ATC ALLOYS LIMITED

AND ITS CONTROLLED ENTITIES

ANNUAL REPORT

30 JUNE 2018

CONTENTS

Corporate Information

ACN 118 738 999

ASX Code: ATA

Directors

Mr Imants Kins (Non-Executive Chairman) – appointed 24 May 2018
Mr Patrick Burke (Chairman) – resigned 1 June 2018
Mr Nathan Featherby (Non-Executive Director)
Mr Saxon Ball (Non-Executive Director)
Mr Nicholas Halliday (Non-Executive Director) – resigned 24 May 2018
Mr John Chegwidden (Non-Executive Director) – appointed 11 September 2018
Mr Chen (George) Guangyu (Non-Executive Director) – appointed 11 September 2018

Company Secretary

Mr Trent Franklin – resigned 18 April 2019
Mr John Chegwidden – appointed 18 April 2019

Registered Office

Unit 20/21 McCabe Street
North Fremantle WA 6159
Email: atcalloys101@gmail.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

Criterion Audit Pty Ltd
Suite 1 GF, 437 Roberts Road
Subiaco WA 6008

Website

www.atcalloys.com

Directors' Report

The directors of ATC Alloys Ltd (**ATC** or **Company**) present their report, together with the financial statements of the Consolidated Entity for the financial year ended 30 June 2018. The Consolidated Entity comprises ATC Alloys Ltd and BigHill Resources Limited. The consolidated financial report has continued to deconsolidate Asia Tungsten Products Co. Limited (**ATCHK**) and ATCHK's subsidiary Asia Tungsten Products Vietnam Limited (**ATCVN**) as at 30 June 2018.

Directors

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

- Mr Imants Kins (Non-Executive Chairman) – appointed 24 May 2018
- Mr Patrick Burke (Chairman) – resigned 1 June 2018
- Mr Nathan Featherby (Non-Executive Director)
- Mr Saxon Ball (Non-Executive Director)
- Mr Nicholas Halliday (Non-Executive Director) – resigned 24 May 2018
- Mr John Chegwidden (Non-Executive Director) – appointed 11 September 2018
- Mr Chen (George) Guangyu (Non-Executive Director) – appointed 11 September 2018

Board

Mr Imants Kins (Non-Executive Chairman) – appointed 24 May 2018

Imants Kins, joined the Board of the Company as the Non-Executive Chairman on 24 May 2018. Mr Kins is an experienced chairman and non-executive director of a number of listed companies since 2005, delivering governance, leadership, global economic trends and strategy to organisations. Mr Kins has a Bachelor of Economics (UWA) and a Master of Arts in Future Studies (Curtin University) and has a broad range of experience at a senior level in both government and private sectors as a senior manager, corporate economist and executive and non-executive directorships of listed companies.

Mr Kins is a former director of Tantalum Australia, ABM Resources Limited and Ochre Management, and is currently a director of Pela Global Limited and Baltics in Space. Mr Kins work has also included being CEO of a private company developing a world scale greenfields petrochemical/EDC-VDC, salt, diatomaceous earth, tantalum concentrates, iron ore, base metals and gold.

Mr Imants Kins held no directorships of other listed companies in last 3 years.

Mr Patrick Burke LLB – Executive Chairman – resigned 1 June 2018

Patrick Burke, a Solicitor, joined the board in September 2014 in a non-executive capacity and was appointed as Executive Chairman on 31 March 2016 and resigned 1 June 2018. Mr Burke holds a Bachelor of Law degree from the University of Western Australia and has extensive legal, commercial and corporate advisory experience for ASX listed companies.

Directorships of other listed companies in last 3 years for Patrick Burke are as follows:

Company	Period of directorship
Meteoric Resources Limited	4 December 2017 – to date
Vanadium Resources Limited	6 July 2017 - to date
Bligh Resources Limited (Delisted 21/8/2019)	5 December 2016 – to date
Triton Minerals Limited	Appointed 22 July 2016 – to date
Westwater Resources, Inc.	Appointed 16 March 2016 - to date

Mr Nathan Featherby BCom – Non-Executive Director

Nathan Featherby was appointed as a non-executive director in November of 2016. Mr Featherby has a Bachelor of Commerce from Curtin University, and has spent most of his career in stockbroking and merchant banking, with a focus on small-to-medium mining and exploration companies. Mr Featherby is also a director of Ochre Group Holdings Limited and Magnum Gas and Power Limited.

Directorships of other listed companies in last 3 years for Nathan Featherby are as follows:

Company	Period of directorship
Ochre Group Holdings Limited	Appointed 15 March 2011 – to date
Magnum Gas and Power Limited	Appointed 29 September 2016 - to date
Ascot Resources Limited (delisted in 2015)	Appointed 22 October 2014 – to date

Mr Saxon Ball – Non-Executive Director

Saxon Ball was appointed as a non-executive director of the Company in December 2016. Mr Ball is a current non-executive director of Ochre Group Holdings Limited, Magnum Gas and Power Limited and a director of STB Projects Pty Ltd, an Australian private company focused on infrastructure installation services and development within the natural resources sector. Mr Ball previous experience includes a non-executive directorship of Silver Mines Limited.

Directorships of other listed companies in last 3 years for Saxon Ball are as follows:

Company	Period of directorship
Magnum Gas and Power	Appointed 3 November 2016 - 30 November 2017
Ochre Group Holdings Limited	Appointed 22 July 2016 – to date
Silver Mines Limited	Appointed 7 April 2016 – 20 June 2016

Mr Nicholas Halliday – Non-Executive Director – resigned 24 May 2018

Mr Halliday was appointed as a non-executive director in March 2017 and resigned on 24 May 2018. Mr Halliday has a bachelor of Management and a Masters in Commerce from the University of Sydney, with a background in financial services and advisory. Mr Halliday is a director of listed company Magnum Gas & Power Limited and has substantial experience in business development, risk management and finance, working with multiple listed resource companies in these capacities.

Directorships of other listed companies in last 3 years for Nicholas Halliday are as follows:

Company	Period of directorship
Magnum Gas and Power Limited	Appointed 19 December 2016 - to date

Mr John Chegwidden (Non-Executive Director) – appointed 11 September 2018

John Chegwidden was appointed as a non-executive director of the Company in September 2018. Mr Chegwidden has over 20 years' experience as a chartered accountant, including managing his own chartered accounting practice for over 10 years, providing advice in management, accounting and taxation, and consulting to manufacturing, mining, primary production and earthmoving operations. Mr Chegwidden has a strong knowledge of the mining and resources sector in Australia, with competencies in exploration, materials processing, marketing and financial management in relation to junior mining companies. Mr Chegwidden has consulted to a number of listed companies and negotiated with capital financiers for junior exploration and other ASX Listed companies. Mr Chegwidden has also being involved in helping a number of companies to list or relist on the ASX. Mr Chegwidden was a former (previously resigning 16 December 2015) and founding director of ATC Alloys Ltd and was involved in the development and startup of the ATCVN Ferrotungsten operation.

Company	Period of directorship
3D Resources Limited	Appointed 1 November 2006 - to date

Mr Chen (George) Guangyu (Non-Executive Director) – appointed 11 September 2018

Chen (George) Guangyu was appointed as a non-executive director of the Company in September 2018. Mr Chen is a qualified mechanical/chemical engineer with over 30 years' expertise & experience in developing & operating minor metals processing plants, including Tungsten, & Cobalt. Mr Chen is a past senior executive of Xiamen Tungsten, a large China listed Tungsten, Cobalt & minor minerals Company. Mr Chen is a world industry leader in Tungsten, and has held senior positions in the ITIA (International Tungsten Industry Association). Mr Chen was instrumental in the promotion, designing, building and operation of the two Ferrotungsten (FeW) plants built in Vietnam, and has developed strong expertise in operating in Vietnam. Mr Chen is a 40% Shareholder and Joint Venture Partner with the Company and the President of ATCHK & ATCVN and has management control of the operations of the ATCVN FeW plant.

Mr Chen (George) Guangyu held no directorships of other listed companies in last 3 years.

During the financial year, Mr Nicholas Halliday and Mr Patrick Burke resigned from their positions on the Board.

Company Secretary

Trent Franklin – resigned 18 April 2019

Trent Franklin holds qualifications in Finance Risk Management, and has a Bachelor of Science (geology/Geophysics) from the University of Sydney. Trent is also a Graduate of the Australian Institute of Company Directors. Mr Franklin currently serves on the board of listed company Gateway Mining Limited, and has previously served as a director of the Australian Olympic Committee.

Mr John Chegwidden (Non-Executive Director) – appointed 18 April 2019

Refer above in directors

Directors Meetings

The number of Directors meetings held and the number of meetings attended by each director during the period were as follows:

	Number of meetings eligible to attend	Number of director meetings attended
Mr Imants Kins	1	1
Mr Patrick Burke	6	6
Mr Nathan Featherby	6	6
Mr Saxon Ball	6	6
Mr Nicholas Halliday	4	4
Mr John Chegwidden	0	0
Mr Chen (George) Guangyu	0	0

Interests in shares and options of the Company

As at the date of this report, the interests of the directors, either directly or indirectly, in the shares of ATC were;

	Convertible Notes $	Ordinary Shares	Options
Mr Patrick Burke	25,000[5]	541,231[5]	-
Mr Nathan Featherby	135,000[1]	381,781[1]	-
Mr Saxon Ball	135,000[2]	499,861[2]	-
Mr Nicholas Halliday	-	-	-
Mr Imants Kins	-	-	-
Mr John Chegwidden	50,000[3]	1,821,255[3]	-
Mr Chen (George) Guangyu	-	40,000[4]	-

1. Mr Featherby is a director of Ochre Capital Management Pty Limited, which holds 312,781 Shares and two Convertible Notes with face value of $25,000 convertible at the lower of $0.05 or the lowest issue price prior to the maturity date, and one convertible note with a face value of $85,000 which is convertible at $0.01 per share. Mr Featherby also personally holds 69,000 Shares.
2. Mr Ball is a director of Ochre Capital Management Pty Limited, which holds 312,781 Shares and two Convertible Notes with face value of $25,000 convertible at the lower of $0.05 or the lowest issue price prior to the maturity date, and one convertible note with a face value of $85,000 which is convertible at $0.01 per share. Mr Ball is also a beneficiary of Balmoral Dreams Pty Limited ATF Chestnut Ventures Super Fund, which holds 47,080 Shares. Mr Ball is also a director of STB Projects Pty Limited which holds 20,000 Shares. A related party of Mr Ball, Ms Michelle Ball also holds 120,000 Shares.
3. Mr Chegwidden is a Director of Ausnom Pty Ltd, which holds 1,741,055 Shares and one Convertible note with a face value of $50,000 which is convertible at $0.05 per share. Mr Chegwidden is also a Director of Chegs Assets Pty Ltd which holds 80,200 Shares.
4. Mr Chen is a Controlling Shareholder of George Consulting Co Ltd which holds 40,000 Shares.
5. Mr Burke is a Director of Rowan Hall Pty Ltd, which holds 541,231 Shares and one Convertible note with a face value of $25,000 which is convertible at $0.05 per share.

Principal Activities

The principal activity of the Consolidated Entity has been involvement in the production of ferrotungsten in Vietnam through an incorporated Joint Venture. As advised during the previous financial year the Company made the decision to suspend production runs conducted by the Joint Venture. This arose from a dispute over the management of the plant and operation of the Joint Venture.

The dispute has now been resolved satisfactorily through negotiation and goodwill by both parties. A review of the activities has required the directors to assess whether they had control of ATCHK and/or ATCVN for accounting purposes during the financial year. After careful analysis it was deemed that for accounting purposes, the Company cannot demonstrate control of either ATCHK or ATCVN for the financial year. Therefore, a decision was made to continue to report on a deconsolidated method for those two subsidiaries. The Company still holds 60%, the net fair value of those subsidiaries, but on deconsolidation recognised this holding as having nil value at balance date and on the date of signing of this annual report.

Currently, the Company is in the process of regaining control for accounting purposes and unlocking the potential value that still remains with the Company's 60% shareholding underpinned by the Vietnam plant value in those subsidiaries by negotiating to purchase the 40% holding of the Joint venture partner and bring George Chen onto the Company board to allow the operations to run harmoniously.

Change of management

The Company underwent a number of changes of management during the year, including the appointment of Mr Imants Kins as a director and chairman of the Company, Mr Pat Burke resigning as director and chairman of the Company and Mr Nicholas Halliday resigning as director of the Company. Subsequent to the end of the financial year two new directors where appointed Mr John Chegwidden and Mr Chen (George) Guangyu, and Mr Trent Franklin resigned as the Company Secretary and Mr John Chegwidden was appointed the Company Secretary.

Almonty Promissory Notes

On 1 August 2016, Almonty provided $150,000 to the Company in short term loans repayable on the earlier of 12 months from the date of provision of the funds or the date which the Company and Almonty complete a business combination. On 23 August 2016, a further $250,000 was provided to the Company on the same terms as the original $150,000. Interest is accrued at the rate of 5% per annum. The balance of the loan at 30 June 2018 was $400,000. As at the date of signing this annual report, the amount outstanding is $560,000. The debt has been guaranteed by related party and Non-Executive Director Mr Featherby, and recently a third party and shareholder has agreed to paydown the outstanding debt in instalments. The third party has agreed to convert the funds provided as part loan and part equity.

Convertible Note and Unsecured Loans

The Company has $4.13 million in Convertible notes. The Company has in the past converted the interest outstanding on the Convertible notes into equity at an agreed share prices, the last conversion to equity took place on 16 January 2017. No interest has been converted to equity since that date. The interest outstanding will be part of a settlement with the note holders on their conversion of both their notes and outstanding interest to equity at a future date. The Company during the period received signed letters of support for the possible conversion. The Convertible notes lapsed in July 2018, and any note holder is entitled to request repayment of their note. The Secured Convertible Notes rank second to the Secured debt facility.

Siderian Resource Capital Limited - Outstanding Loan

The Company has a Secured Loan with Siderian of approximately US$2.3 million. The Company and Siderian have engaged in continuing ongoing negotiations, and Siderian is presently supporting a settlement and resolution for the payment of the debt that is mutually beneficially to both parties. The debt is still the highest-ranking security and there continues to be Siderian's right to enforce action against the Company for the repayment of their outstanding debt. The Company continues to bring to account any interest payable and administration/legal fees owing to Siderian.

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. The Joint Venture did not operate during this financial year, and the ATC Ferrotungsten plant was idle. The Joint Venture partner provided the Company with assurances the ferrotungsten plant was well maintained during its idle time, and that the operating licence was in good standing. The Company did not receive any financial information and not have any financial input to the Joint Venture during this period. The Company used a number of legal representatives to attempt to resolve the dispute with legal fees incurred being an extensive part of the Company's costs. In June 2018, on the appointment of the new Chairman Imants Kins the Company commenced a reconciliatory approach to settling the dispute.

Review and Results of Operations

The operating loss after tax for the ended 30 June 2018 was $2,067,794 (2017: $8,601,716 which was impacted by, the one-off discontinued operation).

Financial Position

The net liabilities of the Consolidated Entity have increased from $8,324,932, at 30 June 2017 to $10,392,726 at 30 June 2018. This increase is largely due to the following factors:

- Decrease in Investments held due to sale of investments $10,244
- Increase in Trade payables of $1,330,757 due to reduced cash available.
- Increase in convertible notes and unsecured loans to fund the Company of $725,684

The Consolidated Entity's has a net working capital deficiency, being current liabilities exceeding current assets, of $10,393,159 at 30 June 2018 (2017: $8,336,438).

Significant Changes in the State of Affairs

During the year there were no changes in the state of affairs of the Consolidated Entity other than those referred to in Principal Activities or notes thereto.

Subsequent Events

Subsequent to year end the following material subsequent events occurred.

Joint Venture

Once the previous dispute between the Company and the Joint Venture Partner had being amicably resolved this allowed the parties to run the Vietnam Ferrotungsten plant. As a result of the resolution of the Dispute the legal representatives of Mr Chen on the 29 October 2018 filed a consent summons with the High Court of Hong Kong effectively discontinuing the proceedings in Hong Kong.

The Company, along with its 40% joint venture partner, Mr Chen (George) Guangyu, carried out a low risk contract processing run over May & June 2019 at the Plant to demonstrate the continuing good operating condition of the Plant and ensure that the Plant remains operational and well maintained. The plant operated in good condition. The company successfully contract processed in excess 200mt of tungsten concentrate to produce over 100mt of good quality ferrotungsten. The re-commencement of production at the world-class ferrotungsten plant, only one of two such operating plants in the world, will help kickstart unlocking the potential and unexploited value of the Company's asset. The Company will now look to further processing opportunities. The running of the plant proved the plant is in good running order, it also maintained the operating licence in good standing, it re-established good relations the local employees and businesses and protected the potential loss of the ownership of an important asset for the Company.

The resolution of the dispute then allowed the appointment of Mr Chen to the board of the Company as a non-executive director on 11 September 2018 to make use of his extensive experience in the tungsten industry. Since his appointment, the Company and Mr Chen have worked closely to resolve any remaining issues of the Dispute and have also been addressing the best way to manage the Joint Venture moving forward and maintain transparency in the operations and management of the Ferrotungsten Plant in Vietnam. Mr John Chegwidden was also appointed as a Non-Executive Director on 11 September 2018, to work with the Company and joint venture party and with the Vietnam Operation.

MOU With JV Partner

On the 9 July the Company announced that it has entered into a Memorandum of Understanding with its joint venture partner and non-executive director, Mr George (Guangyu) Chen to restructure the Vietnamese Ferro-Tungsten producing joint venture which is owned by the 60% owned ATCHK . The Company is working towards to buying out and merging in the Joint Venture Partner's 40% ownership into the Company to give the Company 100% ownership and align all parties going forward.

For more information refer to note 22, and the announcement on 9 July 2019.

Capital Raising

As at the date of this report, the Company is well advanced in preparations for a capital raising, intended to raise up to A$2.8 million. The Company will be undertaking a non-renounceable rights issue at 1 cents, with a offer of 2 shares for each 1 share held.

The Company raised a further $127,500 in convertible debt in August/September 2019 from Fern Street Partners.

Siderian facility

Continuing discussions are being held with Siderian, in relation to the repayment of the Company's debt. Under a further forbearance arrangement which is currently being finalised by the Company and Siderian, the parties have negotiated that Siderian will not issue any notice or exercise any of its rights to call on the Company's debt to it until the Company has had a chance to complete its proposed capital raising in late 2019.

Environmental Regulation

The Directors are not aware of any environmental law that is not being complied with by the Consolidated Entity.

The Company's indirect investment in ATCVN, is subject to all aspects of the Vietnam environmental regulations as set out in the Commitment Agreement on Environmental Protection. The extent of compliance with the provisions of that agreement is unknown, given the dispute with the joint venture.

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.

As set out in this report, the Company remains in discussions and negotiations with Chen, essentially as to whether Chen should continue as the sole operator of ATCVN. There is no dispute as to either ATC's 60% ownership or Mr Chen's 40% ownership of ATCHK or ATCHK's 100% ownership of ATCVN. Both the Company and Chen are working to an agreement on how to operate the Vietnam ferrotungsten for mutual benefit of both parties. Chen has joined the Company's board as part of this process. The Vietnam ferrotungsten plant has operated successfully recently carrying out some contract processing to show that the plant is still in good operating condition. The Company is also still negotiating with Chen for the possible purchase of Chen's 40% share in the Joint Venture.

Share Options

Unissued shares

No options were exercised in the year. Subsequently any options expired on 31 July 2018 and hence there are no outstanding options as at the date of this report.

Dividends

No dividend has been paid since the end of the financial period and no dividend is recommended for the current year.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

Remuneration Report - Audited

This report outlines the remuneration arrangements in place for ATC's directors and its senior management for the financial year ended 30 June 2018. The prescribed details for each person covered by this report are detailed below under the following headings:

- Key management personnel
- Remuneration policy
- Relationship between the remuneration policy and company performance
- Remuneration of key management personnel
- Key terms of executive service agreements or consultancy agreements

Key management personnel

The directors and other key management personnel of the Consolidated Entity during or since the end of the financial year were:

Mr Patrick Burke (Chairman) - Resigned 1 June 2018
Mr Nathan Featherby (Non-Executive Director)
Mr Saxon Ball (Non-Executive Director)
Mr Nicholas Halliday (Non-Executive Director) - Resigned 24 May 2018
Mr Trent Franklin (Company Secretary) - Resigned 18 April 2019
Mr John Chegwidden (Non-Executive Director) - Appointed 11 September 2018
Mr John Chegwidden (Company Secretary) - Appointed 18 April 2019
Mr Chen (George) Guangyu (Non-Executive Director) - Appointed 11 September 2018

Company performance, shareholder wealth and key management personnel remuneration

The Company's remuneration policy has been designed to align key management personnel objectives with shareholder and business objectives by providing remuneration packages comprising of a fixed remuneration component and an options component. The Board believes the remuneration policy for its key management personnel to be appropriate and effective to attract and retain people with the necessary qualifications, skills and experience to assist the company in achieving its desired results. Due to the size of the company a remuneration committee has not been formed.

The tables below set out summary information about the Consolidated Entity’s earnings and movements in shareholder wealth for the four years to 30 June 2018:

Consolidated	30 June 2018	30 June 2017	30 June 2016	30 June 2015
Revenue	1,708,594	1,748,052	8,738,009	19,272,701
Net gain (loss) before tax	(2,067,794)	(8,601,716)	(16,605,395)	(35,314,024)
Net gain (loss) after tax	(2,067,794)	(8,601,716)	(16,605,395)	(35,314,024)
Share price at start of year[1]	N/A	$0.02	$0.02	$0.04
Share price at end of year[1]	N/A	$0.02	$0.02	$0.02
Interim dividend	-	-	-	-
Final dividend	-	-	-	-
Basic earnings per share (cents)	(1.46)	(6.86)	(14.78)	(130.61)

1. The Company has being suspended from trading on the ASX since September 2016.

Relationship between the remuneration policy and company performance

Remuneration is reviewed on an annual basis, taking into consideration a number of performance indicators. While no performance-based remuneration component has been built into key management personnel remuneration packages it is envisaged that as the Consolidated Entity further progresses, consideration will be given to this component of remuneration.

Remuneration of key management personnel

The directors (both executive and non-executive) and senior management of the entity received remuneration during the period commencing 1 July 2017 and ending 30 June 2018 based on the following agreements.

Key terms of employment contracts

Consultancy Agreement for Services of Mr Patrick Burke

The Company is party to a Consultancy Agreement pursuant to which Patrick Burke’s services are provided as a Director. The Agreement provided for fees of $5,000 per month until terminated. Mr Burke has been accruing fees under this agreement since March 2016 and the contracted terminated 1 June 2018.

Enrizen One Company Secretarial Services Agreement

The Company is party to an Agreement pursuant to which Enrizen Accounting Pty Ltd will provide company secretarial and accounting services to the Company, with Trent Franklin acting as Company Secretary. The Agreement provides for fees of $8,000 per month. The term of the Agreement is 12 months as an initial term and upon completion of the initial term the agreement continues for successive periods of six months (each, an Additional Term). If either party wishes to terminate this agreement at the end of the Initial Term or an Additional Term, it must provide no less than 60 days, but no more than 90 days, written notice of termination, otherwise, this engagement will continue for a further Additional Term, unless otherwise agreed between the parties. The Agreement terminated on 1 April 2019.

Directors' Report Continued

Consultancy Agreement for Services of Ochre Capital Management

The Company is party to an Agreement pursuant to which Ochre Capital Management will provide corporate services to the Company, with Nathan Featherby and Saxon Ball as non-executive directors and consultants. The Agreement provides for fees of $27,500 per month. The term of the Agreement is 12 months.

Remuneration of non-executive directors

The total amount paid to non-executive directors is determined by the board from time to time for presentation to and resolution by shareholders at the Annual General Meeting. The current maximum aggregate remuneration paid to non-executive directors is fixed at $300,000.

The non-executive directors are paid a set amount per year. The non-executive directors may receive consultant's fees through related entities for services rendered on a commercial basis

Key management personnel compensation disclosures

Key management personnel are remunerated under the terms of executive services agreements (ESA) or consultancy agreements. Total remuneration obligation is detailed on the following table:

2018	Short-term Benefits	Post-employment Benefits	Other Long-term Benefits	Share based Payment		Total	Total Remune-ration Repre-sented by Options	Performance Related
Key Management Person	Salary & commissions	Super annuation	Other	Equity	Options			
	$	$	$	$	$	$	%	%
P Burke	55,000	-	-	-	-	55,000	-	-
Imants Kins	6,000	-	-	-	-	6,000	-	-
N Featherby and S Ball(1)	300,000	-	-	-	-	300,000	-	-
N Halliday(resigned)	28,000	-	-	-	-	28,000	-	-
T. Franklin(resigned) (2)	96,000					96,000		
John Chegwidden	-	-	-	-	-	-	-	-
Chen Guangyu	-	-	-	-	-	-	-	-
	485,000	-	-	-	-	485,000		

1. Consultancy agreement is made with Ochre Capital Management Pty Ltd, of which Mr Featherby and Mr Ball are both directors and shareholders of its parent company, Ochre Group Holdings Limited.
2. Consultancy agreement is made with Enrizen Accounting Pty Ltd, of which Mr Franklin is a director and shareholder

2017	Short-term Benefits	Post-employment Benefits	Other Long-term Benefits	Share based Payment		Total	Total Remune-ration Repre-sented by Options	Performance Related
Key Management Person	Salary & commissions	Super-annuation	Other	Equity	Options			
	$	$	$	$	$	$	%	%
P Burke	85,000	-	-	-	-	85,000	-	-
M Bourne (resigned)	43,000	-	-	-	-	43,000	-	-
C New (resigned)	71,500	-	-	-	-	71,500	-	-
N Featherby and S Ball(1)	220,000	-	-	-	-	220,000	-	-
N Halliday	-	-	-	-	-	-	-	-
	419,500	-	-	-	-	419,500		

1. Consultancy agreement is made with Ochre Capital Management Pty Ltd, of which Mr Featherby and Mr Ball are both directors and shareholders of its parent company, Ochre Group Holdings Limited.

Directors’ Report Continued

Key management equity holdings

Options

No Options over ordinary shares are held by key management personnel at balance date.

30 June 2017	Balance at beginning of period *	Granted as remune ration	Exercise d/ Expired	Net change due to directors' resignations	Net Change Other	Balance at end of period
P Burke	100,000	-	(100,000)	-	-	-

Shareholdings

Shares held by key management personnel at balance date are:

	Balance 1 July 2017	Balance as commen cing as director	Convertible Notes Converted	Net change due to directors' resignations	Net Change Other	Balance 30 June 2018
Mr P Burke	541,232	-	-	(541,232)	-	-
Mr N Featherby	69,000	-	-	-	-	69,000
Mr N Featherby and Mr S Ball[1]	312,781	-	-	-	-	312,781
Mr S Ball	187,080					187,080
Mr N Halliday	-	-	-	-	-	-
Mr T Franklin	-	-	-	-	-	-
Mr J Chegwidden[3]	-	1,821,255	-	-	-	1,821,255
Mr G Chen	-	40,000	-	-	-	40,000

	Balance 1 July 2016	Received as Remune- ration	Convertible Notes Converted	Net change due to directors' resignations	Net Change Other	Balance 30 June 2017
Mr P Burke	474,017	-	67,215	-	-	541,232
Mr N Featherby	-	-	-	-	69,000	69,000
Mr N Featherby and Mr S Ball[1]	-	-	-	-	312,781	312,781
Mr N Halliday	-	-	-	-	-	-
Mr M Warren[2]	656,257	-	-	(656,257)	-	-
Mr J Chegwidden[3]	1,618,995	-	-	(1,618,995)	-	-
Mr M McQuade[4]	186,317	-	-	(186,317)	-	-
Ms C New	45,833	-	-	(45,833)	-	-
Mr G Chen	40,000	-	-	-	(40,000)	-

1. Shares held by Ochre Capital Management Pty Ltd, of which Mr Featherby and Mr Ball are both directors and shareholders in its parent company, Ochre Group Holdings Limited.
2. Shares held at date of resignation on 24 June 2016.
3. Shares held at date of resignation on 16 December 2015 and increase in shares by 202,260 shares added prior to re-joining the board 11 September 2018.
4. Shares held at date of termination on 2 May 2016.

Convertible Notes

Convertible Notes with a maturity date of 1 July 2018 and a coupon rate of 12% held by key management personnel at balance date are:

	Balance 1 July 2017 $	Received as Remune-ration	Net change due to directors' resignations $	Net Change Other $	Balance 30-Jun-18 $
Mr P Burke (Resigned)	25,000	-	(25,000)	-	-
Mr N Featherby and Mr S Ball[1]	135,000	-	-	-	135,000
Mr J Chegwidden[2]		-	-	50,000	50,000

1. Convertible Notes held by Ochre Capital Management Pty Ltd, of which Mr Featherby and Mr Ball are both directors and shareholders in its parent company, Ochre Group Holdings Limited of $135,000.
2. Mr Chegwidden held $50,000 convertible notes when he resigned in December 2015, and he still held the notes when he re-joined the board in September 2018.

	Balance 1 July 2016 $	Received as Remune-ration	Net change due to directors' resignations $	Net Change Other $	Balance 30 June 2017 $
Mr P Burke	25,000	-	-	-	25,000
Mr N Featherby and Mr S Ball[1]	-	-	-	135,000	135,000
Mr M Warren (Resigned)	50,000	-	(50,000)	-	-
Mr J Chegwidden[2] (resigned)	50,000	-	(50,000)	-	-

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.

Furthermore, any other related party transactions have being disclosed with in remuneration report. Details of transactions between the Consolidated Entity and other related parties are disclosed below:

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 27 to the financial statements.

Trading transactions

Details of trading transactions with related parties are disclosed in Note 25 to the financial statements.

End of Remuneration Report

Officers' Indemnities and Insurance

During the year the Company paid an insurance premium to insure certain officers of the Company. The officers of the Company covered by the insurance policy include the Directors named in this report.

The Directors' and Officers' Liability Insurance provides cover against all costs and expenses that may be incurred in defending civil or criminal proceedings that fall within the scope of the indemnity and that may be brought against the officers in their capacity as officers of the Company or a related body corporate.

The insurance policy does not contain details of the premium paid in respect of individual officers of the Company. Disclosure of the nature of the liability cover and the premium paid is subject to a confidentiality clause under the insurance policy.

The Company has entered into an agreement with the Directors and certain officers to indemnify these individuals against any claims and related expenses which arise as a result of work completed in their respective capabilities.

Neither the Company nor any of its related bodies corporate have provided any insurance for any auditor of the Company or a related body corporate.

Non-Audit Services

No non-audit services were provided by Criterion Audit Pty Ltd during the period.

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 50

This Director's Report incorporating the Remuneration Report is signed in accordance with a resolution of the Directors.

Corporate Governance

The directors of ATC are committed to maintaining high standards of corporate governance. To the extent they are applicable the Company has adopted the ASX Corporate Governance Principles and Recommendations 3rd Edition as published by ASX Corporate Governance Council.

Good corporate governance practices will evolve with the changing circumstances of a company and must be tailored to meet those circumstances.

Further information about the Company's corporate governance practices is set out on the Company's website at www.atcalloys.com.

Imants Kins
Chairman
8 September 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income For The Year Ended 30 June 2018

	Note	2018 $	2017 $
Revenue			
Revenue		-	-
Cost of Sales		-	-
Gross Profit		**-**	**-**
Other Income			
Interest	2	1,708,594	1,749,767
Profit/(loss) on disposal of asset		-	(1,715)
Total revenue and other income		**1,708,594**	**1,748,052**
Administrative expenses		(155,877)	(197,366)
Auditor's remuneration		(55,500)	(63,143)
Consultancy fees		(300,000)	(235,300)
Depreciation		(828)	(4,726)
Directors' fees		(87,200)	33,617
Employee benefits expenses		3,026	(64,110)
Finance costs		(995,616)	(1,159,466)
Foreign exchange gains/(losses)		984,210	(856,753)
Impairment of investments		(19,673)	(5,327)
Provision for loan to related parties		(2,814,597)	(921,370)
Insurance		(53,409)	(41,384)
Investments Gain/Loss		(3,084)	(36,375)
Legal fees		(260,491)	(427,898)
Occupancy costs		(3,040)	(7,772)
Travel and marketing expense		(14,309)	(34,214)
Gain (Loss) before income tax expense		**(2,067,794)**	**(2,273,535)**
Income tax expense	4	-	-
Gain (Loss) for the year from continuing operations		**(2,067,794)**	**(2,273,535)**
Gain (Loss) for the year from discontinued operations	18	-	(6,328,181)
Gain (Loss) for the year		**(2,067,794)**	**(8,601,716)**
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		**(2,067,794)**	**(6,613,241)**
Gain (Loss) attributable to:			
Members of the parent entity		(2,067,794)	(8,601,716)
Non-controlling interest		-	-
		(2,067,794)	**(8,601,716)**
Total comprehensive income attributable to:			
Members of the parent entity		(2,067,794)	(8,601,716)
Non-controlling interest		-	1,988,475
		(2,067,794)	**(6,613,241)**
Loss per share			
Basic and diluted (cents per share)	17	(1.46)	(6.86)

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

Consolidated Statement of Financial Position
As At 30 June 2018

	Note	2018 $	2017 $
Current assets			
Cash and cash equivalents	5	2,261	1,358
Trade and other receivables	6	18,701	1,874
Other assets	8	4,000	22,010
Total current assets		**24,962**	**25,242**
Non-current assets			
Property, plant and equipment	9	433	1,262
Investments	10	-	10,244
Total non-current assets		**433**	**11,506**
Total assets		**25,395**	**36,748**
Current liabilities			
Trade and other payables	11	2,457,100	1,126,343
Provisions	12	-	-
Subscription deposits advanced		-	720,000
Financial liabilities	13	7,961,021	6,515,337
Total current liabilities		**10,418,121**	**8,361,680**
Total liabilities		**10,418,121**	**8,361,680**
Net assets		**(10,392,726)**	**(8,324,932)**
Equity			
Issued capital	14	67,154,632	67,154,632
Reserves	15	30,600	30,600
Accumulated losses		(77,577,958)	(75,510,164)
Parent interest		(10,392,726)	(8,324,932)
Non-controlling interest		-	-
Total equity		**(10,392,726)**	**(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 Year Ended 30 June 2018

	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	-	-	(8,601,716)	(8,601,716)	-	(8,601,716)
Other comprehensive income	-	-	-	-	-	-
Reclassify FX reserve to Retained Earnings	-	(683,958)	683,958	-	-	-
Total comprehensive income for the period	**-**	**1,304,517**	**(7,917,758)**	**(6,613,241)**	**-**	**(6,613,241)**
Transactions with owner, directly recognised in equity						
Issues of shares	604,449	-	-	604,449	-	604,449
Cost of share issues	-	-	-	-	-	-
Issue of options	-	-	-	-	-	-
Expiry of options	-	(947,833)	947,833	-	-	-
Financial asset revaluation	-	(10,000)	-	(10,000)	-	(10,000)
Balance at 30 June 2017	**67,154,632**	**30,600**	**(75,510,164)**	**(8,324,932)**	**-**	**(8,324,932)**
Balance at 1 July 2017	67,154,632	30,600	(75,510,164)	(8,324,932)	-	(8,324,932)
Loss for the period	-	-	(2,067,794)	(2,067,794)	-	(2,067,794)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**(2,067,794)**	**(2,067,794)**	**-**	**(2,067,794)**
Transactions with owner, directly recognised in equity						
Issues of shares	-	-	-	-	-	-
Expiry of options	-	-	-	-	-	-
Financial asset revaluation	-	-	-	-	-	-
Balance at 30 June 2018	**67,154,632**	**30,600**	**(77,577,958)**	**(10,392,726)**	**-**	**(10,392,726)**

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

Consolidated Statement of Cash Flow
For The Year Ended 30 June 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Receipts from customers		-	-
Payments to suppliers and employees		(198,273)	(1,152,370)
Payments for deferred exploration		-	-
Interest and other income received		(5,657)	541
Net cash used in operating activities	**21(c)**	**(203,930)**	**(1,151,829)**
Cash flows from investing activities			
Payments for property, plant and equipment		-	-
Proceeds from sale of asset		-	-
Proceeds from sale of investments		12,754	140,976
Loans to ATC Vietnam		(37,500)	
Net cash used in investing activities		**(24,746)**	**140,976**
Cash flows from financing activities			
Proceeds from issue of equity securities		-	-
Payments for share issue costs		-	-
Proceeds from borrowings		509,007	1,368,169
Repayment of borrowings		(276,763)	(500,000)
Financing costs		-	-
Interest expense		(2,665)	-
Net cash (used in)/provided by financing activities		**229,579**	**868,169**
Net increase in cash and cash equivalents		903	(142,684)
Cash and cash equivalents at beginning of period		1,358	212,650
Foreign currency translation difference		-	-
Deconsolidation		-	(68,608)
Effects of exchange rate changes on the balance of cash held in foreign currencies		-	-
Cash and cash equivalents at end of period	**21(a)**	**2,262**	**1,358**

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

1. Significant accounting policies

1.1 Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS'). Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial statements comprise the consolidated financial statements and notes of ATC Alloys Limited (ATC, Company or Parent Entity) and controlled entities (**Consolidated Entity** or **Group**). The controlled entities comprise BigHill Resources Limited, noting that Asia Tungsten Products Co. Limited (**ATCHK**) and its subsidiary Asia Tungsten Products Vietnam Limited (**ATCVN**) were deconsolidated in the previous year due to loss of control and will continue to be deconsolidated for the 2018 financial year. ATC is a company limited by shares, domiciled and incorporated in Australia.

The financial statements were authorised for issue by the directors on 8 September 2019.

1.2 Basis of preparation

This financial report has been prepared on an accruals basis and is based on historical cost, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

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. The Consolidated Entity incurred an operating loss of $2,067,794 for the year ended 30 June 2018 (2017: loss of $8,601,716, this was partly due to the deconsolidation of two subsidiaries in 2017).

The net current liabilities of the Consolidated Entity at 30 June 2018 was $10,393,159 (2017: $8,336,438) and the net cash outflows from operating activities during the year was $203,930 (2017: $1,151,829).

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 approximately US$2,000,000 million Siderian loan, settling all outstanding loans and convertible notes and payment of trade creditors, 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 Company has signed a mandate with Pulse Capital to be lead manager for the intending entitlement issue to raise up to $2.8 million.

1. Significant accounting policies continued

1.2 Basis of preparation continued

Going Concern continued

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:

- The Company from September 2016 has ceased providing financial support to its 60% owned subsidiary ATCHK and its wholly owned subsidiary ATCVN and will only recommence financial support once the Company is in a strong enough financial position and arrangement with the subsidiaries are suitable.
- The Group has been extending the forbearance period with Siderian Resource Capital Limited, the Company's secured lender, and has extended the forbearance period under a revised repayment schedule until a proposed capital raising can be completed.
- This Company is proposing to raise additional funds via an entitlement issue offer, with the prospectus expected to be lodged with the ASX and ASIC to raise up to approximately A$2.8 million at $0.01 per share. The entitlement issue is proposed to be supported by Pulse Marketing.
- The Company has negotiated repayment terms with a number of creditors and statutory demands from its creditors.
- As at 30 June 2018 the entity have convertible notes with a face value of $4.13 million outstanding. These notes can be converted into ordinary shares in ATC at fixed terms as disclosed in note 13.
- The Company is in the process of paying out Almonty Industries Inc. in relation to the promissory notes with total face value of $400,000.
- The company is the process on issuing a Notice of Meeting for its Annual General Meeting that will include a resolution to raise up to $2,817,829 through a non-renounceable entitlement issue at 1 cent per share. The Company is also seeking approval at this meeting to issue shares for the conversion of some of the Company's liabilities to equity, including $4.13 million in convertible notes, $2 million in Creditors and unsecured loans, and $500,000 in Secured loans.
- The Company entered into a loan agreement for $127,500 which is unsecured and convertible with the Fern Street capital partner. Funds were received in August and September 2019.

The Group has also resolved all legal matters in relation to the dispute with Chen and 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.

1. Significant accounting policies continued

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

1.3 Basis 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. Please refer to Note 18 in relation to the Deconsolidation.

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 statement of financial positions 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.

1.4 Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on the purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivable and payable are stated with the amount of GST included.

The amount of GST recoverable from the taxation authority is included as part of the receivables in the Statement of Financial Position. The amount of GST payable to the taxation authority is included as part of the payables in the Statement of Financial Position.

Cash flows are included in the Cash Flows Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

1.5 Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

1. Significant accounting policies continued

1.5 Fair Value of Assets and Liabilities continued

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Valuation techniques

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability, The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

1. Significant accounting policies continued

1.6 Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Consolidated Entity's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Consolidated Entity's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the other comprehensive income in the period in which the operation is disposed.

1.7 New, revised or amending Accounting Standards and Interpretations adopted

The group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the group during the financial year.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the group for the annual reporting period ended 30 June 2017. The group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the group, are set out below.

1. Significant accounting policies continued

1.7 New, revised or amending Accounting Standards and Interpretations adopted continued

New Accounting Standards and Interpretations not yet mandatory or early adopted continued

AASB 9 Financial Instruments
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The group will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the group.

AASB 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The group will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the group.

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease

1. Significant accounting policies continued

1.7 New, revised or amending Accounting Standards and Interpretations adopted continued

New Accounting Standards and Interpretations not yet mandatory or early adopted continued

payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The group will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the group.

1.8 Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

2. Revenue & other income

	2018 $	2017 $
Interest – related parties	1,708,594	1,749,226
Interest – others	-	541
Total revenue & other income	1,708,594	1,749,767

Revenue is measured at the fair value of the consideration received or receivable. The interest income from related parties has been capitalised in the year, and fully been provided for based collectability.

Interest income
Interest income is recognised on an accrual basis. This year includes interest from the 60% owned subsidiaries which has been deconsolidated in the financial year.

3. Expenses

	2018 $	2017 $
Depreciation and amortisation - Expensed	828	4,726
Total	828	4,726

4. Income Tax Expense

Major components of income tax expense for the years ended 30 June 2018 and 30 June 2017 are:

(a) Reconciliation of income tax expense to prima facie tax payable	**2018 $**	**2017 $**
Operating gain (loss) before income tax	**(2,067,794)**	**(8,601,717)**
Prima facie income tax (benefit)/expense at 27.5% (2017: 27.5%) on operating profit/(loss)	(568,643)	(2,365,472)
Add tax effect of:		
Non-deductible expenses	-	-
Tax losses and temporary differences not recognised	568,643	2,365,472
Non temporary differences	-	-
Income tax attributable to operating (loss)/profit	-	-

Directors are of the view that there is insufficient probability that the Group will derive sufficient income in the foreseeable future to justify booking the tax losses and temporary differences as deferred tax assets and deferred tax liabilities.

b) There is no amount of tax benefit recognised in equity as the tax effect of temporary differences has not been booked

(c) Tax losses unrecognised net deferred tax assets		
The below is at the tax rate of 27.5% (2017: 27.5%)		
Unused tax losses	15,151,702	14,583,059
Deductible temporary differences	(2,109,246)	(2,109,246)
Capital raising costs	125,102	125,102
Accruals	9,625	9,625
Total	13,177,183	12,864,765

4. Income Tax Expense continued

Key Estimate – Taxation
Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the company as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate as the Consolidated Entity is subject to income taxes in Australia and jurisdictions where it has foreign operations.

The income tax expense (revenue) for the year comprises current income tax expense (income) and movements in deferred tax.

Current income tax expense charged to the profit or loss is the tax payable on taxable income measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets including unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

The group has applied the "stand-alone taxpayer approach" in determining the appropriate amount of current taxes to allocate to members of the tax consolidation group. The tax funding agreement provides each member of the tax consolidated group to pay a tax equivalent amount to or from the parent in accordance with their current tax liability or current tax asset. Such amounts are reflected in amounts receivable from or payable to the parent company in their accounts and are settled as soon as practicable after lodgement of the consolidated return and payment of the tax liability.

The deferred taxes are allocated to members of the tax consolidated group in accordance with the principles of AASB 112.

5. Cash and cash equivalents

	2018 $	2017 $
Cash at bank and on hand	2,261	1,358

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

Interest is on a variable rate. The group is not sensitive to interest rate movement.

6. 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.

The Group does not have any material credit risk exposure to any receivable, other than related parties which has been fully impaired.

The following table details the Group's trade and other receivables exposed to credit risk with ageing analysis and impairment provided for. Amounts are considered as 'past due' when the debt has not been settled within the terms and conditions agreed between the Group and the customer or counter party to the transactions. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

2018	Gross Amount	Past Due And Impaired	Past due but not impaired (days overdue)				Within Initial trade terms
			<30	31 – 60	61 – 90	90 - 150	
	$	$	$	$	$	$	$
Trade and term receivables	1,874		-	-	-	1,874	-
Other receivables	16,827		-	-	-	-	16,827
Related party loans	27,717,386	(27,717,386)	-	-	-	-	-
	27,736,087	(27,717,386)	-	-	-	1,874	16,827

2017	Gross Amount	Past Due And Impaired	Past due but not impaired (days overdue)				Within Initial trade terms
			<30	31 – 60	61 – 90	90 - 150	
	$	$	$	$	$	$	$
Trade and term receivables	1,874	-	-	-	-	-	1,874
Related party loans	24,902,789	(24,902,789)	-	-	-	-	-
	24,904,664	(24,902,789)	-	-	-	-	1,874

6. Trade and other receivables (continued)

Related party loans

The Group has provided a Loan to Asia Tungsten Products Co. Limited (**ATCHK**) over past years which was eliminated on consolidation in prior years. The elimination is not reflected on deconsolidation.

	2018 $	2017 $
Loan receivable - HK	27,717,386	24,902,789
Less: provision for impairment	(27,717,386)	(24,902,789)
	-	-

	2018	2017
Movement in loans		
Opening balance	-	-
Recognised on deconsolidation	-	-
Loan provided	1,721,093	1,778,123
Foreign exchange adjustment	1,093,504	(856,753)
Impairment taken to profit or loss	(2,814,597)	(921,370)
Closing balance	-	-

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.

7. Inventory

Inventories are stated at the lower of cost or net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

All inventory in subsidiaries was fully written down in prior years with an impairment of $4,593,534.

8. Other assets

	2018 $	2017 $
Current		
Prepayments	4,000	22,009

9. Property Plant and Equipment

	2018 $	2017 $
Property Plant and Equipment at cost	94,235	94,235
Less: accumulated Depreciation	(93,802)	(92,974)
	433	1,262

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Opening Written Down Value	1,262	27,703
Depreciation	(828)	(4,726)
Disposals	-	(21,715)
	433	1,262

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis. The carrying amount of plant and equipment is reviewed annually be directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

Depreciation is provided on plant and equipment and is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life. The following estimated useful lives are used in the calculation of depreciation:

Office furniture and equipment	3-5 years
Computer equipment	3 years
Plant and equipment	5 – 30 years
Buildings, Leasehold Land & Improvements	3 –50 years

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

Key Judgements – Furnace Liner

The Company undertook an assessment in June 2016 of the furnace ferrotungsten liner and it was determined that only 20 tonnes of ferrotungsten material was required to line the furnace and to maintain the furnace in an operable state. The ferrotungsten material in excess of the required 20 tonnes has been treated as inventory.

9. Property Plant and Equipment continued

Key Judgements - Impairment losses recognised in the year 2016

During the prior year, the carrying values of all property, plant and equipment, and the liner were fully impaired which resulted in an impairment loss of $5,482,761 which has been recognised in profit or loss. Impairment was as a result of the ongoing concerns over the operation of the plant by the 40% joint venture partner.

10. Investments

On 15 December 2015, the Company received 5,000,000 shares in Tungsten Mining NL as part of consideration of its sale of tungsten tenements.

	2018 $	2017 $
Opening Investments at fair value	10,244	200,000
Additions - cost		-
Revaluation	5,327	(12,406)
Disposal proceeds	(12,754)	(140,975)
Gain/(loss) on disposal	(2,817)	(36,375)
Closing	**-**	**10,244**

Fair value is based on the bid price of the listed entity at year end. Impairments are recognised in the profit and loss.

The investment is in Asia Tungsten Products Co. Limited (ATCHK) of which 60% is held. In prior years it was controlled and thus eliminated on consolidation. Original cost was $1,009,305 which was fully impaired in past years.

Available for sale at cost		
Opening	-	-
Deemed cost on deconsolidation	-	1,009,306
Adjustment to fair value on deconsolidation	-	(1,009,306)
Closing	-	**-**

11. Trade and other payables

	2018 $	2017 $
<u>Unsecured:</u>		
Trade and other payables	2,457,100	1,126,343

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

12. Provisions

	2018 $	2017 $
Provision for annual leave	-	-

13. Financial liabilities short-term

	2018 $	2017 $
Secured Debt facilities – Siderian Capital (i)	2,729,179	2,385,652
Unsecured Loan – George Chen (ii)	-	-
Secured Convertible Notes (iii)	4,130,000	3,830,000
Cost of notes to be amortised	(18,158)	(100,316)
Promissory Notes (iv)	400,000	400,000
Unsecured Loans – Funds advanced (v)	720,000	-
Total financial liabilities	7,961,021	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 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. The Loan may be called in to be repaid at any time due to the breaches of the loan agreement. The loan in currently being re-negotiated with potential terms included in subsequent events. The Company continues to accrue the interest payable.

(ii) This loan was a shareholder loan provided by Joint Venture partner Guangyu Chen to the Hong Kong subsidiary. This was deconsolidated during the year. Interest was charged at 6.8% p.a.

(iii) The secured convertible notes rank second to the secured debt facility and attract an interest rate of 12%, these notes matured on 1 July 2018. These notes can be repaid in cash 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;
- 6 Notes totalling $300,000 are convertible at the lower of $0.001 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. The Company is currently renegotiating the conditions of the Convertible notes and proposes to convert them to equity as per the notice of meeting for the AGM. Also refer to subsequent event note 22.

(iv) 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 and the company has negotiated with a third party to take over the loan and repay the loan, this third-party loan will them extend out repayment and convert part to equity. No formal terms have been finalised..

(v) The Unsecured Loan – Funds Advanced where provided by:
- Ochre Holdings Limited – a Company related Nathan Featherby and Saxon Ball who are Directors on both Companies for $420,000, and
- Unrelated parties for $300,000.

The Unsecured loans are unsecured and with no interest payable, and only to be repaid by the Company when it has the financial capacity to repay the loan, or the parties agree to convert the debt to equity.

Financial Liabilities

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

14. Issued capital

	2018 $	2017 $
140,891,481 fully paid ordinary shares (2017: 140,891,481)	67,154,632	67,154,632

In the prior year, the company issued shares amounting to $423,202 (16,198,237 shares) in lieu of convertible note interest and $181,248 (18,124,800 shares) in satisfaction of outstanding debt.

Fully paid ordinary shares	2018		2017	
	No.	$	No.	$
Balance at the beginning of financial year	140,891,481	67,154,632	106,568,444	66,550,183
Issued 12 July 2016	-	-	6,107,928	199,118
Issued 16 January 2017	-	-	28,215,109	405,331
	140,891,481	67,154,632	140,891,481	67,154,632
Less cost of capital	-	-	-	-
Balance at the end of financial year	**140,891,481**	**67,154,632**	**140,891,481**	**67,154,632**

Ordinary shares have the right to receive dividends as declared by the board and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle the holder to one vote either in person or by proxy at a meeting of the company.

Options on Issue
The following reconciles the outstanding share options at the beginning and end of the financial year. Each option entitles the holder to one fully paid ordinary share in the Company.

	2018		2017	
Description	**No.**	**$**	**No.**	**$**
Balance at the beginning of financial year	300,000	30,600	12,754,581	978,433
Granted during the financial year	-	-	-	-
Cancelled during the financial year	-	-	-	-
Expired during the financial year	-	-	(12,454,581)	(947,833)
Balance at the end of financial year	300,000	30,600	300,000	30,600
Exercisable at the end of financial year	300,000		300,000	

Shares under Option or Issued on Exercise of Options
Details of unissued shares or interests under option as at 30 June 2018 are:

Number of Ordinary Shares under Option	Class of Shares	Original Exercise Price of Options	Modified Exercise Price of Options	Expiry Date of Option
300,000	Ordinary	$0.0116	$0.58	31 July 2018

15. Reserves

	2018 $	2017 $
Options Reserve	30,600	30,600
Foreign Currency Translation Reserve	-	-
	30,600	30,600

The options reserves comprise share based payment made to directors, consultants and key management personnel refer note 24.

15. Reserves continued

The foreign currency translation reserve represents exchange differences as at balance date on translation of foreign subsidiaries.

16. Capital management

The Consolidated Entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Consolidated Entity's activities, the Consolidated Entity does not have ready access to credit facilities, with the primary source of funding being debt financing and equity raisings. Therefore, the focus of the Consolidated Entity's capital risk management is capital raising to meet costs. The Consolidated Entity's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to sourcing debt financing and initiating appropriate capital raisings as required. The working capital position of the Consolidated Entity and the parent entity at 30 June 2018 and 30 June 2017 are as follows:

	2018 $	2017 $
Current assets	24,962	25,242
Current liabilities	(10,418,121)	(8,361,680)
Working capital position	(10,393,159)	(8,336,438)

17. Earnings per share

	2018 Cents per share	2017 Cents per share
Basic and diluted gain (loss) per share from continuing and discontinued operations	(1.46)	(6.86)

Basic and Diluted Earnings per Share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2018 $	2017 $
Gain (Loss) used in the calculation of basic and diluted EPS as per income statement	(2,067,794)	(8,601,717)
	No.	**No.**
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	140,891,481	125,324,375

18. Discontinued Operations

The directors had assessed that they no longer control the investment in Hong Kong and Vietnam. Deconsolidation occurred from 1 July 2016.

Therefore in the financial year 2017, there is a discontinuation of operations due to the deconsolidation. The comparatives are required to be adjusted to reflect the effect of the discontinuation. The comparatives also include the effect of the sale of its exploration assets in order to reduce cash outflows.

	2018 $	2017 $
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)
Cash flows from discontinued operations		
Net cash outflows from operating activities	-	-
Net cash inflows from investing activities	-	-
Net cash inflows from financing activities	-	-
Net cash inflows/(outflows)	-	-
Assets held by discontinued operations	-	-
Liabilities of discontinued operations	-	-

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.

19. 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 30th June 2018 for either the parent company or its Australian subsidiary.

Key Judgment – JV legal dispute
The Company was in dispute with the JV partner as outlined in subsequent event. The Directors are not aware of any costs or payments, or cash inflows/outflows that may occur when the legal matters are resolved.

Key Judgment – Environmental Issues
Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the company's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

20. Auditor's Remuneration

Amounts received or due and received for:

An audit or review of the financial report of the Consolidated Entity

	2018 $	2017 $
Crowe Horwath Sydney	15,500	50,000
Criterion Audit Pty Ltd	25,000	-
	40,500	50,000

21. Notes to the cash flow statement

a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows

	2018 $	2017 $
Cash and cash equivalents	2,261	1,358

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

b) Non-cash financing and investing activities

No non-cash financing and investing activities transactions took place during the financial year.

21. Notes to the cash flow statement continued

c) Reconciliation of loss for the period to net cash flows from operating activities

	2018 $	2017 $
Gain (Loss) for the period	(2,067,794)	(8,601,716)
Non-cash items		
Depreciation	828	4,726
Provision for loan to related parties	2,814,597	921,370
Finance costs	919,016	1,169,442
Net foreign exchange (gain)/loss	(984,210)	846,776
(Gain) Loss for the year from discontinued operations	-	6,328,181
Interest income	(1,708,594)	(1,749,226)
Employee benefits expenses	-	62,076
Written-off Administrative expenses	-	(25,055)
(Profit)/loss on disposal of asset	-	1,715
Investments Gain/Loss	-	33,453
Impairment of investments	-	5,327
Movements in working capital		
(Increase)/decrease in assets:		
Trade and other receivables	1,182	39,172
Increase/(decrease) in liabilities:		
Trade and other payables	821,044	(130,296)
Provisions	-	(57,774)
	(203,930)	(1,151,829)

22. Subsequent Events

Subsequent to year end the following material subsequent events occurred:

Joint Venture

Once the previous dispute between the Company and the Joint Venture Partner had being amicably resolved this allow the parties to run the Vietnam Ferrotungsten plant. As a result of the resolution of the Dispute the legal representatives of Mr Chen on the 29 October 2018 filed a consent summons with the High Court of Hong Kong to effectively discontinuing the proceedings in Hong Kong.

The Company, along with its 40% joint venture partner, Mr Chen (George) Guangyu, carried out a low risk contract processing run over May & June 2019 at the Plant to demonstrate the continuing good operating condition of the Plant and ensure that the Plant remains operational and well maintained. The plant operated in good condition. The company successfully contract processed in excess of 100mt of good quality ferrotungsten. The re-commencement of production at the world-class ferrotungsten plant, only one of two such operating plants in the world, will help kickstart unlocking the potential and unexploited value of the Company's asset. The Company will now look to further processing opportunities.

The resolution of the Dispute then instigated the appointment of Mr Chen to the board of the Company as a non-executive director on 11 September 2018. Since his appointment the Company and Mr Chen have worked closely to resolve any remaining issues of the Dispute and have also been addressing the best way

22. Subsequent Events continued

to manage the Joint Venture moving forward and maintain transparency in the operations and management of the Ferrotungsten Plant in Vietnam (**Plant**). Mr John Chegwidden was also appointed as a Non-Executive Director on 11 September 2018, to work with the Company and joint venture party and with the Vietnam Operation.

MOU With JV Partner

On the 9 July the Company announced that it has entered into a Memorandum of Understanding (**MOU**) with its joint venture partner and non-executive director, Mr George (Guangyu) Chen (**Mr Chen**) to restructure the Vietnamese Ferro-Tungsten producing joint venture (**Joint Venture**) which is owned by the 60% owned Asia Tungsten Products Co Limited (**ATCHK**) (**Proposed Transaction**).

Under the terms of the MOU, the Company has agreed to purchase Mr Chen's 40% shareholding in ATCHK, resulting in the Company's ownership of the Ferrotungsten Plant increasing to 100% via the Proposed Transaction.

The purchase of the additional 40% of ATCHK will be conducted on the following terms and conditions:

(a) ATA will provide to Mr Chen, as consideration A$8,000,000 in fully paid ordinary shares in the Company, issued upon completion of the Proposed Transaction (**Consideration Shares**), at an issue price being the lesser of:

- (i) $0.02 per share; or
- (ii) the issue price of shares issued by the Company as part of a proposed $2.5 million capital raising; or
- (iii) the conversion price of shares of any convertible note holder or creditor of the Company.

(b) The Proposed Transaction will be subject to the execution of a formal, binding sale and purchase agreement.

(c) The Proposed Transaction will be subject to a number conditions precedent which must be satisfied before the Proposed Transaction may complete:

Capital Raising

As at the date of this report, the Company is well advanced in preparations for a capital raising, intended to raise up to A$2.8 million. The entitlement issue is proposed to be supported by Pulse Markets Pty Ltd. Pulse has entered into a mandate on the 6 August 2019 to be the lead manger of the entitlements issue. Pulse will help with the capital raising and provide general corporate and financial advice. Pulse will charge a lead managers fee of 6% on funds raised, and charge a mandate fee of $60,000 to be paid in 6 monthly instalments of $10,000 per month.

The company is process on issuing a Notice of Meeting in September 2019 for its Annual General Meeting that will include a resolution to raise up to $2,817,829 through a non-renounceable entitlement issue at 1 cent per share. The Company is also seeking approval at this meeting to issue shares for the conversion of some of the Company's liabilities to equity, including $4.13 million in convertible notes, $2 million in Creditors and unsecured loans, and $500,000 in Secured loans.

On the 3 September 2019 the Company entered into a loan agreement of $127,500 which is unsecured and convertible with the Fern Street capital partner. Funds were received in August and September 2019.

Siderian facility

The Company has been continuing discussions with its secured lender, Siderian Resource Capital Limited (**Siderian**), in relation to the repayment of the Company's debt to Siderian. Siderian is presently supporting a settlement and resolution for the payment of the debt that is mutually beneficially to both parties. The debt is still the highest-ranking security and continues to be Siderian's right to enforce action against the Company for the repayment of their outstanding debt. The Company continues to bring to account any

22. Subsequent Events continued

interest payable and administration/legal fees owing to Siderian. The Siderian Loan is affected by foreign exchange, and presently totals including interest and costs US$2.4 million. The Company is negotiating a settlement based on the pending entitlements issue of cash and shares. No formal agreement has yet to be finalised. 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.

Almonty Promissory Notes

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 and the company has negotiated with a third party to take over the loan and repay the loan, this third-party loan will then extend out the repayment time and at a more favourable interest rate and the possibility to convert part to equity. No formal terms have been finalised.

23. Financial Instruments

(a) Financial Risk Management

The Consolidated Entity's financial instruments consist mainly of deposits with banks, and accounts receivable and payable, loan being non-derivative financial instruments.

Derivatives are not currently used by the Consolidated Entity for hedging purposes.

(i) Treasury Risk Management

The board meets on a regular basis to analyse currency and interest rate exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

(ii) Financial Risks

The main risks the Consolidated Entity is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

Interest rate risk

The Consolidated Entity's exposure to market risk for changes in interest rates is minimised with all borrowings at a fixed interest rate.

A sensitivity analysis has not been completed as impact on current year results and equity is likely to be insignificant given the fixed nature of interest.

Liquidity risk

Liquidity risk arises from the possibility that the Consolidated Entity might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities, refer Note 13. The Group manages this risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities;
- negotiating with creditors, payment terms;
- obtaining funding from a variety of sources;
- managing credit risk related to financial assets; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

23. Financial Instruments continued

The following table details the Consolidated Entity's expected maturity for its financial liabilities. The table has been drawn up based on the undiscounted contractual maturities of the financial liabilities. The Consolidated Entity expects to meet its obligations from the raising of capital.

30-Jun-18	Weighted Average effective interest rate %	Less than 1 month $	1-12 months $	1 to 5 years $	Total $
Non-interest bearing – Trade payables	-	-	2,457,100	-	2,457,100
Non-interest bearing – Loans	-		720,000	-	720,000
Fixed interest rate – Convertible Notes	12.0	-	4,130,000	-	4,130,000
Fixed interest rate – Promissory Notes	5.0	-	400,000	-	400,000
Fixed interest rate – Siderian Loan	17.0	-	2,729,179	-	2,729,179
		-	10,436,279	-	10,436,279

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The Consolidated Entity does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the economic entity.

Credit risk related to balances with banks is managed in accordance with Board approvals. The following table provides information regarding the credit risk relating to cash based on Standard & Poor's counterparty credit ratings.

	2018 $	2017 $
Cash and cash equivalents		
- AA Rated	2,261	1,358
- Indovina Bank Vietnam (not listed)	-	-
	2,261	1,358

Foreign Exchange Risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Consolidated Entity holds instruments which are other than the AUD functional currency of the Consolidated Entity.

The Group has loan with subsidiaries and Siderian in $US dollars. The value at year end, including interest was:

	2018 $US
- Loan to subsidiaries	20,485,920
- Loan from Siderian	1,965,467

The effect of a change in exchange rate by $0.01 is $224,513.
The maturity is noted at note 22

23. Financial Instruments continued

(a) Fair Value Estimation

The fair value of the financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. All financial assets and financial liabilities of the Consolidated Entity at the balance date are recorded amounts approximating their carrying amount.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Consolidated Entity is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

Fair value hierarchy
AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3
Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

(i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or

(ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

The only asset with a Fair Value is the investments at note 10. They were valued using category 1.

23 Financial Instruments continued

(c) Interest Rate Risk

The Consolidated Entity's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rate for each class of financial assets and financial liabilities comprises:

Consolidated	Weighted Average effective interest rate	interest rate	interest rate	interest bearing	Total
2018	**%**	**$**	**$**	**$**	**$**
Financial Assets					
Cash and cash equivalents	2.0	2,261	-	-	2,261
Trade and other receivables		-	-	18,701	18,701
		2,261	-	18,701	20,962
Financial Liabilities - Current					
Trade and other payables		-	-	2,457,100	2,457,100
Secured Loans – Funds Adv.		-	-	720,000	720,000
Convertible notes	12.0	-	4,130,000	-	4,130,000
Promissory Notes	5.0	-	400,000	-	400,000
Siderian loan	17.0	-	2,729,179	-	2,729,179
		-	7,259,179	3,177,100	10,436,279

Consolidated	Weighted Average effective interest rate	interest rate	interest rate	interest bearing	Total
2017	**%**	**$**	**$**	**$**	**$**
Financial Assets					
Cash and cash equivalents	2.0	1,358	-	-	1,358
Trade and other receivables		-	-	1,874	1,874
		1,358	-	1,874	3,233
Financial Liabilities - Current					
Trade and other payables		-	-	1,126,343	1,126,343
Subscription deposits advanced		-	-	720,000	720,000
Convertible notes	12.0	-	3,729,684	-	3,729,684
Promissory Notes	5.0	-	400,000	-	400,000
Siderian loan	17.0	-	2,385,652	-	2,385,652
		-	6,515,337	1,846,343	8,361,680

All financial assets, trade and other payables and other liabilities are expected to be settled within 12 months. The carrying amount of all financial assets and financial liabilities approximate their fair values.

24. Share-based payments

There were no share-based payments were made during the financial year 2018.

The following share-based payments were made during the financial year 2017:

Date	Shares	Options	Purpose of Issue
12 July 2016	6,107,928	-	In lieu of interest due on convertible notes.
16 January 2017	10,090,309	-	In lieu of interest due on convertible notes.
16 January 2017	18,124,800	-	In lieu of satisfaction of outstanding debt

Set out below are the summary of options granted in prior year:

Options series	Number	Grant date	Expiry date	Exercise price $	Fair value at grant date $
31/07/2018 - $0.58	300,000	31/07/2015	31/07/2018	0.58	0.102

Reconciliation of the outstanding share options at the beginning and end of the financial year:

Consolidated Description	2018 No.	2017 No.
Balance at the beginning of the financial year	300,000	12,754,581
Granted during the financial year	-	-
Cancelled during the financial year	-	-
Expired during the financial year	-	(12,454,581)
Balance at the end of financial year	300,000	300,000
Exercisable at the end of the financial year	300,000	300,000

Share based payments are shown in the Statement of Changes in Equity under the Reserves heading and are included in the director remuneration line in the Income Statement and the Issued Capital line in the Equity section of the Statement of Financial Position and under Convertible Notes.

Options hold no voting or dividend rights, and are not transferable. During the prior year 400,000 (post consolidation) options expired and 1,500,000 (post consolidation) options issued on 31 July 2015 were forfeited as vesting condition were not met.

Key Judgements - Share based payment transactions
The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuation using a Black-Scholes option pricing model, using the assumptions detailed above.

The weighted average remaining contractual life of options outstanding at year end was 1 month (2017: 0.08 years). Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements.

Inputs into the model	31/07/2018 $0.58
Grant date share price	$0.24
Exercise price	$0.35
Expected volatility	55.00%
Options life years	3.00
Dividend yield	0.00%
Risk-free interest rate	1.97%

24. Share-based payments continued

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

The above policy is applied to all equity-settled share-based payments that were granted after 7 November 2002 that vested after 1 January 2005.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

25. 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:

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 27 to the financial statements.

Trading transactions

During the 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 $55,000 (2017: $85,000) in relation to corporate advisory services provided to the Company. As at balance date the Company owed $60,000 (2017: $40,250) to Rowan.

(ii) Ochre Group Holdings Limited (OGH), an entity associated with Mr Nathan Featherby and Saxon Ball, received $300,000 (2017: $220,000) in relation to corporate advisory services provided to the Company. As at balance date the Company owed $413,880 (2017: $146,000) to OGH.

(iii) Enrizen Accounting Pty Ltd (EA), an entity associated with Trent Franklin, received $96,000 (2017: $66,900) in relation to company secretarial and accounting services provided to the Company. As at balance date the Company owed $197,367 (2017: $73,590) to EA.

(iv) Enable Finance Pty Ltd, (EF) an entity associated with Trent Franklin, received $nil (2017: $1,433) in relation to financing and administration services to the Company for insurance. As at balance date the Company owed $44,889(2016: $1,576) to EF.

(v) Enrizen Pty Ltd, (EPL) an entity associated with Trent Franklin, received $2,000 (2017: $3,000) in relation to insurance services to the Company. As at balance date the Company owed $Nil (2017: $3,300) to EPL.

25. Related party transactions continued

Trading transactions continued

(vi) Enrizen Lawyers Pty Ltd, (EL) an entity associated with Trent Franklin, received $58,440 (2017: $23,249) in relation to legal services provided to the Company. As at balance date the Company owed $89,854 (2017: $25,574) to EL.

(vii) Nick Halliday (Halliday Family trust) received $24,000 (2017: $4,000) in as a Director of the Company. As at balance date the Company owed $28,000 (2017: $4,000) to Halliday.

Loan to related party

The Group has provided Loan funds 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 6.

26. Key management personnel compensation

The aggregate compensation made to key management personnel of the Consolidated Entity is summarised below:

Compensation Type	2018 $	2017 $
Short-term benefits	485,000	419,500
Post-employment benefits	-	-
Total	485,000	419,500

Refer to the Remuneration Report contained in the Directors' Report for details of remuneration paid to each member of the Consolidated Entity's key management personnel and their options held and shareholdings. The remuneration is paid through contracts for services.

27. Controlled Entities

ATC Alloys Ltd controls the following percentages in its subsidiaries.

Name of Subsidiary (%)	Country of Incorporation	Percentage 2018	Owned 2017
BigHill Resources Limited	Australia	100%	100%

Refer to note 18 where the Group discloses the loss of control of two entities during the year. They were Asia Tungsten Co., Limited based in Hong Kong, and Asia Tungsten Products Vietnam Limited in Vietnam, all owned at 60%.

28. Parent Entity Disclosures

The accounting policies of the parent entity, which have been applied in determining the financial information presented below, are the same as those applied in the consolidated financial statements. Refer to Note 1 for a summary of the significant accounting policies relating to the group.

	2018 $	2017 $
Financial Position		
Assets		
Current assets	24,962	21,242
Non-current assets	433	15,506
Total assets	25,395	36,748
Liabilities		
Current liabilities	10,418,121	8,361,680
Total liabilities	10,418.121	8,361,680
Equity		
Issued capital	67,154,632	67,154,632
Option reserve	30,600	30,600
Financial Asset Revaluation Reserve	-	-
FX reserve	-	659,300
Accumulated losses	(77,577,958)	(76,169,465)
Total Equity	(10,392,726)	(8,324,932)
Financial Performance		
Gain (Loss) for the year	(2,067,794)	(2,279,017)
Other comprehensive income	-	-
Total comprehensive income	(2,067,794)	(2,279,017)

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 17 to 48, are in accordance with the *Corporations Act 2001* and:

   (a) comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

   (b) give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the Consolidated Entity;

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; and

3) the directors have been given the declarations required by s295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.

Imants Kins
Chairman

8 September 2019

CRITERION AUDIT

Criterion Audit Pty Ltd

ABN 85 165 181 822

PO Box 2138 SUBIACO WA 6904

Suite 1 GF, 437 Roberts Road
SUBIACO WA 6008

Phone: 6380 2555 Fax: 9381 1122

To The Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit director for the audit of the financial statements of ATC Alloys Limited and Controlled Entities for the financial year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

- any applicable code of professional conduct in relation to the audit.

Yours faithfully

CHRIS WATTS CA
Director

CRITERION AUDIT PTY LTD

DATED at PERTH this 8th day of September 2019

CRITERION AUDIT

Criterion Audit Pty Ltd

ABN 85 165 181 822

PO Box 2138 SUBIACO WA 6904

Suite 1 GF, 437 Roberts Road
SUBIACO WA 6008

Phone: 6380 2555 Fax: 9381 1122

Independent Auditor's Report

To the Members of ATC Alloys Limited

Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report of ATC Alloys Limited ("the Company") and Controlled Entitites ("the Consolidated Entity") , which comprises the consolidated statement of financial position as at 30 June 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

a. the accompanying financial report of the Consolidated Entity is in accordance with the Corporations Act 2001, including:

   i. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

   ii. complying with Australian Accounting Standards and the Corporations Regulations 2001;

b. The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Material Uncertainty Regarding Continuation as a Going Concern

Without modifying our opinion above, we draw attention to Note 1 to the annual report, which indicates that the Consolidated Entity incurred a net loss of $2,067,794 and as of that date, the Company had a net working capital deficiency of $10,393,159 and net operating cash outflows of $203,930. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the ability of the Company to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Consolidated Entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matters described in the Audit Opinion, and Material Uncertainty Regarding Continuation as a Going Concern, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Deconsolidation (Note 18) The directors originally assessed in the 2017 financial year and maintains the same assessment in the 2018 financial report, that the Consolidated Entity whilst owning 60% of the shares of Asia Tungsten Products Co., Limited which owns 100% of Asia Tungsten Products Vietnam Limited, did not control the entities. Control is evident when the Consolidated Entity has the right to variable returns and has the ability to affect those returns through its power over the entities. There is power when there is the practical right to direct the relevant activities. The assessment of control involves significant judgement. The key aspects that the directors used for making the assessment were: • Inability to affect returns from the entities; • Unable to practically direct the relevant activities.	Procedures performed as part of our assessment of the deconsolidation to determine if the appropriate accounting treatment was applied, included: • We challenged management judgements through obtaining and reviewing legal correspondence, minutes of meetings. • Reviewed the substance of the relationship. • Considered the ability of the Consolidated Entity to appoint directors.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state in accordance with Australian Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Consolidated Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of the Company, for the year ended 30 June 2018, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Criterion Audit

CRITERION AUDIT PTY LTD

CHRIS WATTS **CA**
Director

DATED at PERTH this 8th day of September 2019

Additional ASX Information
As at 5 September 2019

The Company's ordinary shares are quoted by the Australian Stock Exchange Limited.
The Home Branch is Perth and the ASX code is ATA.

Options over ordinary shares and convertible notes convertible into ordinary shares in the Company are not quoted on the ASX.

Holders of classes of equity securities

Class	Number on issue	Exercise price	Expiry date	Number of holders
Shares				
Ordinary	140,891,481	-	-	1,540
Convertible Notes				
Face Value $50,000 Coupon Rate 12%,	35	$0.25	01/07/2018	18
Face Value $25,000 Coupon Rate 12%	2	$0.25	01/07/2018	2
Face Value $50,000 Coupon Rate 12%	23	$0.05	01/07/2018	10
Face Value $25,000 Coupon Rate 12%	12	The lower of $0.05 and the lowest issue price of any shares prior to maturity date	01/07/2018	2
Face Value $25,000 Coupon Rate 12%	10	The lower of $0.05 and the lowest issue price of any shares prior to maturity date of the price implied by a corporate action	01/07/2018	3
Face Value $20,000 Coupon Rate 12%	6	$0.05	01/07/2018	4
Face Value $10,000 Coupon Rate 12%	2	$0.05	01/07/2018	2
Face Value $50,000 Coupon Rate 12%	1	The lower of $0.025 and the lowest issue price of any shares prior to maturity date of the price implied by a corporate action	01/07/2018	1
Face Value $85,000 Coupon Rate 12%	1	$0.01	01/07/2018	1
Face Value $30,000 Coupon Rate 12%	1	$0.01	01/07/2018	1
Face Value $25,000 Coupon Rate 12%	1	$0.01	01/07/2018	1
Face Value $25,000 Coupon Rate 12%	6	$0.001	12/03/2019	6

Distribution of holders of equity securities
Ordinary shares

Range	Number of shares	Number of holders
1 - 1,000	263,654	702
1,001 – 5,000	908,509	357
5,001 – 10,000	937,128	121
10,001 – 100,000	8,743,097	240
100,001 and over	130,039,093	120
	140,891,481	1,540

Top 20 Shareholders

No.	Shareholder	Number of shares	% of issued shares
1	SOMERS AND PARTNERS PTY LTD	26,441,813	18.77
2	JEMAYA PTY LTD <THE FEATHERBY FAMILY A/C>	8,802,358	6.25
3	HSBC CUSTODY NOMINEES (AUSTRALIA LIMITED)	8,729,773	6.20
4	PERTH SELECT SEAFOODS PTY LTD	4,331,857	3.07
5	CABBDEG INVESTMENTS PTY LTD	4,222,908	3.00
6	BAXCHANG PTY LTD <HUTCHINSON FAMILY S/F A/C>	4,116,539	2.92
7	AJAVA HOLDINGS PTY LTD	4,000,000	2.84
8	CHIFLEY PORTFOLIOS PTY LIMITED	3,805,366	2.70
9	MULLOWAY PTY LTD <JOHN HARTLEY POYNTON FM A/C>	3,660,690	2.60
10	MANICITI PTE LTD	3,631,137	2.58
11	MR JOHN PAUL WELBORN	3,115,071	2.21
12	INTERSTATE INVESTMENTS PTY LTD	2,702,510	1.92
13	CORREZE PTY LTD	2,650,039	1.88
14	CABBDEG INVESTMENTS PTY LTD	2,400,000	1.70
15	LAGUNDI PTY LTD <PREVELLY SUPER FUND A/C>	2,034,286	1.44
16	TARNEY HOLDINGS PTY LTD <DP & FL WADDELL FAMILY A/C>	2,000,000	1.42
17	AUSNOM PTY LTD <THE J & K CHEGS SHARE A/C>	1,734,254	1.23
18	BAXCHANG PTY LTD <THE HUTCHINSON FAMILY SUPER FU>	1,600,000	1.14
19	RAVINA QLD PTY LTD	1,553,804	1.10
20	CARPENDERS PARK PTY LTD <STAFF SUPER FUND A/C>	1,500,177	1.07
		93,032,582	**66.03**

Unmarketable parcels
The Company has 1,262 shareholdings which are less than a marketable parcel.

Voting rights
Voting rights of members are set out in Article 2.1 of the Company's Constitution.
Only holders of ordinary shares are entitled to vote, either in person or by proxy, attorney or corporate representative:

- on a show of hands, to one vote, and
- on a poll, to one vote for each share held.

Holders of options and convertible notes do not have a right to vote.

Substantial shareholders
As at 5 September 2019 there are 3 shareholders with a holding greater than 5%.

The following substantial shareholdings have been notified to the Company.

Name of shareholder	No. of shares held
Somers and Partners Pty Ltd	26,441,813
Jemaya Pty Ltd	8,802,358
HSBC Custody Nominees Australia Limited	8,729,773