



28 April 2017

Ms Anjuli Sinniah
Advisor, Listings Compliance
ASX Compliance Pty Ltd
Level 40, Central Park
152-158 St George's Terrace
PERTH WA 6000

By email:

Dear Anjuli

Re: ASX query letter

We refer to your letter of 24 April 2017 and respond to your queries as follows:

1. In the opinions of the directors, the Accounts (as defined in your letter), comply with the relevant Accounting Standards and give a true and fair view of the financial performance and the financial position of the ATC Alloys Limited ("the Company").
2. The directors considered the following when considering whether the accounts could be prepared on a going concern basis:
 - a. The Company is substantially advanced in finalising its current dispute with its joint venture partner, Mr Guanyu (George) Chen and to restructure its Vietnamese ferrotungsten joint venture. Mr Chen will acquire an additional 35% interest in the joint venture as a result of this transaction ("Chen Transaction"), in exchange for which the Company will be paid US\$2,000,000.
 - b. Upon settlement of the Chen Transaction, the Company's secured creditor, Siderian Resource Capital Limited ("Siderian") will be repaid the entirety of the loan outstanding.
 - c. As at the date of this letter, the Company is not in receipt of any statutory demands.
 - d. The Company is substantially advanced in arranging an underwritten entitlements issue ("Rights Issue") to raise up to A\$5 million; for which further information will be provided to the market in the coming weeks.
3. Noted. We note that in conjunction with the Chen Transaction, a substantial amount of debt owed to the joint venture or Mr Chen will be waived or written off.
4. The Company is currently arranging a further extension of the forbearance and for the settlement of the transaction.

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ASX ATA

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- 5.
- a. Please see item 4 above. The Company has not yet paid the amount to Siderian. We note that the amount outstanding to Siderian on 31 March 2017 was US\$1,709,615, accruing interest at 17% per annum, following payment of A\$500,000 in December 2016.
 - b. Please see item 4 above. The Company is currently extending the forbearance and intends to use the proceeds from the settlement of the Chen Transaction to repay Siderian.
 - c. The funds raised from the Rights Issue are proposed to be used as follows:
 - i. \$1,500,000 for repayment of convertible notes and promissory notes;
 - ii. \$2,000,000 for working capital;
 - iii. \$500,000 for costs of the transactions; and
 - iv. \$1,000,000 for growth opportunities.
 - d. As part of the Rights Issue, the Company has a provision for the repayment of convertible notes as per paragraph 5(c)(i) above. The Company believes that no less than \$1.5 million worth of the convertible notes will be converted into shares, per its recent discussions with noteholders. The balance, should notes not convert, may be payable out of the proceeds of operations. Assuming the convertible notes are not converted, or the Company does not repay the outstanding amounts under the convertible notes prior to the maturity date, the outstanding interest which will accrue from 31 December 2016 to 1 July 2018 will be A\$688,034.43.
 - e. The Company has estimated that the interest accrued on the maturity date of the Almonty promissory note will be A\$38,927.78. Accordingly, the total amount payable on 29 July 2018 will be \$438,927.78. The Company intends to repay this amount using the provision in paragraph 5(c)(i) above.
 - f. Following the resolution of the Chen Transaction, production at the Vinh Bao ferrotungsten plant is proposed to resume within thirty days and the Company will have a continuing and integral role in its management, including in relation to:
 - i. corporate strategy;
 - ii. macro tungsten market analysis;
 - iii. identification of, negotiations with and securing of financiers for campaign runs;
 - iv. identification of, negotiations with and securing of suppliers of concentrate for campaign runs;
 - v. identification of, negotiations with and securing of buyers for Ferrotungsten produced in campaign runs;
 - vi. identification of, negotiations with and securing of long term contracts/offtake agreements for ferrotungsten;
 - vii. determination of timing of campaign runs; and
 - viii. assessment and securing of complimentary acquisitions.
6. As a result of the resolution of the Chen Transaction and in line with the Company's role highlighted in paragraph 5(f)(i) above, whilst the Company will be able to obtain information which may be required by an auditor to prepare unqualified accounts, it will not be necessary to audit the Vietnamese subsidiary, due to the Company having only a 25% interest in its overall holding company, Asia Tungsten Products Co Limited.
7. The Company has received a mandate agreement from an underwriter to underwrite the shortfall of the proposed Rights Issue. The Board is currently reviewing the mandate. The Company is substantially advanced in preparing the requisite offer documentation so that the offer may be announced during May 2017. Further, the Company has a share position in an ASX listed company which may be liquidated to provide near term working capital if necessary. This, in conjunction with the surplus proceeds of the Chen

Transaction and extinguishment of the Siderian loan, will position the Company to continue its operations. Accordingly, the Company considers that its financial condition and its financial prospects are sufficient to warrant its continued quotation on the ASX.

8. N/A.
9. In future and particularly with the resolution of the Chen Transaction, the Company and Mr Chen propose to work together in the manner set out in paragraph 5(f) to ensure the successful development and production of the Vinh Bao Ferrotungsten Plant in Vietnam. Accordingly, the Company will have unobstructed access to the accounts of the Hong Kong joint venture and its Vietnamese subsidiary. Further, we refer you to our comments in paragraph 6 above.
10. The Company confirms it is in compliance with Listing Rule 3.1.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Trent Franklin', written in a cursive style.

Trent Franklin
Company Secretary



24 April 2017

Trent Franklin
Company Secretary
ATC Alloys Limited
Level 11, 52 Phillip Street
SYDNEY NSW 2000

By email: trent.franklin@enrizen.com.au

Dear Trent

ATC ALLOYS LIMITED (the “Company”)

ASX Limited (“ASX”) refers to the following.

1. The Company’s financial statements for the half-year ended 31 December 2016, released to the market on 19 April 2017 (the “Accounts”).
2. The Independent Auditor’s Review Report on pages 22 to 23 of the Accounts (“Auditor’s Report”) which includes the following Qualified Conclusion:

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 (sic) 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 consolidate entity not continue as a going concern.

Relevant Listing Rules and Guidance

- *Listing Rule 12.2 – An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.*
- *Listing Rule 19.11A (b) – If a listing rule requires an entity to give ASX accounts, the accounts must be prepared to Australian accounting standards. If the entity is a foreign entity the accounts may be prepared to other standards agreed by ASX.*

Questions for Response

In light of the Auditor's Report, the information contained in the Accounts, and the application of the Listing Rules stated above, please respond to each of the following questions.

1. Is the Company able to confirm that, in the directors' opinion, the Accounts:
 - (a) comply with the relevant Accounting Standards; and
 - (b) give a true and fair view of the financial performance and financial position of the Company?
2. In light of the matters set out in the auditor's opinion, please explain the factors considered by the directors to satisfy themselves that, notwithstanding the auditor's opinion, the Accounts could be prepared on a going concern basis.
3. ASX notes the following:



- a. As at 31 December 2016 the Company has cash and cash equivalents of \$63,243 and total liabilities of \$18,000,879.
 - b. The Company currently holds a 60% shareholding in the joint venture Asia Tungsten Products Co Limited, a company incorporated in Hong Kong ("ATPHK") which owns 100% of Asia Tungsten Products Vietnam Limited ("ATPV"). ATPV is the owner and operator of the Ferro-Tungsten joint venture project ("JV").
 - c. On 18 January 2017, the Company entered into a heads of agreement to end the dispute with the JV partner, Mr George Chen and to restructure the JV ("HOA"). Under the HOA, 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 JV to Mr Chen and all fees and other debts owed by the JV to Mr Chen. Settlement of the HOA is due to have occurred on 20 April 2017.
4. Please provide an update on the settlement of the HOA which was due to have occurred on 20 April 2017.
5. The Company has stated in Note 2(c) that it "*...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.*" Please answer the following queries:
- a. Has the Company repaid the outstanding debt of A\$2,265,000 owed to Siderian Resource Capital Ltd ("Siderian"), noting the amount outstanding was due to be paid on 20 April 2017?
 - b. If not, please advise when the outstanding amount owed to Siderian will be paid and comment specifically on how the debt owed will be paid, noting the Company has cash and cash equivalents of A\$63,243 as at 31 December 2016.
 - c. The Company is currently finalising a fully underwritten entitlement issue offer to raise up to A\$5,000,000. Please provide a breakdown of the proposed use of funds of the capital raising.
 - d. As at 31 December 2016, the Company has convertible notes with a face value of A\$3,690,000 outstanding which can be converted into ordinary shares in the Company at fixed terms and redeemable in cash at the maturity date being 1 July 2018. Please advise if interest is accruing on these convertible notes and if so, what the outstanding amount is estimated to be at the maturity date (assuming that the Company will not repay any portion of the outstanding amount prior to the maturity date) and how the Company plans to repay the outstanding amount including interest on 1 July 2018.



- e. As at 31 December 2016, the entity has promissory notes with a face value of \$400,000 from Almonty Industries Inc. at an interest rate of 5% per annum and repayable on 29 July 2017. Please advise what the outstanding amount is estimated to be at the maturity date of 29 July 2018 (assuming that the Company will not repay any portion of the outstanding amount prior to the maturity date) and how the Company plans to repay the outstanding amount including interest on 29 July 2018.
 - f. Please detail the Company's plans to develop the JV to enable the successful production and sale of Ferrotungsten, noting specifically that the Company will hold a 25% interest in the JV upon settlement of the HOA?
6. The auditor states that *"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"*. What steps does the Company intend to take to ensure in future periods it can provide the auditor with sufficient and appropriate audit evidence in relation to the Company's subsidiaries?
 7. Does the Company consider that the financial condition of the Company is sufficient to warrant the continued quotation of its securities and its continued listing on ASX in accordance with the requirements of Listing Rule 12.2? In answering this question, please also explain the basis for this conclusion.
 8. If the answer to question 5 is "No", please explain what steps the Company has taken, or proposes to take, to warrant its continued listing on ASX in accordance with the requirements of Listing Rule 12.2.
 9. What steps does the Company intend to take to obtain an unqualified audit opinion in the future?
 10. Please confirm that the Company is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

Please note that ASX intends under Listing Rule 18.7A to release this letter and the Company's response to the market. Accordingly, the Company's response should address each question separately and be in a format suitable for release to the market.

Unless the information is required immediately under Listing Rule 3.1, a response is requested as soon as possible and, in any event by **no later than 10.00am WST on Friday 28 April 2017**. If the information is required immediately under Listing Rule 3.1, you should discuss with ASX whether it is appropriate to request a trading halt in the Company's securities under Listing Rule 17.1.

Any response should be sent to me by return email. It should not be sent to the ASX Market Announcements Office.



If you have any questions in relation to the above, please do not hesitate to contact me if you have any enquiries on the above.

Yours sincerely,

[sent electronically without signature]

Anjuli Sinniah
Adviser, Listings Compliance (Perth)