditors of the subsidiary to support information not available, but no audit documentation has been provided. We have been able to obtain information for a number of balances, but not for the completeness of the subsidiary liabilities, provisions and the profit and loss statement. As a result, we were unable to determine whether any adjustments were necessary in respect of the Consolidated Entity's share of the subsidiary's liabilities and for its accuracy and completeness of the income and expenses for the year, and the elements making up the consolidated statement of changes in equity and the consolidated cash flow statement.

Qualified Conclusion

Except for the adjustments to the half-year financial report that we might have become aware of had it not been for the situation described above, based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of ATC Alloys Limited is not in accordance with the *Corporations Act 2001* including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

(ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001.*

Emphasis of Matter Regarding Going Concern

Without further qualification to our opinion, we draw attention to Note 1 'Going Concern' in the half-year financial report. As a result of the matters described in Note 1 there is material uncertainty whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the half half-year financial report. The half-year financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Crowe Horwath Sydney

CROWE HORWATH SYDNEY

L Russell

LEAH RUSSELL
Senior Partner

Date this 13th day of April 2017