ALMONTY INDUSTRIES

Consolidated Financial Statements

For the Year Ended September 30, 2012

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Independent Auditors' Report

To the Shareholders of **Almonty Industries Inc.**,

We have audited the accompanying consolidated financial statements of **Almonty Industries Inc.**, which comprise the consolidated balance sheets as at September 30, 2012 and 2011, and the consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity, and cash flows for the year ended September 30, 2012 and the period from June 9, 2011 to September 30, 2011, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Almonty Industries Inc.** as at September 30, 2012 and 2011 and its financial performance and its cash flows for the year ended September 30, 2012 and the period from June 9, 2011 to September 30, 2011 in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Canada

December 17, 2012

Consolidated Balance Sheets

As at September 30
(in 000's of Canadian dollars unless otherwise noted)

	Note	2012	2011
ASSETS			
Current Assets			
Cash and cash equivalents	18	1,052	1,156
Trade receivables	17	808	-
VAT/HST receivable	17	699	1,024
Inventories	16	1,481	2,595
Other current assets		219	233
Total Current Assets		**4,259**	**5,008**
Non-Current Assets			
Property, plant and equipment	7	10,248	10,585
Mine development	8	11,930	9,362
Deferred tax assets	13	1,057	5,719
Other non-current assets		472	641
Total Non-Current Assets		**23,707**	**26,307**
Total Assets		**27,966**	**31,315**
Liabilities			
Current Liabilities			
Trade and other payables	19	3,875	2,884
Capital leases	20	55	33
Transaction liabilities	5	252	762
Non-interest bearing obligation	19	506	17
Other accrued liabilities	19	1,055	762
Total Current Liabilities		**5,743**	**4,458**
Non-Current Liabilities			
Non-interest bearing obligation	19	50	503
Capital leases	20	93	17
Deferred tax liabilities	13	-	4,709
Restoration provision	11	431	451
Total Non-Current Liabilities		**574**	**5,680**
Total Liabilities		**6,317**	**10,138**
Shareholders' Equity			
Share capital	15	21,996	21,958
Contributed surplus	15	1,465	1,217
Accumulated other comprehensive income (loss)	15	(2,122)	107
Retained earnings (deficit)	15	310	(2,105)
Total Shareholders' Equity		**21,649**	**21,177**
Total Liabilities and Shareholders' Equity		**27,966**	**31,315**

On behalf of the Board:

"Lewis Black"
Lewis Black, Director, President & CEO

"Mark Trachuk"
Mark Trachuk, Director

See accompanying notes

Consolidated Statements of Operations and Comprehensive Income (Loss)

For the year ended September 30, 2012 and the period from June 9, 2011 to September 30, 2011
(in 000's of Canadian dollars unless otherwise noted)

	Note	2012	2011
Revenue	12	21,645	-
Cost of sales		11,106	-
Gross profit		**10,539**	**-**
Expenses			
Bargain purchase gain		-	(68)
Selling, general and administrative		3,104	326
Transaction costs	5	-	786
Listing expense	9	-	698
Realized foreign exchange loss		4	-
Other income		(35)	-
Non-cash compensation	15	263	363
Earnings (loss) before the undernoted items		**7,203**	**(2,105)**
Depreciation and amortization		4,863	-
Earnings (loss) before the undernoted items		**2,340**	**(2,105)**
Interest expense		66	-
Earnings (loss) before taxes		**2,274**	**(2,105)**
Income tax recovery	13	(141)	-
Net income (loss) after tax		**2,415**	**(2,105)**
Other comprehensive income (loss)		**(2,229)**	**107**
Total comprehensive income (loss) for the period		**186**	**(1,998)**
Earnings (loss) per share			
Basic earnings (loss) per share	14	**$0.07**	**($0.06)**
Fully diluted earnings (loss) per share	14	**$0.07**	**($0.06)**

See accompanying notes

Consolidated Statements of Changes in Shareholders' Equity

For the year ended September 30, 2012 and the period from June 9, 2011 to September 30, 2011

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

	Share Capital					
	Shares	Amount	Contributed Surplus	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income	Shareholders' Equity
Balance at September 30, 2011	37,011,441	21,958	1,217	(2,105)	107	21,177
Equity capital issued	32,948	23	-	-	-	23
Contributed surplus (warrants and options issued)	-	-	263	-	-	263
Contributed surplus (warrants exercised)	-	15	(15)	-	-	-
Net income for the year	-	-	-	2,415	-	2,415
Foreign currency translation adjustment	-	-	-	-	(2,229)	(2,229)
Balance at September 30, 2012	**37,044,389**	**21,996**	**1,465**	**310**	**(2,122)**	**21,649**

	Share Capital					
	Shares	Amount	Contributed Surplus	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income	Shareholders' Equity
Balance at June 9, 2011	100	-	-	-	-	-
Equity capital issued	37,011,341	23,624		-		23,624
Contributed surplus (warrants and options issued)	-	-	1,217	-	-	1,217
Net loss for the period	-	-	-	(2,105)	-	(2,105)
Foreign currency translation adjustment	-	-	-	-	107	107
Transaction costs on share issue	-	(1,666)	-	-	-	(1,666)
Balance at September 30, 2011	**37,011,441**	**21,958**	**1,217**	**(2,105)**	**107**	**21,177**

See accompanying notes

Consolidated Statements of Cash Flows

For the year ended September 30, 2012 and the period June 9, 2011 to September 30, 2011
(in 000's of Canadian dollars unless otherwise noted)

	2012	**2011**
Cash flows from operating activities		
Net income (loss) for the period	2,415	(2,105)
Add (deduct) non-cash items:		
Depreciation and amortization	4,863	-
Non–cash compensation expense	263	363
Bargain purchase gain	-	(68)
Listing expense	-	698
Non-cash revaluation of liabilities	42	-
Non-cash interest expense	66	-
Deferred taxes	(141)	
	7,508	(1,112)
Net change in non-cash working capital	1,127	519
Net cash flows provided by (used in) operating activities	**8,635**	**(593)**
Cash flows from investing activities		
Additions to property, plant and equipment	(8,835)	(6)
Acquisition of subsidiary, net of cash acquired	-	(14,146)
Net cash flows used in investing activities	**(8,835)**	**(14,152)**
Cash flows from financing activities		
Change in common stock	22	17,427
Capital leases	97	-
Cash transaction costs from issuance of share capital	-	(1,526)
Net cash flows from financing activities	**119**	**15,901**
Effect of foreign currencies on cash	**(23)**	**-**
Net increase (decrease) in cash and cash equivalents during the period	**(104)**	**1,156**
Cash and cash equivalents at beginning of period	1,156	-
Cash and cash equivalents at end of period	**1,052**	**1,156**

See accompanying notes

Notes to the Consolidated Financial Statements
(in 000's of Canadian dollars unless otherwise noted)

1. Description of Business

On September 23, 2011, Daytal Resources Spain, S.L. ("**Daytal**") was acquired by 7887523 Canada Inc. ("**Almonty Sub**") from Heemskirk Consolidated Limited (**"Heemskirk")**. Immediately following this transaction, Almonty Sub completed the reverse acquisition of RCG Capital Inc. ("**RCG**"), a capital pool company that was listed on the TSX Venture Exchange (Note 9). Upon the closing of the transaction on September 23, 2011, RCG changed its name to Almonty Industries Inc. ("**Almonty**" or "**the Company**") and is listed for trading on the TSX Venture Exchange under the symbol AII. Almonty Sub was incorporated on June 9, 2011 for the expressed purpose of completing the transactions listed above in this paragraph.

2. Basis of Preparation of the Consolidated Financial Statements

a) Statement of compliance

The consolidated financial statements of Almonty for the year ended September 30, 2012 and the period from June 9, 2011 to September 30, 2011 have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

The consolidated financial statements were authorized for issuance by the Board of Directors of the Company on December 17, 2012.

b) Basis of preparation

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

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

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

c) Economic dependence

Almonty's wholly owned subsidiary, Daytal has a long-term supply agreement with one customer who participates in the global tungsten business. Currently over 94% of the output of Daytal's operations is sold to this customer. Almonty is economically dependent on the revenue received from this customer in order to be able to meet its current obligations. There is no guarantee that Almonty would be able to find an alternative customer or customers on market terms similar to its existing supply agreement should this current customer cease operations or become unable to pay Almonty under the current contract.

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

d) New accounting standards and interpretations

New accounting standards and interpretations not yet adopted

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

Reference	Title	Application date for Almonty
IAS 1	Presentation of Financial Statements (revised)	October 1, 2012
IAS 12	Income Taxes (amended)	October 1, 2012
IFRS 9	Financial Instruments	October 1, 2013
IFRS 10	Consolidated Financial Statements	October 1, 2013
IFRS 11	Joint Arrangements	October 1, 2013
IFRS 12	Disclosure of Interests in Other Entities	October 1, 2013
IFRS 13	Fair Value Measurement	October 1, 2013
IAS 19	Employee Benefits (revised)	October 1, 2013

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

3. Significant Accounting Judgments, Estimates and Assumptions

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

(a) 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 consolidated balance sheet by either increasing or decreasing the rehabilitation asset and liability if the initial estimate was originally recognized as part of an asset measured in accordance with IAS 16, *Property, Plant and Equipment*.

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. If the change in estimate results in an increase in the rehabilitation liability and therefore an addition to the carrying value of the asset, Almonty is required to consider whether this is an indication of impairment of the asset as a whole and test for impairment in accordance with IAS 36, *Impairment of Assets*.

If, for mature mines, the revised mine assets net of rehabilitation provisions exceed the recoverable value, that portion of the increase is charged directly to expenses. For closed sites, changes to estimated costs are recognized immediately in income. Also, rehabilitation obligations that arise as a result of the production phase of a mine are expensed as incurred.

Almonty, through its wholly owned subsidiary Daytal, is required to decommission and rehabilitate the Los Santos Project at the end of the Los Santos Project's useful life to a condition acceptable to the relevant authorities.

The expected cost of any approved decommissioning or rehabilitation program, discounted to its net present value, is provided when the environmental disturbance occurs. The cost is capitalized when it gives rise to future benefits, whether the rehabilitation activity is expected to occur over the life of the operation and the increase in the net present value of the provision for the expected costs is included in financing expenses. Expected decommissioning and rehabilitation costs are based on the discounted value of the estimated future costs of detailed plans prepared for each site. Where there is a change in the expected decommissioning and restoration costs, the value of the provision and any related assets are adjusted and the effect is recognized in the consolidated statement of operations and comprehensive income (loss) on a prospective basis over the remaining life of the operation.

(b) Ore reserves and mineral resources estimates

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from Almonty'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, mine properties, property, plant and equipment, goodwill, provision for rehabilitation, recognition of deferred tax assets, and depreciation and amortization charges.

(c) Units-of-production depreciation

Estimated recoverable reserves are used in determining the depreciation of mine specific assets. This results in a depreciation charge proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. Numerous units-of-production ("**UOP**") depreciation methodologies are available to choose from. Almonty adopts a Run of the Mine ("**ROM**") tonnes of ore UOP measure for mining costs and MTU (1 MTU= 1 metric tonne unit = 10kgs) of tungsten oxide (WO_3) produced UOP measure.

(d) Exploration and evaluation expenditures

The application of Almonty's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of a National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* resource is itself an estimation process that requires varying degrees of uncertainty, depending on sub-classification, and these estimates directly impact the point of deferral of exploration and evaluation expenditures. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in income in the period when the new information becomes available.

(e) Impairment of assets

Almonty assesses its assets at each reporting date to determine whether any indication of impairment exists. Where an indicator of impairment exists, or when annual impairment testing for an asset is required, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. 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. As at the consolidated balance sheet date, management believes that no indication of impairment exists.

(f) Deferred stripping expenditures

Almonty defers advanced stripping costs incurred during the production stage of its operations. 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 its deferred stripping expenditures policy. 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 extracted as a result. Changes in a mine's life and design will usually result in changes to the expected stripping ratio (waste to mineral reserves ratio). These changes are accounted for prospectively.

(g) Contingencies
By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

(h) Deferred tax assets
Judgment is required in determining whether deferred tax assets are recognized on the consolidated balance sheet. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that Almonty will generate taxable income in future periods in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from the estimates made, the ability of Almonty to realize the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which Almonty operates could limit the ability of Almonty to obtain tax deductions in future periods.

(i) Cash and cash equivalents
Cash and cash equivalents in the consolidated balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(j) Trade and other receivables
Trade receivables are initially recorded at the fair value of the contracted sale proceeds expected to be received only when there has been a passing of significant risks and rewards of ownership to the customer.

Collectability of trade receivables is reviewed on an ongoing basis. An impairment of doubtful receivables is raised when there is objective evidence that Almonty and the entities it controls will not be able to collect the debt.

(k) Inventories
Inventories are valued at the lower of cost and net realizable value. Net realizable value tests are performed at least annually and represent the estimated future sales price of the product based on prevailing spot metal prices at the reporting date, less estimated costs to complete production and bring the product to sale. Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the number of contained MTUs of WO_3 based on assay data, and the estimated recovery percentage based on the expected processing method. Stockpile tonnages are verified by periodic surveys.

The cost of raw materials, stores and finished goods includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average cost. The cost of mining stocks includes direct materials, direct labour, transportation costs and variable and fixed overhead costs relating to mining activities.

Materials and supplies are valued at the lower of cost and net realizable value. Any provision for obsolescence is determined by reference to specific stock items identified. A regular and ongoing review is undertaken to establish the extent of surplus items and a provision is made for any potential loss on their disposal.

Tungsten ore and WO_3 in concentrate, WO_3 in circuit and ore stockpiles are physically measured or estimated and valued at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs of selling the final product. Cost is determined by the weighted average method and comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs, including depreciation and amortization, incurred in converting materials into finished goods.

(l) Property, plant and equipment and mine properties

Property, plant and equipment and mine properties are stated at cost, less accumulated depreciation/amortization and accumulated impairment losses, if any. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation and, for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalized value of a finance lease is also included within property, plant and equipment. When a mine construction project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalization relating to mining asset additions or improvements, underground mine development or mineable reserve development.

Each class of property, plant and equipment is measured at cost less, where applicable, any accumulated depreciation and impairment losses.

Buildings

Buildings are recorded at cost less accumulated depreciation and accumulated impairment losses, if any. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the consolidated statement of operations and comprehensive income (loss).

Plant and Equipment
Plant and equipment are measured on the cost basis less accumulated depreciation and accumulated impairment losses, if any. The carrying values of plant and equipment are reviewed for impairment annually, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employed and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

(m) Depreciation/amortization
Property, plant and equipment, including buildings, are depreciated/amortized over their estimated useful lives.

Accumulated mine development costs are depreciated/amortized on a unit-of-production basis over the economically recoverable reserves of the mine concerned, except in the case of assets whose useful life is shorter than the life of the mine, in which case the straight-line method is applied.

The unit of account for run of mines (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 reserves of the relevant area. The unit-of-production rate for the depreciation/amortization of mine development costs takes into account expenditures incurred to date, together with sanctioned future development expenditures.

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 7 years, commencing from the time the asset is ready for use. Leasehold improvements are amortized over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each consolidated balance sheet date.

An asset's carrying amount is immediately written down to its recoverable amount if the asset's carrying value is greater than its estimated recoverable amount.

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

Finance leases are capitalized, with a lease asset and lease liability equal to the fair value of the leased asset or, if lower, at the present value of the minimum lease payments determined at the inception of the lease. Lease payments are apportioned between the financing charges and reduction of the lease liability. The finance charge component within the lease payment is expensed. Capitalized lease assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that Almonty or its controlled entities will obtain ownership by the end of the lease term.

Payments made under the leases are expensed on a straight-line basis over the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

(o) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in income in the expense category consistent with the function of the intangible assets. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in income when the asset is derecognized.

(p) Trade and other payables

Trade and other payables are carried at cost. They represent unsecured liabilities for goods and services provided to Almonty and its controlled entities prior to the end of the fiscal period that are unpaid and arise when Almonty and any of its controlled entities become obliged to make future payments in respect of the purchase of these goods and services.

(q) Provisions

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

When Almonty expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of operations and comprehensive income (loss), net of any reimbursement.

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

(r) Share capital

Issued ordinary share capital is classified as equity and is recognized at the fair value of the consideration received by Almonty. Any transaction costs arising on the issuance of ordinary shares and the associated tax are recognized directly in equity as a reduction in share proceeds received.

(s) Revenue recognition

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

WO_3 in concentrate sales

Contract terms for Almonty's sale of WO_3 in concentrate (WO_3 concentrate) allow for a price adjustment based on final assay results of the WO_3 concentrate by the customer to determine the final content. Recognition of sales revenue for WO_3 concentrate is based on the most recently determined estimate of WO_3 concentrate (based on initial assay results carried out by Almonty) and the contract price at the date of shipment, with a subsequent adjustment made upon final determination and presented as part of "Other income". If the customer disputes the invoiced amount based on a difference of assayed values of WO_3 concentrate, then the dispute is settled by an independent third party assaying service whose findings are binding on both parties. The terms of WO_3 concentrate sales contracts with third parties contain provisional pricing arrangements whereby the selling price for WO_3 concentrate is calculated based on the adjusted prevailing monthly average price per MTU of APT (Ammonium paratungstate) as published by London Metal Bulletin on the date of shipment to the customer (the "invoiced amount").

(t) Income tax

Current income tax

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

Deferred income tax

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

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

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

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

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

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

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

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

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

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

(u) Value added (“VAT”) and Harmonized sales (“HST”) taxes
Revenue, expenses and assets are recognized net of the amount of VAT/HST, except where the amount of VAT/HST incurred is not recoverable. In these circumstances, the VAT/HST is recognized as part of the acquisition cost of the asset or as part of the expense item. Receivables and payables in the consolidated balance sheet are shown inclusive of VAT/HST.

Cash flows are presented in the consolidated statement of cash flows on a gross basis, except for the VAT/HST component of investing and financing activities, which are disclosed as operating cash flows.

The net amount of VAT/HST recoverable from, or payable to, the relevant taxation authority is included as part of receivables or payables in the consolidated balance sheet.

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

Diluted earnings per share are calculated as net income (loss) for the period attributable to Almonty shareholders, adjusted for:

- The cost of servicing equity (other than dividends);
- The after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognized as an expense;
- Other non-discretionary changes in revenue or expenses during the period that would result from the dilution of potential ordinary shares; and then
- Divided by the weighted average number of ordinary shares and dilutive potential ordinary shares using the treasury method.

(w) Foreign currency translation
The consolidated financial statements are presented in Canadian dollars, which is Almonty’s functional currency and presentation currency. Almonty has one foreign operation, Daytal, which receives all of its revenue in US dollars and incurs all of its costs in Euros. Daytal has a functional currency of Euros and translates its US dollar revenue into Euros at the respective US dollar/Euro exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange in effect at the reporting date. All differences are recorded to income or other comprehensive income should specific criteria be met. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction.

(x) Business combinations and goodwill

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

When Almonty acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through income. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IAS 39 either in income or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the fair value of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognized in income.

4. Segment Information

Management monitors the business of Almonty as a single reporting segment whose operations relate to the exploration and mining of tungsten in Spain. The majority of output is sold under a fixed term off-take agreement to an individual entity with global operations in the tungsten supply chain. As Almonty operates as a single segment, the consolidated financial statements should be read as a whole for the results of this operating segment.

5. Business Combinations – Acquisitions

Daytal Resources Spain SL

Almonty acquired 100% of the share capital of Daytal, a company holding a 100% interest in the Los Santos Project, on September 23, 2011. The principal business of Daytal is the advancement of exploration, development and production activities at the Los Santos Mine. The Los Santos Mine is a sheelite mineral deposit consisting of the tungstate of calcium that is an ore of tungsten. The mine is located about 50 kilometres from Salamanca, in western Spain. The mine has been in production since opening in 2008 and produces a tungsten concentrate product which is currently sold under an off-take agreement. The mine was commissioned in July 2010.

	Fair value at acquisition date
Assets	
Property, plant and equipment	10,563
Mine development	9,332
Deferred tax asset	5,690
Other non-current assets	638
Inventories	2,257
Other current assets	1,033
Cash and cash equivalents	281
	29,794
Liabilities	
Trade and other payables	3,364
Capital lease	50
Other liabilities and accruals	17
Long-term non-interest bearing trade payables	500
Deferred tax liability	4,685
Restoration provision	449
	9,065
Total identifiable net assets	**20,729**
Cash paid	14,427
Shares and warrants transferred at fair value	6,234
Total consideration transferred	**20,661**
Bargain purchase gain recorded in income	68
Direct costs attributable to the acquisition	786
Net cash acquired with Daytal	281
Cash paid	(14,427)
Transaction costs incurred	(786)
Net consolidated cash outflow	**(14,932)**

The fair values disclosed have been determined by management after review of the mine plan and review of the fair market value of the assets acquired.

The bargain purchase gain is a result of the excess of the fair market value of the net assets acquired over the purchase consideration. Mine development and Property, plant and equipment will be amortized over the useful life of the mine based on a unit-of-production. See Note 7 regarding Property, plant and equipment and Note 8 regarding Mine development.

Direct transaction costs of $786 have been expensed and are included in transaction costs on the consolidated statement of operations and comprehensive income (loss) for the period ended September 30, 2011.

6. Related Party Transactions

There were no related party transactions that occurred during the year ended September 30, 2012.

As part of the acquisition of Daytal, Almonty reimbursed Almonty Partners LLC, a shareholder of Almonty controlling approximately 37% of its basic shares outstanding, $336 in transaction and financing related expenses that were incurred by Almonty Partners LLC on behalf of Almonty prior to the closing of the financing, acquisition of Daytal and the reverse acquisition of RCG on September 23, 2011.

Compensation of key management personnel of Almonty

	Year ended September 30, 2012	**Period from June 9, 2011 to September 30, 2011**
Short-term cash compensation	200	12
Long-term Directors' incentive share-based compensation	178	363
Total compensation of key management personnel	**378**	**375**

7. Property, Plant and Equipment

	Property, Plant and Equipment
Cost at September 30, 2011	10,624
Additions	1,801
Translation adjustment	(1,047)
Cost at September 30, 2012	**11,378**
Accumulated depreciation and amortization at September 30, 2011	(39)
Depreciation and amortization charge	(1,158)
Translation adjustment	67
Accumulated depreciation and amortization at September 30, 2012	(1,130)
Closing net book value	**10,248**

	Property, Plant and Equipment
Cost at June 9, 2011	-
Business combination	10,563
Additions	6
Translation adjustment	55
Cost at September 30, 2011	**10,624**
Accumulated depreciation and amortization at June 9, 2011	
Depreciation and amortization charge	(39)
Accumulated depreciation and amortization at September 30, 2011	(39)
Closing net book value	**10,585**

8. Mine Development

	Mine Restoration	Inferred Resource	Mine Development	Total
Cost at September 30, 2011	390	1,188	7,803	9,381
Additions	-	-	7,035	7,035
Reclassification on updated technical report	-	(1,098)	1,098	-
Translation adjustment	(37)	(90)	(973)	(1,100)
Cost at September 30, 2012	**353**	**-**	**14,963**	**15,316**
Accumulated depreciation and amortization at September 30, 2011	-	-	(19)	(19)
Depreciation and amortization charge	(84)	-	(3,388)	(3,472)
Translation adjustment	(1)	-	106	105
Accumulated depreciation and amortization at September 30, 2012	(85)	-	(3,301)	(3,386)
Closing net book value	**268**	**-**	**11,662**	**11,930**

	Mine Restoration	Inferred Resource	Mine Development	Total
Cost at June 9, 2011	-	-	-	-
Business combination	390	1,182	7,761	9,333
Additions	-	-	-	-
Translation adjustment	-	6	42	48
Cost at September 30, 2011	**390**	**1,188**	**7,803**	**9,381**
Accumulated depreciation and amortization at June 9, 2011	-	-	-	-
Depreciation and amortization charge	-	-	(19)	(19)
Accumulated depreciation and amortization at September 30, 2011	-	-	(19)	(19)
Closing net book value	**390**	**1,188**	**7,784**	**9,362**

9. Reverse Acquisition

On September 23, 2011, RCG acquired Almonty Sub, a private company existing under the laws of Canada (Note 1). RCG issued 36,374,260 common shares in exchange for the 36,374,260 issued and outstanding shares of Almonty Sub. In connection with the completion of the reverse acquisition on September 23, 2011, RCG changed its name to Almonty Industries Inc.

In accordance with IFRS 3, *Business Combinations*, the substance of the transaction is a reverse acquisition of a non-operating company. The transaction does not constitute a business combination as RCG does not meet the definition of a business under IFRS 3. As a result, the transaction is accounted for as a capital transaction with Almonty Sub being identified as the accounting acquirer and the equity consideration being measured at fair value. The resulting consolidated balance sheet is presented as a continuance of Almonty Sub.

The consideration comprises the issuance of 637,181 common shares of Almonty Sub to the shareholders of RCG at a price of $1.00 per share and issuance of 82,455 options to former RCG agents and directors (Note 15) for a total consideration of $677.

In accordance with IFRS 2, *Share-based Payments*, any excess of the fair value of the shares issued by Almonty Sub over the value of the net monetary assets of RCG is recognized in the consolidated statement of operations and comprehensive income (loss).

Based on the statement of financial position of RCG at the time of the transaction, the net liabilities at estimated fair values that were acquired by Almonty Sub resulted in a charge to the consolidated statement of operations and comprehensive income (loss) as follows:

Net liabilities acquired	21
Consideration of common shares deemed to be issued and options	677
Listing expense	**698**

10. Commitments and Contingent Liabilities

Almonty, through its wholly owned subsidiary, Daytal, owns the Los Santos Project, near the town of Los Santos, Salamanca in western Spain. Daytal rents the land where the Los Santos Project is located from several individual property owners as well as the municipalities of Los Santos and Fuenterroble. The leases range from 10 to 25 years and have expiry dates between 2017 and 2032. On all leases greater than 10 years, Daytal has the right to terminate the leases under certain circumstances without penalty. Annual lease commitments total €181 (C$229) and are payable throughout the year on the anniversary dates of the individual leases.

The mining license was granted in September 2002, for a period of 30 years, extendable for 90 years. Daytal has to pay annual land taxes (approximately €2/year) to the government. This amount is related to the surface covered and not to the production of mineral. There are no other royalty payments. 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.

11. Restoration Provision

Almonty has recognized a restoration provision of $431 with respect to Daytal's future obligation to restore and reclaim the mine once it has ceased to mine tungsten ore from the Los Santos Project. The restoration provision represents the present value of rehabilitation costs relating to the mine site which are expected to be incurred in 2019 after the mine ceases production. This provision has been created based on Almonty's internal estimates. Assumptions based on the current economic environment have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. Actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect current market conditions at that time. The timing of the rehabilitation is likely to depend on when the mine ceases to produce at economically viable rates. This in turn will depend on Almonty's ability to extend the mine life years through additional exploration and also on the future price of WO_3 concentrate.

Banco Popular has posted a bank warranty of €180 (C$228) on behalf of Daytal with the Region of Castilla y Leon, Trade and Industry Department as a form of deposit to cover the expected costs of restoring the mining property as required by Daytal's Environmental Impact Statement that forms a part of its mining and exploitation license on the Los Santos Project provision. The bank warranty cannot be cancelled unless such cancellation is approved by the government of Castilla y Leon upon approval of the completion of the restoration work. The bank warranty is undrawn and carries a quarterly stand-by fee of approximately €1 per quarter.

12. Revenue

Almonty acquired Daytal on September 23, 2011. Daytal did not sell or ship any WO_3 concentrate during the September 23, 2011 to September 30, 2011 period under its off-take agreement or to any other third party. Prior to the completion of the acquisition of Daytal, Almonty was not engaged in any revenue-producing activities.

13. Income Tax

Current Income Taxes

The major components of income tax expense for the year ended September 30, 2012 and the period ended September 30, 2011 are:

Tax expense	2012	2011
Current income tax	-	-
Deferred income tax	(141)	-
Income tax recovery	**(141)**	**-**

A reconciliation between income tax recovery and the product of accounting profit multiplied by Almonty's domestic tax rates for the year ended September 30, 2012 and the period ended September 30, 2011 is as follows:

	2012	2011
Earnings (loss) before taxes	2,274	(2,105)
Tax expense at statutory tax rates	26.50%	28.25%
Expected income tax expense (recovery) at statutory tax rates	602	(595)
Permanent differences and other	70	301
Change in benefit of current year tax losses not recognized	128	294
Change in benefit of previous unrecognized tax losses	(1,046)	-
Foreign tax differential	105	-
Income tax recovery	(141)	-

The enacted or substantively enacted tax rate in Canada (26.50% in 2012) and in Spain (30.00% in 2012) where the company operates is applied in the tax provision calculation.

Deferred Income Taxes

Deferred income taxes relate to the following:

	2012	2011
Deferred tax assets (liabilities) in relation to:		
Property, plant and equipment	-	(2,921)
Mineral properties	-	(1,430)
Inferred resource	-	(358)
Non-capital losses	1,057	5,719
	1,057	**1,010**

Opening balance as of October 1, 2011	**1,010**
Tax recovery during the period recognized in net income (loss) after tax	141
Tax expense during the period recognized in other comprehensive income (loss)	(94)
Closing balance as at September 30, 2012	**1,057**

The following temporary differences and non-capital losses have not been recognized in the consolidated financial statements as at September 30, 2012 and 2011:

	2012	2011
Temporary differences in relation to:		
Eligible capital expenditure	523	-
Fixed assets	1,065	-
Share issue costs	1,274	1,553
Non-capital losses	23,676	33,035
	26,538	34,588

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

Expiring in 2025	23,598
Expiring in 2026	3,378
Expiring in 2027 or later	1,290
	28,266

The non-capital losses are available for offset against future taxable income of the company in which the losses arose. The deferred tax assets recognized relate to the estimated recovery of a portion of the tax losses of the subsidiary in fiscal 2013.

14. Earnings (Loss) per Share

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

Basic	2012	2011
Net income (loss) for the period attributable to Almonty shareholders	2,415	(2,105)
Weighted average number of ordinary shares outstanding	37,022,535	37,011,441
Basic income (loss) per ordinary share	$0.07	($0.06)

Fully Diluted	2012	2011
Net income (loss) for the period attributable to Almonty shareholders	2,308	(2,105)
Weighted average number of fully diluted ordinary shares	37,047,293	37,011,441
Fully diluted income (loss) per fully diluted ordinary share	$0.07	($0.06)

The weighted average number of ordinary shares outstanding as at September 30, 2012 increased as a result of the issuance of 22,454 shares on the exercise of warrants in June 2012 and the issuance of 10,494 shares on the exercise of warrants in September 2012.

The weighted average number of fully diluted shares outstanding is derived by adding the effect of all dilutive securities to the weighted average number of ordinary shares outstanding. There were no securities outstanding as at September 30, 2011 that would have had a dilutive effect on the loss per share for the period ended September 30, 2011.

As at September 30, 2012, there were 1,450,000 options outstanding, an increase over the prior year of 140,033 that resulted from the granting of 150,000 options on January 31, 2012 that vested immediately plus the granting of 50,000 options on June 19, 2012 that vested immediately, less 10,494 options that were exercised in September 2012 and less 49,473 options that expired on September 23, 2012.

As at September 30, 2012, there were 4,357,794 warrants outstanding, a decrease of 22,454 warrants as a result of those warrants being exercised in June 2012.

The impact of dilutive securities on the fully diluted earnings per share for the year ended September 30, 2012 was 24,758 and has been added to the weighted average number of ordinary shares outstanding to arrive at fully diluted shares outstanding of 37,047,293 for the year ended September 30, 2012.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these consolidated financial statements.

15. Share Capital and Contributed Surplus

	Number of Shares	Amount $
Authorized		
Unlimited common shares, without par value		
Common shares issued		
Shares issued for cash	16,963,840	17,427
Shares issued to Almonty Partners LLC	13,850,420	-
Shares issued to Heemskirk as part of Daytal acquisition	5,560,000	5,560
Shares issued to RCG shareholders as part of the reverse acquisition	637,181	637
Warrants exercised	32,948	38
Less agents' warrants issued as part of Daytal acquisition		(140)
Less common share issuance costs as part of Daytal acquisition		(1,526)
Total share capital	**37,044,389**	**21,996**

	Number of Warrants/Options	Amount $
Contributed surplus		
Warrants issued to Heemskirk	3,701,144	674
Warrants issued to agents	656,650	140
Compensation options issued to former RCG directors	-	25
Compensation options issued to directors/officers	1,050,000	444
Compensation options issued to employees	400,000	182
Total contributed surplus	**5,807,794**	**1,465**
Total share capital and contributed surplus	**42,852,183**	**23,461**

During the period ended September 30, 2011, Almonty issued 16,963,840 common shares for gross proceeds of $17,427 at a value of $1.00 per common share in connection with Almonty Sub's subscription receipt financing that closed on September 23, 2011. Proceeds of the financing were received in both US dollars and Canadian dollars. On closing of the acquisition of Daytal and reverse acquisition of RCG, the funds held in escrow were released. Also on closing of the reverse acquisition of RCG, Almonty issued 637,181 common shares at an implied value of C$1.00 per share to shareholders of RCG in exchange for all of the issued and outstanding shares of RCG. Also on closing of the acquisition of Daytal, Almonty issued 5,560,000 common shares to Heemskirk at an implied value of C$1.00 per share as partial consideration for the issued and outstanding shares of Daytal (See Note 5).

During the year ended September 30, 2012, Almonty issued 32,948 common shares for gross proceeds of $23 on the exercise of 32,948 warrants with a strike price of $0.667 per warrant. As part of the warrant exercise, $15 was reclassified to share capital from contributed surplus.

During the year ended September 30, 2012, the Company recorded non-cash compensation expense of $263 related to the vesting of a portion of the 500,000 options granted on September 26, 2011 that vest over a two-year period, the granting of 150,000 options on January 31, 2012 that vested immediately and the granting of 50,000 options on June 19, 2012 that vested immediately.

The following assumptions were used for the Black-Scholes valuation of the agents' warrants and the Heemskirk warrants:

Risk-free interest rate	2.25%
Expected life of agents' warrants	2 years
Expected life of Heemskirk's warrants	3 years
Annualized volatility	35%
Dividend rate	0%
Strike price per agents' warrant	$1.00
Strike price per Heemskirk warrant	$1.25

The following assumptions were used for the Black-Scholes valuation of the former RCG directors' and agents' options:

Risk-free interest rate	2.15%
Expected life of former RCG directors' and agent's options	9 years
Annualized volatility	35%
Dividend rate	0%
Strike price per former RCG directors' and agent's options	$0.67

Incentive Stock Options

Almonty adopted RCG's stock option plan under which it can grant options to directors, officers, employees and consultants for up to 10% of the issued and outstanding common shares. Under the plan, the exercise price of an option may not be less than the closing market price during the trading day immediately preceding the date of the grant of the option, less any applicable discount allowed by the TSX Venture Exchange. The options can be granted for a maximum term of 10 years and vest at the discretion of the Board of Directors of Almonty. The plan and all grants of options under the plan (including each of the grants described below) were approved by Almonty's shareholders at its Annual and Special Meeting of Shareholders held on March 26, 2012.

On September 26, 2011, Almonty granted 1,250,000 incentive stock options to directors, officers and employees of the Company and its subsidiaries. Each option is exercisable for one common share in the capital of Almonty at a price of $1.00 per share for a period of 10 years from the date of grant. 750,000 of the options vested immediately and 500,000 of the options vest over a two-year period. The grant resulted in a stock-based compensation expense, using the Black-Scholes option pricing model, of $363 being recorded in the period ended September 30, 2011. The weighted average fair value of the stock options granted was $0.48 per option.

During the year ended September 30, 2012, the Company recorded non-cash compensation expense of $178 related to the vesting of a portion of the 500,000 options granted on September 26, 2011 that vest over a two-year period. While the options vest in two instalments on the anniversary of the grant date, the Company has recorded the non-cash compensation expense for each tranche evenly over their respective vesting periods. The notional number of options associated with the non-cash compensation expense totalled 375,000, leaving 125,000 options whose expense will be recognized over the remaining 12 months of the vesting period.

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

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

On January 31, 2012, Almonty granted 150,000 incentive stock options that vested immediately to certain employees of its wholly-owned indirect subsidiary, Daytal. Each option is exercisable into one common share of Almonty at a price of $0.85 per share for a period of 10 years from the date of grant. The grant resulted in stock-based compensation expense, using the Black-Scholes option pricing model, of $62 being recorded in the three-month period ended March 31, 2012. The weighted average fair value of the stock options granted was $0.41 per option.

The following assumptions were used for the Black-Scholes valuation of incentive stock options granted on January 31, 2012:

Risk-free interest rate	2.04%
Expected life of options	10 years
Annualized volatility	35%
Dividend rate	0%
Strike price	$0.85

On June 19, 2012, Almonty granted 50,000 incentive stock options that vested immediately to an employee of its wholly-owned indirect subsidiary, Daytal. Each option is exercisable into one common share of Almonty at a price of $1.02 per share for a period of 10 years from the date of grant. The grant resulted in stock-based compensation expense, using the Black-Scholes option pricing model, of $24 being recorded in the three month period ended June 30, 2012. The weighted average fair value of the stock options granted was $0.48 per option.

The following assumptions were used for the Black-Scholes valuation of incentive stock options granted on June 19, 2012:

Risk-free interest rate	1.769%
Expected life of options	10 years
Annualized volatility	35%
Dividend rate	0%
Strike price	$1.02

As at September 30, 2012, the following options and warrants are outstanding:

	Number of Options/Warrants	Exercise Price	Expiry Date
Incentive stock options [1, 2]	1,250,000	$1.00	25/09/2021
Incentive stock options [3]	150,000	$0.85	30/01/2022
Incentive stock options [3]	50,000	$1.02	19/06/2022
Heemskirk warrants	3,701,144	$1.25	22/09/2014
Agents' warrants	656,650	$1.00	22/09/2013
Total options/warrants	**5,807,794**		

[1] 500,000 incentive stock options vest in two tranches of 250,000 on the first and second anniversary of the grant date of September 26, 2011.
[2] Options issued to directors, officers and employees.
[3] Options issued to employees.

16. Inventories

	September 30, 2012	September 30, 2011
Stores and fuel	691	647
Ore and in-process ore	497	836
Finished goods – WO_3 concentrate	293	1,112
Total inventories	**1,481**	**2,595**

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

17. Receivables

As at September 30, 2012, there was $808 ($nil as at September 30, 2011) in trade receivables outstanding relating to the sale of tungsten concentrate under the Company's long-term supply agreement.

As at September 30, 2011, there were no trade receivables outstanding as no shipments of WO_3 concentrate were shipped during the one week period that Almonty controlled Daytal prior to the fiscal period ended September 30, 2011.

As at September 30, 2012, Almonty recognized VAT recoverable in the amount of $636 ($961 as at September 30, 2011) and HST recoverable in the amount of $63 ($63 as at September 30, 2011) for a total VAT/HST receivable of $699 ($1,024 as at September 30, 2011).

18. Cash and Cash Equivalents

Cash at banks in deposit accounts that earn interest at floating rates based on daily bank deposit rates totalled $1,052 as at September 30, 2012 ($1,156 as at September 30, 2011). Almonty only deposits cash surpluses with major banks of high quality credit standing.

As at September 30, 2012, Almonty did not have any undrawn committed borrowing facilities.

19. Accounts Payable and Accrued Liabilities

	September 30, 2012	September 30, 2011
Trade and other payables	3,875	2,884
Sundry accruals	653	216
Accrued transaction costs	252	762
Accrued payroll and payroll taxes	319	404
Accrued audit fees	83	142
Total accounts payable and accrued liabilities	**5,182**	**4,408**
Current portion of capital lease (Note 20)	55	33
Current portion of non-interest bearing trade payable	506	17
Total current liabilities	**5,743**	**4,458**

As at September 30, 2012, the net present value of the non-interest bearing obligation was $556. The non-interest bearing obligation was due for payment beginning September 1, 2012 with $17 due and payable thereon followed by 14 equal monthly instalments of $43. The total non-interest bearing trade payable of $556 ($520 as at September 30, 2011) is classified as current (due within 12 months) of $506 ($17 as at September 30, 2011) and long-term (due after one year) of $50 ($503 as at September 30, 2011).

20. Capital Leases

	September 30, 2012	
	Minimum Lease Payment	Present Value of MLP
Within one year	60	55
After one year but not more than five years	117	93
After more than five years	-	-
Total minimum lease payments ("MLP")	**177**	**148**

The capital leases relate to certain equipment (forklifts, front-end loader and vehicles). Ownership of the equipment reverts to Almonty at the end of each lease. The leases carry an implied interest rate of between 2.75% and 8.50% and, in addition to the minimum lease payments, include operating payments related to maintenance, service and insurance that totalled $6 in 2012 and will total $3 in 2013, after which time the leases associated with these operating payments will have expired.

	September 30, 2011	
	Minimum lease payment	Present value of MLP
Within one year	35	33
After one year but not more than five years	17	17
After more than five years	-	-
Total minimum lease payments (“MLP”)	52	50

21. Financial Instruments and Financial Risk Management Objectives and Policies

Classification of Financial Instruments

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

The following table provides the allocation of financial instruments and their associated financial instrument classifications as at September 30, 2012:

	FVTPL*	Loans and receivables / Other financial liabilities	Total
Measurement basis	(Fair value)	(Amortized cost)	
Financial assets			
Cash and cash equivalents	1,052	-	1,052
Trade receivables	-	808	808
VAT / HST receivable	-	699	699
Total	1,052	1,507	2,559
Financial Liabilities			
Trade and other payables	-	3,875	3,875
Capital lease	-	148	148
Transaction liabilities	-	252	252
Other accrued liabilities	-	1,055	1,055
Non-interest bearing obligation	-	556	556
Total	-	5,886	5,886

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

Fair Value Hierarchical Levels

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

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

As of September 30, 2012, cash and cash equivalents of $1,052 which are carried at fair value, were based on Level 1 inputs. Management has assessed the carrying values of financial assets and financial liabilities, other than Level 1 inputs, and believes the amortized cost of these assets and liabilities is a reasonable approximation of fair value.

Financial Risk Management Objectives and Policies

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

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

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

Interest rate risk

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

Foreign currency risk

Almonty's wholly-owned indirect subsidiary, Daytal, operates in Spain in Euros (€). Its output is a commodity that is primarily denominated in United States dollars (USD$) and Almonty's reporting currency is in Canadian dollars (CAD$). As such, Almonty's consolidated balance sheet can be significantly affected by movements between the three currencies (CAD$, USD$ and €). During the year ended September 30, 2012, the value of the € relative to the CAD$ decreased from €1.00 = CAD$1.3865 as at September 30, 2011 to €1.00 = CAD$1.2646 as at September 30, 2012, resulting in the Company recording a cumulative translation adjustment loss of ($2,229) for the year ended September 30, 2012. This amount is recorded as other comprehensive income (loss) on the consolidated statement of operations and comprehensive income (loss) and accumulated other comprehensive income (loss) as a separate line item in shareholders' equity.

Commodity price risk
Almonty's policy is to maintain exposure to commodity price movements at its mining operations. The Company sells WO_3 concentrate that is denominated in USD$ per MTU. Every +/- US$10.00 movement in the average price of 1 MTU of European APT as quoted on the Metal Bulletin Exchange impacts the Company's revenue by +/- US$8.00 per MTU of WO_3.

Credit risk
Almonty's maximum exposure to credit risk, excluding the value of any collateral or other security, is the creditworthiness of its major customer that is operating as counterparty to Almonty's supplier financing program. All invoices submitted to its major customer under its long-term supply agreement are subject to a supplier finance program. Almonty assigns all trade receivables that are subject to the supplier finance program to a third-party bank and receives prepayment from the bank on the invoices assigned. The availability of this program rests solely on the ability of Almonty's major customer to continually pay down the supplier financing facility as it comes due in order to ensure Almonty has access to draw on the facility when it ships WO_3 concentrate to its major customer under the agreement. If Almonty were to no longer have access to the supplier financing program it would revert to normal trade terms with its major customer.

The Company had $699 in VAT/HST receivable outstanding as at September 30, 2012 ($1,024 as at September 30, 2011) comprised of VAT of $636 ($961 as at September 30, 2011) due from the Spanish government and HST of $63 ($63 as at September 30, 2011) due from the Canadian government.

As at September 30, 2012, Almonty had submitted invoices totalling $808 ($nil as at September 30, 2011) under its supplier finance program where payment had not yet been received. Subsequent to September 30, 2012, all amounts outstanding as at September 30, 2012 have been received.

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

22. Capital Management

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

		2012	**2011**
Capital leases	Note 20	148	50
Accounts payable and accrued liabilities	Note 19	5,182	4,408
Long-term non-interest bearing trade payables		556	520
Less cash, short-term deposits and receivables		(2,559)	(2,180)
Net debt		**3,327**	**2,798**
Shareholders' equity		21,649	21,177
Equity and net debt		**24,976**	**23,975**
Gearing ratio		**13.3%**	**11.7%**

23. Comparative Figures

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