



Unaudited Consolidated Interim Financial Statements

For the Three and Six Month Periods Ended March 31, 2014

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Almonty Industries Inc.

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Almonty Industries Inc.

Notice of No Auditor Review of Condensed Consolidated Interim Financial Statements

Pursuant to National Instrument 51-102 – *Continuous Disclosure Obligations*, financial statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of Almonty Industries Inc. (“**Almonty**” or the “**Company**”) for the three and six month periods ended March 31, 2014 have been prepared by the Company’s management and are the responsibility of the Company’s management. The Company’s independent auditor has not performed a review of these financial statements.

Almonty Industries Inc.

Consolidated Balance Sheets

As at March 31, 2014 and September 30, 2013

(in 000's of Canadian dollars unless otherwise noted)

	Note	March 31, 2014	September 30, 2013
ASSETS			
Current Assets			
Cash and cash equivalents	14	318	1,083
Trade receivables	14	441	870
VAT/HST receivable	14	1,568	1,471
Inventories	13	2,409	2,510
Other current assets		462	268
Total Current Assets		5,198	6,202
Non-Current Assets			
Property, plant and equipment	6	13,294	12,168
Mine development	7	20,894	16,513
Deferred tax assets		1,273	1,164
Restricted cash	15	-	237
Other non-current assets		361	392
Total Non-Current Assets		35,822	30,471
Total Assets		41,020	36,676
Liabilities			
Current Liabilities			
Trade and other payables	16	4,121	5,456
Capital leases	17	124	45
Current portion of long-term debt	18	3,734	2,225
Non-interest bearing obligation	16	675	617
Other accrued liabilities	16	470	2,159
Total Current Liabilities		9,124	10,502
Non-Current Liabilities			
Capital leases	17	61	63
Long-term debt	18	3,931	3,721
Deferred government grant		33	31
Restoration provision	10	564	502
Total Non-Current Liabilities		4,589	4,317
Total Liabilities		13,713	14,819
Shareholders' Equity			
Share capital	12	21,848	21,996
Contributed surplus	12	1,731	1,675
Accumulated other comprehensive income		2,189	115
Retained earnings (deficit)		1,539	(1,929)
Total Shareholders' Equity		27,307	21,857
Total Liabilities and Shareholders' Equity		41,020	36,676

On behalf of the Board:

"Lewis Black"
 Lewis Black, Chairman, President & CEO

"Mark Trachuk"
 Mark Trachuk, Director

See accompanying notes

Consolidated Statements of Operations and Comprehensive Income – Three Months

For the three months ended March 31

(in 000's of Canadian dollars unless otherwise noted)

	Note	2014	2013
Revenue		8,327	5,005
Cost of sales		2,468	2,440
Gross profit		<u>5,859</u>	<u>2,565</u>
Expenses			
Selling, general, and administrative		956	719
Realized foreign exchange (gain) loss		53	12
Other expense (income)	9	206	-
Non-cash compensation	12	-	15
Earnings (loss) before the undernoted items		<u>4,644</u>	<u>1,819</u>
Depreciation and amortization		2,118	1,595
Earnings before the undernoted items		<u>2,526</u>	<u>224</u>
Interest expense		100	23
Earnings before taxes		<u>2,426</u>	<u>201</u>
Income tax provision		-	-
Net income after tax		<u>2,426</u>	<u>201</u>
Other comprehensive income (loss)			
<i>Items that may be reclassified subsequently to profit/loss for the period</i>			
Foreign currency translation adjustment		600	(167)
Total comprehensive income (loss) for the period		<u>3,026</u>	<u>34</u>
Earnings (loss) per share			
Basic earnings (loss) per share	11	<u>\$0.07</u>	<u>\$0.01</u>
Fully diluted earnings (loss) per share	11	<u>\$0.07</u>	<u>\$0.01</u>

See accompanying notes

Consolidated Statement of Operations and Comprehensive Loss - Six Months

For the Six Month Periods Ended March 31,

(in 000's of Canadian dollars unless otherwise noted)

	Note	Six Months Ended March 31, 2014	Six Months Ended March 31, 2013
Revenue		13,790	10,037
Cost of sales		4,964	4,959
Gross Profit		8,826	5,078
Expenses			
General and administrative		1,760	1,538
Realized foreign exchange (gain) loss		117	46
Other (income) expense	9	49	-
Non-cash compensation	12	56	30
Earnings before the undernoted items		6,844	3,464
Depreciation and amortization		3,184	2,993
Earnings before the undernoted items		3,660	471
Interest expense		192	41
Earnings before taxes		3,468	430
Income tax provision			
Current		-	-
Deferred		-	-
Net income after tax		3,468	430
Net Income for Period		3,468	430
Other Comprehensive Loss			
<i>Items that may be reclassified subsequently to profit/loss for the period</i>			
Foreign currency translation adjustment		2,074	657
Total Comprehensive Income for the Period		5,542	1,087
Earnings (loss) Per Share			
Basic income (loss) per share	11	\$0.09	\$0.01
Diluted income (loss) per share	11	\$0.09	\$0.01

See accompanying notes

Consolidated Statements of Changes in Shareholders' Equity

For the six month period ended March 31, 2014 and 2013 and the year ended September 30, 2013

(in 000's of Canadian dollars unless otherwise noted)

	<u>Share Capital</u>		Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Shareholders' Equity
	Shares	Amount				
Balance at September 30, 2013	37,044,389	21,996	1,675	(1,929)	115	21,857
Equity capital issued	-	-	-	-	-	-
Contributed surplus (warrants and options issued)	-	-	56	-	-	56
Contributed surplus (warrants exercised)	-	-	-	-	-	-
Net income (loss) for the period	-	-	-	3,468	-	3,468
Foreign currency translation adjustment	-	-	-	-	2,074	2,074
Shares repurchased and canceled	(173,000)	(148)	-	-	-	(148)
Balance at March 31, 2014	36,871,389	21,848	1,731	1,539	2,189	27,307

	<u>Share Capital</u>		Contributed Surplus	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Shareholders' Equity
	Shares	Amount				
Balance at September 30, 2012	37,044,389	21,996	1,465	310	(2,122)	21,649
Equity capital issued	-	-	-	-	-	-
Contributed surplus (warrants and options issued)	-	-	30	-	-	30
Contributed surplus (warrants exercised)	-	-	-	-	-	-
Net income (loss) for the period	-	-	-	430	-	430
Foreign currency translation adjustment	-	-	-	-	657	657
Shares repurchased and canceled	-	-	-	-	-	-
Balance at March 31, 2013	37,044,389	21,996	1,495	740	(1,465)	22,766

	<u>Share Capital</u>		Contributed Surplus	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Shareholders' Equity
	Shares	Amount				
Balance at March 31, 2013	37,044,389	21,996	1,495	740	(1,465)	22,766
Equity capital issued	-	-	-	-	-	-
Contributed surplus (warrants and options issued)	-	-	180	-	-	180
Contributed surplus (warrants exercised)	-	-	-	-	-	-
Net income (loss) for the period	-	-	-	(2,669)	-	(2,669)
Foreign currency translation adjustment	-	-	-	-	1,580	1,580
Transaction costs on share issue	-	-	-	-	-	-
Balance at September 30, 2013	37,044,389	21,996	1,675	(1,929)	115	21,857

See accompanying notes

Consolidated Statements of Cash Flows – Three Months

For the three months ended March 31

(in 000's of Canadian dollars unless otherwise noted)

	2014	2013
Cash flows from operating activities		
Net income (loss) for the period	2,426	201
Add (deduct) non-cash items:		
Depreciation & Amortization	2,118	1,595
Non-cash compensation expense	-	15
Non-cash revaluation of liabilities (gain) loss	(541)	-
Other non-cash charges	(7)	16
	<u>3,996</u>	<u>1,827</u>
Net change in non-cash working capital	(2,856)	1,023
Net cash flows provided by (used in) operating activities	<u>1,140</u>	<u>2,850</u>
Cash flows from investing activities		
Additions to property, plant and equipment	<u>(2,791)</u>	<u>(2,768)</u>
Net cash flows used in investing activities	<u>(2,791)</u>	<u>(2,768)</u>
Cash flows from financing activities		
Change in common stock	(136)	-
Issuance (repayment) of long-term debt	1,728	-
Capital leases	78	(16)
Net cash flows from financing activities	<u>1,670</u>	<u>(16)</u>
Net increase (decrease) in cash and cash equivalents during the period	19	63
Effect of foreign currency exchange on cash	2	(3)
Cash and cash equivalents at beginning of period	<u>297</u>	<u>259</u>
Cash and cash equivalents at end of period	<u>318</u>	<u>322</u>

See accompanying notes

Consolidated Statement of Cash Flow - Six Months

For the Six Month Periods Ended March 31,

(in 000's of Canadian dollars unless otherwise noted)

	Six Months Ended March 31, 2014	Six Months Ended March 31, 2013
Cash Flow provided by Operating Activities		
Net income for the period	3,468	430
Add (deduct) non-cash items:		
Depreciation and amortization	3,184	2,993
Non-cash compensation expense	56	30
Non-cash revaluation of liabilities (gain) loss	(560)	16
Other net non-cash charges	1	21
	<hr/> 6,149	<hr/> 3,490
Net change in non-cash working capital	(2,405)	1,072
Net Cash Flow provided by Operating Activities	<hr/> 3,744	<hr/> 4,562
Cash Flows used in Investing Activities		
Additions to property, plant and equipment	(5,650)	(3,901)
Net Cash Flow used in Investing Activities	<hr/> (5,650)	<hr/> (3,901)
Cash Flow used in Financing Activities		
Change in common stock	(148)	-
Issuance (repayment) of long-term debt	1,163	-
Capital leases	68	(31)
Net Cash Flows used in Financing Activities	<hr/> 1,083	<hr/> (31)
Effect of foreign exchange on cash	58	17
Net Increase in Cash and Cash Equivalents During the Period	<hr/> (765)	<hr/> (732)
Cash and cash equivalents at beginning of period	1,083	1,052
Cash and Cash Equivalents at End of Period	<hr/> 318	<hr/> 322

See accompanying notes

Notes to the Consolidated Financial Statements

(in 000's of Canadian dollars unless otherwise noted)

1. Description of Business

The principal business of Almonty Industries Inc. (“Almonty” or “the Company”) is the mining, processing and shipping of tungsten concentrate from the Los Santos Project, a tungsten mine located in western Spain and owned by the Company through its wholly-owned subsidiary, Daytal Resources Spain S.L. (“Daytal”). Daytal is wholly owned by the Company’s wholly owned Almonty subsidiary, 7887523 Canada Inc. (“Almonty Sub”). Almonty Sub has incorporated another wholly owned subsidiary, Valtreixal Resources Spain (“VRS”) to hold the option to acquire an interest in the Valtreixal tin/tungsten project located in western Spain. The principal business of VRS is the exploration of the Valtreixal Project.

2. Basis of Preparation of the Consolidated Financial Statements

a) Statement of compliance

The unaudited consolidated interim financial statements of Almonty for the three and six month periods ended March 31, 2014 and March 31, 2013 have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*. These unaudited consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with Almonty’s annual audited consolidated financial statements for the year ended September 30, 2013.

These unaudited consolidated interim financial statements were authorized for issuance by the Board of Directors of the Company on May 8th, 2014.

b) Basis of preparation

The unaudited consolidated interim financial statements have been prepared on a going concern basis and include the accounts of the 100% owned subsidiaries, Daytal, VRS and Almonty Sub.

The accounting policies and methods of computation adopted in the preparation of the financial statements of the subsidiaries are consistent with those adopted and disclosed in Note 3.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which Almonty obtains control, and continue to be consolidated until the date when such control ceases. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends have been eliminated in full on consolidation.

c) Economic dependence

Almonty’s wholly owned subsidiary, Daytal has a long-term supply agreement with one customer who participates in the global tungsten business. Currently over 95% of the output of Daytal’s operations is sold to this customer. Almonty is economically dependent on the revenue received from this customer in order to be able to meet its current obligations. There is no guarantee that Almonty would be able to find an alternative customer or customers on market terms similar to its existing supply agreement should this current customer cease operations or become unable to pay Almonty under the current contract.

d) **New and amended accounting standards and interpretations**

New accounting standards and interpretations adopted October 1, 2013

The accounting policies adopted are consistent with those of the fiscal year ended September 30, 2013, except for the following amendments to International Financial Reporting Standards (“IFRS”) effective as of October 1, 2013:

Reference	Title	Date adopted by Almonty
IFRS 10	Consolidated Financial Statements	October 1, 2013
IFRS 11	Joint Arrangements	October 1, 2013
IFRS 12	Disclosure of Interests in Other Entities	October 1, 2013
IFRS 13	Fair Value Measurement	October 1, 2013
IAS 19	Employee Benefits (revised)	October 1, 2013
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	October 1, 2013

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity’s interests in subsidiaries, joint arrangements, associates and structured entities.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted.

IAS 19 Employee Benefits (Revised)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity.

The above listed amendments are effective for annual periods beginning on or after October 1, 2013 and there has been no effect on Almonty’s financial position, performance or its disclosures.

New accounting standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the consolidated financial statements of Almonty. They have been issued but are not yet effective and are available for early adoption; however, they have not been applied in preparing these consolidated financial statements.

Reference	Title	Application date for Almonty
IFRIC 21	Levies	October 1, 2014
IAS 36	Impairment of Assets - Recoverable Amount Disclosure for Non-Financial Assets	October 1, 2014
IFRS 9	Financial Instruments	October 1, 2017

IFRIC 21 Levies

IFRIC 21 Levies is an interpretation of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy

IAS 36 Impairment of Assets - Recoverable Amount Disclosure for Non-Financial Assets

IAS 36 (Amendment) - This amendment addresses the disclosure of information regarding the recoverable amount of impairment assets as the amount is based on fair value less costs of disposal.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB’s work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after January 1, 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in November 2013, removed the mandatory effective date from IFRS 9. The IASB tentatively decided at its February 2014 meeting that the mandatory effective date of IFRS 9 will be

for annual periods beginning on or after 1 January, 2018. Entities may still chose to apply IFRS 9 immediately.

The adoption of these new or amended standards is not expected to have a material impact on the consolidated financial statements of Almonty.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of Almonty's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

As these unaudited interim consolidated financial statements do not contain all of the disclosure required under IFRS for audited financial statements, they should be read in conjunction with the notes to the Company's audited consolidated financial statements for the year ended September 30, 2013, where additional information about significant areas of estimation uncertainty considered by management is disclosed.

4. Segment Information

Management monitors the business of Almonty as a single reporting segment whose operations relate to the exploration and mining of tungsten in Spain. As Almonty operates as a single segment, the consolidated financial statements should be read as a whole for the results of this operating segment. Geographically 100% of the revenues earned from external customers are attributable to Spain and 100% of the Company's assets are located in Spain.

5. Related Party Transactions

There were no related party transactions that occurred during the three and six month periods ended March 31, 2014 and December 31, 2013.

Compensation of key management personnel of Almonty during the three month period ended March 31

	2014	2013
Short-term cash compensation	95	95
Long-term Directors' incentive share-based compensation	-	15
Total compensation of key management personnel	95	110

6. Property, Plant and Equipment

	Property, Plant and Equipment
Cost at September 30, 2013	13,992
Additions	632
Translation adjustment	1,321
Cost at March 31, 2014	15,945
Accumulated amortization at September 30, 2013	(1,804)
Amortization charge	(626)
Translation adjustment	(221)
Accumulated amortization at March 31, 2014	(2,651)
Closing net book value	13,294

7. Mine Development

	Mine Restoration	Mine Development	Total
Cost at September 30, 2013	390	26,314	26,704
Additions	-	5,276	5,276
Reclassification on updated technical report	-	-	-
Translation adjustment	37	2,674	2,711
Cost at March 31, 2014	427	34,264	34,691
Accumulated amortization at September 30, 2013	(187)	(10,004)	(10,191)
Amortization charge	(50)	(2,575)	(2,625)
Translation adjustment	(19)	(962)	(981)
Accumulated amortization at March 31, 2014	(256)	(13,541)	(13,797)
Closing net book value	171	20,723	20,894

8. Commitments and Contingent Liabilities

Almonty, through its wholly owned subsidiary, Daytal, owns the Los Santos Project, near the town of Los Santos, Salamanca in western Spain. Daytal rents the land where the Los Santos Project is located from several individual property owners as well as the municipalities of Los Santos and Fuenterroble. The leases range from 10 to 25 years and have expiry dates between 2017 and 2032. On all leases greater than 10 years Daytal has the right to terminate the leases under certain circumstances without penalty. Annual lease commitments total €181 (C\$276) and are payable throughout the year on the anniversary dates of the individual leases.

The mining license for the Los Santos Project was granted in September 2002, for a period of 30 years and is extendable for 90 years. Daytal has to pay annual land taxes (approximately €2 per year) to the government. This amount is related to the surface covered and not to the production of minerals. There are no other royalty payments. The Company files applications in the ordinary course of business to renew the permits associated with its mining license that it deems necessary and/or advisable for the continued operation of its business. Certain of the Company's permits to operate that are associated with the mining license are currently under application for renewal.

Daytal has a long-term contract with MOVITEX – Movimientos de Tierras Y Excavaciones, S.L.U. (“MOVITEX”) under which MOVITEX carries out contract mining activities for Daytal on the Los Santos Project. Daytal currently does not have any mining capabilities of its own and relies on MOVITEX for all mining activity, including waste rock removal, pit development and delivery of ore to Daytal's crushing and processing plant. The current contract with MOVITEX runs for the life of the mine. Any disruption in the contract mining services provided by MOVITEX would have a negative impact on Daytal's short-term economic viability.

9. Other (Income) Expense

During the three month period ended March 31, 2014 Almonty incurred costs of \$734 for legal, accounting, tax, financing, due diligence costs and break fees associated with its evaluation of a potential offer for Ormonde Mining Plc., as disclosed in the Company's press release dated January 31, 2014. The Company also came to a settlement agreements on amounts outstanding that were owed to one of its suppliers. The parties agreed to settle all amounts outstanding for a lump-sum cash payment that resulted in Almonty realizing a gain of \$528 for a reduction in the amount paid versus the outstanding payable.

During the six month period ended March 31, 2014, in addition to the items listed above, the Company realized a gain of \$157 on the sale of surplus electrical equipment that was no longer needed once the Company completed its connection to the Spanish state electricity grid.

These amounts have been recorded as Other (income) expense.

Other (income) expense during the three month period ended March 31

	<u>2014</u>	<u>2013</u>
Transaction related expenses	734	-
Revaluation (gain) loss on settlement of trade payables	(528)	-
(Gain) loss on sale of surplus equipment	-	-
Net Other (income) expense	<u>206</u>	<u>-</u>

Other (income) expense during the six month period ended March 31,

	<u>2014</u>	<u>2013</u>
Transaction related expenses	734	-
Revaluation (gain) loss on settlement of trade payables	(528)	-
(Gain) loss on sale of surplus equipment	(157)	-
Net Other (income) expense	<u>49</u>	<u>-</u>

10. Restoration Provision

Almonty has recognized a restoration provision of \$564 with respect to Daytal's future obligation to restore and reclaim the mine once it has ceased to mine tungsten ore from the Los Santos Project. The restoration provision represents the present value of rehabilitation costs relating to the mine site which are expected to be incurred in 2019 after the mine ceases production. This provision has been created based on Almonty's internal estimates. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. Actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect current market conditions at that time. The timing of the rehabilitation is likely to depend on when the mine ceases to produce at economically viable rates. This in turn will depend on Almonty's ability to extend the mine life years through additional exploration and also on the future price of WO₃ concentrate.

Banco Popular has posted a bank warranty of €180 (C\$275) on behalf of Daytal with the Region of Castilla y Leon, Trade and Industry Department as a form of deposit to cover the expected costs of restoring the mining property as required by Daytal's Environmental Impact Statement that forms a part of its mining and exploitation license on the Los Santos Project provision. The bank warranty cannot be cancelled unless such cancellation is approved by the government of Castilla y Leon upon approval of the completion of the restoration work. The bank warranty is undrawn and carries a quarterly stand-by fee of approximately €1 per quarter.

11. Earnings (loss) per Share

Basic income (loss) per share amounts are calculated by dividing net income (loss) for the period by the weighted average number of common shares outstanding during the period. Diluted income (loss) per share amounts are calculated by dividing net income (loss) for the period by the weighted average number of fully diluted common shares outstanding during the period using the Treasury Method.

	Three months ended March 31,	
	<u>2014</u>	<u>2013</u>
Basic		
Net income (loss) for the period attributable to Almonty shareholders	\$2,426	\$201
Weighted average number of common shares outstanding	36,950,389	37,044,389
Basic income (loss) per common share	<u>\$0.07</u>	<u>\$0.01</u>
Fully Diluted		
Net income (loss) for the period attributable to Almonty shareholders	<u>\$2,426</u>	<u>\$201</u>

Almonty Industries Inc.

Weighted average number of fully diluted common shares	36,954,048	37,051,131
Fully diluted income (loss) per fully diluted common share	\$0.07	\$0.01
	Six months ended	
	March 31,	
	2014	2013
Basic		
Net income (loss) for the period attributable to Almonty shareholders	\$3,648	\$430
Weighted average number of common shares outstanding	36,957,889	37,044,389
Basic income (loss) per common share	\$0.09	\$0.01
	2014	2013
Fully Diluted		
Net income (loss) for the period attributable to Almonty shareholders	\$3,468	\$430
Weighted average number of fully diluted common shares	36,963,311	37,055,802
Fully diluted income (loss) per fully diluted common share	\$0.09	\$0.01

The weighted average number of common shares outstanding as at March 31, 2014 was 36,957,389 and the weighted average number of common shares outstanding as at September 30, 2013 was 37,044,389.

The weighted average number of fully diluted common shares outstanding is derived by adding the effect of all dilutive securities (calculated using the treasury method) to the weighted average number of common shares outstanding.

As at March 31, 2014 there were 1,900,000 options outstanding, an increase of 450,000 options outstanding when compared to the number that was outstanding as at March 31, 2013. Of the options outstanding at March 31, 2014, 3,659 were dilutive for the purposes of the three months ended March 31, 2014 calculation (2013 – 6,742).

As at March, 2014 there were 3,701,144 warrants outstanding, 656,650 fewer than were outstanding as at March 31, 2013 due to the expiry of warrants in September 2013. *Nil* of the warrants outstanding at March 31, 2014 were dilutive for the purposes of the three and six month periods then ended (2013 *nil*).

The impact of dilutive securities of 3,659, calculated using the Treasury Method, has been added to the weighted average number of common shares outstanding to arrive at fully diluted shares outstanding for the three months ended March 31, 2014 (6,742 for the three months ended March 31, 2013).

The impact of dilutive securities of 5,422, calculated using the Treasury Method, has been added to the weighted average number of common shares outstanding to arrive at fully diluted shares outstanding for the six months ended March 31, 2014. (11,413 for the six months ended March 31, 2013).

The Company, under its previously announced Normal Course Issuer Bid (“NCIB”) repurchased and canceled 158,000 of its common shares during the three months ended March 31, 2014 (*nil* for the three months ended March 31, 2013). For the six month period ended March 31, 2014 the Company repurchased and canceled 173,000 of its common shares (*nil* for the six months ended March 31, 2013).

12. Share Capital and Contributed Surplus

	Number of Shares	Amount \$
Authorized		
Unlimited common shares, without par value		
Common shares issued	36,871,389	21,848
Total Share Capital	36,871,389	21,848
	Number of Warrants/Options	Amount \$
Contributed surplus		
Warrants/options outstanding as at September 30, 2013	5,451,144	1,675
Compensation options expiring unexercised	(100,000)	-
Compensation options issued to employees during the six month period ended March 31, 2014	150,000	56
Total Contributed Surplus as at March 31, 2014	5,501,144	1,731
Total Share Capital and Contributed Surplus	42,472,533	23,579

Incentive Stock Options

Almonty's stock option plan enables the Company to grant options to directors, officers, employees and consultants for up to 10% of the issued and outstanding common shares. Under the plan, the exercise price of an option may not be less than the closing market price during the trading day immediately preceding the date of the grant of the option, less any applicable discount allowed by the TSX Venture Exchange. The options can be granted for a maximum term of 10 years and vest at the discretion of the Board of Directors of Almonty. The plan was approved by Almonty's shareholders at its Annual and Special Meeting of Shareholders held on March 26, 2014.

On November 8, 2013, Almonty granted 150,000 incentive stock options that vested immediately to certain employees of its wholly-owned indirect subsidiary, Daytal. Each option is exercisable into one common share of Almonty at a price of \$0.80 per share for a period of ten years from the date of grant. The grant resulted in stock-based compensation expense, using the Black-Scholes option pricing model, of \$56 being recorded in the three month period ended December 31, 2013. The weighted average fair value of the stock options granted was \$0.38 per option.

The following assumptions were used for the Black-Scholes valuation of incentive stock options granted on November 8, 2013:

Risk-free interest rate	2.06%
Expected life of options	10 years
Annualized volatility	35%
Dividend rate	0%
Strike price	\$0.80

During the three months ended March 31, 2013 the Company recorded non-cash compensation expense of \$15 related to the vesting of a portion of the 500,000 options granted on September 26, 2011 that vest over a two year period. While the options vest in two instalments on the anniversary

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of the grant date, the Company has recorded the non-cash compensation expense for each tranche evenly over their respective vesting period. The notional number of options associated with the non-cash compensation expense totalled 31,250.

The following assumptions were used for the Black-Scholes valuation of incentive stock options granted on September 26, 2011:

Risk-free interest rate	2.15%
Expected life of options	10 years
Annualized volatility	35%
Dividend rate	0%
Strike price	\$1.00

As at December 31, 2013 the following options and warrants are outstanding:

	Number of Options/Warrants	Exercise Price	Expiry Date
Incentive stock options ^{1,2}	1,150,000	\$1.00	26/09/2021
Incentive stock options ³	150,000	\$0.85	30/01/2022
Incentive stock options ³	50,000	\$1.02	19/06/2022
Incentive stock options ²	300,000	\$1.07	27/05/2023
Incentive stock options ³	150,000	\$0.80	08/11/2023
Heemskirk warrants	3,701,144	\$1.25	23/09/2014
Total Options /Warrants	5,501,144		

¹ 250,000 incentive stock options vested on the second anniversary of the grant date of September 26, 2011.

² Options issued to directors, officers and employees.

³ Options issued to employees.

13. Inventories

	March 31, 2014	September 30, 2013
Stores and fuel	828	764
Ore and in-process ore	1,510	1,502
Finished goods – WO ₃ concentrate	71	244
Total inventories	2,409	2,510

The change in inventories is recognized as an expense through the cost of sales line on the Consolidated Statements of Operations and Comprehensive Income.

14. Receivables

As at March 31, 2014, there was \$441 (\$870 as at September 30, 2013) in trade receivables outstanding relating to the sale of tungsten concentrate under the Company's long-term supply agreement. .

As at March 31, 2014, Almonty recognized VAT recoverable in the amount of \$1,531 (\$1,438 as at September 30, 2013) and HST recoverable in the amount of \$37 (\$33 as at September 30, 2013) for a total VAT/HST receivable of \$1,568 (\$1,471 as at September 30, 2013).

15. Cash and Cash Equivalents

Cash at banks in deposit accounts that earn interest at floating rates based on daily bank deposit rates totalled \$318 as at March 31, 2014 (\$1,083 as at September 30, 2013). Almonty only deposits cash surpluses with major banks of high quality credit standing.

As at March 31, 2014, Almonty had \$nil (\$237 as at September 30, 2013) in restricted cash on deposit with a financial institution in Spain. The deposit was for an 18 month term that was to expire in July 2014. The deposit was closed out in February 2014 upon final completion of all work carried out by Iberdrola S.A. on the build-out and completion of a substation in conjunction with the Company's recent connection to the Spanish state electrical grid.

As at March 31, 2014, Almonty owed \$7,665 under its credit facilities (see note 18 – Long-term debt).

16. Accounts Payable and Accrued Liabilities

	March 31, 2014	September 30, 2013
Trade and other payables	4,121	5,456
Sundry accruals	120	1,835
Accrued payroll and payroll taxes	350	234
Accrued audit fees	-	90
Total Accounts Payable and Accrued Liabilities	4,591	7,615
Current portion of capital lease (Note 17)	124	45
Current portion of long-term debt (Note 18)	3,734	2,225
Current portion of non-interest bearing trade payable	675	617
Total Current Liabilities	9,124	10,502

The net present value of the non-interest bearing obligation is \$675 (US\$600) was due for payment beginning September 1, 2012 with \$17 due and payable thereon followed by 14 equal monthly instalments of \$45. The non-interest bearing trade payable of \$675 (\$617 as at September 30, 2013) is classified as current (due within 12 months) of \$675 (\$617 as at September 30, 2013) and long-term (due after 1 year) of \$nil (\$nil as at September 30, 2013).

17. Capital Leases [to be updated]

	March 31, 2014	
	Minimum Lease Payment	Present Value of MLP
Within one year	135	124
After one year but not more than five years	70	61
After more than five years	-	-
Total Minimum Lease Payments	205	185

The capital lease relate to certain equipment (vehicles). Ownership of the equipment reverts to Almonty at the end of the lease periods. The leases carry an implied interest rate of between 5.86% and 8.50%.

September 30, 2013

	Minimum lease payment	Present value of MLP
Within one year	50	45
After one year but not more than five years	67	63
After more than five years	-	-
Total minimum lease payments	117	108

18. Long-term Debt

During April 2013, the Company's wholly-owned subsidiary entered into agreements with 4 individual Spanish banks (Facilities 1-4 in the table below) for a total of €4,870 in debt facilities at interest rates ranging from 4.87% to 6.53%. All of the debt facilities are fully amortizing over their respective 3-year terms that mature in April 2016. Facility 3 carries a guarantee by Almonty. In addition to the guarantee, under certain circumstances of default, the lender has a right to seize up to 20% of the net assets of Daytal in order to satisfy any amounts outstanding on the loan if the default is not cured. Facilities 1, 2 and 4 are non-recourse. The monthly minimum principal and interest payments on the facilities, calculated at prevailing interest rates as of March 31, 2014, 2013, totals €140 (CAD\$213) per month.

On January 24, 2014, Almonty entered into two unsecured debt facilities (Facility 5 and 6 in the table below) with Banaca de Empresas, a subsidiary of Banco Santander Group, totaling €2,500 (CAD\$3,800 as at January 24, 2014). Facility 5 fully amortizes over its 12 month term ending January 24, 2015. Facility 6 is a line of credit that matures on February 20, 2017 and carries an interest rate on drawn funds of 6.067% up to April 24, 2014 after which interest will be charged on drawn funds at a rate of the 12-month Euribor rate plus 5.5%.

Facility

Facility	Security	Interest Rate	Current	Long-term	Total
1	Unsecured	Fixed 5.50%	\$252	\$290	\$542
2	Unsecured	Floating 5.64%	\$443	\$478	\$920
3	Guarantee/ Partial security	Floating 4.89%	\$1,015	\$1,148	\$2,199
4	Unsecured	Floating 6.53%	\$756	\$878	\$1,634
5	Guarantee	Fixed 5.28%	\$1,268	-	\$1,268
6	Guarantee	Floating 6.067%	-	\$1,101	\$1,101
Total			\$3,734	\$3,931	\$7,665

	March 31, 2014	September 30, 2013
Current portion of long-term debt – due within one year	\$3,734	\$2,225
Long-term portion – due after one year but not more than 5 years	3,931	3,721
Total long-term debt	7,665	5,946

19. Financial Instruments, and Financial Risk Management Objectives and Policies

Classification of Financial Instruments

Financial instruments classified as fair value through profit or loss are carried at fair value on the consolidated balance sheet, and changes in fair values are recognized in net loss for the period.

The following table provides the allocation of financial instruments and their associated financial instrument classifications as at March 31, 2014:

Measurement basis	FVTPL* (Fair value)	Loans and receivables / Other financial liabilities (Amortized cost)	Total
Financial assets			
Cash and cash equivalents	318	-	318
Trade Receivables	-	441	441
VAT / HST receivable	-	1,568	1,568
Total	318	2,009	2,327
Financial Liabilities			
Trade and other payables	-	4,121	4,121
Capital lease	-	185	185
Long-term debt	-	7,665	7,665
Other accrued liabilities	-	470	470
Non-interest bearing obligation	-	675	675
Total	-	13,116	13,116

**Financial instruments classified as fair value through profit and loss*

Fair Value Hierarchical Levels

Fair value hierarchical levels are directly determined by the amount of subjectivity associated with the valuation inputs of these assets and liabilities, and are as follows:

- Level 1 - Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 - Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.
- Level 3 - Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to determining the estimate.

As of March 31, 2014, cash and cash equivalents of \$318, which is carried at fair value, was based on Level 1 inputs. Management has assessed the carrying values of financial assets and financial

liabilities, other than Level 1 inputs, and believes the amortized cost of these assets and liabilities is a reasonable approximation of fair value.

Financial Risk Management Objectives and Policies

Almonty's principal financial instruments comprise cash deposits and finance leases.

The main purpose of these instruments is to provide cash flow funding for the operations of Almonty and its controlled subsidiary, Daytal. Almonty has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from operations.

The main risks arising from Almonty's financial instruments are interest rate risk, foreign currency risk, commodity price risk, credit risk and liquidity risk.

Interest rate risk

Almonty's exposure to the risk of changes in market interest rates relates primarily to cash at banks and on hand with a floating interest rate and amounts payable to Almonty under its supplier finance program that is part of its long-term supply agreement with its major customer.

The Company currently has \$7,665 in long-term debt outstanding at varying levels of fixed and floating interest rates between 4.87% - 6.53%. The floating rate debt totaled \$5,854 and is based on a fixed spread over the 6-month Euribor rate. Any movement in the 6-month Euribor rate over remaining term of the long-term debt will have an impact on the amount of interest paid by the Company. For every 100 basis point (1.0%) movement in the Euribor rate will cause the amount the Company is required to pay in monthly interest to fluctuate +/- \$5. The Company may in the future become a borrower of an additional material amount of funds or repay its existing outstanding long-term debt at any time without penalty. The Company's primary operations are located in Spain and the current European financial crisis that is causing borrowing costs in several European countries to increase may have a negative impact on both the Company's future borrowing costs and its ability to obtain debt financing.

Foreign currency risk

Almonty's wholly-owned indirect subsidiary, Daytal, operates in Spain in Euros (€). Its output is a commodity that is primarily denominated in United States dollars (USD\$) and Almonty's reporting currency is in Canadian dollars (CAD\$). As such, Almonty's consolidated balance sheet can be significantly be affected by movements between the three currencies (CAD\$, USD\$ and €).

During the three months ended March 31, 2014 the value of the € relative to the CAD\$ increased from €1.00 = CAD\$1.4665 as at December 31, 2013, to €1.00 = CAD\$1.5227 as at March 31, 2014, resulting in the Company recording a cumulative translation adjustment gain of \$600 for the three months ended March 31, 2014. This amount is recorded as other comprehensive income (loss) on the Consolidated Statement of Operations and Comprehensive Income and accumulated other comprehensive income (loss) as a separate line item in Shareholders' Equity.

Commodity price risk

Almonty's policy is to maintain exposure to commodity price movements at its mining operations. The Company sells WO₃ concentrate that is denominated in US\$ per MTU. Every +/-

US\$10.00 movement in the average price of 1 MTU of European ammonium para tungstate as quoted on the Metal Bulletin Exchange impacts the Company's revenue by +/- US\$8.00 per MTU of WO₃.

Credit risk

Almonty's maximum exposure to credit risk, excluding the value of any collateral or other security, is the creditworthiness of its customer that is operating as counterparty to Almonty's supplier financing program. All invoices submitted to its major customer under its long-term supply agreement are subject to a supplier finance program. Almonty assigns all trade receivables that are subject to the supplier finance program to a third party bank and receives prepayment from the bank on the invoices assigned. The availability of this program rests solely on the ability of Almonty's customer to continually pay down the supplier financing facility as it comes due in order to ensure Almonty has access to draw on the facility when it ships WO₃ concentrate to its customer under the agreement. If Almonty were to no longer have access to the supplier financing program it would revert to normal trade terms with its customer.

The Company had \$1,568 in VAT/HST receivables outstanding as at March 31, 2014 (\$1,471 as at September 30, 2013) comprised of VAT of \$1,531 (\$1,438 as at September 30, 2013) due from the Spanish government and HST of \$37 (\$33 as at September 30, 2013) due from the Canadian government.

As at March 31, 2014, Almonty had submitted invoices totalling \$441 (\$870 as at September 30, 2013) under its supplier finance program where payment had not yet been received.

Liquidity risk

Almonty's objective is to use cash and cash equivalents, finance leases, inter-company participating loans and equity in order to maintain liquidity. Almonty's policy is to maximize liquidity in order to enable the continued development of the mine and operations of the plant and to enable the development of its projects. All financial liabilities with a contractual term of 12 months or less are classified as current.

20. Capital Management

The primary objective of Almonty's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. Almonty manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, Almonty may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. Almonty monitors capital using a gearing ratio, which is net debt, divided by equity plus net debt. Almonty's policy is to maintain the gearing ratio between 5% and 40%. Almonty includes within net debt, interest-bearing loans and borrowings, trade and other payables, less cash and short-term deposits and receivables from government tax authorities. Almonty is not exposed to any externally imposed capital requirements.

		March 31, 2104	September 30, 2013
Capital leases	Note 17	185	108
Long-term debt	Note 18	7,665	5,946
Accounts payable and accrued liabilities	Note 16	4,591	7,614
Long-term non-interest bearing trade payables		675	617
Less cash, short-term deposits and receivables		(2,327)	(3,424)
Net debt		10,789	10,861
Shareholders' equity		27,307	21,857
Equity and net debt		38,096	32,718
Gearing ratio		28.3%	33.2%

21. Subsequent Events

On April 1, 2014 Almonty entered into an unsecured debt facility with Banca de Empresas, a subsidiary of Banco Santander Group, totalling €1,000 (CAD\$1,528 as at April 1, 2014). The facility is fully drawn and carries an interest rate of 5.28%.

22. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.