# Revised Unaudited Consolidated Interim Financial Statements

## For the Three Months Ended December 31, 2012

These Revised Financial Statements are being filed to correct, and are intended to replace in their entirety, the original financial statements filed for the three months ended December 31, 2012. These Revised Financial Statements have been revised to correct an omission on page 10 to include a reference to February 13, 2013, being the date that the Board of Directors of Almonty Industries Inc. approved the financial statements. There are no other changes contained in these Revised Financial Statements.

# Table of Contents

## Notice of No Auditor Review of Condensed Consolidated Interim Financial Statements

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

The accompanying unaudited condensed consolidated interim financial statements of Almonty Industries Inc. ("**Almonty**" or the "**Company**") for the three month period ended December 31, 2012 have been prepared by the Company's management and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim financial statements by an entity's auditor.

# Consolidated Balance Sheets

**As at December 31 and September 30, 2012**
(in 000's of Canadian dollars unless otherwise noted)

| | Note | December 31, 2012 | September 30, 2012 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 17 | 258 | 1,052 |
| Trade receivables | 16 | 1,040 | 808 |
| VAT/HST receivable | 16 | 1,622 | 699 |
| Inventories | 15 | 1,623 | 1,481 |
| Other current assets | | 170 | 219 |
| **Total Current Assets** | | **4,713** | **4,259** |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 7 | 10,566 | 10,248 |
| Mine development | 8 | 13,420 | 11,930 |
| Deferred tax assets | | 1,097 | 1,057 |
| Other non-current assets | | 457 | 472 |
| **Total Non-Current Assets** | | **25,540** | **23,707** |
| **Total Assets** | | **30,253** | **27,966** |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 18 | 4,985 | 3,875 |
| Capital leases | 19 | 51 | 55 |
| Transaction liabilities | 5 | 167 | 252 |
| Non-interest bearing obligation | 18 | 584 | 506 |
| Other accrued liabilities | 18 | 1,210 | 1,055 |
| **Total Current Liabilities** | | **6,997** | **5,743** |
| **Non-Current Liabilities** | | | |
| Non-interest bearing obligation | 18 | - | 50 |
| Capital leases | 19 | 87 | 93 |
| Restoration provision | 11 | 453 | 431 |
| **Total Non-Current Liabilities** | | **540** | **574** |
| **Total Liabilities** | | **7,537** | **6,317** |
| **Shareholders' Equity** | | | |
| Share capital | 14 | 21,996 | 21,996 |
| Contributed surplus | 14 | 1,480 | 1,465 |
| Accumulated other comprehensive income | 14 | (1,299) | (2,122) |
| Retained earnings (deficit) | 14 | 539 | 310 |
| **Total Shareholders' Equity** | | **22,716** | **21,649** |
| **Total Liabilities and Shareholders' Equity** | | **30,253** | **27,966** |

**On behalf of the Board:**

| | |
|---|---|
| *"Lewis Black"* | "*Mark Trachuk"* |
| Lewis Black, Chairman, President & CEO | Mark Trachuk, Director |

*See accompanying notes*

## Consolidated Statements of Operations and Comprehensive Income

**For the three months ended December 30**
(in 000's of Canadian dollars unless otherwise noted)

| | Note | 2012 | 2011 |
|---|---|---|---|
| **Revenue** | 12 | 5,032 | 6,485 |
| Cost of sales | | 2,520 | 3,415 |
| **Gross profit** | | **2,512** | **3,070** |
| **Expenses** | | | |
| Selling, general, and administrative | | (820) | (734) |
| Realized foreign exchange loss | | (35) | - |
| Other income | | 3 | 75 |
| Non-cash compensation | 14 | (15) | (45) |
| **Earnings (loss) before the undernoted items** | | **1,645** | **2,366** |
| Depreciation and amortization | | (1,399) | (1,608) |
| **Earnings before the undernoted items** | | **246** | **758** |
| Interest expense | | 17 | 12 |
| **Earnings before taxes** | | **229** | **746** |
| Income tax provision | | - | - |
| **Net income after tax** | | **229** | **746** |
| **Other comprehensive income (loss)** | | **823** | **(1,238)** |
| **Total comprehensive income (loss) for the period** | | **1,052** | **(492)** |
| **Earnings (loss) per share** | | | |
| Basic earnings (loss) per share | 13 | **$0.01** | **$0.02** |
| Fully diluted earnings (loss) per share | 13 | **$0.01** | **$0.02** |

*See accompanying notes*

## Consolidated Statements of Changes in Shareholders' Equity

**For the three month period ended December 31, 2012 and 2011 and the year ended September 30, 2012**
(in 000's of Canadian dollars unless otherwise noted)

| | Share Capital | | | | Accumulated Other | |
|---|---|---|---|---|---|---|
| | **Shares** | **Amount** | **Contributed Surplus** | **Retained Earnings** | **Comprehensive Income (Loss)** | **Shareholders' Equity** |
| **Balance at September 30, 2012** | 37,044,389 | 21,996 | 1,465 | 310 | (2,122) | 21,649 |
| Equity capital issued | - | - | - | - | - | - |
| Contributed surplus (warrants and options issued) | - | - | 15 | - | - | 15 |
| Contributed surplus (warrants exercised) | - | - | - | - | - | - |
| Net income (loss) for the period | - | - | - | 229 | - | 229 |
| Foreign currency translation adjustment | - | - | - | - | 823 | 823 |
| Transaction costs on share issue | - | - | - | - | - | |
| **Balance at December 31, 2012** | **37,044,389** | **21,996** | **1,480** | **539** | **(1,299)** | **22,716** |

| | Share Capital | | | | Accumulated Other | |
|---|---|---|---|---|---|---|
| | **Shares** | **Amount** | **Contributed Surplus** | **Retained Earnings (Deficit)** | **Comprehensive Income (Loss)** | **Shareholders' Equity** |
| **Balance at September 30, 2011** | 37,011,441 | **21,958** | 1,217 | (2,105) | 107 | 21,177 |
| Equity capital issued | - | - | - | - | - | - |
| Contributed surplus (warrants and options issued) | - | - | 45 | - | - | 45 |
| Contributed surplus (warrants exercised) | - | - | - | - | - | |
| Net income (loss) for the period | - | - | - | 746 | - | 746 |
| Foreign currency translation adjustment | - | - | - | - | (1,238) | (1,238) |
| Transaction costs on share issue | - | - | - | - | - | |
| **Balance at December 31, 2011** | **37,011,441** | **21,958** | **1,262** | **(1,359)** | **(1,131)** | **20,730** |

| | Share Capital | | | | Accumulated Other | |
|---|---|---|---|---|---|---|
| | **Shares** | **Amount** | **Contributed Surplus** | **Retained Earnings (Deficit)** | **Comprehensive Income (Loss)** | **Shareholders' Equity** |
| **Balance at December 31, 2011** | 37,011,441 | 21,958 | 1,262 | (1,359) | (1,131) | 20,730 |
| Equity capital issued | 32,948 | 23 | - | - | - | 23 |
| Contributed surplus (warrants and options issued) | - | - | 218 | - | - | 218 |
| Contributed surplus (warrants exercised) | - | 15 | (15) | - | - | - |
| Net income (loss) for the period | - | - | - | 1,669 | - | 1,669 |
| Foreign currency translation adjustment | - | - | - | - | (991) | (991) |
| Transaction costs on share issue | - | - | - | - | - | |
| **Balance at September 30, 2012** | **37,044,389** | **21,996** | **1,465** | **310** | **(2,122)** | **21,649** |

*See accompanying notes*

Consolidated Statements of Cash Flows

**For the three months ended December 31**
(in 000's of Canadian dollars unless otherwise noted)

| | 2012 | 2011 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income (loss) for the period | 229 | 746 |
| Add (deduct) non-cash items: | | |
| Depreciation & Amortization | 1,399 | 1,608 |
| Non–cash compensation expense | 15 | 45 |
| Non-cash interest expense | 14 | 12 |
| Other non-cash charges | 5 | 22 |
| | 1,662 | 2,433 |
| Net change in non-cash working capital | 50 | 34 |
| **Net cash flows provided by (used in) operating activities** | **1,712** | **2,467** |
| **Cash flows from investing activities** | | |
| Additions to property, plant and equipment | (2,512) | (1,772) |
| **Net cash flows used in investing activities** | **(2,512)** | **(1,772)** |
| **Cash flows from financing activities** | | |
| Change in common stock | - | - |
| Capital leases | (15) | 150 |
| **Net cash flows from financing activities** | **(15)** | **150** |
| **Net increase (decrease) in cash and cash equivalents during the period** | **(815)** | **670** |
| Effect of foreign currency exchange on cash | 21 | (175) |
| Cash and cash equivalents at beginning of period | 1,052 | 1,156 |
| **Cash and cash equivalents at end of period** | **258** | **1,826** |

*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. The principal business of the Company is the mining, processing and shipping of tungsten concentrate from the Los Santos Project, a tungsten mine located in western Spain and owned by the Company through its wholly-owned subsidiary, Daytal.

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

#### a) Statement of compliance

The unaudited consolidated interim financial statements of Almonty for the three month periods ended December 31, 2012 and December 31, 2011 have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*. These unaudited consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with Almonty's annual audited consolidated financial statements for the year ended September 30, 2012.

These unaudited consolidated interim financial statements were authorized for issuance by the Board of Directors of the Company on February 13, 2013.

#### b) Basis of preparation

These unaudited consolidated interim financial statements have been prepared on a going concern basis and include the accounts of the Company's 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 95% of the output of Daytal's operations is sold to this customer. Almonty is economically dependent on the revenue received from this customer in order to be able to meet its current obligations. There is no guarantee that Almonty would be able to find an alternative customer or customers on market terms similar to its existing supply agreement should this current customer cease operations or become unable to pay Almonty under the current contract.

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 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 and amended accounting standards and interpretations

*New accounting standards and interpretations adopted October 1, 2012*

The accounting policies adopted are consistent with those of the fiscal year ended September 30, 2012, except for the following amendments to IFRS effective as of October 1, 2012:

IAS 1 *Presentation of Items of Other Comprehensive Income – (Amended)*

IAS 12 *Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets*

IAS 1 *Presentation of Items of Other Comprehensive Income* – (*Amended)*

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on Almonty's financial position or performance. The amendment is effective for annual periods beginning on or after October 1, 2012 and has been no effect on Almonty's financial position, performance or its disclosures.

IAS 12 *Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets*

The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttle presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that the carrying amount will be recovered through a sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment is effective for annual periods beginning on or after October 1, 2012 and there has been no effect on Almonty's financial position, performance or its disclosures.

*New accounting standards and interpretations not yet adopted*

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

| Reference | Title | Application date for Almonty |
|---|---|---|
| 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 |
| IAS 28 | Investments in Associates and Joint Ventures (revised) | October 1, 2013 |
| IFRIC Interpretation 20 | Stripping Costs in the Production Phase of a Surface Mine | 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 International Financial Reporting Standards ("**IFRS**") requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

As these unaudited interim consolidated financial statements do not contain all of the disclosure required under IFRS for audited financial statements, they should be read in conjunction with the notes to the Company's audited consolidated financial statements for the year ended September 30, 2012 for information about significant areas of estimation uncertainty considered by management.

## 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.

For the three month period ended December 31, 2012, Daytal contributed $5,032 to consolidated revenue and $403 to consolidated net income.

For the three month period ended December 31, 2011, Daytal contributed $6,485 to consolidated revenue and $864 to consolidated net income.

## 6. Related Party Transactions

There were no related party transactions that occurred during the three month periods ended December 31, 2012 and December 31, 2011.

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

| | **2012** | **2011** |
|---|---|---|
| Short-term cash compensation | 114 | 50 |
| Long-term Directors' incentive share-based compensation | 15 | 45 |
| **Total compensation of key management personnel** | **129** | **95** |

## 7. Property, Plant and Equipment

| | **Property, Plant and Equipment** |
|---|---|
| **Cost at September 30, 2012** | 11,378 |
| Additions | 191 |
| Translation adjustment | 428 |
| **Cost at December 31, 2012** | **11,997** |
| | |
| **Accumulated amortization at September 30, 2012** | (1,130) |
| Amortization charge | (253) |
| Translation adjustment | (48) |
| **Accumulated amortization at December 31, 2012** | (1,431) |
| **Closing net book value** | **10,566** |

| | **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 amortization at September 30, 2011** | (39) |
| Amortization charge | (1,158) |
| Translation adjustment | 67 |
| **Accumulated amortization at September 30, 2012** | (1,130) |
| **Closing net book value** | **10,248** |

## 8. Mine Development

| | Mine Restoration | Inferred Resource | Mine Development | Total |
|---|---|---|---|---|
| **Cost at September 30, 2012** | 353 | - | 14,963 | 15,316 |
| Additions | - | - | 2,322 | 2,322 |
| Reclassification on updated technical report | - | - | - | - |
| Translation adjustment | 13 | - | 605 | 618 |
| **Cost at December 31, 2012** | **366** | **-** | **17,890** | **18,256** |
| **Accumulated amortization at September 30, 2012** | (85) | - | (3,300) | (3,385) |
| Amortization charge | (22) | - | (1,276) | (1,298) |
| Translation adjustment | (4) | - | (145) | (153) |
| **Accumulated amortization at December 31, 2012** | (111) | - | (4,725) | (4,836) |
| **Closing net book value** | **255** | **-** | **13,165** | **13,420** |

| | 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 amortization at September 30, 2011** | - | - | (19) | (19) |
| Amortization charge | (84) | - | (3,388) | (3,472) |
| Translation adjustment | (1) | - | 106 | 105 |
| **Accumulated amortization at September 30, 2012** | (85) | - | (3,301) | (3,445) |
| **Closing net book value** | **268** | **-** | **11,662** | **11,930** |

## 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 statement of financial position 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.

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 comprehensive 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$237) and are payable throughout the year on the anniversary dates of the individual leases.

The mining license for the Los Santos Project was granted in September 2002, for a period of 30 years and is extendable for 90 years. Daytal has to pay annual land taxes (approximately €2 per year) to the government. This amount is related to the surface covered and not to the production of minerals. There are no other royalty payments. The Company files applications in the ordinary course 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 $453 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$236) 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

Gross revenue for the three month period ended December 31, 2012 totalled $5,032 and gross revenue for the three month period ended December 31, 2011 totalled $6,485.

## 13. Earnings (loss) per Share

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

| | **Three months ended December 31,** | |
|---|---|---|
| Basic | **2012** | **2011** |
| Net income (loss) for the period attributable to Almonty shareholders | $229 | $746 |
| Weighted average number of common shares outstanding | 37,044,389 | 37,011,441 |
| Basic income (loss) per common share | $0.01 | $0.02 |
| | | |
| Fully Diluted | **2012** | **2011** |
| Net income (loss) for the period attributable to Almonty shareholders | $229 | $746 |
| Weighted average number of fully diluted common shares | 37,068,731 | 37,035,749 |
| Fully diluted income (loss) per fully diluted common share | $0.01 | $0.02 |

The weighted average number of common shares outstanding as at December 31, 2012 was unchanged from September 30, 2012.

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

As at December 31, 2012 there were 1,450,000 options outstanding, the same number that was outstanding as at September 30, 2012.

As at December 31, 2012 there were 4,357,794 warrants outstanding, the same number that was outstanding as at September 30, 2012.

The impact of dilutive securities of 24,342, calculated using the Treasury Method, has been added to the weighted average number of common shares outstanding to arrive at fully diluted shares outstanding for the three months ended December 31, 2012.

The impact of dilutive securities of 24,308, calculated using the Treasury Method, has been added to the weighted average number of common shares outstanding to arrive at fully diluted shares outstanding for the three months ended December 31, 2011.

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

## 14. 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 | 459 |
| Compensation options issued to employees | 400,000 | 182 |
| **Total Contributed Surplus** | **5,807,794** | **1,480** |
| | | |
| **Total Share Capital and Contributed Surplus** | **42,852,183** | **23,476** |

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 on March 26, 2012 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' 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 was 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 ten years from the date of grant. 750,000 of the options vested on March 26, 2012 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 three months ended December 31, 2012 the Company recorded non-cash compensation expense of \$15 related to the vesting of a portion of the 500,000 options granted on September 26, 2011 that vest over a two year period. While the options vest in two instalments on the anniversary of the grant date, the Company has recorded the non-cash compensation expense for each tranche evenly over their respective vesting period. The notional number of options associated with the non-cash compensation expense totalled 31,250, leaving 93,750 options whose expense will be recognized over the remaining 9 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 on March 26, 2012 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 ten 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 ten 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 December 31, 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 | 26/09/2021 |
| Incentive stock options [3] | 150,000 | $0.85 | 30/01/2022 |
| Incentive stock options [3] | 50,000 | $1.02 | 19/06/2022 |
| Heemskirk warrants | 3,701,144 | $1.25 | 23/09/2014 |
| Agents' warrants | 656,650 | $1.00 | 23/09/2013 |
| **Total Options /Warrants** | **5,807,794** | | |

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

## 15. Inventories

| | December 31, 2012 | September 30, 2012 |
|---|---|---|
| Stores and fuel | 715 | 691 |
| Ore and in-process ore | 531 | 497 |
| Finished goods – $WO_3$ concentrate | 377 | 293 |
| **Total inventories** | **1,623** | **1,481** |

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

## 16. Receivables

As at December 31, 2012, there was $1,040 ($808 as at September 30, 2012) in trade receivables outstanding relating to the sale of tungsten concentrate under the Company's long-term supply agreement. As at the date hereof all outstanding receivables as of December 31, 2012 have been received.

As at December 31, 2012, Almonty recognized VAT recoverable in the amount of $1,613 ($636 as at September 30, 2012) and HST recoverable in the amount of $9 ($63 as at September 30, 2012) for a total VAT/HST receivable of $1,622 ($699 as at September 30, 2012).

## 17. Cash and Cash Equivalents

Cash at banks in deposit accounts that earn interest at floating rates based on daily bank deposit rates totalled $258 as at December 31, 2012 ($1,052 as at September 30, 2012). Almonty only deposits cash surpluses with major banks of high quality credit standing.

As at December 31, 2012, Almonty did not have any undrawn committed borrowing facilities.

## 18. Accounts Payable and Accrued Liabilities

| | December 31, 2012 | September 30, 2012 |
|---|---|---|
| Trade and other payables | 4,985 | 3,875 |
| Sundry accruals | 1,019 | 653 |
| Accrued transaction costs | 167 | 252 |
| Accrued payroll and payroll taxes | 151 | 319 |
| Accrued audit fees | 40 | 83 |
| **Total Accounts Payable and Accrued Liabilities** | **6,362** | **5,182** |
| | | |
| Current portion of capital lease (Note 19) | 51 | 55 |
| Current portion of non-interest bearing trade payable | 584 | 506 |
| **Total Current Liabilities** | **6,997** | **5,743** |

The net present value of the non-interest bearing obligation is $556 was due for payment beginning September 1, 2012 with $17 due and payable thereon followed by 14 equal monthly instalments of $43. The non-interest bearing trade payable of $584 ($556 as at September 30, 2012) is classified as current (due within 12 months) of $584 ($506 as at September 30, 2012) and long-term (due after 1 year) of $nil ($50 as at September 30, 2012).

## 19. Capital Leases

| | **December 31, 2012** | |
|---|---|---|
| | Minimum Lease Payment | Present Value of MLP |
| Within one year | 55 | 51 |
| After one year but not more than five years | 121 | 87 |
| After more than five years | - | - |
| **Total Minimum Lease Payments** | **176** | **138** |

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 $2 during the 3 months ended December 31, 2012 and will total $1 during the remainder of the 2013 fiscal year, after which time the leases associated with these operating payments will have expired.

| | **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** | 177 | 148 |

## 20. 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 December 31, 2012:

| | FVTPL* | Loans and receivables / Other financial liabilities | Total |
|---|---|---|---|
| Measurement basis | (Fair value) | (Amortized cost) | |
| **Financial assets** | | | |
| Cash and cash equivalents | 258 | - | 258 |
| Trade Receivables | - | 1,040 | 1,040 |
| VAT / HST receivable | - | 1,622 | 1,622 |
| Total | 258 | 2,662 | 2,920 |
| **Financial Liabilities** | | | |
| Trade and other payables | - | 4,985 | 4,985 |
| Capital lease | - | 138 | 138 |
| Transaction liabilities | - | 167 | 167 |
| Other accrued liabilities | - | 1,210 | 1,210 |
| Non-interest bearing obligation | - | 584 | 584 |
| Total | - | 7,084 | 7,084 |

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

### Fair Value Hierarchical Levels

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

Level 1 - Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date

Level 2 - Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

Level 3 - Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to determining the estimate.

As of December 31, 2012, cash and cash equivalents of $258, which is carried at fair value, was based on Level 1 inputs. Management has assessed the carrying values of financial assets and financial liabilities, other than Level 1inputs, and believes the amortized cost of these assets and liabilities is a reasonable approximation of fair value.

## Financial Risk Management Objectives and Policies

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

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

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

*Interest rate risk*

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

*Foreign currency risk*

Almonty's wholly-owned indirect subsidiary, Daytal, operates in Spain in Euros (€). Its output is a commodity that is primarily denominated in United States dollars (USD$) and Almonty's reporting currency is in Canadian dollars (CAD$). As such, Almonty's consolidated balance sheet can be significantly be affected by movements between the three currencies (CAD$, USD$ and €). During the three months ended December 31, 2012, the value of the € relative to the CAD$ increased from €1. 00 = CAD$1.2646 as at September 30, 2012 to €1.00 = CAD$1.3118 as at December 31, 2012, resulting in the Company recording a cumulative translation adjustment gain of $823 for the three months ended December 31, 2012. This amount is recorded as other comprehensive income (loss) on the Consolidated Statement of Operations and Comprehensive Income and accumulated other comprehensive income (loss) as a separate line item in Shareholders' Equity.

*Commodity price risk*

Almonty's policy is to maintain exposure to commodity price movements at its mining operations. The Company sells $WO_3$ concentrate that is denominated in US$ per metric tonne unit ("**MTU**"). Every +/- US$10.00 movement in the average price of 1 MTU of European ammonium para tungstate as quoted on the Metal Bulletin Exchange impacts the Company's revenue by +/- US$8.00 per MTU of $WO_3$.

*Credit risk*

Almonty's maximum exposure to credit risk, excluding the value of any collateral or other security, is the creditworthiness of its customer that is operating as counterparty to Almonty's supplier financing program. All invoices submitted to its major customer under its long-term supply agreement are subject to a supplier finance program. Almonty assigns all trade receivables that are subject to the supplier finance program to a third party bank and receives prepayment from the bank on the invoices assigned. The availability of this program rests solely on the ability of Almonty's customer to continually pay down the supplier financing facility as it comes due in order to ensure

Almonty has access to draw on the facility when it ships $WO_3$ concentrate to its customer under the agreement. If Almonty were to no longer have access to the supplier financing program it would revert to normal trade terms with its customer.

The Company had $1,622 in VAT/HST receivables outstanding as at December 31, 2012 ($699 as at September 30, 2012) comprised of VAT of $1,613 ($636 as at September 30, 2012) due from the Spanish government and HST of $9 ($63 as at September 30, 2012) due from the Canadian government.

As at December 31, 2012, Almonty had submitted invoices totalling $1,040 ($808 as at September 30, 2012) under its supplier finance program where payment had not yet been received. Subsequent to December 31, 2012, all amounts outstanding as at December 31, 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.

## 21. 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.

| | | **December 31, 2012** | **September 30, 2012** |
|---|---|---|---|
| Capital leases | Note 19 | 138 | 148 |
| Accounts payable and accrued liabilities | Note 18 | 6,362 | 5,183 |
| Long-term non-interest bearing trade payables | | 584 | 556 |
| Less cash, short-term deposits and receivables | | (2,920) | (2,559) |
| Net debt | | **4,164** | **3,328** |
| Shareholders' equity | | 22,716 | 21,649 |
| Equity and net debt | | **26,880** | **24,994** |
| **Gearing ratio** | | **15.5%** | **13.3%** |

## 22. Comparative Figures

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