Interim Condensed Consolidated Financial Statements

For the Three and Six Months Ended March 31, 2018 and 2017
(UNAUDITED)
Presented in Canadian dollars

Management's Responsibility for Financial Reporting

The accompanying interim condensed 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 interim condensed 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. The significant accounting policies of the Company are summarized in Note 3 to the interim condensed consolidated financial statements.

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 interim condensed 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 interim condensed consolidated financial statements and (ii) the interim condensed 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 then ended presented by the interim condensed consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the interim condensed 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 interim condensed 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 interim condensed 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 Interim Condensed Consolidated Financial Statements as at and for the three and six-month periods ended March 31, 2018 and 2017 have not been reviewed by the Company's auditor.

Almonty Industries Inc.

Interim Condensed Consolidated Balance Sheets

As at March 31, 2018 and September 30, 2017
(Unaudited)
(in 000's of Canadian dollars unless otherwise noted)

	March 31 2018	September 30 2017
Assets		
Current Assets		
Cash and cash equivalents (Note 4)	5,840	4,473
Trade receivables	2,547	1,420
VAT/HST/GST receivable	1,517	1,372
Inventories (Note 5)	8,559	7,274
Other current assets	1,305	1,284
Total Current Assets	**19,768**	**15,823**
Mining assets (Note 6)	117,974	115,721
Tailings inventory (Note 5)	31,630	23,492
Deferred tax assets (Note 12)	3,803	2,864
Restricted cash (Notes 4 and 10)	1,316	1,300
Other assets	1,077	951
	155,800	**144,328**
Total Assets	**175,568**	**160,151**
Liabilities		
Current Liabilities		
Bank indebtedness (Note 4)	-	9,447
Accounts payable and accrued liabilities (Note 8)	25,674	22,479
Deferred revenue	2,373	3,951
Current portion of long-term debt (Notes 9 and 18)	9,482	11,497
Total Current Liabilities	**37,529**	**47,374**
Long-term debt (Notes 9 and 18)	46,029	33,162
Restoration provision and other liabilities (Note 10)	35,285	32,790
Deferred tax liabilities (Note 12)	1,201	1,200
	82,515	**67,152**
Total Liabilities	**120,044**	**114,526**
Shareholders' Equity		
Share capital (Note 11)	91,789	86,350
Equity portion of convertible debentures (Note 9(d))	819	167
Contributed surplus	3,680	4,203
Accumulated other comprehensive income	5,492	2,769
Deficit	(46,256)	(47,864)
Total Shareholders' Equity	**55,524**	**45,625**
Total Liabilities and Shareholders' Equity	**175,568**	**160,151**

See accompanying notes

Nature of operations and going concern (Note 1)

Commitments and contingent liabilities (Note 17)

Subsequent events (Note 19)

Almonty Industries Inc.

Interim Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)

For the Three and Six Months Ended March 31, 2018 and 2017

(Unaudited)

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

	Three months ended March 31		Six months ended March 31	
	2018	**2017**	**2018**	**2017**
Revenue	17,302	10,175	28,069	17,235
Mine operating costs				
Production costs	9,698	9,224	17,512	16,718
Depreciation and amortization	2,073	1,553	4,345	2,494
Income (loss) from mining operations	**5,531**	**(602)**	**6,212**	**(1,977)**
Expenses				
General and administrative (Note 18)	1,786	2,529	3,768	4,228
	3,745	**(3,131)**	**2,444**	**(6,205)**
Interest expense	615	621	1,232	1,277
Foreign exchange loss (gains)	82	(253)	315	570
Income (loss) before income taxes	**3,048**	**(3,499)**	**897**	**(8,052)**
Income tax expense (Note 12)				
Current	-	-	-	-
Deferred	(711)	-	(711)	-
	(711)	**-**	**(711)**	**-**
Net income (loss) for the period	**3,759**	**(3,499)**	**1,608**	**(8,052)**
Other Comprehensive income (loss)				
Net income (loss) for the period	3,759	(3,499)	1,608	(8,052)
Items that will not be reclassified to profit/loss				
Actuarial gain (loss) on employee benefit obligation	-	-	-	(5)
Items that may be reclassified subsequently to profit/loss				
Foreign currency translation adjustment	2,512	144	2,723	(1,708)
Comprehensive income (loss) for the period	**6,271**	**(3,355)**	**4,331**	**(9,765)**
Income (loss) per share				
Basic and fully diluted income (loss) per share	**$0.02**	**($0.03)**	**$0.01**	**($0.07)**
Weighted average common shares outstanding	178,265,109	110,896,109	176,443,665	110,896,109

See accompanying notes

Almonty Industries Inc.

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

For the Six Months Ended March 31, 2018 and 2017

(Unaudited)

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

	Share Capital	Equity Portion of Convertible Debentures	Contributed Surplus	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balance at September 30, 2016	**67,351**	**550**	**3,390**	**(39,622)**	**3,900**	**35,569**
Net loss and other comprehensive loss for the period	-	-	-	(8,052)	(1,713)	(9,765)
Balance at March 31, 2017	**67,351**	**550**	**3,390**	**(47,674)**	**2,187**	**25,804**
Balance at September 30, 2017	**86,350**	**167**	**4,203**	**(47,864)**	**2,769**	**45,625**
Issuance of common shares for cash (Note 11)	3,265	-	-	-	-	3,265
Repurchase of common shares	(169)	-	-	-	-	(169)
Issuance of convertible debenture		652				652
Shares issued on exercise of warrants	2,343		(523)			1,820
Net income and other comprehensive income for the period	-	-	-	1,608	2,723	4,331
Balance at March 31, 2018	**91,789**	**819**	**3,680**	**(46,256)**	**5,492**	**55,524**

See accompanying notes

Almonty Industries Inc.

Interim Condensed Consolidated Statements of Cash Flows

For the Three and Six Months Ended March 31, 2018 and 2017

(Unaudited)

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

	Three months ended March 31		Six months ended March 31	
	2018	**2017**	**2018**	**2017**
Operating activities				
Net income (loss) for the period	3,759	(3,499)	1,608	(8,052)
Add (deduct) non-cash items:				
Depreciation and amortization	2,073	1,553	4,345	2,494
Interest expense	615	621	1,232	1,277
Income tax expense	(711)	-	(711)	-
Inventory impairment charges (reversals) (Note 5)	-	-	(1,695)	-
Loss on disposal of assets	-	15	6	15
Unrealized foreign exchange gains	118	(190)	367	617
Other non-cash charges	(5)	(9)	(9)	(19)
	5,849	(1,509)	5,143	(3,668)
Interest paid	(236)	(232)	(577)	(492)
Net change in non-cash working capital	(1,834)	2,309	(1,880)	5,111
Change in tailings inventory	(1,009)	(1,004)	(2,008)	(2,086)
Cash flow provided by (used in) operating activities	**2,770**	**(436)**	**678**	**(1,135)**
Investing activities				
Additions to mining assets	(1,998)	(3,031)	(3,368)	(7,773)
Proceeds on disposition of assets	-	-	17	-
Restricted cash and other	(79)	(230)	(83)	(230)
Cash flow used in investing activities	**(2,077)**	**(3,261)**	**(3,434)**	**(8,003)**
Financing activities				
Repurchase of common stock	(131)	-	(169)	-
Issuance of common shares	-	-	3,265	-
Exercise of warrants	1,820	-	1,820	-
Increase (decrease) in bank indebtedness	-	2,323	(9,592)	3,599
Issuance of long-term debt	5,963	1,528	15,486	12,217
Repayment of long-term debt	(6,397)	(1,355)	(6,844)	(9,494)
Cash flow provided by financing activities	**1,255**	**2,496**	**3,966**	**6,322**
Effect of foreign exchange on cash	**122**	**4**	**157**	**(133)**
Net increase (decrease) in cash and cash equivalents during the period	**2,070**	**(1,197)**	**1,367**	**(2,949)**
Cash and cash equivalents at beginning of period	3,770	2,463	4,473	4,215
Cash and cash equivalents at end of period	**5,840**	**1,266**	**5,840**	**1,266**

See accompanying notes

1. Nature of operations and going concern

Almonty Industries Inc. ("Almonty" or "the Company") is incorporated in Canada. The Company's shares are listed on the TSX Venture Exchange ("TSX-V") 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 tungsten mine located near Salamanca, Spain (the "Los Santos Mine") and the Panasquiera tin and tungsten mine in Covilha, Castelo Branco, Portugal (the "Panasquiera Mine"), the refurbishment of the Wolfram Camp tungsten and molybdenum mine located near the town of Dimbulah, Queensland, Australia (the "Wolfram Camp Mine"), as well as the exploration and evaluation of the Sangdong tungsten project located in Gangwon Province, Republic of Korea, (the "Sangdong Project") and the Valtreixal tin and tungsten project, located in the province of Zamora in Western Spain (the "Valtreixal Project").

Although the Company has taken steps to verify the title to the properties on which it is conducting its exploration, development and mining activities, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unrestricted prior agreements, unregistered claims, aboriginal land claims and non-compliance with regulatory and environmental requirements. The Company's mining and exploration activities are subject to laws and regulations relating to the environment, which are continually changing, and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to remain in compliance.

These interim condensed consolidated financial statements have been prepared on a going concern basis which assumes that the Company will continue operating for the foreseeable future and will be able to realize a return on its assets and discharge its liabilities and commitments in the ordinary course of its business.

The Company generated income for the six months ended March 31, 2018 of $1,608 (Year ended September 30, 2017 – loss of $8,242). The Company has funded its working capital shortfalls using debt and equity financings. As at March 31, 2018, the Company had a working capital deficiency of $17,761 (September 30, 2017 - $31,551). In the last half of fiscal 2017 and continuing in 2018, tungsten prices have increased resulting in improved cash flows from its operations during this time period. The Company has secured fixed price contracts for at least 50% of its anticipated production at a price of US$280/MTU, the equivalent price of US$358/MTU of APT through to December 31, 2018 while an offtake agreement remains in place for the remainder of the Company's production at market prices which provides more stable cash inflows and reduces the Company's exposure to possible future price reductions. Furthermore, the Company has been able to raise additional capital, settle certain trade payables, settle long-term debt obligations through the issue of shares, debt restructuring and extending the repayment terms on indebtedness. The Company's ability to continue as a going concern depends upon the continued recovery of tungsten prices, the Company's ability to improve the profitability of its existing mining operations, raising the cash required to develop its exploration properties to commercialization and meeting its current working capital and long-term debt repayment requirements. The Company's current forecast indicates that it will have sufficient cash flows from operations for at least the next year to continue as a going concern and settle obligations, including long term debt, as they come due. Management expects to require financing to complete the exploration and development of the Sangdong Project and plans to secure the necessary financing through new equity and debt arrangements.

These interim condensed consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business at amounts different than those in the accompanying interim condensed consolidated financial statements. Such adjustments could be material.

2. Basis of Preparation

a) Statement of compliance

These interim condensed 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").

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". These 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, 2017.

These interim condensed consolidated financial statements have been prepared on a historical cost basis, except for fair-value through-profit-or-loss financial assets and liabilities, available-for-sale financial assets and derivative financial instruments, which are measured at fair value.

These financial statements were authorized for issuance by the Board of Directors on May 22, 2018.

b) Basis of preparation and principles of consolidation

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. The Company controls an investee if the Company has:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including but not limited to:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Company's potential voting rights.

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Assets, liabilities, income and expenses of a subsidiary are included in the interim condensed consolidated balance sheet and statement of operations and comprehensive income (loss) from the date that the Company gains control until the date that the Company ceases to control the subsidiary.

The interim condensed consolidated financial statements include the accounts of the Company and its 100%-owned subsidiaries, Daytal Resources Spain S.L. ("Daytal"), Beralt Ventures Inc. ("BVI"), Beralt Tin and Wolfram (Portugal) SA ("BTW"), 7887523 Canada Inc. ("Almonty Sub"), Tropical Metals Pty Ltd. ("TM"), Wolfram Camp Mining Pty Ltd. ("WCM"), Valtreixal Resources Spain ("VRS"), Woulfe Mining Corp., ("Woulfe") and its four wholly-owned subsidiaries ("Woulfe Subs"). The Valtreixal Project is owned by VRS, which increased its interest in the Valtreixal Project in 2016 from 51% to 100% by paying €1,500 on the exercise of an option.

All intercompany balances, transactions, unrealized gains and losses resulting from intercompany transactions and dividends have been eliminated on consolidation.

c) Economic dependence

Almonty's wholly owned subsidiaries, Daytal, WCM and BTW participate in the global tungsten business. Currently, approximately 40% of the output of Almonty's operations is sold to one customer, which customer is a shareholder of the Company. There is no guarantee that Almonty would be able to find an alternative customer or customers on market terms to replace this revenue.

d) Foreign currency translation

The interim condensed consolidated financial statements are presented in Canadian dollars. The functional currency of Almonty and its subsidiaries is the Canadian dollar except for Daytal, BVI, BTW and VRS whose functional currency is the Euro ("€") and TM and WCM, whose functional currency is the Australian Dollar.

Transactions denominated in a currency other than the functional currency of Almonty or its respective subsidiaries, including revenues earned by Daytal, BTW and WCM which are denominated in US$, are translated into their respective functional currencies using the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate 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 historical exchange rate. Exchange gains and losses are recognized in profit or loss in the period in which they arise.

For the purpose of presenting the interim condensed consolidated financial statements, the assets and liabilities of the foreign operations are translated into 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 gains and losses arising from translation are recognized as a separate component of equity and as a foreign currency translation adjustment in other comprehensive income (loss).

e) Critical 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. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis.

Critical judgments

(i) Going concern
The preparation of these interim condensed consolidated financial statements requires management to make judgments regarding its ability to continue as a going concern as discussed in Note 1.

(ii) Functional currency
The functional currency of the Company and each of its subsidiaries is the currency of the primary economic environment in which the entities operate. Assessment of functional currency involves certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

(iii) Tailings inventory
The valuation of tailings inventory at the Company's Los Santos Mine requires management to make judgements regarding the cost to reprocess the tailings inventory and the recoverability of the tungsten contained in the tailings inventory.

Key sources of estimation uncertainty

(i) Ore reserves and mineral resources estimates
Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Company's mining properties. Almonty estimates its ore reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in the ore reserve or mineral resource estimates may impact upon the carrying value of exploration and evaluation assets, mineral property, plant and equipment, provision for rehabilitation, recognition of deferred tax assets, and depreciation and amortization charges.

(ii) Mine rehabilitation and restoration provision

Almonty assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in discount rates. These uncertainties may result in future actual expenditures differing from the amounts currently provided.

The provision at the reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the interim condensed consolidated balance sheet by either increasing or decreasing the rehabilitation asset and liability. Significant assumptions related to mine rehabilitation and restoration provision are disclosed in Note 10.

(iii) Impairment of mineral property, plant and equipment and exploration and evaluation assets

The Company evaluates each asset or cash generating unit every year to determine whether there are any indications of impairment or impairment reversals. If any such indication exists, which is often judgmental, a formal estimate of the recoverable amount is performed and an impairment loss or recovery is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs to sell and value in use. The evaluation of asset carrying values for indications of impairment includes consideration of both external and internal sources of information, including such factors as market and economic conditions, production budgets and forecasts, and life-of-mine estimates.

When required, the determination of fair value and value in use requires management to make estimates and assumptions about expected production, sales volumes, commodity prices, mineral resources, operating costs, and future capital expenditures. The estimates and assumptions are subject to risk and uncertainty; hence, there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be further impaired or the impairment charge reduced with the impact recorded in profit or loss. Significant assumptions used in the Company's impairment analysis are disclosed in Note 8.

(iv) Inventory

The net recoverable value of ore stock piles, WO_3 in concentrate and tailings inventory is based on the quantity of recoverable metal in inventory which is an estimate based on the tons of ore or WO_3 in concentrate, contained WO_3 based on assay data, and the estimated recovery percentage based on the expected processing method. Changes in these estimates could affect the net realizable value of inventory and could result in an impairment of inventory. The net realizable value of long-term tailings inventory also requires estimates related to future sales prices.

(v) Deferred stripping

The calculation of the life-of-mine stripping ratio requires the use of judgments and estimates such as estimates of tonnes of waste to be removed over the life of the mining area and economically recoverable reserves to be extracted as a result. Changes in a mine’s life and design may result in changes to the expected stripping ratio (waste to mineral reserves ratio) and amounts that are capitalized or included in production costs. Should the estimate of the stripping ratio change over time as a result of a change/optimization in the design of the open pits, then Almonty will revisit the deferral and amortization rates related to its deferred stripping expenditures. Such changes are accounted for prospectively.

(vi) Valuation of financial instruments and share-based payments

The valuation of compound financial instruments requires the Company to estimate the fair value of the liability component which involves discounting cash flows using a discount rate for instruments without a conversion feature. Change in the assumed discount rate affects the initial value of the liability component and subsequent interest expense using the effective interest rate method.

The determination of the fair value of warrants issued in connection with units (which consist of a common share and a share warrant) and the cost of share-based payments related to stock options is based on an option pricing model which uses assumptions with respect to share price, expected life, share price volatility and discount rates. Changes in these assumptions and estimates can impact the allocation of the proceeds received on issuance of units between common shares and contributed surplus or the share-based compensation recognized in profit or loss.

Assumptions related to financial instruments and share-based payments are included in Notes 9 and 11.

(vii) Business Combinations

Accounting for business combinations requires estimates with respect to the fair value of the assets and liabilities acquired. Such estimates require valuation methods including discounted cash flows, depreciated replacement costs and other methods. These models use forecasted cash flows, discount rates, current replacement costs and other assumptions. Changes in assumptions changes the value assigned to the acquired assets and liabilities and goodwill, if any.

(viii) Income taxes

The determination of the Company’s tax expense for the period and deferred tax assets and liabilities involves significant estimation and judgment by management. In determining these amounts, management interprets tax legislation in a variety of jurisdictions and makes estimates of the expected timing of the reversal of deferred tax assets and liabilities. Management also makes estimates of future earnings, which affect the extent to which potential future tax benefits may be used.

f) New accounting standards and interpretations not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International Accounting Standards Board ("IASB") or IFRS Interpretation Committee ("IFRIC") and are effective for annual periods beginning after September 30, 2017. The standards that may have a significant impact on the Interim Condensed Consolidated financial statements are the following:

Disclosure Initiatives (Amendments to IAS 7)

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments were effective for the Company on October 1, 2017.

To satisfy the new disclosure requirements, the Company intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

IFRS 9 - Financial Instruments

IFRS 9, Financial Instruments was issued in final form by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

Most requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. IFRS 9 also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship.

IFRS 9 is effective for the Company on October 1, 2018. The Company does not expect to adopt IFRS 9 prior to its mandatory effective date. The Company is currently evaluating the impact that IFRS 9 will have on its consolidated financial statements.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers was issued by the IASB in May 2014. IFRS 15 supersedes the IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue - Barter Transactions Involving Advertising Services. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

The new standard is effective for the Company on October 1, 2018. The Company does not expect to adopt IFRS prior to its mandatory effective date. The Company is currently evaluating the impact that IFRS 15 will have on its consolidated financial statements.

IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16 – Leases (“IFRS 16”), which replaces IAS 17 – Leases (“IAS 17”) and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12-months or less or the underlying asset has a low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting in IAS 17 with the distinction between operating leases and finance leases being retained while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease.

The new standard is effective for the Company on October 1, 2019. The Company does not expect to adopt IFRS prior to its mandatory effective date. The impact that adoption of IFRS 16 will have on its consolidated financial statements has not yet been determined.

(g) Comparative Amounts

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

3. Significant Accounting Policies

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on 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 represents the estimated future sales price of the product based on prevailing metal prices at the reporting date, less estimated costs to complete production and bring the product to sale.

The cost of stores and fuel inventory is determined on a weighted average acquisition cost basis.

Cost of ore stockpiles is determined on a weighted average cost basis and includes the costs of mining the ore including the cost of stores and fuel inventory used in the mining process, direct labor, depreciation and amortization and an appropriate portion of variable and fixed overheads. Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the amount of contained WO_3 (tungsten tri-oxide) based on assay data, and the estimated recovery percentage based on the expected processing method. Stockpile tonnages are verified by periodic surveys.

WO_3 in concentrate ("WO_3 concentrate") and WO_3 in circuit are physically measured or estimated. Cost of WO_3 concentrate and WO_3 in circuit is determined on a weighted average production cost basis and comprises cost of stock-piled ore processed, processing costs including the cost of stores and fuel inventory used, direct labor, and an appropriate portion of fixed and variable overhead costs, including depreciation and amortization, incurred in converting ore into finished concentrate.

Tailings inventory represents stockpiles of low grade tailings that has been mined and processed and is available for reprocessing. As tailings inventory will not be reprocessed within one year of the date of these financial statements, the net carrying amount related to the tailings inventory has been classified as a non-current asset in the Interim Condensed Consolidated balance sheets. The allocation of costs to WO_3 in concentrate inventory and tailings inventory is determined based on the relative amounts of recoverable WO_3 contained in the concentrate and tailings produced.

Mining assets

(a) Mineral property, plant and equipment:

Mineral property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses.

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. When parts of mineral property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of mineral property, plant and equipment.

The cost of replacing plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the item will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced item is derecognized. The costs of the day-to-day servicing of plant and equipment are expensed.

Accumulated mine development costs and Property Plant and Equipment that is directly related to the production of tungsten concentrate and that has a useful life that is equal to or in excess of the estimated life-of-mine, are depreciated on a unit-of-production basis over the economically recoverable resources of the mine ("ROM"). 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_3. Rights and concessions are depleted on the unit-of-production basis over the total resources. 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.

(b) Exploration and evaluation assets

Exploration and evaluation costs relate to the initial search for a mineral deposit, the cost of acquisition of a mineral property interest or exploration rights and the subsequent evaluation to determine the economic potential of the mineral deposit. The exploration and evaluation stage commences when the Company obtains the legal right or license to begin exploration and subsequently exploration and evaluation expenses are capitalized as exploration and evaluation assets. Costs incurred prior to the Company obtaining the legal rights are expensed.

When the exploration and evaluation of a mineral property indicates that development of the mineral property is technically and commercially feasible, the future economic benefits are probable, and the Company has the intention and sufficient resources to complete the development and use or sell the asset, the related costs are first assessed for impairment and then transferred from exploration and evaluation assets to mineral property, plant and equipment.

Management reviews the carrying value of capitalized exploration costs for indicators that the carrying value is impaired at least annually. The review is based on the Company's intentions for further exploration and development of the undeveloped property, results of drilling, commodity prices and other economic and geological factors. Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a property does not prove viable, all non-recoverable costs associated with the project, net of any previous impairment provisions, are written off.

(c) Deferred stripping expenditures

Pre-production costs of removing overburden to access ore in open pit mines and developing access headings in underground mines are capitalized as pre-production stripping or development costs respectively and are included within mineral property, plant and equipment.

Advanced stripping costs incurred during the production stage of operations are deferred as part of mining assets and amortized on a unit-of-production basis over the life of the related ore body components. Stripping costs are capitalized only if (1) it is probable that the future economic benefit associated with the activity will flow to the Company; (2) the Company can estimate the mineral reserve of the ore body for which access has been improved; and (3) the costs relating to the activity associated with that mineral reserve can be measured reliably. Stripping costs are capitalized if the strip ratio in the reporting period exceeds the average life of mine strip ratio based on the ratio of the actual strip ratio for the period relative to the average life of mine strip ratio.

Mine rehabilitation and restoration provisions

The Company records the present value of estimated costs of legal and constructive obligations related to mine rehabilitation and restoration in the period in which the obligation occurs. Mine rehabilitation and restoration activities include facility decommissioning and dismantling; removal and treatment of waste materials; site and land rehabilitation, including compliance with and monitoring of environmental regulations; and related costs required to perform this work and/or operate equipment designed to reduce or eliminate environmental effects. The provision is adjusted each period for new disturbances, and changes in regulatory requirements, the estimated amount of future cash flows required to discharge the obligation, the timing of such cash flows and the pre-tax discount rate specific to the liability. The unwinding of the discount is recognized in profit or loss as interest expense.

When the provision is initially recognized, the corresponding cost is capitalized by increasing the carrying amount of the related asset, and is amortized to profit or loss on a unit-of-production basis. Changes to estimated future costs are recognized in the Interim Condensed Consolidated balance sheet by either increasing or decreasing the rehabilitation asset and liability. Any reduction in the rehabilitation liability and therefore any deduction from the rehabilitation asset may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to income.

Other provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources 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 balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current discount rate that reflects the time value of money and the risks specific to the liability.

Leases

Leases of plant and equipment under which Almonty assumes substantially all the risks and benefits identical to ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under finance leases are apportioned between interest expense and the reduction of the outstanding liability. The interest expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Other leases are classified as operating leases. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the lease term.

Financial instruments

(a) 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 in profit or loss. 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 which recognized in profit or loss.

Transaction 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.

(b) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. Transaction costs directly attributable to financial liabilities classified as other financial liabilities are recognized as a reduction of the carrying value of the liability. Transaction costs related to liabilities classified as FVTPL are expensed. 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. Changes in fair value of financial liabilities classified as FVTPL are recognized in profit or loss.

(c) Classification

The Company has classified financial assets and liabilities as follows:

Asset/Liability	Category	Measurement
Cash	Loans and receivables	Amortized cost
Trade receivables	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Other assets	Loans and receivables	Amortized cost
Bank indebtedness	Other financial liabilities	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Long-term debt	Other financial liabilities	Amortized cost

(d) Compound Financial Instruments

The Company evaluates the terms of its financial instruments to determine whether they are compound financial instruments containing multiple liability or equity components. Such components are classified separately by their nature as either financial liabilities or equity instruments. The initial carrying amounts of the financial liability components of a compound financial instrument are recognized at the fair value of a similar financial liability that does not have an equity component and the residual value is allocated to equity components. Transaction costs related to compound financial instruments are allocated between liability and equity components in proportion to their initial carrying amounts. Liability components are subsequently measured at amortized cost using the effective interest method. Equity components are not re-measured subsequent to initial recognition. On conversion or expiry, the equity component is transferred to share capital or contributed surplus as applicable.

(e) Derivative financial instruments

From time to time, the Company holds derivative financial instruments to mitigate risks related to changes in commodity prices or to change the interest rates of its loans and borrowings. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

Derivatives are initially recognized at their fair value and the attributable transaction costs are recognized in profit or loss when incurred. After initial recognition, derivatives are measured at fair value and their changes are recorded in profit or loss.

Trade receivables related to contracts that are provisionally priced include embedded derivatives which are measured at fair value with changes recognized in profit or loss.

Impairment of assets

(a) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in accumulated other comprehensive income in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss recognized previously in profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

(b) Non-Financial assets

At each reporting date, 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). For purposes of impairment testing, assets are grouped at the lowest levels that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

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 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 profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment charge is reversed through profit or loss only to the extent that the asset or cash generating unit's carrying amount does not exceed the carrying amount that would have been determined, net of any applicable depreciation, if no impairment loss had been recognized.

Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding sales taxes or duty. Revenue from the sale of WO_3 concentrate 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 WO_3 concentrate may allow for an adjustment to the consideration based on final assay results of the WO_3 concentrate by the customer to determine the final content and, where applicable, a market price adjustment. Revenue for these WO3 concentrate sales is recorded at the time of shipment by truck from the mine site via a third party logistics company based on the most recently determined estimate of WO3 in concentrate (based on initial assay results carried out by Almonty) and the estimated price (as defined, based on published prices) expected to be received when the final sales price is fixed, with a subsequent adjustment made to revenue upon final determination of WO_3 in concentrate. This provisional pricing mechanism represents an embedded derivative which is recorded at fair value each reporting period until the date of final pricing, with change in fair value recorded as an adjustment to revenue.

Income taxes

Current income tax assets and liabilities 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 its subsidiaries operate and generates taxable income. Current income tax is recognized in profit or loss except for income taxes relating to items recognized directly in other comprehensive income or equity, in which case the related current tax is also recognized in other comprehensive income or equity. 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 is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the tax laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity. Deferred income tax is not recognized for the initial recognition of assets or liabilities in a transaction that is not a business combination and that effects neither accounting nor taxable income or loss, differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future and taxable differences arising from the initial recognition of goodwill.

A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Earnings (loss) per share

Earnings (loss) per share is based on the weighted average number of common shares outstanding for the period.

Diluted loss per common share is calculated by adjusting the weighted average number of common shares outstanding for the effect of conversion of all potentially dilutive share equivalents, such as stock options and warrants, and assumes that the receipt of proceeds upon exercise of the options are used to repurchase common shares at the average market price during the period. The net effect of the shares issued less the shares assumed to be repurchased is added to the basic weighted average shares outstanding. For convertible instruments, the common shares to be included in the diluted per share calculation assumes that the instrument is converted at the beginning of the period (or the issue date if later). The profit or loss attributable to common shareholders is adjusted to eliminate related interest costs recognized in profit or loss for the period.

In a period when the Company reports a loss, the effect of potential issuances of shares under options and warrants outstanding would be anti-dilutive and, therefore basic and diluted loss and comprehensive per share are the same.

Employee Benefits

Short-term employee benefit obligations are recognized as personnel expenses as the corresponding service is provided. Liabilities are recognized at the amount that is expected to be paid if Company has a present legal or constructive obligation to pay that amount based on past services rendered by the employee, and the obligation can be estimated reliably.

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 payments.

Share-based payments to non-employees are recognized based on the fair value of the services received. If the fair value of the goods or services received cannot be reliably estimated, share-based payments are measured based on the fair value of the equity instruments. Share-based payments to employees are recognized based on the fair value of the equity instruments issued.

The costs of share-based payments are measured by reference to the fair value of the equity instrument at the date on which they are granted and are recognized, together with a corresponding increase in contributed surplus, over the period in which the performance and/or service conditions are fulfilled which typically is the date on which the relevant employees become fully entitled to the award (vesting period). The cumulative expense recognized reflects the Company's best estimate of the number of equity instruments that will ultimately vest. 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.

Acquisitions, business combinations and goodwill

At the time of acquisition, the Company determines whether what is acquired meets the definition of a business, in which case, the transaction is considered a business combination, and otherwise it is recorded as an asset acquisition.

For an asset acquisition, the fair value of the consideration paid is allocated to the net identifiable assets and liabilities acquired based on their relative fair values at the acquisition date. Acquisition related costs are included in the consideration paid and capitalized. No goodwill is recorded and no deferred tax asset or liability arising from the assets acquired or liabilities assumed are recognized upon the acquisition of the assets.

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 acquired. The Company measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets which is determined on a transaction by transaction basis. Acquisition costs incurred are expensed and included in general and administrative expenses.

Any contingent consideration is recognized at fair value at the acquisition date. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and changes in the fair value of the contingent consideration are recognized in profit or loss.

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

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 profit or loss.

4. Cash and Cash Equivalents, Restricted Cash, and Bank Indebtedness

The Company deposits surplus cash 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 has consisted of a number of lines of credit in a subsidiary company. During fiscal 2018, the subsidiary has re-organized its debt facilities, and all of the lines of credit were converted into term loans (Note 9). While in place, the facilities were denominated in Euros and were unsecured. The weighted average interest rate of the facilities as of September 30, 2017 was 2.32%.

As at March 31, 2018, the Company had $1,316 (September 30, 2017 - $1,300) 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.

5. Inventories

	March 31 2018	**September 30 2017**
Stores and fuel	5,079	4,438
Ore and in-process ore	33,958	25,971
Finished goods - WO3 concentrate	1,152	357
Total inventories	40,189	30,766
Less: non-current tailings inventory	31,630	23,492
	8,559	7,274

During the period ended March 31, 2018, the Company recognized the reversal of previous impairment charges of $1,695 with respect to the non-current tailings inventory of the Los Santos Mine.

Changes in inventories and impairment charges and reversal of impairment charges are recognized as an expense or reduction in mine operating costs.

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

6. Mining assets

	Plant and Equipment	Mineral Property Acquisition and Development Costs	Exploration and Evaluation Projects	Total
Cost				
Balance at September 30, 2016	61,986	49,647	49,909	161,542
Additions	2,278	4,990	3,677	10,945
Change in restoration provisions	-	(12,763)	-	(12,763)
Asset disposals	(1,035)	-	-	(1,035)
Translation adjustment	(244)	(225)	60	(409)
Balance at September 30, 2017	62,985	41,649	53,646	158,280
Additions	**1,584**	**313**	**1,471**	**3,368**
Asset disposals	**(1,588)**	**-**	**-**	**(1,588)**
Translation adjustment	**4,224**	**2,824**	**559**	**7,607**
Balance at March 31, 2018	**67,205**	**44,786**	**55,676**	**167,667**
Accumulated Amortization				
Balance at September 30, 2016	9,303	26,311	-	35,614
Amortization	3,749	3,746	-	7,495
Changes in restoration provisions	-	(172)	-	(172)
Asset disposals	(438)	-	-	(438)
Translation adjustment	34	26	-	60
Balance at September 30, 2017	12,648	29,911	-	42,559
Amortization	**2,517**	**2,566**	**-**	**5,083**
Asset disposals	**(1,338)**	**-**	**-**	**(1,338)**
Translation adjustment	**1,047**	**2,342**	**-**	**3,389**
Balance at March 31, 2018	**14,874**	**34,819**	**-**	**49,693**
Carrying Value				
Balance at September 30, 2017	50,337	11,738	53,646	115,721
Balance at March 31, 2018	**52,331**	**9,967**	**55,676**	**117,974**

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

7. Impairment of Mining Assets

In accordance with the Company's accounting policy, operating mines are tested for impairment when events or changes in circumstances suggest that their carrying amount may not be recoverable. The Company generally uses a discounted cash flow model to determine the value in use ("VIU") for its operating mines where there are indicators of impairment. The assessment is done at the CGU level, which is the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets. A CGU is generally an individual operating mine and its related long-term assets. An impairment loss is recognized when the carrying amount of the CGU exceeds the recoverable amount.

During fiscal 2017 the Company considered the significant turn-around in the tungsten price, the fixed price contracts entered into at the Panasqueira mine at a significant premium to the underlying spot market price, the continued improvement in operating costs at Panasqueira and the state of the refurbishment process at the Company's Wolfram Camp Mine prior to concluding that no indicators of impairment were present at the Panasqueira mine or the Wolfram Camp Mine. The Company concluded that there were indicators of impairment at its Los Santos Mine due to the short mine life, leading it to perform an impairment assessment for the Los Santos Mine.

The VIU for each CGU was determined for each mine based on the NPV of future cash flows expected to be generated using the most recent life of mine plans. Future tungsten prices are estimated based on observable market or publicly available data to estimate future revenues and operating costs are estimated based on current costs adjusted for anticipated changes. The future cash flows for each CGU were discounted using comparable discount rates for similar companies with the same market risk factors.

The key assumptions used in these impairment tests as of September 30, 2017 and 2016 are summarized as follows:

	Assumptions	
	2017	**2016**
Future tungsten prices, per MTU	US$280 - US$384	US$248 - US$350
Discount rate - Daytal, Spain	8%	8%
Discount rate - Panasqueira, Portugal	N/A	11%
Discount rate - Wolfram Camp, Australia	N/A	12%
Life of mine – Daytal, Spain	3 years	4 years
Life of mine – Panasqueira, Portugal	N/A	12 years
Life of mine – Wolfram Camp, Australia	N/A	4 years

The life of mine assumption used for the Los Santos Mine represents the estimated number of years of production left based on the ore reserves identified as at the date indicated. The overall life of mine was nine years as at September 30, 2017 and eight years as at 2016, including the anticipated processing of the long-term tailings inventory.

No impairment charge was required for the year ended September 30, 2017.

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

Any variation in these key assumptions would result in a change in the VIU. If a variation in assumption had a negative impact on the VIU, it could indicate a requirement for impairment to the Company's mining assets.

8. Accounts Payable and Accrued Liabilities

The balance as of March 31, 2018 includes $16,969 (September 30, 2017 - $14,666) of trade accounts payable, and $8,705 (September 30, 2017 - $7,813) of accrued liabilities. During the year ended September 30, 2017, negotiated settlements with vendors resulted in gains on debt settlements of $1,226.

9. Long-term Debt

		March 31 2018	September 30 2017
Term loans - Euro	(a)	19,195	8,904
Term and other loans - US dollar	(b)	23,417	23,289
Term and other loans - Canadian dollar	(c)	-	4,588
Convertible debentures	(d)	11,579	6,725
Obligations under capital leases	(e)	1,320	1,153
		55,511	44,659
Less: Current portion		(9,482)	(11,497)
		46,029	33,162

a) The Company's wholly-owned Spanish subsidiary, Daytal, has in place Euro denominated term loan facilities as of March 31, 2018 totaling $16,021 (September 30, 2017 - $5,771), as a result of a re-financing of its debt on November 14, 2017, whereby terms of existing loans were revised and lines of credit were converted to term loans. The new facilities have maturities ranging between fiscal 2018 and 2020. The loans are unsecured and guaranteed by the Company (September 30, 2017 - $1,748). Of the loans, $1,644 (September 30, 2017 - $5,642) have fixed interest rates with a weighted average interest rate as at March 31, 2018 of 2.06% (September 30, 2017 - 2.17%). The remaining $14,377 (September 30, 2017 - $129) have floating interest rates, based on varying spreads from Euribor rates, and, as of March 31, 2018, the weighted average interest rate on these loans was 2.48% (September 30, 2017 - 2.22%). The loans are repaid over their varying terms.

VRS has in place a Euro denominated term loan with a balance of $3,174 as of March 31, 2018 (September 30, 2017 - $2,948). The loan is unsecured, bears interest at 2.5%, and is repaid on an amortizing basis beginning in 2018 and ending in 2021.

The Company issued a €500 unsecured loan in 2016, for which the final instalment of the loan was repaid during the six-month period ended March 31, 2018 (balance on September 30, 2017 - $185).

b) The Company entered into a term loan facility for up to US$10,000 in fiscal 2015, which was amended during fiscal 2016 to permit the Company to borrow an additional US$7,000 under a revolving loan facility. The revolving loan matures on December 31, 2018 and the term loan matures on September 30, 2019. These loans bear interest at a rate based on the 3-month London

Interbank Offered Rate ("Libor") rate plus 1.5%. As at March 31, 2018, the rate was 3.81% (September 30, 2017 - 2.84%). The loans are secured by certain assets of the Wolfram Camp Mine, the shares of BVI and Almonty Sub, and are guaranteed by a third party. As at March 31, 2018, $11,927 (US$9,500) was outstanding under the term loan (September 30, 2017 - $12,168 (US$9,750)), and $8,911 (US$6,911) under the revolving loan facility (September 30, 2017 - $8,625 (US$6,911)).

Interest only was payable on the term loan until March 31, 2017 when the Company commenced making semi-annual principal repayments of US$250 with the balance of the loan due at maturity on September 30, 2019. Principal and interest for the revolving loan are payable every three months with the amount payable determined based on tungsten production for the period and APT pricing levels, with payments required only when the price of APT exceeds US$254/MTU and accelerating payments when the price of APT exceeds US$320/MTU. Any unpaid interest and principal is due at maturity. The Company may repay all or part of amounts owing under the term loan and revolving loan at any time without penalty.

On November 22, 2016, the Company entered into a revolving loan facility for US$7,000 with a company that is a significant customer of the Company and drew down the full amount. The loan bore interest at a rate of Libor plus 1.5% payable quarterly, was secured by the shares of certain subsidiaries, with principal repayments required every three months, with the amount payable determined based on tungsten production for the period and APT pricing levels with payments required only when the price of APT exceeded US$254/MTU and accelerating payments when the price of APT exceeded US$320/MTU. The Company used a portion of the proceeds to repay a $6,550 loan owed by Woulfe. On June 26, 2017, the Company completed an agreement with the lender to terminate the loan and settle the principal and accrued interest of $9,374 (US$7,043) by the issuance of 27,562,500 common shares and a $230 (US$173) convertible debenture. The settlement resulted in a gain of $2,273.

On January 1, 2016, the Company issued a US$1,000 secured promissory note to Deutsche Rohstoff AG (“DRAG”), an existing shareholder of the Company, which loan has a balance of $1,289 (US$1,000) as of March 31, 2018 (September 30, 2017 - $1,248 (US$1,000)). The note bears interest at 6.0% per annum, with the accrued interest and loan amount due on January 1, 2019. On June 26, 2017, the Company issued 283,914 common shares to settle $79 of unpaid interest on this loan. The loan is secured by a pledge of the shares of Woulfe Mining Corp.

On January 26, 2017, the Company issued a second secured promissory note of US$1,000 to DRAG, which loan has a balance of $1,289 (US$1,000) as of March 31, 2018 (September 30, 2017 - $1,248 (US$1,000)). The note matures on January 26, 2019 and bears interest at a rate of 6.0% per annum, payable in cash or, subject to approval of the TSX Venture Exchange, shares at the option of Almonty at the maturity date. To the extent interest is paid in shares, such shares would be issued at the 5-day volume weighted average price on the day prior to the issuance. The security for this loan is the same as the promissory note above.

c) As of March 31, 2018, all of the Company's previous Canadian dollar term and other loans were settled during the six-months ended March 31, 2018, as a result of a debt restructuring completed on January 30, 2018, whereby the Company entered into a convertible debenture, as described more fully below.

The following loans, all of which were owing to the lender of the convertible debenture, were settled:

- An unsecured promissory note within Woulfe with a balance of $607 (September 30, 2017 - $588), including accrued interest, which was due on demand, with interest at 12.0% per annum.
- An unsecured loan of $500 (September 30, 2017 - $500) plus accrued interest of $53, bearing interest at 4.0% per annum. The loan and accrued interest were due for repayment as of September 30, 2016, and due on demand.
- An unsecured loan of $1,400 (September 30, 2017 - $1,400) plus accrued interest of $149 bearing interest at 4% per annum, which was due in June 2020.
- An unsecured bridge loan of $2,100 (September 30, 2017 - $2,100) plus accrued interest of $603, entered into on September 15, 2015, bearing interest at 12% per annum due at maturity. The maturity date of the loan was September 15, 2017 and was considered due on demand.

d) The Company has a number of convertible debentures. The conversion feature of the debentures results in them being compound financial instruments. Accordingly, the Company estimated the liability and equity components at the time the debentures were issued. The liability component is determined based on the fair value of a similar liability without a conversion feature. The equity component is determined based on the difference between the fair value of the debenture as a whole and the fair value of the liability component. Over the term of the debenture, the debt component is accreted to its face value using the effective interest method.

Changes to the Company's convertible debentures and convertible debentures outstanding during fiscal 2017 and the six-months ended March 31, 2018 are summarized as follows:

- On January 30, 2018, as part of a debt restructuring, the Company entered into a convertible debenture with a principal amount of $5,962, with a maturity date of January 31, 2020. The debenture is convertible into common shares of Almonty at $1.00 per share. The debenture bears interest at a rate of 6.0% per annum, compounding quarterly and shall be paid in-kind on the earlier of the maturity date and the date of conversion. There is no voluntary prepayment allowed by the Company, the debenture is subject to covenants customary for such facilities and the lender has nominated a member of the Board of Directors. On the issue of the debenture, the Company estimated the liability and equity components as $5,311 and $652, respectively.
- An unsecured convertible debenture within Woulfe was settled on January 30, 2018 as a part of the debt restructuring, which had a balance of $551 (September 30, 2017 - $509), including accrued interest of $201, which was due on demand and accruing interest at 12% per annum. The $350 principal portion of the loan was convertible into 313,173 Units of the Company after the acquisition of Woulfe, with each Unit comprised of one common share of Almonty, and one

common share purchase warrant exercisable for a period of two years from the date of conversion, to acquire one common share of Almonty for $1.12. The equity component of the debenture had been fully accreted.

- In connection with the settlement of a loan in June 2017, (Note 9(b) above), the Company issued a $230 (US$173) secured convertible debenture. The debenture is due on June 23, 2022, and bears annual interest at 2.36%, payable quarterly. The 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 $0.339 (US$0.2625) per share. The amount estimated as attributed to the conversion feature was not considered material. The debenture is secured by the shares of a subsidiary company. The carrying value of the loan at March 31, 2018 is $223 (September 30, 2017 - $216).
- The Company has a $6,000 convertible debenture entered into with DRAG in 2015 which was originally due on March 22, 2017. The debenture bears interest at 4.0% per year, payable quarterly in arrears. The debenture (including any accrued and unpaid interest) may be converted by the holder, at their option, into common shares of the Company at an exercise price of $1.45 per share. On the original issue of the debenture, the Company estimated the liability and equity components as $5,833 and $167 respectively, which amount has been fully accreted. During the year ended September 30, 2017, the maturity date was extended to March 22, 2019, and all other terms remain unchanged. The extension of the term of the loan was not considered an extinguishment of the original loan and, as a result, the debt is carried at its original carrying amount and no gain or loss was recognized. In connection with the loan extension, in fiscal 2017, the Company issued 1,206,574 common shares to settle $422 of unpaid interest on this loan and recognized a gain of $129 on settlement of this interest.
- The Company entered into a $4,000 convertible debenture agreement with DRAG on September 15, 2015 which was due on September 15, 2017, bearing interest at 5.0% per year, payable semi-annually in arrears. The convertible debenture (including any accrued and unpaid interest) was convertible, at the holder's option, into common shares of Almonty at an exercise price of $0.81 per share. The Company estimated the liability and equity components initially as $3,659 and $341 respectively. On September 15, 2017, the Company settled the principal amount of the debenture by issuing 6,646,667 common shares to the lender at an agreed conversion price of $0.60 and issued 1,083,167 shares to settle $327 of unpaid interest on the debenture. As the conversion was not pursuant to the original loan agreement, the conversion was accounted for as a debt settlement and a loss recognized on the settlement of the principal and interest of $543.
- On July 29, 2016, the Company issued convertible debentures for AUS$500. The unsecured debentures were to mature two years from the issue date and bore interest at 5% per annum, payable semi-annually. The debentures, including accrued interest thereon, were convertible at $0.55 per common share. On initial recognition, the Company estimated the liability and equity components as $455 and $42 respectively. On September 6, 2017, these debentures were converted into 897,748 common shares in accordance with the conversion provisions of the debenture at $0.55 per share.

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

Changes in the balances of the convertible debentures during the six months ended March 31, 2018 and the year ended September 30, 2017 are summarized as follows:

	March 31 2018	**September 30 2017**
Balance, beginning of period	6,725	10,718
Debentures settled with shares	-	(4,000)
Debentures issued, liability component	5,311	230
Debentures repaid	(509)	-
Debentures converted to shares	-	(490)
Interest	46	651
Interest paid	-	(379)
Translation adjustment	6	(5)
Balance, end of period	11,579	6,725

As at March 31, 2018 and September 30, 2017, the components of the convertible debentures are summarized as follows:

	March 31 2018	**September 30 2017**
Face value	12,186	6,725
Balance to be accreted	(607)	-
	11,579	6,725

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

f) Payments are due under the terms of the Company’s loans for each of the following years ended September 30 as follows:

2018	9,507
2019	34,704
2020	10,423
2021	705
2022 and thereafter	222
	55,561
Less: Imputed interest on capital lease obligations	(50)
	55,511

10. Restoration Provision and Other Liabilities

a) Included in liabilities are provisions for the future restoration of the Company's mining properties, in accordance with local requirements, as follows:

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

Balance at September 30, 2016	45,063
Revisions in estimated cash flows and changes in assumptions	(12,763)
Accretion expense	133
Translation adjustment	(98)
Balance at September 30, 2017	32,335
Accretion expense	**200**
Translation adjustment	**2,336**
Balance at March 31, 2018	**34,871**

There is a restoration provision of $768 (September 30, 2017 - $696) 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 Mine. The restoration provision represents management's estimate of the present value of the rehabilitation costs relating to the mine site which are estimated to total $927 and are to be incurred beginning in 2026 after the mine ceases operations. Daytal has used a 5.5% discount rate and assumes an inflation rate of 2% per year in calculating its estimates. The Company has filed, and is awaiting final approval of its mine plan and restoration provision by the relevant authorities in Spain.

Banco Popular has posted a bank warranty of $286 (€180) 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 Mine.

There is a restoration provision of $2,235 (September 30, 2017 - $2,208) with respect to Wolfram Camp's future obligation to restore and reclaim the mine once it has ceased to mine tungsten and molybdenum ore from the Wolfram Camp Mine. The restoration provision represents management's estimate of the present value of rehabilitation costs relating to the mine site which are estimated to be $2,409. WCM has used a 3.25% discount rate and assumes an inflation rate of 1.5% per year in calculating its estimates.

As at March 31, 2018, the Company had $1,316 (September 30, 2017 - $1,300) 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 in 2015.

There is a restoration provision of $268 (September 30, 2017 - $247) with respect to the Woulfe properties. The provision was determined based on a levy imposed by the relevant local government authority.

As at March 31, 2018, there is a restoration provision of $31,600 (September 30, 2017 - $29,184) with respect to the Panasqueira Mine, representing management's estimate of the present value of the rehabilitation costs relating to the mine site which are estimated to total $40,549 and are to be incurred after the mine ceases production subsequent to 2038. The estimate decreased by $12,763 in 2017 as a result of a change to increase the estimated remaining life of the mine by five years and due to the reduction in estimated costs of restoration of certain buildings and infrastructure. BTW has assumed an inflation rate of 2.0% per year in calculating its estimates.

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

b) Included in liabilities is $414 (September 30, 2017 - $455) related to employee benefit obligations in respect of government mandated pension plans in Woulfe's Korean subsidiary and in BTW.

11. Share Capital

Common Shares

Issued and outstanding		
Outstanding at September 30, 2016	110,896,109	67,351
Shares issued for cash	21,175,000	6,353
Shares issued on debt settlements (Notes 9(b) and (d))	34,209,167	11,077
Shares issued to settle interest (Notes 9(b) and (d))	2,573,655	1,055
Shares issued on conversion of debentures (Note 9(d))	897,748	514
Outstanding at September 30, 2017	169,751,679	86,350
Shares issued for cash	6,294,462	3,265
Shares issued on exercise of warrants	6,071,752	2,343
Shares repurchased under NCIB	(313,000)	(169)
Outstanding at March 31, 2018	**181,804,893**	**91,789**

On October 19, 2017, the Company issued 5,000,000 Common shares at $0.54 per share in a private placement, receiving gross proceeds of $2,700. On October 25, 2017, the Company issued 1,294,462 Common shares at $0.54 per share in a private placement, receiving gross proceeds of $699. Costs of $134 were incurred in connection with the placements.

On August 15, 2017 and August 17, 2017, the Company completed non-brokered private placements of 21,175,000 common shares with its Chairman, Chief Executive Officer and President for $0.30 per share, receiving gross proceeds of $6,353.

Shares issued on exercise of warrants -
During the six-months ended March 31, 2018, the Company issued 6,071,752 common shares in connection with the exercise of share purchase warrants, for proceeds totaling $1,820. In addition, the warrant value originally allocated to the warrants of $523 was reclassified from contributed surplus to common shares.

Shares issued on debt settlements -
On June 26, 2017, the Company completed an agreement to settle a loan, including interest of $9,325 (US$7,043) by issuing 27,562,500 common shares and issuing a $230 (US$173) convertible debenture to the lender. The value ascribed to the shares issued was $6,890 based on the trading value of $0.25 per share (Note 9(b)).

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

On June 26, 2017, the Company completed an agreement to settle $422 of interest owing on a debenture by issuing 1,206,574 common shares, and settled $79 of unpaid interest on a Promissory note by issuing 283,914 common shares. The value ascribed to the shares issued was $372, based on the trading value of $0.25 per share (Notes 9(b) and 9(d)).

On September 15, 2017, the Company settled a $4,000 convertible debenture by issuing 6,646,667 common shares and settled $327 of unpaid interest on the debenture by issuing 1,083,167 common shares. The value ascribed to the shares issued was $4,187 and $643 for the debenture and interest, respectively, based on the trading value of $0.63 per share (Note 9(d)).

Shares repurchased under NCIB

The Company announced a Normal Course Issuer Bid ("NCIB") on November 9, 2017, with 313,000 shares having been purchased for $169 in connection with this NCIB to March 31, 2018. The Company announced an NCIB on September 26, 2016, which expired on September 29, 2017. No shares were purchased under this NCIB.

Warrants

During the six-months ended March 31, 2018, the Company issued 6,071,752 common shares in connection with the exercise of share purchase warrants, all of which were exercisable at $0.30 per share. Also during the six-month period, 670,468 warrants expired unexercised.

The outstanding warrants as of March 31, 2018 are summarized as follows:

Expiry Date	Exercise Price	Warrants
March 7, 2019	$1.26	3,482,769

Incentive Stock Options

Under Almonty's stock option plan, the Company can grant options to directors, officers, employees and consultants for up to 10% of the issued and outstanding common shares of the Company. As of March 31, 2018, 5,575,000 options have been granted and are outstanding. 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-V. Options can be granted for a maximum term of 10 years and vest at the discretion of the Company's Board of Directors. The existing plan was approved by Almonty's shareholders at its Annual and Special Meeting of Shareholders held on May 1, 2017.

As of March 31, 2018, the outstanding options, all of which are exercisable, are summarized as follows:

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

	Number of Share Options
Options outstanding at September 30, 2016	5,268,159
Options expired/forfeited	(1,468,159)
Options granted	1,775,000
Options outstanding at September 30, 2017 and March 31, 2018	**5,575,000**

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
$0.33 - $0.75	3,075,000	8.4 years	$0.465
$0.76 - $0.99	1,100,000	7.3 years	$0.802
$1.00 - $1.70	1,400,000	4.8 years	$1.011
	5,575,000	**7.0 years**	**$0.670**

On August 18, 2017, the Company granted 1,775,000 share options to directors, officers, consultants and employees pursuant to the Company's stock option plan. The options vested immediately, and are exercisable for a period of 10 years from the grant date at $0.33 per share. The grant resulted in stock-based compensation expense of $472 being recorded in general and administrative expenses and contributed surplus on the grant date. The value of the stock options granted was determined using the Black-Scholes option pricing model, based on a risk-free interest rate of 1.85%, volatility of 249% based on historical volatility, expected life of 10 years, and no expected dividend yield.

12. Income Taxes

Almonty has the following non-capital tax losses that expire in the years indicated:

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

	Canada	Spain	Korea	Portugal	Australia
	CAD$	**EUR**	**CAD$**	**EUR**	**AUD**
2020	-	-	28	-	-
2021	-	-	150	-	-
2022	-	-	850	-	-
2023	-	-	2,302	-	-
2024	-	-	26	-	-
2025	-	-	4,841	-	-
2026	-	-	5,545	-	-
2027 or later	6,994	10,098	22,724	4,947	18,408
Non-Capital losses in local currency	6,994	10,098	36,466	4,947	18,408
Non-Capital losses in CAD$	**6,994**	**14,886**	**36,466**	**7,293**	**18,508**
Total Non-Capital losses in CAD$					**84,146**

13. Employee Compensation

The Company incurred costs of $8,260 (2017 - $8,107) with respect to the costs of employee compensation and benefits for the six-months ended March 31, 2018.

14. 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 three geographical locations; the Iberian Peninsula (Spain and Portugal), Australia, and the Republic of Korea.

For management reporting purposes, the Company is organized into business units based on its products and activities, and has five 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;
- The Wolfram Camp Mine 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;
- The Valtreixal Project located in Spain whose operations relate to the exploration and evaluation activities of the Valtreixal tin/tungsten project;
- Woulfe, whose properties are located in Gangwon Province, Republic of Korea, and whose operations relate primarily to the exploration, evaluation and development of the Sangdong Project; and
- The Panasqueira Mine located in Covilha Castelo Branco, Portugal whose operations relate to the exploration and mining of tungsten which is ultimately sold as tungsten concentrate, as well as the production of copper and tin concentrate by-products that are sold as concentrate.

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

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 earnings (losses) from mining operations and is measured consistently with earnings (losses) from mining operations in the interim condensed consolidated financial statements. However, Almonty's income taxes are managed on a group basis, and are not allocated to operating segments.

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

Information for the three-months ended March 31, 2018 and 2017 is as follows:

Three months ended March 31, 2018	Los Santos	Wolfram Camp Mine	Valtreixal	Woulfe	Panasquiera	Corporate	Adjustments and eliminations	Consolidated
Revenue	6,108	-	-	-	11,194	-	-	17,302
Production costs	3,627	-	-	-	6,071	-	-	9,698
Depreciation and amortisation	1,292	11	1	-	769	-	-	2,073
Earnings (loss) from mining operations	1,189	(11)	(1)	-	4,354	-	-	5,531
Expenses								
General and administrative	893	192	17	(47)	774	(43)	-	1,786
Interest expense	89	-	-	27	92	407	-	615
Foreign exchange (gain) loss	32	-	-	(250)	(61)	523	(162)	82
Income (loss) before income taxes	175	(203)	(18)	270	3,549	(887)	162	3,048
Capital expenditures	451	8	42	1,021	476	-	-	1,998
Assets								
Current	5,152	306	379	147	11,116	2,668	-	19,768
Non-current	51,665	15,781	7,943	47,615	32,158	410	228	155,800
Total assets	56,817	16,087	8,322	47,762	43,274	3,078	228	175,568
Total liabilities	25,386	7,063	4,169	3,445	41,316	39,113	(448)	120,044
September 30, 2017								
Assets								
Current	5,531	364	430	107	6,524	2,867	-	15,823
Non-current	46,414	15,809	7,300	46,229	27,938	410	228	144,328
Total assets	51,945	16,173	7,730	46,336	34,462	3,277	228	160,151
Total Liabilities	24,513	7,498	3,875	4,542	36,800	37,432	(134)	114,526

Three months ended March 31, 2017	Los Santos	Wolfram Camp Mine	Valtreixal	Woulfe	Panasquiera	Corporate	Adjustments and eliminations	Consolidated
Revenue	4,374	-	-	-	5,801	-	-	10,175
Production costs	4,879	(55)	-	-	4,400	-	-	9,224
Depreciation and amortisation	902	17	2	-	632	-	-	1,553
Earnings (loss) from mining operations	(1,407)	38	(2)	-	769	-	-	(602)
Expenses								
General and administrative	585	721	4	77	567	575	-	2,529
Interest expense	55	10	-	24	24	508	-	621
Foreign exchange (gain) loss	49	(54)	-	52	(19)	(1,112)	831	(253)
Income (loss) before income taxes	(2,096)	(639)	(6)	(153)	197	29	(831)	(3,499)
Capital expenditures	2,055	73	103	336	464	-	-	3,031

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

Information for the six-months ended March 31, 2018 and 2017 is as follows:

Six-months ended March 31, 2018	Los Santos	Wolfram Camp	Valtreixal	Woulfe	Panasquiera	Corporate	Adjustments and eliminations	Consolidated
Revenue	10,578	-	-	-	17,491	-	-	28,069
Production costs	6,892	-	-	-	10,620	-	-	17,512
Depreciation and amortization	2,768	23	1	-	1,553	-	-	4,345
Earnings (loss) from mining operations	918	(23)	(1)	-	5,318	-	-	6,212
Expenses								
General and administrative	1,936	361	21	(91)	1,383	158	-	3,768
Interest expense	200	38	-	56	181	757	-	1,232
Foreign exchange (gain) loss	73	-	-	(187)	(121)	1,030	(480)	315
Income (loss) before income taxes	(1,291)	(422)	(22)	222	3,875	(1,945)	480	897
Capital expenditures	615	8	85	1,386	1,274	-	-	3,368

Six-months ended March 31, 2017	Los Santos	Wolfram Camp	Valtreixal	Woulfe	Panasquiera	Corporate	Adjustments and eliminations	Consolidated
Revenue	7,228	160	-	-	9,847	-	-	17,235
Production costs	6,843	1,068	-	-	8,807	-	-	16,718
Depreciation and amortization	1,256	35	2	-	1,201	-	-	2,494
Earnings (loss) from mining operations	(871)	(943)	(2)	-	(161)	-	-	(1,977)
Expenses								
General and administrative	1,195	1,030	4	108	1,129	762	-	4,228
Interest expense	101	18	-	127	49	982	-	1,277
Foreign exchange (gain) loss	140	7	-	145	168	(31)	141	570
Income (loss) before income taxes	(2,307)	(1,998)	(6)	(380)	(1,507)	(1,713)	(141)	(8,052)
Capital expenditures	3,533	165	2,289	695	1,091	-	-	7,773

Geographic Information -

	Revenue		**Revenue**		**Non-current Assets**	
	Three-months ended		**Six-months ended**		**March 31**	**September 30**
Country	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Spain	6,108	4,374	10,578	7,228	59,608	53,714
Australia	-	-	-	160	15,781	15,809
South Korea	-	-	-	-	47,843	46,457
Portugal	11,194	5,801	17,491	9,847	32,158	27,938
Canada	-	-	-	-	410	410
Total	17,302	10,175	28,069	17,235	155,800	144,328

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

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.

The carrying value of cash, and cash equivalents, trade receivables, restricted cash, and accounts payable and accrued liabilities approximates their fair value due to their short terms to maturity. The fair value of bank indebtedness and long-term debt is not materially different from the carrying value based on current market rates of interest, or interest rates set at relatively short time intervals.

Financial Risk Management Objectives and Policies

Almonty's principal financial instruments comprise cash deposits, bank indebteness and long-term debt.

The main purpose of these instruments is to provide cash flow funding for the operations of Almonty and its subsidiaries. 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, bank indebtedness and long-term debt with a floating interest rates. Of the long-term debt, $35,231 is subject to floating interest rates and $15,208 is subject to fixed interest rates. A portion of the floating rate debt totaling $14,393 is subject to a fixed spread over the 6- and 12-month Euro Interbank Offered Rate ("Euribor") rates. A change of 100 basis points (1%) in the rates would result in a $144 change in annual interest costs. The remaining floating rate debt of $20,837 is based on a fixed spread over the 3-month Libor rate. A change of 100 basis point (1.0%) in the 3-month Libor rate would result in a $208 change in annual interest costs.

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, Australia, Korea and Portugal. The ongoing uncertainty in the financial markets 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 subsidiaries, Daytal and BTW, operate in Spain and Portugal, respectively, both of which use Euros (€) as their functional currency. Almonty's wholly-owned subsidiary, WCM, operates in Australia and uses the Australian dollar (AUD$) as its functional currency. Their output is a commodity that is primarily priced in United States dollars (US$) which is different than the functional currency of the Company and its subsidiaries, and the Company and its subsidiaries may also incur costs or obtain indebtedness in a currency that is different from their functional currency. Almonty's functional currency is the Canadian dollars (CAD$) but it advances funds to subsidiaries in the functional currency of the subsidiary to which funds are advanced. As such, the Company's interim condensed consolidated balance sheet and profit or loss can be significantly affected by movements in various currencies (CAD$, US$, AUD$ and €).

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

The Company's Canadian dollar functional currency businesses have the following financial instruments denominated in foreign currencies:

	Currency	Carrying Value ($)
Cash and cash equivalents	**US$**	**2,136**
Other assets	**AUS$**	**410**
Accounts payable and accrued liabilities	**US$**	**1,395**
Accounts payable and accrued liabilities	**AUS$**	**324**
Accounts payable and accrued liabilities	**KW**	**616**
Long-term debt	**US$**	**23,639**

A 5% change in the value of the CAD$ relative to the above currencies would have an impact on net income for the six-month period ended March 31, 2018 of approximately $1,171.

The Company's Euro functional currency businesses have the following financial instruments denominated in foreign currencies:

	Currency	Carrying Value ($)
Trade receivables	**US$**	**2,624**

A 5% change in the value of the Euro relative to the above currencies would have an impact on net income for the six-month period ended March 31, 2018 of approximately $131.

Credit risk

The carrying value of the cash and cash equivalents, trade receivables, restricted cash and other assets totaling $10,113 million represents Almonty's maximum exposure to credit risk.

Liquidity risk

The Company's objective is to use cash and cash equivalents, finance leases, and third party short and long-term loans (see Note 9 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. The Company is currently pursuing debt and equity financing opportunities to increase its liquidity.

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

16. 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 maximize shareholder value. The Company manages its capital structure (composed of shareholders' equity and net debt) 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.

	March 31 2018	**September 30 2017**
Accounts payable and accrued liabilities	25,674	22,479
Bank indebtedness	-	9,447
Long-term debt	55,511	44,659
Less: Cash and receivables	(9,904)	(7,265)
Net debt	**71,281**	**69,320**
Shareholders' equity	55,524	45,625
Equity and net debt	**126,805**	**114,945**
Gearing ratio	**56.2%**	**60.3%**

The gearing ratio exceeded the targeted range as at March 31, 2018 and September 30, 2017 due to the deterioration in the commodity price environment in 2016 having a negative impact on net income (loss). In 2017, the price environment improved resulting in an improvement in the gearing ratio. The Company is working to improve its profitability, raise additional equity capital and /or reduce its outstanding debt levels in order to return the gearing ratio to targeted levels.

17. Commitments and Contingent Liabilities

The Company's subsidiary, Daytal, owns the Los Santos Mine, near the town of Los Santos, Salamanca in western Spain. Daytal rents the land where the Los Santos Mine 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 $393 payable throughout the year on the anniversary dates of the individual leases.

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

The mining license for the Los Santos Mine 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 a contractor who carries out contract mining activities for Daytal at the Los Santos Mine. Daytal currently does not have any mining capabilities of its own and relies on the contractor for all mining activity, including waste rock removal, pit development and delivery of ore to Daytal's crushing and processing plant. Any disruption in the contract mining services provided by the contractor could 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:

Year ending September 30:	
2018	490
2019	358
2020	49
	897

18. Related Party Transactions

For the three-months ended March 31, 2018, the Company paid or accrued compensation to key management personnel, which includes officers and directors, in accordance with the terms of their compensation arrangements of $185 (2017 - $439). For the six-months ended March 31, 2018, the Company paid or accrued compensation to key management personnel of $568 (2017 - $621). No amounts are owing to key management personnel.

In August 2017, the Company completed non-brokered private placement, by issuing 21,175,000 common shares to its Chairman, Chief Executive Officer and President for $0.30 per share for total proceeds of $6,353. On completion of the placement, Mr. Black owned or controlled, or directed the voting rights in respect of approximately 22.6% of the Company's common shares.

The Company has a convertible debenture of $6,000 owing to DRAG, a company that is an existing shareholder of Almonty, and whose CEO is a member of the Board of Directors of the Company. During 2017, the maturity date of the debenture, which was originally due in March 2017, was extended to March 2019 and $422 of interest owing on the debenture was settled by issuing 1,206,574 common shares. During 2017, the Company also settled a $4,000 convertible debenture with DRAG by issuing 6,646,667 common shares and settled $327 of unpaid interest on the debenture by issuing 1,083,167 common shares. The Company has also issued US$2,000 of secured promissory notes to DRAG during fiscal 2016 and 2017 and, during 2017, the Company settled $79 of unpaid interest on one of the notes by issuing 283,914 common shares. For the six-months ended March 31, 2018, interest of $198 was accrued on the DRAG loans (2017 - $241). As of March 31, 2018, there is $318 (September 30, 2017 - $287) of unpaid interest on these loans included in accounts payable and accrued liabilities.

19. Subsequent Event

Subsequent to March 31, 2018, 200,000 shares were purchased for cancellation under the NCIB, for $83.