



**Consolidated Financial Statements**

**For the Three and Six Months Ended March 31, 2015 and 2014**

**(UNAUDITED)**

**Presented in Canadian dollars**

**Almonty Industries Inc.**

# Almonty Industries Inc.

## Management's Responsibility for Financial Reporting

The accompanying unaudited consolidated financial statements for Almonty Industries Inc. were prepared by management in accordance with International Financial Reporting Standards (IFRS). Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. In the opinion of management, the unaudited consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34-Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the unaudited consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited consolidated financial statements and (ii) the unaudited consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. The Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

**The unaudited Consolidated Financial Statements as at and for the three and six month periods ended March 31, 2015 and 2014 have not been reviewed by the Company's auditor.**

# Almonty Industries Inc.

## Consolidated Balance Sheets

As at March 31, 2015 and September 30, 2014

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

	<u>March 31</u> <u>2015</u>	<u>September 30</u> <u>2014</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 5)	10,059	14,847
Trade receivables	381	483
VAT/HST/GST receivable	1,664	1,497
Inventories (Note 6)	8,311	6,648
Other current assets	597	620
<b>Total Current Assets</b>	<b><u>21,012</u></b>	<b><u>24,095</u></b>
Property, plant and equipment (Note 7)	18,662	18,074
Mine development (Note 8)	23,442	26,554
Tailings inventory	17,290	14,514
Deferred tax assets	4,245	3,569
Restricted cash (Note 5)	1,255	956
Other assets (Note 21)	375	285
	<b><u>65,269</u></b>	<b><u>63,952</u></b>
<b>Total Assets</b>	<b><u>86,281</u></b>	<b><u>88,047</u></b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Bank indebtedness (Note 5)	1,168	1,041
Accounts payable and accrued liabilities (Note 9)	9,699	9,654
Deferred revenue	631	1,111
Current portion of long-term debt (Note 10)	4,673	5,424
<b>Total Current Liabilities</b>	<b><u>16,171</u></b>	<b><u>17,230</u></b>
Long-term debt (Note 10)	25,594	22,459
Restoration provision (Note 11)	1,640	1,262
	<b><u>27,234</u></b>	<b><u>23,721</u></b>
<b>Total Liabilities</b>	<b><u>43,405</u></b>	<b><u>40,951</u></b>
<b>Shareholders' Equity</b>		
Share capital (Note 12)	31,134	31,179
Convertible debenture equity portion	167	208
Contributed surplus	1,994	1,731
Accumulated other comprehensive income	1,914	1,832
Retained earnings	7,667	12,146
<b>Total Shareholders' Equity</b>	<b><u>42,876</u></b>	<b><u>47,096</u></b>
<b>Total Liabilities and Shareholders' Equity</b>	<b><u>86,281</u></b>	<b><u>88,047</u></b>

See accompanying notes

# Almonty Industries Inc.

## Consolidated Statements of Operations and Comprehensive Income

For the Three and Six Months Ended March 31, 2015 and 2014

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

	Three months ended March 31		Six months ended March 31	
	2015	2014 (Restated – Note 20)	2015	2014 (Restated – Note 20)
<b>Revenue</b>	10,271	8,327	18,996	13,790
<b>Mine operating costs</b>				
Production costs	8,376	2,428	14,712	4,951
Depreciation and amortization	2,616	1,007	4,577	1,631
<b>Earnings from mining operations</b>	<b>(721)</b>	<b>4,892</b>	<b>(293)</b>	<b>7,208</b>
<b>Expenses</b>				
General and administrative	1,697	955	3,112	1,468
	<b>(2,418)</b>	<b>3,937</b>	<b>(3,405)</b>	<b>5,740</b>
Interest expense	238	100	520	192
Foreign exchange (gain) loss	542	54	554	118
<b>Income (loss) before income taxes</b>	<b>(3,198)</b>	<b>3,783</b>	<b>(4,479)</b>	<b>5,430</b>
Income tax provision				
Current	-	-	-	-
Deferred	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net income (loss) for the period</b>	<b>(3,198)</b>	<b>3,783</b>	<b>(4,479)</b>	<b>5,430</b>
<b>Other comprehensive income</b>				
<i>Items that may be reclassified subsequently to profit/loss for the period</i>				
Foreign currency translation adjustment	(390)	311	82	2,202
<b>Total comprehensive income (loss) for the period</b>	<b>(3,588)</b>	<b>4,094</b>	<b>(4,397)</b>	<b>7,632</b>
<b>Earnings (loss) per share (Note 14)</b>				
Basic income (loss) per share	<b>(\$0.07)</b>	<b>\$0.10</b>	<b>(\$0.09)</b>	<b>\$0.15</b>
Diluted income (loss) per share	<b>(\$0.07)</b>	<b>\$0.10</b>	<b>(\$0.09)</b>	<b>\$0.15</b>

See accompanying notes

# Almonty Industries Inc.

## Consolidated Statements of Changes in Shareholders' Equity

For the Three and Six Months Ended March 31, 2015 and 2014

(in 000's of Canadian dollars except for share amounts)

	Share Capital	Convertible Debenture Equity Component	Contributed Surplus	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Shareholders' Equity
<b>(Restated - Note 20)</b>						
<b>Balance at September 30, 2013</b>	<b>21,996</b>	<b>-</b>	<b>1,675</b>	<b>2,754</b>	<b>882</b>	<b>27,307</b>
Repurchase of common shares	(148)					(148)
Issuance of share options			56			56
Net income (loss) for the period				5,430		5,430
Foreign currency translation adjustment					2,202	2,202
<b>Balance at March 31, 2014</b>	<b>21,848</b>	<b>-</b>	<b>1,731</b>	<b>8,184</b>	<b>3,084</b>	<b>34,847</b>
<b>Balance at September 30, 2014</b>	<b>31,179</b>	<b>208</b>	<b>1,731</b>	<b>12,146</b>	<b>1,832</b>	<b>47,096</b>
Repurchase of common shares	(45)					(45)
Reduction of convertible debenture		(41)				(41)
Issuance of share options			263			263
Net income (loss) for the period				(4,479)		(4,479)
Foreign currency translation adjustment					82	82
<b>Balance at March 31, 2015</b>	<b>31,134</b>	<b>167</b>	<b>1,994</b>	<b>7,667</b>	<b>1,914</b>	<b>42,876</b>

See accompanying notes

# Almonty Industries Inc.

## Consolidated Statements of Cash Flows

For the Three and Six Months Ended March 31, 2015 and 2014

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

	Three months ended March 31		Six months ended March 31	
	2015	2014	2015	2014
		(Restated – Note 20)		(Restated – Note 20)
<b>Operating activities</b>				
Net income (loss) for the period	(3,198)	3,783	(4,479)	5,430
Add (deduct) non-cash items:				
Non-cash compensation expense	150	-	263	56
Depreciation and amortization	2,616	1,007	4,577	1,631
Unrealized foreign exchange gain (loss)	1,065	(26)	1,466	(26)
Accretion and other non-cash interest	66		74	-
Non-cash revaluation of liabilities		(541)		(560)
Other non-cash charges	124	18	132	29
	823	4,241	2,033	6,560
Net change in non-cash working capital	(1,187)	(4,024)	(3,699)	(5,058)
<b>Cash flow provided by (used in) operating activities</b>	<b>(364)</b>	<b>217</b>	<b>(1,666)</b>	<b>1,502</b>
<b>Investing activities</b>				
Additions to property, plant and equipment and mine development	(2,775)	(2,124)	(5,882)	(3,664)
Other	(150)	257	(150)	257
<b>Cash flow used in investing activities</b>	<b>(2,925)</b>	<b>(1,867)</b>	<b>(6,032)</b>	<b>(3,407)</b>
<b>Financing activities</b>				
Repurchase of common stock	(39)	(136)	(45)	(148)
Issuance of long-term debt	5,582	2,420	6,748	2,482
Repayment of long-term debt	(1,945)	(614)	(3,912)	(1,252)
<b>Cash flow provided by financing activities</b>	<b>3,598</b>	<b>1,670</b>	<b>2,791</b>	<b>1,082</b>
Effect of foreign exchange on cash	309	1	119	58
<b>Net increase (decrease) in cash and cash equivalents during the period</b>	<b>618</b>	<b>21</b>	<b>(4,788)</b>	<b>(765)</b>
Cash and cash equivalents at beginning of period	9,441	297	14,847	1,083
<b>Cash and cash equivalents at end of period</b>	<b>10,059</b>	<b>318</b>	<b>10,059</b>	<b>318</b>

See accompanying notes

# Almonty Industries Inc.

Notes to the Consolidated Financial Statements

For the Three and Six months ended March 31, 2015 and 2014

(Unaudited)

(In 000's of Canadian dollars, unless otherwise noted)

## 1. Description of Business

Almonty Industries Inc. (“Almonty” or “the Company”) is incorporated in Canada. The Company’s shares are listed on the TSX Venture Exchange under the symbol AII. The head office of the Company is located at 100 King Street West, Suite 5700, Toronto, Ontario, M5X 1C7. The principal business of Almonty 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”), and the mining processing and shipment of tungsten and molybdenum concentrate from the Wolfram Camp Mine (Wolfram Camp), which was acquired by the Company on September 22, 2014 (Note 4).

Daytal is wholly owned by the Company’s wholly owned subsidiary, 7887523 Canada Inc. (“Almonty Sub”). Almonty Sub has incorporated another wholly owned subsidiary, Valtreixal Resources Spain (“VRS”). VRS owns a 25% interest in the Valtreixal tin/tungsten project located in western Spain. VRS has an option to acquire the remaining 75% of the project that it does not own over the next 18 months. The principal business of VRS is the exploration of the Valtreixal Project.

Wolfram Camp is wholly owned through Almonty’s wholly owned subsidiaries, Tropical Metals Pty Ltd (“TM”) (15% ownership of Wolfram Camp) and Wolfram Camp Mining Pty Ltd (“WCM”) (85% ownership of Wolfram Camp).

## 2. Basis of Preparation of the Consolidated Financial Statements

### a) Statement of compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), effective for the reporting period ended March 31, 2015.

These interim consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”. The interim consolidated financial statements do not include all the information and disclosures required in the Company’s annual financial statements and should be read in conjunction with the Company’s annual consolidated financial statements for the year ended September 30, 2014.

These financial statements have been prepared on a historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting.

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of May 27, 2015, the date these financial statements were authorized for issuance by the Board of Directors.

### b) Basis of preparation

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

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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.

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 subsidiaries, Daytal and WCM have long-term supply agreements with one customer who participates in the global tungsten business. Currently, all of the output of Almonty'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 agreements should this current customer cease operations or become unable to pay Almonty under the current contracts.

### **d) 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.

The Company has not early adopted these revised standards and is currently assessing the impact that these standards could have on future financial statements.

### **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. IFRS 9 is now effective for annual periods beginning on or after 1 January, 2018. Entities may still choose to apply IFRS 9 immediately.

### **Amendments to IAS 16 – Property, Plant and Equipment**

In May 2014, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. The application date for the Company for this change is October 1, 2016.

## **Almonty Industries Inc.**

Notes to the Consolidated Financial Statements

For the Three and Six months ended March 31, 2015 and 2014

(Unaudited)

(In 000's of Canadian dollars, unless otherwise noted)

### **Amendments to IFRS 11 – Joint Arrangements**

In May 2014, IFRS 11: Joint Arrangements has been amended to clarify how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions. The application date for the Company for this change is October 1, 2017.

### **Amendments to IFRS 15 – Revenue from Contracts with Customers**

In May 2014, IFRS 15: Revenue from Contracts with Customers was issued to specify how and when to recognise revenue and requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The application date for the Company for this change is October 1, 2018.

## 3. Significant Accounting Policies

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with a maturity of three months or less at the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### **Inventories**

Inventories are valued at the lower of cost and net realizable value. Net realizable value tests are performed at least annually and represent the estimated future sales price of the product based on prevailing spot metal prices at the reporting date, less estimated costs to complete production and bring the product to sale. Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the number of contained MTUs of WO<sub>3</sub> based on assay data, and the estimated recovery percentage based on the expected processing method. Stockpile tonnages are verified by periodic surveys.

The cost of raw materials, stores, finished goods and mining stocks includes direct materials, transportation costs, direct labour and an appropriate portion of variable and fixed overheads, with costs determined on the basis of weighted average cost.

Tungsten ore and WO<sub>3</sub> in concentrate, WO<sub>3</sub> in circuit and ore stockpiles are physically measured or estimated and valued at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs of selling the final product. Cost is determined by the weighted average method and comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs, including depreciation and amortization, incurred in converting materials into finished goods.

Tailing inventories represents stockpiles of low grade ore that has been mined and processed and is available for reprocessing. As tailing inventories will not be reprocessed within one year of the date

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of these consolidated financial statements, the net carrying amount related to the tailing inventories has been classified as a non-current asset in the consolidated balance sheet statements.

### **Property, plant and equipment and mine properties**

Property, plant and equipment and mine properties are stated at cost, less accumulated depreciation and accumulated impairment losses, if any. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation and, for qualifying assets, borrowing costs. The capitalization of certain mine construction costs ceases when a mine construction project moves into the production stage.

Accumulated mine development costs are depreciated on a unit-of-production basis over the economically recoverable reserves of the mine concerned, except in the case of assets whose useful life is shorter than the life of the mine, in which case the straight-line method is applied. The unit of account for the ROM costs are tonnes of ore whereas the unit of account for post-ROM costs are recoverable MTUs of WO<sub>3</sub>. Rights and concessions are depleted on the unit-of-production basis over the total reserves. The unit-of-production rate for the depreciation of mine development costs takes into account expenditures incurred to date.

Other plant and equipment such as mobile mine equipment is generally depreciated on a straight-line basis over their estimated useful lives of 3 to 10 years. Leasehold improvements are amortized over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

### **Leases**

Leases of plant and equipment under which Almonty assumes substantially all the risks and benefits identical to ownership are classified as capital leases. Other leases are classified as operating leases.

### **Financial instruments**

Financial assets -

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans-and-receivables or at fair value through profit or loss ("FVTPL"). Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through operations.

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary.

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Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities -

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income.

The Company has elected to apply the following classifications to each of its significant categories of financial instruments:

<b>Asset/Liability</b>	<b>Category</b>	<b>Measurement</b>
Cash	Fair value through profit or loss	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Bank indebtedness	Other financial liabilities	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Convertible debentures	Other financial liabilities	Amortized cost
Term loans	Other financial liabilities	Amortized cost

Impairment of non-financial assets -

At each reporting date of the consolidated statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax

## **Almonty Industries Inc.**

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discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of comprehensive income (loss), unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

### **Significant Accounting Judgments and Estimates**

The preparation of financial statements requires management to make judgments, estimates and form assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and reported amount of revenues and expenses during the reporting period. Estimates and underlying assumptions are reviewed on an ongoing basis. Significant areas requiring the use of management estimates relate to the valuation and determination of the useful lives of assets, valuation of each of the equity and debt components of convertible debentures, valuation of share-based compensation, warrants, share capital, deferred income taxes, allowance for doubtful accounts, inventory valuation, capital leases, ore reserves and mineral resource estimates, units-of-production depreciation, mine rehabilitation and restoration provisions, exploration and evaluation expenditures, deferred stripping expenditures, tailing inventories, contingencies and the valuation of intangibles of the Company. Management believes that the estimates utilized in preparing its consolidated financial statements are reasonable and prudent; however, actual results may differ from those estimates.

### **Provisions**

Provisions are recognized when Almonty or any of its controlled entities has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation as at the consolidated balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability.

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### **Revenue recognition**

Revenue is recognized to the extent it is probable that the economic benefits will flow to Almonty and its controlled entities and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, and sales taxes or duty. Almonty assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. Almonty has concluded that it is acting as a principal in all of its revenue arrangements. Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the purchaser. The significant risks and rewards of ownership are deemed to be transferred to the purchaser generally when product is physically transferred onto a third-party vessel, train, ship or other delivery mechanism, depending on the mode of transport, and Almonty has paid all costs of shipping, freight and insurance to the destination specified by the purchaser.

Contract terms for Almonty's sale of WO3 in concentrate (WO3 concentrate) allow for a price adjustment based on final assay results of the WO3 concentrate by the customer to determine the final content. Recognition of sales revenue for WO3 concentrate is based on the most recently determined estimate of WO3 concentrate (based on initial assay results carried out by Almonty) and the contract price (as defined, based on published prices) at the date of shipment, with a subsequent adjustment made to revenue upon final determination.

### **Income tax**

Current income tax -

Current income tax assets and liabilities for the current period are estimated as the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where Almonty and/or its controlled entities operates and generates taxable income. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate.

Deferred income tax -

Deferred income tax is provided using the consolidated balance sheet method on temporary differences at the reporting date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences, except:

Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income; and

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In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the parent, investor or venturer and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized, except:

Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income; and

In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

Almonty recognizes neither the deferred tax asset regarding the temporary difference on the rehabilitation liability, nor the corresponding deferred tax liability regarding the temporary difference on the rehabilitation asset.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable income will be available to allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognized subsequently if new information about facts and circumstances arose. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it occurred during the measurement period or in income.

## **Almonty Industries Inc.**

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(In 000's of Canadian dollars, unless otherwise noted)

### **Earnings per share**

Basic earnings per share are calculated as net income (loss) for the period attributable to Almonty shareholders, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares outstanding.

Diluted earnings per share are calculated as net income (loss) for the period attributable to Almonty shareholders divided by the weighted average number of ordinary shares and dilutive potential ordinary shares using the treasury method.

### **Foreign currency translation**

The consolidated financial statements are presented in Canadian dollars, which is Almonty's functional currency and presentation currency.

Almonty has two foreign operations which receive revenue in US dollars and incur all of their costs in Euros and Australian Dollars. Daytal has a functional currency of Euros, and translates its US dollar revenue into Euros at the respective US dollar/Euro exchange rate prevailing at the date of the transaction. Wolfram Camp has a functional currency of Australian dollars and translates its US dollar revenue into Australian dollars at the respective US dollar/Australian dollar exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange in effect at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Exchange differences are recognized in profit and loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the foreign entities are expressed in Canadian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising are recognized as a separate component of equity and as a foreign currency translation adjustment in other comprehensive income in the consolidated statements of operations and comprehensive income.

### **Share-based payment transactions**

Employees, directors and service providers of the Company may receive a portion of their compensation in the form of share-based payment transactions, whereby services are rendered as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment.

### **Equity settled transactions**

## **Almonty Industries Inc.**

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The costs of equity settled transactions are measured by reference to the fair value of the equity instrument at the date on which they are granted.

The costs of equity settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity settled transactions at each reporting date until the vesting date, and reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in contributed surplus.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance or service conditions are satisfied.

Where the terms of an equity settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

### **Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in selling, general and administrative expenses.

When Almonty acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through income. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IAS 39 either in income or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is

## Almonty Industries Inc.

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finally settled within equity. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the fair value of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognized in income.

### 4. Acquisition

Almonty acquired 100% of the share capital of WCM and TM (combined the two companies own a 100% interest in the Wolfram Camp), on September 22, 2014. The principal business of Wolfram Camp is the advancement of exploration, development and production activities at the Wolfram Camp. Wolfram Camp is a wolframite and molybdenum mineral deposit. The mine is located approximately 130 kilometres from Cairns, Queensland, Australia, near the town of Dimbulah. The Company acquired the Wolfram Camp to complement its existing mining operations and expand its operations with its existing customer.

The results of Wolfram Camp were consolidated with those of the Company effective September 22, 2014 and are included in Wolfram Camp operations segment.

The total initial consideration paid to the seller at closing was \$16,901 and was comprised of:

Convertible debenture issued	7,500
Shares issued at fair value (12,209,302)	9,401
<b>Total consideration transferred</b>	<b>16,901</b>

On February 25, 2015, the Company agreed with the seller to settle all remaining claims in respect of working capital balances from the original sale agreement, with full mutual releases against future claims. Under the terms of the agreement, the seller reduced by \$1,500 the principal amount of the \$7,500 Convertible debenture issued by the Company at the time of the acquisition.

As a result of the settlement, the purchase price was reduced to \$15,401, where the change has been accounted for prospectively as a reduction of Mine development costs.

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The following table presents the allocation of purchase price to the fair value of the assets acquired and the liabilities assumed at the date of acquisition, taking into effect the settlement agreement with the seller:

Net assets acquired:

	<b>Fair value at acquisition date</b>
<b>Assets</b>	
Property, plant and equipment	6,644
Mine development	10,022
Restricted cash	954
Other current assets	349
Inventories	3,952
GST Receivable	45
Cash and cash equivalents	185
	<u>22,151</u>
<b>Liabilities</b>	
Trade and other payables	3,591
Other liabilities and accruals	2,367
Restoration provision	792
	<u>6,750</u>
<b>Total identifiable net assets</b>	<b><u>15,401</u></b>
Net cash acquired with WCM	185
Transaction costs incurred	<u>(873)</u>
<b>Net consolidated cash outflow</b>	<b><u>(688)</u></b>

Direct transaction costs of \$873 were expensed and included in the consolidated statement of operations and comprehensive income (loss) for the year ended September 30, 2014.

### 5. Cash and Cash Equivalents, Restricted Cash, and Bank Indebtedness

The Company maintains cash balances for surpluses with major banks of high quality credit standing, in interest bearing accounts that earn interest at floating rates, and has no cash equivalents.

Bank indebtedness consists of the balance of a line of credit agreement in a subsidiary company. The facility is denominated in Euros, is unsecured, and has an interest rate of 5.28% as of March 31, 2015.

As at March 31, 2015, the Company had \$1,255 (September 31, 2014 - \$956) in restricted cash on deposit with the Queensland Government, Department of Natural Resources and Mines, as required by the Department of Environment and Heritage Protection, based on a revised mine plan in effect as of October, 2014.

## Almonty Industries Inc.

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### 6. Inventories

	March 31, 2015	September 30, 2014
Stores and fuel	962	820
Ore and in-process ore	22,814	17,582
Finished goods – WO <sub>3</sub> concentrate	1,825	2,760
<b>Total inventories</b>	<b>25,601</b>	<b>21,162</b>
Less: non-current tailing inventory	17,290	14,514
	<b>8,311</b>	<b>6,648</b>

The change in inventories is recognized as an expense through the cost of sales line on the consolidated statements of operations and comprehensive income.

### 7. Property, Plant and Equipment

<b>Cost</b>	
Balance at September 30, 2013	13,972
Additions	7,670
Translation adjustment	217
Balance at September 30, 2014	21,859
<b>Additions</b>	<b>2,559</b>
<b>Translation adjustment</b>	<b>(732)</b>
<b>Balance at March 31, 2015</b>	<b>23,686</b>
<b>Accumulated Amortization</b>	
Balance at September 30, 2013	1,804
Amortization	1,998
Translation adjustment	(17)
Balance at September 30, 2014	3,785
<b>Amortization</b>	<b>1,476</b>
<b>Translation adjustment</b>	<b>(237)</b>
<b>Balance at March 31, 2015</b>	<b>5,024</b>
<b>Carrying Value</b>	
Balance at September 30, 2014	18,074
<b>Balance at March 31, 2015</b>	<b>18,662</b>

## Almonty Industries Inc.

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### 8. Mine Development

<b>Cost</b>	
Balance at September 30, 2013	19,785
Additions	18,074
Translation adjustment	131
Balance at September 30, 2014	37,990
<b>Additions</b>	<b>3,323</b>
<b>Disposals</b>	<b>(1,610)</b>
<b>Translation adjustment</b>	<b>(1,213)</b>
<b>Balance at March 31, 2015</b>	<b>38,490</b>
<b>Accumulated Amortization</b>	
Balance at September 30, 2013	7,095
Amortization	4,398
Translation adjustment	(57)
Balance at September 30, 2014	11,436
<b>Amortization</b>	<b>4,250</b>
<b>Disposals</b>	<b>(110)</b>
<b>Translation adjustment</b>	<b>(528)</b>
<b>Balance at March 31, 2015</b>	<b>15,048</b>
<b>Carrying Value</b>	
Balance at September 30, 2014	26,554
<b>Balance at March 31, 2015</b>	<b>23,442</b>

### 9. Accounts Payable and Accrued Liabilities

The balance as of March 31, 2015 includes \$7,424 (September 30, 2014 - \$7,407) of trade accounts payable, and \$2,275 (September 30, 2014 - \$2,247) of accrued and other liabilities.

### 10. Long-term Debt

	<b>March 31</b>	<b>September 30</b>
	<b>2015</b>	<b>2014</b>
Term loans - Euro	11,424	9,096
Term loan - US\$	12,666	11,200
Convertible debenture	5,857	7,292
Obligations under capital leases	320	295
	30,267	27,883
Less: Current portion	4,673	5,424
	25,594	22,459

The Company's wholly-owned subsidiary has in place a number of Euro denominated, term loan facilities, with maturities ranging between 2015 and 2019. During the three months ended March 31, 2015, the Company entered into three additional banking facilities totalling \$5,582, paying down

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existing facilities that were maturing or normal periodic payments totaling \$1,982, with the remainder intended to be used for general corporate purposes.

Some of the facilities have fixed interest rates, while others are floating rates, and as of March 31, 2015, the weighted average interest rate on these loans was 3.91%. Except for one facility, where the lender has recourse against a portion of subsidiary's assets in the event of default, the loans are unsecured. The parent company has provided guarantees for some of these loans.

The US\$10,000 term loan has a five year term, with interest only payments until 2018. The loan bears interest based on 3-month Libor rates, with a rate of 1.77% as of March 31, 2015. The loan is secured by the assets of a subsidiary, and is guaranteed by a third party.

The Company entered into a \$7,500 convertible debenture agreement in 2014, in connection with the acquisition of TM and WCM (see Note 4). As a result of a settlement agreement with the seller, the amount of the debenture was reduced to \$6,000. The convertible debenture is due in 2017, with interest payable at 4.0% per year, payable quarterly in arrears. The convertible debenture (including any accrued and unpaid interest) may be converted by the holder, at their option, into common shares of Almonty at an exercise price of \$1.45 per share. There have been no conversions to date. At the time the debt was issued, the Company valued the conversion feature using the Black-Scholes pricing model, based on a risk-free interest rate of 1.62%, volatility of 35% based on historical volatility, expected life of 2.5 years, with no expected dividend yield, recording a value of \$208 as equity, which amount was reduced to \$167 after the above-noted settlement. The difference between the carrying value and the face value of the convertible debenture is accreted using the effective interest rate method.

As at March 31, 2015, the components of the convertible debenture are as follows:

Face value	6,000
Balance to be accreted	<u>(143)</u>
	<u>5,857</u>

The capital leases relate to certain equipment and vehicles. The leases carry implied interest rates of between 3.00% and 8.50%.

Payments are due as follows under the terms of debt, as of March 31, 2015:

Within the next year	4,676
Between one and five years	<u>25,749</u>
	30,425
Less: Imputed interest on capital lease obligations	15
Less: Equity balance to be accreted	<u>143</u>
	<u>30,267</u>

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### **11. Restoration Provision**

The Company has included in its liabilities, reserves for the future restoration of its mining properties, in accordance with local requirements.

Almonty has a restoration provision of \$465 (September 30, 2014 - \$468) 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 management's estimate of the present value of the rehabilitation costs relating to the mine site which are expected to be incurred in 2019 after the mine ceases production. The Company is in the process of having its mine plan and restoration provision reviewed by the relevant authorities in Spain. The Company posted an insurance policy that is valid until in June 2015, during the period of time that the mine plan is being reviewed. The amount of the insurance policy was \$3,406 (€2,500) as at March 31, 2015. The insurance policy is designed to cover the reclamation costs should Daytal cease operations and be unable to fulfill its reclamation obligations.

Banco Popular has posted a bank warranty of €180 (C\$245) 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.

Almonty has a restoration provision of \$1,175 (September 30, 2014 - \$794) with respect to Wolfram Camp future obligation to restore and reclaim the mine once it has ceased to mine tungsten and molybdenum ore from Wolfram Camp. The restoration provision represents management's estimate of the present value of rehabilitation costs relating to the mine site which are expected to be incurred in 2019 after the mine ceases production.

As at March 31, 2015, the Company had \$1,255 (September 30, 2014 - \$956) in restricted cash on deposit with the Queensland Government, Department of Natural Resources and Mines as required by the Department of Environment and Heritage Protection, based on a revised mine plan approved during the six month period ended March 31, 2015, that required an increase in the deposit of \$314.

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### 12. Share Capital

#### Common Shares -

	<b>Number of Shares</b>	<b>Amount \$</b>
<b>Authorized - Unlimited number of common shares</b>		
<b>Issued and outstanding</b>		
Outstanding at September 30, 2013	37,044,389	21,996
Shares repurchased under NCIB	(257,200)	(218)
Shares issued on the acquisition of Wolfram Camp Mine	12,209,302	9,401
Outstanding at September 30, 2014	<b>48,996,491</b>	<b>31,179</b>
Shares repurchased under NCIB	(61,500)	(45)
Outstanding at March 31, 2015	<b>48,934,991</b>	<b>31,134</b>

As described in Note 4, the Company issued 12,209,302 common shares on September 22, 2014, to the seller, in connection with the acquisition of the Wolfram Camp Mine. The shares were valued at \$0.77 per share, based on the fair market value of the shares on the date of the transaction.

The Company commenced a Normal Course Issuer Bid ("NCIB"), through the facilities of the TSXV, on December 20, 2013, with the intention of purchasing up to 901,627, or 2.4% of the shares outstanding at that time, on the open market at the prevailing market price on the TSXV, with any shares acquired to be cancelled. The bid terminated on December 19, 2014, and 257,200 shares were purchased during the year ended September 30, 2014 for \$218, and 9,000 shares were purchased during the six months ended March 31, 2015, for \$6. The purchased shares were cancelled.

The Company commenced another NCIB on December 29, 2014, which will terminate on December 28, 2015, or such earlier time as the bid is completed or terminated at the option of the Company, with the intention to purchase, from time to time, as it considers advisable, up to 1,431,007 common shares (which is equal to 2.9% of the outstanding common shares) on the open market through the facilities of the TSXV. The price that Almonty will pay for any common share under the Bid will be the prevailing market price on the TSXV at the time of such purchase, with any such shares acquired to be cancelled. During the six months ended March 31, 2015, 52,500 shares were purchased for \$39. The purchased shares were cancelled.

#### Warrants -

The Company has issued warrants in connection share offerings and acquisitions. There are no warrants outstanding as of March 31, 2015.

A total of 3,701,144 warrants previously issued in connection with an acquisition, expired during the year ended September 30, 2014.

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### Incentive Stock Options -

	<b>Number of Share Options</b>
Options outstanding at September 30, 2013	1,700,000
Options expired/forfeited	(50,000)
Options granted	<u>150,000</u>
<b>Options outstanding at September 30, 2014</b>	<b>1,800,000</b>
Options expired/forfeited	(100,000)
Options granted	<u>1,650,000</u>
<b>Options outstanding at March 31, 2015</b>	<b><u>3,350,000</u></b>

Almonty adopted RCG's stock option plan under which it can 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.

The Company granted 150,000 incentive stock options to an employee on November 23, 2013, that vested immediately. 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 of \$56 being recorded in general and administrative expenses and in Contributed surplus during the year ended September 30, 2014. The weighted average fair value of the stock options granted was \$0.38 per option, determined using the Black-Scholes option pricing model based on a risk-free interest rate of 2.06%, volatility of 35% based on historical volatility, expected life of 10 years, and expected dividend yield of 0%, as of the date of the grant.

The Company granted 700,000 incentive stock options to consultants to the Company on December 5, 2014, that vest evenly over the following twelve-month period, and were subject to shareholder approval, which was obtained on March 26, 2015. Each option is exercisable into one common share of Almonty at a price of \$0.67 per share for a period of ten years from the date of grant. The grant resulted in stock-based compensation expense of \$113 being recorded in general and administrative expenses and Contributed surplus in the six month period ended March 31, 2015. The value of the stock options granted was determined using the Black-Scholes option pricing model, based on a risk-free interest rate of 1.96%, volatility of 35% based on historical volatility, expected life of 10 years, and expected dividend yield of 4.06%, as of the date of the grant.

The Company granted 700,000 incentive stock options to Board members and employees on January 6, 2015, that vested immediately. Each option is exercisable into one common share of Almonty at a price of \$0.65 per share for a period of ten years from the date of grant. The grant resulted in stock-based compensation expense of \$110 being recorded in general and administrative expenses and Contributed surplus in the six month period ended March 31, 2015. The value of the stock options granted was determined using the Black-Scholes option pricing model, based on a risk-free interest

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rate of 1.65%, volatility of 35% based on historical volatility, expected life of 10 years, and expected dividend yield of 4.06%, as of the date of the grant.

The Company granted 250,000 incentive stock options to employees on February 10, 2015, that vested immediately. Each option is exercisable into one common share of Almonty at a price of \$0.69 per share for a period of ten years from the date of grant. The grant resulted in stock-based compensation expense of \$40 being recorded in general and administrative expenses and Contributed surplus in the three month period ended March 31, 2015. The value of the stock options granted was determined using the Black-Scholes option pricing model, based on a risk-free interest rate of 1.43%, volatility of 35% based on historical volatility, expected life of 10 years, and expected dividend yield of 3.94%, as of the date of the grant.

As at March 31, 2015, the following options are outstanding:

	<b>Number of Options</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
Options granted to directors	1,150,000	\$1.00	26-09-21
Options granted to employees	50,000	\$0.85	30-01-22
Options granted to employees	50,000	\$1.02	19-06-22
Options granted to directors, officers, employees	300,000	\$1.07	27-05-23
Options granted to employees	150,000	\$0.80	23-11-23
Options granted to consultants	700,000	\$0.67	05-12-24
Options granted to directors and employees	700,000	\$0.65	06-01-25
Options granted to employees	250,000	\$0.69	10-02-25
	<b><u>3,350,000</u></b>		

### 13. Income Taxes

The Company has the following non-capital tax losses that expire in the periods indicated:

Expiring in 2025	6,315
Expiring in 2026	5,581
Expiring in 2027 or later	3,299

The non-capital losses are available for offset against future taxable income of the company in which the losses arose. The deferred tax assets recognized relate to the estimated recovery of a portion of the tax losses of the subsidiary.

### 14. 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.

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	Three months ended		Six months ended	
	March 31		March 31	
Basic	2015	2014	2015	2014
Net income (loss) for the period	(3,198)	3,783	(4,479)	5,430
Weighted average common shares outstanding	48,961,241	36,950,389	48,965,741	36,957,889
Basic income (loss) per common share	(\$0.07)	\$0.10	(\$0.09)	\$0.15
Fully Diluted	2015	2014	2015	2014
Net income (loss) for the period	(3,198)	3,783	(4,479)	5,430
Weighted average fully diluted common shares	48,967,739	36,954,048	48,974,793	36,963,311
Fully diluted income (loss) per common share	(\$0.07)	\$0.10	(\$0.09)	\$0.15

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, 2015, the exercise price of substantially all outstanding share options and the convertible debenture were higher than the market price of the Company's shares, such that there is only a minor impact on dilution. As at March 31, 2014, a certain number of outstanding options had exercise prices below the market price of the shares.

### 15. Segment Information

The Company's operations are segmented on a regional basis and are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments has been defined as the Chief Executive Officer.

Management monitors the business of Almonty as a single commodity segment, whose operations relate to the exploration and mining of tungsten across two geographical locations, Spain and Australia.

For management reporting purposes, the Company is organized into business units based on its products and activities, and has three reportable operating segments, as follows:

- The Los Santos Mine located in Spain, whose operations relate to the exploration and mining of tungsten, that is ultimately sold as tungsten concentrate;
- Wolfram Camp located in Queensland, Australia, whose operations relate to the exploration and mining of tungsten and molybdenum, that is ultimately sold as tungsten concentrate and molybdenum concentrate; and,
- The Valtreixal Project located in Spain, whose operations relate to the exploration and evaluation activities related to the Valtreixal tin/tungsten project.

Prior to the acquisition of the Wolfram Camp Mine in September 2014, and the acquisition of an ownership interest in the Valtreixal project in December 2013, management monitored the business

## Almonty Industries Inc.

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of Almonty as a single reporting segment whose operations related to the exploration and mining of tungsten in Spain.

The Company monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Almonty's financing (including finance costs and finance income) and income taxes are managed on a group basis, and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The accounting policies used by Almonty in reporting segments internally are the same as those contained in Note 3 of the financial statements.

Three months ended March 31, 2015	Wolfram			Corporate	Adjustments	Consolidated
	Los Santos	Camp Mine	Valtreixal		and eliminations	
Revenue	6,651	3,989	-	425	(794)	10,271
Production costs	2,361	6,015	-	-	-	8,376
Depreciation and amortisation	2,075	541	-	-	-	2,616
<b>Earnings from mining operations</b>	<b>2,215</b>	<b>(2,567)</b>	<b>-</b>	<b>425</b>	<b>(794)</b>	<b>(721)</b>
<b>Expenses</b>						
General and administrative	1,059	536	6	819	(723)	1,697
Foreign exchange (gain) loss	(66)	1	-	612	(5)	542
Interest expense	100	21	-	117	-	238
<b>Income (loss) before income taxes</b>	<b>1,122</b>	<b>(3,125)</b>	<b>(6)</b>	<b>(1,123)</b>	<b>(66)</b>	<b>(3,198)</b>
Total assets	58,925	22,811	2,431	45,793	(43,679)	86,281
Total liabilities	16,217	14,379	2,456	12,808	(2,455)	43,405
Capital expenditures	348	2,146	281	-	-	2,775

# Almonty Industries Inc.

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(Unaudited)

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<b>Three months ended March 31, 2014</b>	Wolfram				Adjustments and eliminations	Consolidated
	Los Santos	Camp Mine	Valtreixal	Corporate		
Revenue	8,327	-	-	443	(443)	8,327
Production costs	2,428	-	-	-	-	2,428
Depreciation and amortisation	1,007	-	-	-	-	1,007
<b>Earnings from mining operations</b>	<b>4,892</b>	<b>-</b>	<b>-</b>	<b>443</b>	<b>(443)</b>	<b>4,892</b>
<b>Expenses</b>						
General and administrative	387	-	5	1,017	(454)	955
Foreign exchange (gain) loss	26	-	-	16	12	54
Interest expense	100	-	-	-	-	100
<b>Income (loss) before income taxes</b>	<b>4,379</b>	<b>-</b>	<b>(5)</b>	<b>(590)</b>	<b>(1)</b>	<b>3,783</b>
Total assets	47,922	-	549	21,022	(20,934)	48,559
Total liabilities	12,266	-	561	1,007	(122)	13,712
Capital expenditures	1,922	-	202	-	-	2,124

<b>Six months ended March 31, 2015</b>	Wolfram				Adjustments and eliminations	Consolidated
	Los Santos	Camp Mine	Valtreixal	Corporate		
Revenue	13,369	5,996	-	850	(1,219)	18,996
Production costs	3,804	10,908	-	-	-	14,712
Depreciation and amortisation	3,563	1,014	-	-	-	4,577
<b>Earnings from mining operations</b>	<b>6,002</b>	<b>(5,926)</b>	<b>-</b>	<b>850</b>	<b>(1,219)</b>	<b>(293)</b>
<b>Expenses</b>						
General and administrative	1,979	786	10	1,580	(1,243)	3,112
Foreign exchange (gain) loss	(79)	12	-	626	(5)	554
Interest expense	220	41	-	259	-	520
<b>Income (loss) before income taxes</b>	<b>3,882</b>	<b>(6,765)</b>	<b>(10)</b>	<b>(1,615)</b>	<b>29</b>	<b>(4,479)</b>
Capital expenditures	1,559	3,312	1,011	-	-	5,882

<b>Six months ended March 31, 2014</b>	Wolfram				Adjustments and eliminations	Consolidated
	Los Santos	Camp Mine	Valtreixal	Corporate		
Revenue	13,790	-	-	871	(871)	13,790
Production costs	4,951	-	-	-	-	4,951
Depreciation and amortisation	1,631	-	-	-	-	1,631
<b>Earnings from mining operations</b>	<b>7,208</b>	<b>-</b>	<b>-</b>	<b>871</b>	<b>(871)</b>	<b>7,208</b>
<b>Expenses</b>						
General and administrative	1,040	-	9	1,301	(882)	1,468
Foreign exchange (gain) loss	90	-	-	16	12	118
Interest expense	192	-	-	-	-	192
<b>Income (loss) before income taxes</b>	<b>5,886</b>	<b>-</b>	<b>(9)</b>	<b>(446)</b>	<b>(1)</b>	<b>5,430</b>
Capital expenditures	3,426	-	238	-	-	3,664

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Geographic Information - Revenue	Three months ended		Six months ended	
	March 31		March 31	
	2015	2014	2015	2014
<b>Country</b>				
Spain	6,282	8,327	13,000	13,790
Australia	3,989	-	5,996	-
Total	10,271	8,327	18,996	13,790

### 16. 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 income (loss) for the period.

The following table provides the allocation of financial instruments and their associated financial instrument classifications as at March 31, 2015:

Measurement basis	FVTPL*	Loans and receivables / Other financial liabilities	Total
	(Fair value)	(Amortized cost)	
<b>Financial assets</b>			
Cash and cash equivalents	10,059	-	10,059
Restricted cash	1,255	-	1,255
Trade Receivables	-	381	381
VAT / HST / GST receivable	-	1,664	1,664
Total	11,314	2,045	13,359
<b>Financial Liabilities</b>			
Bank indebtedness	-	1,168	1,168
Accounts payable and accrued liabilities	-	9,699	9,699
Deferred revenue	-	631	631
Long-term debt	-	30,267	30,267
Total	-	41,765	41,765

\*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

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- 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, 2015, cash and cash equivalents and restricted cash of \$11,314, 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 long-term debt.

The main purpose of these instruments is to provide cash flow funding for the operations of Almonty and its controlled subsidiaries, Daytal, VRS, TM and WCM. 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 to cash at banks, and long-term debt with a floating interest rates, 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 \$31,435 in short and long-term debt outstanding at varying levels of fixed and floating interest rates of between 1.77% - 6.40%. A portion of the floating rate debt totaled \$8,441 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 +/- \$7. A second portion of the floating rate debt totaled \$12,666 and is based on a fixed spread over the 3-month Libor rate. Any movement in the 3-month Libor 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 3-month Libor rate will cause the amount the Company is required to pay in monthly interest to fluctuate +/- \$11.

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 Australia. The current European financial crisis that is causing

## **Almonty Industries Inc.**

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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 affected by movements between the three currencies (CAD\$, USD\$ and €).

During the six month period ended March 31, 2015, the value of the € relative to the CAD\$ decreased from €1.00 = CAD\$1.4153 as at October 1, 2014 to €1.00 = CAD\$1.3623 as at March 31, 2015.

During the six month period ended March 31, 2015, the value of the US\$ relative to the CAD\$ increased from US\$1.00 = CAD\$1.1200 as at October 1, 2014 to US\$1.00 = CAD\$1.2683 as at March 31, 2015.

Almonty's wholly-owned indirect subsidiary, Wolfram Camp, operates in Australia in Australian dollars (AUD\$). 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 affected by movements between the three currencies (CAD\$, USD\$ and AUD\$).

During the six month period ended March 31, 2015, the value of the AUD\$ relative to the CAD\$ decreased from AUD\$1.00 = CAD\$0.9790 as at October 1, 2014 to AUD\$1.00 = CAD\$0.9669 as at March 31, 2015.

Currency movements during the six month period ended March 31, 2015 resulted in the Company recording a cumulative translation adjustment gain of \$82. 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 WO<sub>3</sub> 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 WO<sub>3</sub>.

### *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 agreements are subject to a supplier finance program and a factoring fee that varies with a fixed

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spread to the 6-month LIBOR rate. Almonty is exposed to fluctuations in the 6-month LIBOR rate up to a maximum of movement of 250 basis points. For every 100 basis point movement in the 6-month LIBOR rate would impact the Company's cash flow by +/- US\$1.00 for each US\$100.00 in revenue. 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 WO<sub>3</sub> concentrate to its customer under the agreement. If the 6-month LIBOR rate were to exceed the maximum amount or if Almonty were to no longer have access to the supplier financing program it would revert to normal trade terms with its customer.

### *Liquidity risk*

Almonty's objective is to use cash and cash equivalents, finance leases, inter-company participating loans, third party loans (see Note 10 Long-term Debt for debt maturities) and equity in order to maintain liquidity. Almonty's policy is to maximize liquidity in order to enable the continued development of the mines and operations of the plants and to enable the development of its projects. All financial liabilities with a contractual term of 12 months or less are classified as current.

## 17. 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. The Company 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%. Net debt for this purpose includes interest-bearing loans and borrowings and trade and other payables, less cash and cash equivalents and receivables from government tax authorities. Almonty is not exposed to any externally imposed capital requirements.

	<b>March 31 2015</b>
Accounts payable and accrued liabilities	9,699
Bank indebtedness	1,168
Long-term debt	30,267
Less: Cash and receivables	<u>(12,104)</u>
Net debt	<b>29,030</b>
Shareholders' equity	<u>42,876</u>
Equity and net debt	<b>71,906</b>
<b>Gearing ratio</b>	<b>40.4%</b>

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### 18. Commitments and Contingent Liabilities

The Company's 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 local property owners and municipalities. 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 approximately \$258, 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 pays minimal land taxes, and there are no other royalty payments associated with the license. The Company files applications in the ordinary course 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.

The Company has the following tenement commitments in relation to exploration tenements held by TM and WCM. The Department of Mines and Natural Resources (Queensland, Australia) aggregates expenditure commitments over the first three to five years of the term and allows for variations to commitments should these be required due to operational practicalities:

2014-15	313
2015-16	240
2016-17	98
2017-18	147
	<u>798</u>

### 19. Related Party Transactions

There were no related party transactions during the six month periods ended March 31, 2015 and 2014.

During the three month period ended March 31, 2015 the Company incurred costs for officers and directors, in accordance with the terms of their compensation arrangements, of \$114 (2014 - \$95), and for the six month period ended March 31, 2015 the Company incurred costs for management, in

## **Almonty Industries Inc.**

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accordance with the terms of their compensation arrangements, of \$214 (2014 - \$190). In addition, \$31 (2014 - nil) of share-based compensation expense for the six month period ended March 31, 2015 was attributable to officers and directors.

### 20. Restatement of Comparative Financial Statements

As a result of the adoption of IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine ("IFRIC 20"), and the correction of how the Company accounts for tailings inventory as a non-current asset in accordance with IAS 2, both of which were applied retroactively for the year ended September 30, 2014, the following shows the impact of the changes from the financial statements for the three and six months ended March 31, 2014, as originally presented.

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	Three months ended Mar-31 2014 as previously reported	Impact of change in accounting policy IFIRC 20	Impact of correction of accounting for tailings inventory	As restated
<b>Impact on the consolidated balance sheet</b>				
<b>Assets</b>				
Mine development	20,894	(5,849)		15,045
Tailings inventory	-	3,653	7,699	11,352
Deferred tax assets	1,273		2,036	3,309
<b>Shareholders' Equity</b>				
Accumulated other comprehensive income	2,188	202	694	3,084
Retained earnings (deficit)	1,541	(3,092)	9,735	8,184
<b>Impact on the consolidated statement of operations and comprehensive income</b>				
Production costs	2,468	628	(668)	2,428
General and administrative expenses	1,162		(207)	955
Depreciation and amortization	2,118	(698)	(413)	1,007
Net income (loss) for the period	2,426	69	1,288	3,783
Foreign currency translation adjustment	600	202	(491)	311
Earnings (loss) per share				
Basic income (loss) per share	\$0.07	\$0.00	\$0.03	\$0.10
Diluted income (loss) per share	\$0.07	\$0.00	\$0.03	\$0.10
<b>Impact on Statement of Cash Flows</b>				
<b>Cash flows related to operating activities</b>				
Net income (loss) for the period	2,426	69	1,288	3,783
Depreciation and amortization	2,118	(698)	(413)	1,007
Net change in non-cash working capital	(2,856)	(1,168)		(4,024)
Additions to property plant and equipment and mine development	(2,546)	422		(2,124)

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	Six months ended Mar-31 2014 as previously reported	Impact of change in accounting policy IFIRC 20	Impact of correction of accounting for tailings inventory	As restated
<b>Impact on the consolidated statement of operations and comprehensive income</b>				
Production costs	4,964	1,424	(1,437)	4,951
General and administrative expenses	1,864	-	(396)	1,468
Depreciation and amortization	3,184	(850)	(703)	1,631
Net income (loss) for the period	3,468	(889)	2,851	5,430
Foreign currency translation adjustment	2,074	375	(247)	2,202
Earnings (loss) per share				
Basic income (loss) per share	\$0.10	(\$0.02)	\$0.08	\$0.15
Diluted income (loss) per share	\$0.10	(\$0.02)	\$0.08	\$0.15
<b>Impact on Statement of Cash Flows</b>				
<b>Cash flows related to operating activities</b>				
Net income (loss) for the period	3,468	(889)	2,851	5,430
Depreciation and amortization	3,184	(850)	(703)	1,631
Net change in non-cash working capital	(2,406)	(2,652)	-	(5,058)
Additions to property plant and equipment and mine development	(5,294)	1,630	-	(3,664)

### 21. Subsequent Events

In connection with a proposed merger transaction, the Company provided a party with a C\$150 unsecured bridge loan (which amount is included in Other Assets), that matured on April 30, 2015 and bears an interest rate of 12% per annum payable at maturity. The loan has not been repaid.

In connection with the acquisition of Wolfram Camp Mine (See Note 4) the Company has accrued \$268 in stamp duty payable to the Queensland State government. On May 22, 2015 the Company received an initial assessment of Stamp duty and interest payable of \$498. The Company intends to file an appeal of the assessed amount. There can be no certainty with respect to the success of the appeal and the Company may be liable for the additional \$230 stamp duty that has been assessed.

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The Company entered into Amendment No. 2 of the Los Santos Supply Agreement and Amendment No 1 of the Wolfram Camp Supply Agreement on April 20, 2015 where by the pricing mechanism was adjusted to reflect the inclusion of a secondary source for pricing of APT as well an adjustment to the timing of the monthly average APT price used in the determining the selling price of concentrate. The revised pricing mechanism does not go into effect until the quoted price for APT shows an increase in the monthly average price when compared to the prior month. In exchange for agreeing to the Amendments, Almonty received prepayment for 4 containers of concentrate totalling \$1,355. The Company is obligated to deliver these containers prior to the end of February 2016.

### 22. Comparative Amounts

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