TUNGSTEN METALS GROUP LIMITED

Formerly ATC Alloys Limited

AND ITS CONTROLLED ENTITIES

HALF YEAR REPORT

31 DECEMBER 2019

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Corporate Information

ACN 118 738 999

Directors

Mr Tony Adcock (Executive Chairman) – appointed 23 September 2020
Mr Chen (George) Guangyu (Executive Director)
Mr Gerard Kaczmarek (Non-Executive Director) – appointed 4 August 2021
Dr Karen Lloyd (Non-Executive Director) – appointed 4 August 2021

Company Secretary

Mr Ranko Matic – appointed 23 September 2020

Registered Office

Level 2
22 Mount Street
Perth WA 6000

Auditors

Criterion Audit Pty Ltd
Suite 2
642 Newcastle Street
Leederville WA 6902

Directors' Report

The directors of Tungsten Metals Group Ltd (formerly ATC Alloys Ltd) (**TMG** or **Company**) submit the financial report of the Consolidated Entity for the half-year ended 31 December 2019. The Consolidated Entity comprises Tungsten Metals Group 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 31 December 2019.

Directors

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

- Mr Tony Adcock (Executive Chairman) – appointed 23 September 2020
- Mr Chen (George) Guangyu (Executive Director)
- Mr Gerard Kaczmarek (Non-Executive Director) – appointed 4 August 2021
- Dr Karen Lloyd (Non-Executive Director) – appointed 4 August 2021
- Mr Imants Kins (Non-Executive Chairman) – resigned 4 August 2021
- Mr John Chegwidden (Non-Executive Director) – resigned 4 August 2021
- Mr Saxon Ball (Non-Executive Director) – resigned 7 September 2020

Principal Activities

The principal activity of the Consolidated Entity has been involvement in the production of ferrotungsten in Vietnam through the 60% ownership of an incorporated Joint Venture. As advised in the 2017 financial year the Company had 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.

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 2020 financial year. After careful analysis it was deemed that for accounting purposes, the Company could not demonstrate control of either ATCHK or ATCVN for the 2020 financial year. Therefore, a decision was made to continue to report on a deconsolidated method for those two entities. The Company still held 60% of ATCHK, but on deconsolidation recognised this holding as having nil value at balance date.

Convertible Note and Unsecured Loans

The Company has $4.56 million in Convertible notes as at 31 December 2019. These notes can be converted into ordinary shares in ATC at fixed terms as disclosed in note 5. 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. Of the $4.56 million at 31 December 2019, approximately $3.93m has agreed to be converted to shares subsequent to year end under the terms and conditions outlined in section 7 of the financial report.

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.

Review and Results of Operations

The operating loss after tax for the half-year ended 31 December 2019 was $875,046 (31 December 2018: $1,272,156).

Financial Position

The net liabilities of the Consolidated Entity have increased from $12,756,139, at 30 June 2019 to $13,629,311 at 31 December 2019. This increase is largely due to the following factors:

- Increase in Trade payables & Other Payables of $567,332 due to reduced cash available.
- Increase in unsecured loans to fund the Company of $314,840.

The Consolidated Entity's has a net working capital deficiency, being current liabilities exceeding current assets, of $13,629,311 at 31 December 2019 (30 June 2019: $12,754,265).

Subsequent Events

Subsequent to period end the following material subsequent events occurred:

- The Company is proposing to raise additional funds via an capital raising and Initial Public Offering and subsequent listing on the ASX, with the prospectus expected to be lodged with the ASX and ASIC to raise up to approximately $16 million at $0.20 per share.

- The Company has negotiated, subject to completion of this Initial Public Offering (IPO), for the acquisition of the remaining 40% of ATCVN and regaining control over this entity. Since July 2021, an additional A$566,349 has been provided to ATCHK and A$70,862 to ATCVN at arm's length for working capital purposes.

- As at 31 December 2019 the entity had convertible notes with a face value of $4,557,500 outstanding. Subsequent to the end of the year, additional convertible notes with a face value of $3,277,900 were issued for working capital purposes, $50,000 convertible notes settled with cash, and $110,000 convertible notes settled via the issue of shares, to be issued on completion of an Initial Public Offering (IPO).

  A further number of convertible note holders with a face value of $3,765,000 agreed to settle their outstanding liability under revised terms at a conversion price of $0.30 (on a post-consolidation basis) with all interest accrued to be forgiven. These shares will be issued as part of the IPO process.

- The company has also successfully negotiated repayment terms with a number of creditors and statutory demands from its creditors, with settlement of $1,268,931 of Trade and Other Payables via the issue of shares subject to completing an Initial Public Offering (IPO).

Directors’ Report (Continued)

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 has negotiated, subject to completing an Initial Public Offering (IPO), for the acquisition of the remaining 40% of ATCVN and regaining control over this entity.

The Company is continuing with Mr Chen’s support and expertise to further seek and develop opportunities in the ferrotungsten and tungsten downstream processing space.

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 7.

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

Tony Adcock
Chairman
31 May 2023

Criterion Audit Pty Ltd

ABN 85 165 181 822

PO Box 233 LEEDERVILLE WA 6902

Suite 2, 642 Newcastle Street
LEEDERVILLE WA 6007

Phone: 9466 9009

To The Board of Directors

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

As lead audit director for the review of the financial statements of Tungsten Metals Group Limited and its controlled entities for the half year ended 31 December 2019, 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 review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully

CHRIS WATTS CA
Director

CRITERION AUDIT PTY LTD

DATED at PERTH this 31st day of May 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income For The Half-Year Ended 31 December 2019

	31-Dec-19 $	31-Dec-18 $
Other Income		
Forgiveness of debt	5,500	-
Total other income	**5,500**	**-**
Administrative expenses	(129,184)	(119,189)
Auditor's remuneration	(23,950)	(10,000)
Consultancy fees	-	(400,000)
Directors' fees	(59,500)	(42,000)
Finance costs	(611,465)	(508,009)
Foreign exchange gains/(losses)	15,913	(134,588)
Legal fees	(71,290)	(53,301)
Occupancy costs	-	(232)
Travel and marketing expense	(1,070)	(4,837)
Gain (Loss) before income tax expense	**(875,046)**	**(1,272,156)**
Income tax expense	-	-
Gain (Loss) for the year from continuing operations	**(875,046)**	**(1,272,156)**
Gain (Loss) for the year	**(875,046)**	**(1,272,156)**
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss:		
Foreign currency translation difference	-	-
Total comprehensive income for the year	**(875,046)**	**(1,272,156)**
Loss per share		
Basic and diluted (cents per share)	(0.62)	(0.90)

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

Consolidated Statement of Financial Position
As At 31 December 2019

	Note	31-Dec-19 $	30-Jun-19 $
Current assets			
Cash and cash equivalents		-	-
Trade and other receivables	3	9,000	1,874
Total current assets		**9,000**	**1,874**
Total assets		**9,000**	**1,874**
Current liabilities			
Trade and other payables	4	5,054,752	4,487,420
Financial liabilities	5	8,583,559	8,268,719
Total current liabilities		**13,638,311**	**12,756,139**
Total liabilities		**13,638,311**	**12,756,139**
Net liabilities		**(13,629,311)**	**(12,754,265)**
Equity			
Issued capital	6	67,154,632	67,154,632
Accumulated losses		(80,783,943)	(79,908,897)
Total equity/(deficiency)		**(13,629,311)**	**(12,754,265)**

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

Consolidated Statement of Changes in Equity
For The Half-Year Ended 31 December 2019

	Issued Capital $	Reserves $	Accumulated Losses $	Total Equity $
Balance at 1 July 2018	67,154,632	30,600	(77,577,958)	(10,392,726)
Loss for the period	-	-	(1,272,156)	(1,272,156)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**(1,272,156)**	**(1,272,156)**
Transactions with owner, directly recognised in equity				
Issues of shares	(67,524)	-	-	(67,524)
Balance at 31 December 2018	**67,087,108**	**30,600**	**78,850,114**	**(11,732,406)**
Balance at 1 July 2019	67,154,632	-	(79,908,897)	(12,754,265)
Loss for the period	-	-	(875,046)	(875,046)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**(875,046)**	**(875,046)**
Transactions with owner, directly recognised in equity				
Issues of shares	-	-	-	-
Balance at 31 December 2019	**67,154,632**	**-**	**(80,783,943)**	**(13,629,311)**

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

Consolidated Statement of Cash Flow
For The Half-Year Ended 31 December 2019

	31-Dec-19 $	31-Dec-18 $
Cash flows from operating activities		
Payments to suppliers and employees	-	(40,277)
Net cash used in operating activities	**-**	**(40,277)**
Cash flows from investing activities		
Net cash provided from investing activities	**-**	**-**
Cash flows from financing activities		
Proceeds from borrowings	12	219,273
Repayment of borrowings	-	(182,208)
Net cash provided by financing activities	12	**37,065**
Net decrease in cash and cash equivalents	12	(3,212)
Cash and cash equivalents at the beginning of the period	(12)	2,261
Cash and cash equivalents at the end of the period	**-**	**(951)**

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

1. Summary of accounting policies

a) Basis of preparation

These General Purpose consolidated interim financial statements for the half-year reporting period ended 31 December 2019 have been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Tungsten Metals Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

b) Principles of consolidation

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

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

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

c) Going Concern

The accounts have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlements of liabilities in the ordinary course of business. The Consolidated Entity incurred an operating loss of $875,046 for the half-year ended 31 December 2019 (31 December 2018: loss of $1,272,156).

The net current liabilities of the Consolidated Entity at 31 December 2019 was $13,629,311 (30 June 2019: $12,756,139) and the net cash outflows from operating activities during the half-year was NIL (31 December 2018: $40,277).

1. Summary of accounting policies continued

c) 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 is proposing to raise additional funds via an capital raising and Initial Public Offering and subsequent listing on the ASX, with the prospectus expected to be lodged with the ASX and ASIC to raise up to approximately $16 million at $0.20 per share.
- The Company has negotiated, subject to completion of this Initial Public Offering (IPO), for the acquisition of the remaining 40% of ATCVN and regaining control over this entity. Since July 2021 an additional A$566,349 has been provided to ATCHK and A$70,862 to ATCVN at arm's length for working capital purposes.
- As at 31 December 2019 the entity had convertible notes with a face value of $4,557,500 outstanding. Subsequent to the end of the year, additional convertible notes with a face value of $3,277,900 were issued for working capital purposes, $50,000 convertible notes settled with cash, and $110,000 convertible notes settled via the issue of shares, to be issued on completion of an Initial Public Offering (IPO).

  A further number of convertible note holders with a face value of $3,765,000 agreed to settle their outstanding liability under revised terms at a conversion price of $0.30 (on a post-consolidation basis) with all interest accrued to be forgiven. These shares will be issued as part of the IPO process.
- The company has also successfully negotiated repayment terms with a number of creditors and statutory demands from its creditors, with settlement of $1,268,931 of Trade and Other Payables via the issue of shares subject to completing an Initial Public Offering (IPO).
- Trade and other payables includes an amount of $1,850,495 owing to Ochre Holdings Limited. At the date of signing this report, the amount confirmed to be owing to Ochre Holdings Limited is $494,816. In addition Ochre holds convertible notes with a face value of $135,000 recorded within Financial Liabilities. The Company is currently in discussions with Ochre's liquidators in relation to negotiation for settlement of the amounts owing. As at the date of signing this report, discussions are on-going. The final settlement amount is contingent on completion of these negotiations. Management believes the settlement amount will be no greater than the liability currently recorded

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

2. Critical Accounting Judgements, Estimates and Assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are consistent with 30 June 2019.

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

3. Trade and other receivables

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

	31-Dec-19	**30-Jun-19**
	$	**$**
Trade and term receivables	1,874	1,874
Other receivables	7,126	-
Loan receivable - HK	27,717,386	27,717,386
Less: provision for impairment	(27,717,386)	(27,717,386)
Total Trade and other receivables	9,000	1,874

Related party loans

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

The loan is denominated in USD and there was no movement in the loan during the year

Key judgements – impairment of loan receivable

The impairment has been based on the followings:

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

4. Trade and other payables

	31-Dec-19 $	30-Jun-19 $
Unsecured:		
Trade and other payables	5,054,752	4,487,420

Trade and other payables, outside of debt incurred prior to de-listing which is being renegotiated, are non-interest bearing and usually settled on 30 day terms.

The company has also successfully negotiated repayment terms with a number of creditors and statutory demands from its creditors, with settlement of $1,268,931 of Trade and Other Payables via the issue of shares subject to completing an Initial Public Offering (IPO).

Interest accrued on the convertible notes to 31 December 2019 totals $1,476,858 (30 June 2019: $1,185,937). Refer to note 5 for further information on settlement of these outstanding liabilities. The terms of settlement are that the Interest Accrued will be forgiven on conversion of the convertible notes to shares.

Trade and other payables also includes an amount of $1,850,495 owing to Ochre Holdings Limited. At the date of signing this report, the amount confirmed to be owing to Ochre Holdings Limited is $494,816. In addition Ochre holds convertible notes with a face value of $135,000 recorded within Financial Liabilities. The Company is currently in discussions with Ochre's liquidators in relation to negotiation for settlement of the amounts owing. As at the date of signing this report, discussions are on-going. The final settlement amount is contingent on completion of these negotiations. Management believes the settlement amount will be no greater than the liability currently recorded.

5. Financial liabilities short-term

	31-Dec-19 $	30-Jun-19 $
Bank Overdraft	-	12
Secured Debt facility – Siderian Capital (i)	3,735,858	3,438,707
Convertible Notes (ii)	4,557,500	4,130,000
Promissory Notes (iii)	190,201	400,000
Unsecured Loans – Funds advanced (iv)	100,000	300,000
Total financial liabilities	8,583,559	8,268,719

(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.

On 28 August 2020, the Company executed a Settlement Term Sheet with whereby the Company negotiated to repay US$500,000 (AUD 725,717 at 30 June 2020) in full and final settlement of the debt, payable in full by 31 December 2020. AUD$480,000 of the debt was settled at this time via funds raised from the issue of convertible notes during the period.

Due to the Company defaulting on the payment terms in the Settlement Term Sheet, the Company entered into a Deed of Termination and Release with Siderian Capital on 18 August 2021, whereby Siderian Capital would accept US$250,000 cash, payable immediately, and the issuance of Convertible Notes to the value of AUD 325,000. The US$250,000 cash was paid on 20 August 2021.

5. Financial liabilities short-term continued

(ii) $4,330,000 of these convertible notes are secured, ranking 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.

Interest accrued on the convertible notes to 31 December 2019 totals $1,476,858 (30 June 2019: $1,185,937) and is reported within Trade and Other Payables. Interest on the convertible notes is payable in ordinary shares at six monthly intervals. Subsequent to the end of the reporting period and up until the date of this report, the Company renegotiated the terms of various convertible notes, whereby the Company has agreed to convert the principal at $0.30 (on a post-consolidation basis) per share and no interest payable be paid. The Company is currently renegotiating conditions of further Convertible notes and proposes to convert them to equity.

(iii) These promissory notes were provided by Almonty Industries Inc and were due to be repaid including all outstanding interest on 29 July 2017 for the principal amount of $150,000 and 18 August 2017 for the principal amount of $250,000. The remaining amounts owing were settled through loans account in full subsequent to period end.

(iv) The Unsecured Loan – Funds Advanced of $100,000 were provided by unrelated parties. Of the opening balance of $300,000, $200,000 was converted to convertible notes during the year. 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.

6. Issued capital

	31-Dec-19 $	30-Jun-19 $
140,891,481 fully paid ordinary shares (2019: 140,891,481)	67,154,632	67,154,632

Fully paid ordinary shares	**31-Dec-19**		**30-Jun-19**	
	No.	**$**	**No.**	**$**
Balance at the beginning of financial year	140,891,481	67,154,632	140,891,481	67,154,632
Movement	-	-	-	-
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
There were no options on issue at the end of the period or the prior financial year.

7. Subsequent Events

Subsequent to period end the following material subsequent events occurred:

- The Company is proposing to raise additional funds via an capital raising and Initial Public Offering and subsequent listing on the ASX, with the prospectus expected to be lodged with the ASX and ASIC to raise up to approximately $16 million at $0.20 per share.

- The Company has negotiated, subject to completion of this Initial Public Offering (IPO), for the acquisition of the remaining 40% of ATCVN and regaining control over this entity. Since July 2021 an additional A$566,349 has been provided to ATCHK and A$70,862 to ATCVN at arm's length for working capital purposes.

- As at 31 December 2019 the entity had convertible notes with a face value of $4,557,500 outstanding. Subsequent to the end of the year, additional convertible notes with a face value of $3,277,900 were issued for working capital purposes, $50,000 convertible notes settled with cash, and $110,000 convertible notes settled via the issue of shares, to be issued on completion of an Initial Public Offering (IPO).

  A further number of convertible note holders with a face value of $3,765,000 agreed to settle their outstanding liability under revised terms at a conversion price of $0.30 (on a post-consolidation basis) with all interest accrued to be forgiven. These shares will be issued as part of the IPO process.

- The company has also successfully negotiated repayment terms with a number of creditors and statutory demands from its creditors, with settlement of $1,268,931 of Trade and Other Payables via the issue of shares subject to completing an Initial Public Offering (IPO).

8. Segment Information

The Consolidated Entity has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

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.

A review of the activities has required the directors to assess whether they had control of ATCHK and/or ATCVN for accounting purposes during this half year. After careful analysis it was deemed that for accounting purposes, the Company still cannot demonstrate control of either ATCHK or ATCVN for this half 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 this half yearly report.

As a result the financial statements represent the corporate activities within Australia only.

9. Contingent Liabilities and Contingent Events

Trade and other payables includes an amount of $1,850,495 owing to Ochre Holdings Limited. At the date of signing this report, the amount confirmed to be owing to Ochre Holdings Limited is $494,816. In addition Ochre holds convertible notes with a face value of $135,000 recorded within Financial Liabilities. The Company is currently in discussions with Ochre's liquidators in relation to negotiation for settlement of the amounts owing. As at the date of signing this report, discussions are on-going. The liabilities have been recognised based on the terms agreed prior to going into liquidation. The final settlement amount is contingent on completion of these negotiations.

Outside of the above, the Board of Directors believe that there are no contingent liabilities or capital equipment commitments up to or subsequent to 31 December 2019 for either the parent company or its Australian subsidiary (30 June 2019: $Nil).

Directors' Declaration

In accordance with a resolution of the directors of Tungsten Metals Group Ltd, the directors of the company declare that:

1) the financial statements and notes, as set out on pages 8 to 18, are in accordance with the *Corporations Act 2001, Corporations Regulations 2001* and other mandatory professional reporting requirements:

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

   (b) give a true and fair view of the financial position as at 31 December 2019 and of the performance for the half-year ended on that date.

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

Tony Adcock
Chairman
31 May 2023

Criterion Audit Pty Ltd

ABN 85 165 181 822

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Suite 2, 642 Newcastle Street
LEEDERVILLE WA 6007

Phone: 9466 9009

Independent Auditor's Review Report

To the Members of Tungsten Metals Group Limited

We have reviewed the accompanying half-year financial report of Tungsten Metals Group Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled during the half-year.

Directors Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Tungsten Metals Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Tungsten Metals Group Limited and Controlled Entities is not in accordance with the Corporations Act 2001 including:

a. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

Material Uncertainty Regarding Continuation as a Going Concern

Without modifying our opinion above, we draw attention to Note 1(c) to the financial report, which indicates that the Consolidated Entity incurred a net loss of $875,046 and as of that date, the Company had a net working capital deficiency of $13,629,311 and net operating cash outflows of $nil. These conditions, along with other matters as set forth in Note 1(c), 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.

Criterion Audit

CRITERION AUDIT PTY LTD

CHRIS WATTS CA
Director

DATED at PERTH this 31st day of May 2023