ATC ALLOYS LIMITED

AND ITS CONTROLLED ENTITIES

HALF YEAR REPORT

31 DECEMBER 2017

CONTENTS

Corporate Information

ACN 118 738 999

ASX Code: ATA

Directors

Mr Patrick Burke (Non-Executive Director) - resigned 1 June 2018
Mr Nathan Featherby (Executive Director)
Mr Saxon Ball (Non-Executive Director)
Mr Nicholas Halliday (Non-Executive Director) – resigned 24 May 2018
Mr Imants Kins (Non-Executive Chairman) – appointed 24 May 2018

Company Secretary

Mr Trent Franklin

Registered Office

Level 11, 52 Phillip Street
Sydney NSW 2000
Telephone: (02) 8316 3993
Facsimile: (02) 8316 3999
Email: info@atcalloys.com

Share Registry

Computershare Investor Services Pty Limited
Level 11, 172 St George's Terrace
Perth WA 6000

Telephone (Australia): 1300 850 505
Telephone (overseas): +61 3 9415 4000

Auditors

Crowe Horwath Sydney
Level 15
1 O'Connell Street
Sydney NSW 2000

Website

www.atcalloys.com

Directors' Report

The directors of ATC Alloys Ltd (**ATC** or **Company**) submit the financial report of the Consolidated Entity for the half-year ended 31 December 2017. The Consolidated Entity comprises ATC Alloys Ltd and BigHill Resources Limited.

Directors

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

- Mr Patrick Burke (Non-Executive Director) - resigned 1 June 2018
- Mr Nathan Featherby (Executive Director)
- Mr Saxon Ball (Non-Executive Director)
- Mr Nicholas Halliday (Non-Executive Director) – resigned 24 May 2018
- Mr Imants Kins (Non-Executive Chairman) – appointed 24 May 2018

Principal Activities

The principal activity of the Consolidated Entity has been involvement in the production of ferrotungsten in Vietnam. As advised during the previous financial year the group made the decision to suspend production runs conducted by the joint venture. This arose from a dispute over the management of the plant.

Throughout the half year, the Company progressed its efforts for the resolution of this dispute via ongoing litigious efforts, as well as continued discussions with Mr Chen. Towards the end of the half-year, the Company commenced negotiations for the potential acquisition of Mr Chen's interest in the joint venture.

Subsequent to the end of the half-year, the Company announced a new strategy for the recommencement of production at the Vinh Bao ferrotungsten plant. As published to the market on 26 February 2018, the Company has signed a heads of agreement with its joint venture partner, Mr Guangyu (George) Chen, pursuant to which the Company will acquire Mr Chen's 40% shareholding in Asia Tungsten Products Co Limited (**ATCHK**) the Hong Kong based holding company which owns the plant via a Vietnamese subsidiary (**Transaction**). This Transaction will result in the Company owning 100% of ATCHK and effectively, the plant.

Siderian Resource Capital Limited Forbearance

As announced to the market on 1 July 2016, Siderian Resource Capital Limited (**Siderian**) agreed to extend the forbearance period of the secured loan to ATC to 30 September 2016.

On 17 October 2016, the Company received notice from Siderian, that the forbearance had ceased and that monies outstanding under the loan arrangements, in the amount of US$1,812,128.52, were payable by 21 October 2016, failing which an event of default would occur, thereby entitling Siderian to commence enforcement proceedings.

The Company and Siderian engaged in negotiations throughout the November and December, 2016, and as a result, Siderian extended its forbearance period to 31 March 2017, in consideration for the Company making a payment of A$500,000 against the outstanding monies. The Company continues to engage with Siderian in relation to the repayment of the loan.

Regarding current repayment terms, please refer to subsequent events on page 7 and note 8.

Directors' Report Continued

Review and Results of Operations

The operating loss after tax for the half-year ended 31 December 2017 was $945,379 (31 December 2016: $7,763,974).

Subsequent Events

Subsequent to year end the following material subsequent events occurred.

Joint Venture

Throughout the first half of the 2018 financial year and as announced to the market, the Company has employed alternative strategies for the resolution of the dispute with Mr Chen, including taking various action to attempt to regain control of ATCHK and the Vietnamese ferrotungsten plant, including legal action in both Hong Kong and Vietnam.

As recently announced, the Company has entered into a Share Sale and Purchase Agreement (**SPA**), with Mr Chen, in order to resolve the Dispute.

Under the terms of the SPA, the Company has agreed to purchase Mr Chen's 40% shareholding in ATCHK, resulting in the Company owning 100% of ATCHK and its Vietnamese subsidiary, which owns the the Vinh Bao ferro-tungsten production plant (**Transaction**). As a result of the Transaction, ATCHK will become a wholly owned subsidiary of the Company.

(a) The Company will provide to Mr Chen, as consideration:

  (i) A$800,000 in cash;

  (ii) A$3,000,000 in fully paid ordinary shares in the Company, issued upon completion of the Transaction, at an issue price of A$0.001 per share; and

  (iii) A$2,400,000 deferred consideration, to be paid twenty four (24) months following completion in fully paid ordinary shares in the Company.

(b) The Transaction will be subject to the following conditions precedent which must be satisfied prior to completion:

  (i) the Company obtaining all relevant approvals in respect of the Transaction;

  (ii) the Company completing a capital raising and raising a minimum of A$3,000,000;

  (iii) the Company receiving written confirmation from ASX in respect of lifting the suspension from trading of the Company's shares;

  (iv) the Company having paid a sum of $A1,500,000 to its secured lender Siderian, and the Company and Siderian entering into a deed, releasing the Company, Mr Chen, ATCHK and Asia Tungsten Vietnam Limited with respect to any claims against them; and

  (v) the legal representatives of Mr Chen and the Company having signed and filed a consent summons to discontinue proceedings with the High Court of Hong Kong, (together, the **Conditions Precedent**).

Directors' Report Continued

Subsequent Events continued

Joint Venture continued

(c) Completion is intended to occur five (5) business days after the Conditions Precedent are satisfied, or such other date as Mr Chen and the Company may agree (Completion).

(d) Upon Completion, the Company will release Mr Chen in respect of any money owing to the Company or any claims made before Completion (the cause of action for which accrues before Completion) by the Company in respect of the Joint Venture.

(e) Upon Completion, Mr Chen will release the Company in respect of any money owing to Mr Chen before completion or any claims mad before Completion (the cause of action for which accrues before Completion) by Mr Chen in respect of the Joint Venture.

(f) Upon Completion, the Company and Mr Chen releasing ATCHK and its subsidiaries in respect of any money owing to the Company and Mr Chen (as the case may be) or any claims made before Completion (the cause of action for which accrues before Completion) by the Company or Mr Chen in respect of the various agreements between the Company, Chen, ATCHK and its subsidiaries.

The SPA also includes a number of terms relating to warranties, covenants and conditions as are customary for a SPA of this nature.

Upon Completion, the Company will procure the appointment of Mr Chen and Mr John Chegwidden (a previous director of the Company) as non-executive directors of the Company. Additionally, upon Completion, the Company will enter an executive services agreement with Mr Chen personally, on mutually agreed terms.

Capital Raising

As at the date of this report, the Company is well advanced in preparations for an underwritten capital raising, intended to raise up to A$5 million.

Additionally, since the end of the half-year, the Company has issued a number of convertible notes (**Notes**) to sophisticated and professional investors. These Notes were issued on the following terms:

- Conversion price: Convertible into fully paid ordinary shares in the Company at the price of the Company's impending rights issue capital raising (**Capital Raising**).
- Interest rate of 10% per annum, payable semi-annually via the issue of shares at the 5 trading day volume weighted average price prior to issue.
- Maturity: 12 months from the date of issue.
- Any conversion of the convertible notes will be subject to the Company's shareholders first providing approval to the issue of Shares.

The funds raised following the issue of the convertible notes are to be used for progression of the Company's purchase of the remaining 40% of ATCHK and a partial repayment of the Company's secured loan from Siderian Resource Capital Limited.

Subsequent Events continued

Siderian facility

Continuing discussions are being held Siderian, in relation to the repayment of the Company's debt. Under a further repayment arrangement which is currently being finalised by the Company and Siderian.

Siderian has informally agreed: (a) to extend the date for repayment of the Siderian Facility; and (b) terms for the repayment and the release of the security under the Siderian Facility, conditional upon:

(i) The Company obtaining Shareholder approval at the 2017 AGM for the allotment and issue of up to 800,000,000 Shares to Siderian, using a pre-agreed exchange rate of US$$0.75 to A$1 (**Rate**).
(ii) If the Company raises no more than A$3,000,000 under the capital raising the Company will pay Siderian A$1,500,000 (in US dollars) and will issue Siderian with the equivalent of US$300,000 in Shares (at the Rate) by way of a facilitation payment for the repayment of the Siderian Facility (**Facilitation Fee**);
(iii) If the Company raises more than A$5,000,000 under the capital raising the Company will repay the Siderian Facility in full, and the Company will have the option to issue the issue equivalent of US$300,000 in shares (at the Rate) by way of a reduction under the Siderian Facility. Additionally the Company will also pay Siderian the Facilitation Fee; and
(iv) If the Company raises an amount between A$3,000,000 and A$5,000,000 under the capital raising the Company will pay Siderian a minimum of A$1,500,000 (in US dollars) plus 50% of any amount raised over A$3,000,000. The Company will also pay Siderian the Facilitation Fee.

The issue of shares to Siderian under (ii), (iii) and (iv) above are conditional upon the Company's securities being reinstated to Official Quotation and there being no restriction on what Siderian may do with any shares so issued.

In the event that the Siderian Facility is not paid in full Siderian has agreed to consider any arrangement put forward by the Company to extend the term of the Siderian Facility with satisfactory terms for the balance of repayment. Any arrangement may include conditions and milestones, which relate to future capital raisings, business performance, ownership structure of the Company, events of default and amendments to the existing loan agreements and the Siderian Facility's security.

In all other respects and in the absence of the parties formally entering into arrangements for the repayment and extinguishment of the Siderian Facility the terms of the Siderian Facility and the ancillary documents continue to be in full force and effect.

Future Developments

Information on the likely developments in the operation of the Consolidated Entity and the expected results of those operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Consolidated Entity.

Directors’ Report Continued

Auditor’s Independence Declaration

A copy of the Auditor’s Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 9.

This Director’s Report is signed in accordance with a resolution of the Directors.

Nathan Featherby
Executive Director
9 August 2018

Crowe Horwath

Crowe Horwath Sydney
ABN 97 895 683 573
Member Crowe Horwath International

Audit and Assurance Services

Level 15 1 O'Connell Street
Sydney NSW 2000
Australia

Tel +61 2 9262 2155
Fax +61 2 9262 2190

www.crowehorwath.com.au

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 2017, 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 sincerely

Crowe Horwath Sydney

CROWE HORWATH SYDNEY

L Russell

LEAH RUSSELL
Senior Partner

Dated this 9th day of August 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For The Half-Year Ended 31 December 2017

	Note	31-Dec-17 $	31-Dec-16 $
Other Income			
Interest		854,340	885,792
Total revenue and other income		**854,340**	**885,792**
Administrative expenses		(100,711)	(135,615)
Auditor's remuneration		(10,000)	(57,697)
Consultancy fees		(150,000)	(19,350)
Depreciation		(579)	(2,506)
Directors' fees		(28,200)	(75,643)
Employee benefits expenses		3,026	(1,666)
Finance costs		(483,936)	(667,312)
Foreign exchange gains/(losses)		(312,141)	580,216
Impairment of investments		5,327	(15,000)
Provision for loan to related parties		(509,050)	(1,585,296)
Insurance		(60,059)	(16,893)
Investments Gain/Loss		(3,084)	-
Legal fees		(148,422)	(305,008)
Occupancy costs		(1,890)	(3,954)
Travel and marketing expense		-	(15,862)
Gain (Loss) before income tax expense		**(945,379)**	**(1,435,793)**
Income tax expense		-	-
Gain (Loss) for the year from continuing operations		**(945,379)**	**(1,435,793)**
Gain (Loss) for the year from discontinued operations	7	-	(6,328,181)
Gain (Loss) for the year		**(945,379)**	**(7,763,974)**
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss:			
Foreign currency translation difference		-	1,988,475
Total comprehensive income for the year		**(945,379)**	**(5,775,499)**
Gain (Loss) attributable to:			
Members of the parent entity		(945,379)	(7,763,974)
Non-controlling interest		-	-
		(945,379)	**(7,763,974)**
Total comprehensive income attributable to:			
Members of the parent entity		(945,379)	(7,763,974)
Non-controlling interest		-	1,988,475
		(945,379)	**(5,775,499)**
Loss per share			
Basic and diluted (cents per share)		(0.67)	(6.90)

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

Consolidated Statement of Financial Position
As At 31 December 2017

	Note	31-Dec-17 $	30-Jun-17 $
Current assets			
Cash and cash equivalents		445	1,358
Trade and other receivables	3	1,874	1,874
Other assets		4,000	22,009
Total current assets		**6,319**	**25,242**
Non-current assets			
Property, plant and equipment		683	1,262
Investments		-	10,244
Total non-current assets		**683**	**11,506**
Total assets		**7,002**	**36,748**
Current liabilities			
Trade and other payables	4	1,835,882	1,126,343
Subscription deposits advanced	5	720,000	720,000
Financial liabilities	6	6,721,431	6,515,337
Total current liabilities		**9,277,313**	**8,361,680**
Total liabilities		**9,277,313**	**8,361,680**
Net assets		**(9,270,311)**	**(8,324,932)**
Equity			
Issued capital		67,154,632	67,154,632
Reserves		30,600	30,600
Accumulated losses		(76,455,543)	(75,510,164)
Parent interest		(9,270,311)	(8,324,932)
Non-controlling interest		-	-
Total equity		**(9,270,311)**	**(8,324,932)**

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

Consolidated Statement of Changes in Equity
For The Half-Year Ended 31 December 2017

	Members of parent entity			Attributable to owners of the parent	Non-controlling interest	Total Equity
	Issued Capital	Reserves	Accumulated Losses			
	$	$	$	$	$	$
Balance at 1 July 2016	66,550,183	(316,084)	(68,540,239)	(2,306,140)	(13,072,963)	(15,379,103)
Deconsolidation	-	-	-	-	13,072,963	13,072,963
FX translation differences	-	1,988,475	-	1,988,475	-	1,988,475
Loss for the period	-	-	(7,763,974)	(7,763,974)	-	(7,763,974)
Reclassify FX reserve to R/E	-	(683,958)	683,958	-	-	-
Total comprehensive income for the period	**-**	**1,304,517**	**(7,080,016)**	**(5,775,499)**	**-**	**(5,775,499)**
Transactions with owner, directly recognised in equity						
Issues of shares	199,118	-	-	199,118	-	199,118
Expiry of options	-	(790,298)	790,298	-	-	-
Financial asset revaluation	-	(10,000)	-	(10,000)	-	(10,000)
Balance at 31 December 2016	**66,749,301**	**188,135**	**(74,829,957)**	**(7,892,521)**	**-**	**(7,892,521)**
Balance at 1 July 2017	67,154,632	30,600	(75,510,164)	(8,324,932)	-	(8,324,932)
Loss for the period	-	-	(945,379)	(945,379)	-	(945,379)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**(945,379)**	**(945,379)**	**-**	**(945,379)**
Transactions with owner, directly recognised in equity						
Issues of shares	-	-	-	-	-	-
Expiry of options	-	-	-	-	-	-
Financial asset revaluation	-	-	-	-	-	-
Balance at 31 December 2017	**67,154,632**	**30,600**	**(76,455,543)**	**(9,270,311)**	**-**	**(9,270,311)**

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

Consolidated Statement of Cash Flow
For The Half-Year Ended 31 December 2017

	Note	31-Dec-17 $	31-Dec-16 $
Cash flows from operating activities			
Receipts from customers		-	-
Payments to suppliers and employees		(51,302)	(908,143)
Payments for deferred exploration expenditure		-	-
Interest and other income received		-	527
Net cash used in operating activities		**(51,302)**	**(907,616)**
Cash flows from investing activities			
Payment for property, plant and equipment		-	-
Proceeds from sale of asset		-	-
Proceeds from sale of investments		12,754	-
Net cash provided from investing activities		**12,754**	**-**
Cash flows from financing activities			
Proceeds from issues of equity securities		-	-
Payment for share issue costs		-	-
Proceeds from borrowings		51,600	1,282,101
Repayment of borrowings		(13,932)	(500,000)
Financing costs		-	(1,079)
Interest expense		(33)	-
Net cash provided by financing activities		**37,635**	**781,022**
Net decrease in cash and cash equivalents		(913)	(126,594)
Cash and cash equivalents at the beginning of the period		1,358	212,650
Deconsolidation		-	(68,608)
Effects of exchange rates changes on the balance of cash held in foreign currencies		-	-
Cash and cash equivalents at the end of the period		**445**	**17,448**

The above consolidated statement of cash flow should be read in conjunction with the attached notes.

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 2017 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 2017 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 financial statements of the Company and entities controlled by the Company (its subsidiaries) (referred to as 'the Consolidated Entity' in these financial statements). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. When control; ceases with entities they are deconsolidated, from the date control ceases. The fair value of the investment remaining in the entity is recognised. Any gain or loss on deconsolidation is recognised in accordance with standards in the profit or loss or equity as required.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Consolidated Entity. In preparing the consolidated financial statements, all inter-company balances and transactions between entities in the Consolidated Entity have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the consolidated balance sheet and statement of profit or loss and other comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

c) Going Concern

The accounts 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. Whilst the Consolidated Entity incurred an operating loss of $945,379 for the half-year ended 31 December 2017 (31 December 2016: loss of $7,763,974, this was due to the deconsolidation of two subsidiaries). For details of loss from deconsolidation, please refer to Discontinued Operations in note 7.

The net current liabilities of the Consolidated Entity at 31 December 2017 was $9,270,994 (30 June 2017: $8,336,438) and the net cash outflows from operating activities during the year was $51,302 (31 December 2016: $907,616).

1. Summary of accounting policies continued

c) Going Concern continued

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 US$1.99 million Siderian loan 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:

- As recently announced, the Company has entered into a Share Sale and Purchase Agreement (**SPA**), with Mr Chen, in order to resolve the Dispute.

  Under the terms of the SPA, the Company has agreed to purchase Mr Chen's 40% shareholding in ATCHK, resulting in the Company owning 100% of ATCHK and its Vietnamese subsidiary, which owns the Vinh Bao ferro-tungsten production plant (**Transaction**). As a result of the Transaction, ATCHK will become a wholly owned subsidiary of the Company.

  The Transaction will be subject to the following conditions precedent which must be satisfied prior to completion:

  (i) the Company obtaining all relevant approvals in respect of the Transaction;

  (ii) the Company completing a capital raising and raising a minimum of A$3,000,000;

  (iii) the Company receiving written confirmation from ASX in respect of lifting the suspension from trading of the Company's shares;

  (iv) the Company having paid a sum of $A1,500,000 to its secured lender Siderian; and

  (v) the legal representatives of Mr Chen and the Company having signed and filed a consent summons to discontinue proceedings with the High Court of Hong Kong, (together, the **Conditions Precedent**).

  Upon Completion, the Company will release Mr Chen in respect of any money owing to the Company or any claims made before Completion (the cause of action for which accrues before Completion) by the Company in respect of the Joint Venture. Upon Completion, Mr Chen will release the Company in respect of any money owing to Mr Chen before completion or any claims mad before Completion (the cause of action for which accrues before Completion) by Mr Chen in respect of the Joint Venture. Upon Completion, the Company and Mr Chen releasing ATCHK and its subsidiaries in respect of any money owing to the Company and Mr Chen (as the case may be) or any claims made before Completion (the cause of action for which accrues before Completion) by the Company or Mr Chen in respect of the various agreements between the Company, Chen, ATCHK and its subsidiaries.

1. Summary of accounting policies continued

c) Going Concern continued

- This Company is proposing to raise additional funds via a partially underwritten entitlement issue offer, with the prospectus expected to be lodged with the ASX and ASIC within the coming week to raise approximately A$5.1 million at $0.001 per share. The entitlement issue is proposed to be partially conditionally underwritten by Somers and Partners Pty Limited (**Underwriter**). The underwriting is subject to a limited number of termination events, being an event occurs which is the result of a potential takeover of ATC, the removal of ATC from the Official List of the ASX or the continuance of suspension from quotation of the securities of the Company on ASX at the time payment is required of the shortfall by the Underwriter to the Company pursuant to the underwriting.
- The Group has been extending the repayment period with Siderian Resource Capital Limited, the Company's secured lender, the repayment period has been extended to a period after the Company undertakes its capital raising under a revised repayment schedule, the details of which include:

  (i) The Company obtaining Shareholder approval at the 2017 AGM for the allotment and issue of up to 800,000,000 Shares to Siderian, using a pre-agreed exchange rate of US$$0.75 to A$1 (**Rate**);

  (ii) If the Company raises no more than A$3,000,000 under the capital raising the Company will pay Siderian A$1,500,000 (in US dollars) and will issue Siderian with the equivalent of US$300,000 in Shares (at the Rate) by way of a facilitation payment for the repayment of the Siderian Facility (**Facilitation Fee**);

  (iii) If the Company raises more than A$5,000,000 under the capital raising the Company will repay the Siderian Facility in full, and the Company will have the option to issue the issue equivalent of US$300,000 in shares (at the Rate) by way of a reduction under the Siderian Facility. Additionally the Company will also pay Siderian the Facilitation Fee; and

  (iv) If the Company raises an amount between A$3,000,000 and A$5,000,000 under the capital raising the Company will pay Siderian a minimum of A$1,500,000 (in US dollars) plus 50% of any amount raised over A$3,000,000. The Company will also pay Siderian the Facilitation Fee.

The issue of shares to Siderian under (ii), (iii) and (iv) above are conditional upon the Company's securities being reinstated to Official Quotation and there being no restriction on what Siderian may do with any shares so issued.

In the event that the Siderian Facility is not paid in full Siderian has agreed to consider any arrangement put forward by the Company to extend the term of the Siderian Facility with satisfactory terms for the balance of repayment. Any arrangement may include conditions and milestones, which relate to future capital raisings, business performance, owenership structure of the Company, events of default and amendments to the existing loan agreements and the Siderian Facility's security.

In all other respects and in the absence of the parties formally entering into arrangements for the repayment and extinguishment of the Siderian Facility the terms of the Siderian Facility and the ancillary documents continue to be in full force and effect.

1. Summary of accounting policies continued

c) Going Concern continued

- As at 31 December 2017 the entity has convertible notes with a face value of $3.83 million outstanding. These notes can be converted into ordinary shares in ATC at fixed terms as disclosed in note 6, and redeemable in cash at maturity date being 1 July 2018. The Company intends to offer all Convertible Noteholders the right to convert their Notes into shares at $0.001 per share (**New Conversion Price**) (subject to shareholder approval at the 2017 Annual General Meeting) or have their Convertible Notes bought back by the Company for 20% of their face value. At the date of this report the Company has received indications from a number of Noteholders willing to convert their Convertible Notes in full. The total face value of these intentions is $2,320,000.
- The Company is in the process of negotiating with Almonty Industries Inc. in relation to the extension of the repayment term for the promissory notes with total face value of $400,000. These negotiations have included Almonty accepting repayment of its debt via the issue of 438,138,890 shares in the Company as contemplated in the Company's Notice of Annual General Meeting dated 23 July 2018.

The Group is actively trying to resolve the legal matters in relation to the dispute with Chen, the Consolidated Entity intends to assess all options to maximize the value realisation for its shareholders.

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 Assumptions

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 2017.

The significant judgement being applied by the Consolidated Entity is the decision that ATC Alloys Limited is not controlling its subsidiaries in Hong Kong and Vietnam.

3. Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment loss. Trade receivables are due for settlement no more than 120 days from the date of recognition.

Related party loans
The Consolidated Entity has provided a Loan to Asia Tungsten Products Co. Limited (**ATCHK**) over past years which has been fully impaired in prior year.

	31-Dec-17 $	30-Jun-17 $
Trade and term receivables	1,874	1,874
Related party loans	25,411,839	24,902,789
Less: provision for impairment	(25,411,839)	(24,902,789)
Total Trade and other receivables	1,874	1,874

3.1 Key judgements – impairment

The impairment has been based on the followings:

- no repayment in the year.
- interest not paid.
- net deficiency of the entity.
- Losses being generated.

4. Trade and other payables

	31-Dec-17 $	30-Jun-17 $
Unsecured:		
Trade and other payables	1,835,882	1,126,343

Trade and other payables are non-interest bearing usually settled on 30 day terms.

5. Subscription deposits advanced

	31-Dec-17 $	30-Jun-17 $
Subscription deposits advanced	720,000	720,000

6. Financial liabilities short-term

	31-Dec-17 $	30-Jun-17 $
Secured Debt facilities – Siderian Capital (i)	2,550,668	2,385,652
Secured Convertible Notes (ii)	3,830,000	3,830,000
Cost of notes to be amortised	(59,237)	(100,315)
Promissory Notes (iii)	400,000	400,000
Total financial liabilities	6,721,431	6,515,337

(i) The debt facility was provided by Siderian Resource Capital Limited and was due to be repaid including all outstanding interest and charges on 20 April 2017as 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. The loan in currently being re-negotiated with potential terms included in subsequent events.

(ii) The secured convertible notes rank second to the secured debt facility and attract an interest rate of 12% and mature on 1 July 2018. These notes can be repaid in cash at maturity or converted at the relevant conversion rate to ordinary shares at the holders' discretion:

- 37 Notes totalling $1,770,000 are convertible at $0.25 per share;
- 31 Notes totalling $1,320,000 are convertible at $0.05 per share;
- 12 Notes totalling $300,000 are convertible at the lower of $0.05 per share and the lowest issue price of any shares issued prior to maturity date;
- 10 Notes totalling $250,000 are convertible at the lower of $0.05 per share and the lowest issue price of any shares issued prior to maturity date or the price implied by any corporate action;
- 1 Notes totalling $50,000 are convertible at the lower of $0.025 per share and the lowest issue price of any shares issued prior to maturity date; and
- 3 Notes totalling $140,000 are convertible at the lower of $0.01 per share and the lowest issue price of any shares issued prior to maturity date or the price implied by any corporate action;

Interest on the convertible notes is payable in ordinary shares at six monthly intervals.

(iii) These promissory notes were provided by Almonty Industries Inc and were 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. The Company is in the process of negotiating an extension for the repayment term.

6. Financial liabilities short-term continued

Financial Liabilities
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

7. Discontinued Operations

The directors has assessed that they no longer control the investment in Hong Kong and Vietnam. Deconsolidation occurred from 1 July 2016. This decision was made after 31 December 2016 and before 30 June 2017 and therefore the comparatives have been changed.

Therefore for the half-year ended 31 December 2016, there is a discontinuation of operations due to the deconsolidation.

	31-Dec-17 $	31-Dec-16 $
Profit for the year from discontinued operations		
Revenue	-	-
Expenses – discontinued operations in Hong Kong and Vietnam	-	(6,328,181)
Expenses – discontinued exploration activities	-	-
Gain (Loss) before tax	-	(6,328,181)
Attributable income tax expense	-	-
Gain (Loss) for the year from discontinued operations (attributable to parent entity)	-	(6,328,181)

Key judgements – JV legal dispute
The directors had to apply judgement in assessing whether for accounting purposes the group had control of the two overseas subsidiaries.

Control is in place when ATC is exposed, or has rights to variable returns and has the ability to affect those returns through its power over the investment. The directors assessed that they have not had the ability to use its power to affect an investor return.

Power is where there is the existing right that gives the ability to direct the relevant activities, being the activities that affect investee's returns. There are numerous reasons such as inability to obtain information, JV party conducting activities that went against agreed plans, not have access to the company stamp which is required to execute documents. Whilst the Group owns 60% and has the right to dividends, it has been demonstrated that the directors have not been able to substantively direct the activities of the two subsidiaries.

8. Subsequent Events

Subsequent to year end the following material subsequent events occurred:

Joint Venture

As recently announced, the Company has entered into a Share Sale and Purchase Agreement (SPA), with Mr Chen, in order to resolve its dispute.

Under the terms of the SPA, the Company has agreed to purchase Mr Chen's 40% shareholding in ATCHK, resulting in the Company owning 100% of ATCHK and its Vietnamese subsidiary, which owns the the Vinh Bao ferro-tungsten production plant (Transaction). As a result of the Transaction, ATCHK will become a wholly owned subsidiary of the Company.

(a) The Company will provide to Mr Chen, as consideration:

  (i) A$800,000 in cash;

  (ii) A$3,000,000 in fully paid ordinary shares in the Company, issued upon completion of the Transaction, at an issue price of A$0.001 per share; and

  (iii) A$2,400,000 deferred consideration, to be paid twenty four (24) months following completion in fully paid ordinary shares in the Company.

(b) The Transaction will be subject to the following conditions precedent which must be satisfied prior to completion:

  (i) the Company obtaining all relevant approvals in respect of the Transaction;

  (ii) the Company completing a capital raising and raising a minimum of A$3,000,000;

  (iii) the Company receiving written confirmation from ASX in respect of lifting the suspension from trading of the Company's shares;

  (iv) the Company having paid a sum of $A1,500,000 to its secured lender Siderian, and the Company and Siderian entering into a deed, releasing the Company, Mr Chen, ATCHK and Asia Tungsten Vietnam Limited with respect to any claims against them; and

  (v) the legal representatives of Mr Chen and the Company having signed and filed a consent summons to discontinue proceedings with the High Court of Hong Kong,

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

(c) Completion is intended to occur five (5) business days after the Conditions Precedent are satisfied, or such other date as Mr Chen and the Company may agree (Completion).

(d) Upon Completion, the Company will release Mr Chen in respect of any money owing to the Company or any claims made before Completion (the cause of action for which accrues before Completion) by the Company in respect of the Joint Venture.

(e) Upon Completion, Mr Chen will release the Company in respect of any money owing to Mr Chen before completion or any claims mad before Completion (the cause of action for which accrues before Completion) by Mr Chen in respect of the Joint Venture.

8. Subsequent Events continued

Joint Venture continued

(f) Upon Completion, the Company and Mr Chen releasing ATCHK and its subsidiaries in respect of any money owing to the Company and Mr Chen (as the case may be) or any claims made before Completion (the cause of action for which accrues before Completion) by the Company or Mr Chen in respect of the various agreements between the Company, Chen, ATCHK and its subsidiaries.

The SPA also includes a number of terms relating to warranties, covenants and conditions as are customary for a SPA of this nature.

Upon Completion, the Company will procure the appointment of Mr Chen and Mr John Chegwidden (a previous director of the Company) as non-executive directors of the Company. Additionally, upon Completion, the Company will enter an executive services agreement with Mr Chen personally, on mutually agreed terms.

Capital Raising

The Company is well advanced in preparations for an underwritten capital raising, intended to raise up to A$5 million.

Additionally, since the end of the half-year, the Company has issued a number of convertible notes (**Notes**) to sophisticated and professional investors. These Notes were issued on the following terms:

- Conversion price: Convertible into fully paid ordinary shares in the Company at the price of the Company's impending rights issue capital raising (**Capital Raising**).
- Interest rate of 10% per annum, payable semi-annually via the issue of shares at the 5 trading day volume weighted average price prior to issue.
- Maturity: 12 months from the date of issue.
- Any conversion of the convertible notes will be subject to the Company's shareholders first providing approval to the issue of Shares.

The funds raised following the issue of the convertible notes are to be used for progression of the Company's purchase of the remaining 40% of ATCHK and a partial repayment of the Company's secured loan from Siderian Resource Capital Limited.

8. Subsequent Events continued

Siderian facility

Continuing discussions are being held Siderian, in relation to the repayment of the Company's debt. Under a further repayment arrangement which is currently being finalised by the Company and Siderian.

Siderian has informally agreed: (a) to extend the date for repayment of the Siderian Facility; and (b) terms for the repayment and the release of the security under the Siderian Facility, conditional upon:

(i) The Company obtaining Shareholder approval at the 2017 AGM for the allotment and issue of up to 800,000,000 Shares to Siderian, using a pre-agreed exchange rate of US$$0.75 to A$1 (**Rate**);
(ii) If the Company raises no more than A$3,000,000 under the capital raising the Company will pay Siderian A$1,500,000 (in US dollars) and will issue Siderian with the equivalent of US$300,000 in Shares (at the Rate) by way of a facilitation payment for the repayment of the Siderian Facility (**Facilitation Fee**);
(iii) If the Company raises more than A$5,000,000 under the capital raising the Company will repay the Siderian Facility in full, and the Company will have the option to issue the issue equivalent of US$300,000 in shares (at the Rate) by way of a reduction under the Siderian Facility. Additionally the Company will also pay Siderian the Facilitation Fee; and
(iv) If the Company raises an amount between A$3,000,000 and A$5,000,000 under the capital raising the Company will pay Siderian a minimum of A$1,500,000 (in US dollars) plus 50% of any amount raised over A$3,000,000. The Company will also pay Siderian the Facilitation Fee.

The issue of shares to Siderian under (ii), (iii) and (iv) above are conditional upon the Company's securities being reinstated to Official Quotation and there being no restriction on what Siderian may do with any shares so issued.

In the event that the Siderian Facility is not paid in full Siderian has agreed to consider any arrangement put forward by the Company to extend the term of the Siderian Facility with satisfactory terms for the balance of repayment. Any arrangement may include conditions and milestones, which relate to future capital raisings, business performance, owenership structure of the Company, events of default and amendments to the existing loan agreements and the Siderian Facility's security.

In all other respects and in the absence of the parties formally entering into arrangements for the repayment and extinguishment of the Siderian Facility the terms of the Siderian Facility and the ancillary documents continue to be in full force and effect.

9. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Consolidated Entity and other related parties are disclosed below:

Trading transactions

During the half-year, the Company entered into the following trading transactions with related parties. The amounts below relating to trading transactions are including GST where applicable:

(i) Rowan Hall Pty Ltd (Rowan), an entity controlled by Mr Patrick Burke, received $30,000 (December 2016: $55,000) in relation to corporate advisory services provided to the Company. As at balance date the Company owed $75,250 (June 2017: $40,250) to Rowan.

(ii) Ochre Group Holdings Limited (OGH), an entity associated with Mr Nathan Featherby and Saxon Ball, received $150,000 (December 2016: $50,000) in relation to corporate advisory services provided to the Company. As at balance date the Company owed $306,500 (June 2017: $146,500) to OGH.

(iii) Enrizen Accounting Pty Ltd (EA), an entity associated with Trent Franklin, received $64,525 (December 2016: $16,000) in relation to company secretarial and accounting services provided to the Company. As at balance date the Company owed $144,568 (June 2017: $73,590) to EA.

(iv) Enable Finance Pty Ltd, (EF) an entity associated with Trent Franklin. As at balance date the Company owed $1,576 (June 2017: $$1,576) to EF.

(v) Enrizen Pty Ltd, (EPL) an entity associated with Trent Franklin, received $42,150 (December 2016: $Nil) in relation to insurance services to the Company. As at balance date the Company owed $45,650 (June 2017: $3,300) to EPL.

(vi) Enrizen Lawyers Pty Ltd, (EL) an entity associated with Trent Franklin, received $11,608 (December 2016: $Nil) in relation to legal services provided to the Company. As at balance date the Company owed $38,291 (June 2017: $25,574) to EL.

Loan to related party

The Group has provided Loan to Asia Tungsten Products Co. Limited which was eliminated as part of consolidation in prior year; while, the Company has fully impaired the loan in current year. The details of loans are disclosed in note 3.

10. Contingent Liabilities and Contingent Events

The Board of Directors believe that there are no contingent liabilities or capital equipment commitments up to or subsequent to the 31st December 2017 for either the parent company or its Australian subsidiary (30 June 2017: $Nil).

Directors' Declaration

In accordance with a resolution of the directors of ATC Alloys Ltd, the directors of the company declare that:

1) the financial statements and notes, as set out on pages 10 to 24, are in accordance with the *Corporations Act 2001, Corporations Regulations 2001* and other mandatory professional reporting requirements:

   (a) comply with Accounting Standard AASB 134: Interim Financial Reporting; and

   (b) give a true and fair view of the financial position as at 31 December 2017 and of the performance for the half-year ended on that date.

2) in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Nathan Featherby
Executive Director

9 August 2018

Crowe Horwath Sydney
ABN 97 895 683 573
Member Crowe Horwath International

Audit and Assurance Services

Level 15 1 O'Connell Street
Sydney NSW 2000
Australia

Tel +61 2 9262 2155
Fax +61 2 9262 2190
www.crowehorwath.com.au

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 2017, 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'.

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 2017 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*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us 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 2017 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.*

Material Uncertainty Related to Going Concern

We draw attention to Note 1(c) Going Concern in the half-year financial report. As a result of the matters described in Note 1(c) 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-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 9h day of August 2018