



Interim Condensed Consolidated Financial Statements
For the Three Months Ended March 31, 2023 and 2022
(UNAUDITED)

Presented in Canadian dollars

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements for Almonty Industries Inc. were prepared by management in accordance with International Financial Reporting Standards (IFRS). Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in Note 3 to the consolidated financial statements.

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

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

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

"Lewis Black"

Lewis Black
Director, President & CEO

"Mark Gelmon"

Mark Gelmon
Chief Financial Officer

May 12, 2023
Toronto, Ontario

Almonty Industries Inc.

Interim Condensed Consolidated Balance Sheets

(Unaudited)

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

	Note	March 31, 2023	December 31, 2022
Assets			
Current Assets			
Cash		6,391	8,442
Trade receivables		1,619	2,193
Taxes recoverable		388	491
Inventories	4	5,628	5,714
Prepaid expenses and other current assets		3,521	3,980
Total Current Assets		17,547	20,820
Mining assets	5	123,067	138,711
Tailings inventory	4	30,526	30,007
Deferred tax assets	11	2,559	2,515
Other assets		595	792
Total Assets		174,294	192,845
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	7	25,543	23,936
Deferred revenue		28	624
Current portion of long-term debt	8	30,355	30,346
Total Current Liabilities		55,926	54,906
Warrant liabilities	8 & 10	1,133	416
Long-term debt	8	56,915	59,134
Restoration provision and other liabilities	9	21,970	38,625
Deferred tax liabilities	11	14	14
Total Liabilities		135,958	153,095
Shareholders' Equity			
Share capital	10	125,889	119,383
Equity portion of convertible debentures		1,241	1,241
Contributed surplus		10,916	10,821
Accumulated other comprehensive income (loss)		(2,208)	3,391
Deficit		(97,502)	(95,086)
Total Shareholders' Equity		38,336	39,750
Total Liabilities and Shareholders' Equity		174,294	192,845

Nature of operations (Note 1) | Commitments and contingent liabilities (Note 16) | Subsequent event (Note 18)

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements

Signed on behalf of the Board:

/s/ Lewis Black
Lewis Black
 Director, President & CEO

/s/ Mark Trachuk
Mark Trachuk
 Director, Audit Committee Chair

Almonty Industries Inc.
Interim Condensed Consolidated Statements of Operations and Comprehensive Loss

(Unaudited)

(Unaudited) (in 000's of Canadian dollars except share and per share amounts)

		Three months ended March 31,	
	Note	2023	2022
Revenue		<u>7,097</u>	<u>6,258</u>
Cost of sales			
Production costs		5,728	4,734
Care and maintenance costs		255	237
Depreciation and amortization		<u>250</u>	<u>421</u>
Income from mining operations		864	866
Expenses			
General and administrative		1,689	1,361
Share-based compensation	10	<u>102</u>	<u>139</u>
Loss before other items and income taxes		(927)	(634)
Other (income) expenses			
Interest expense		967	724
Financing fees		739	-
(Gain) loss on valuation of embedded derivative liabilities	8(c)	(123)	147
Gain on valuation of warrant liabilities	8 & 10	(429)	-
Foreign exchange loss		<u>232</u>	<u>94</u>
Loss before income taxes		(2,313)	(1,599)
Income tax expense (recovery)			
Current	11	<u>103</u>	<u>34</u>
Net loss for the period		(2,416)	(1,633)
Other comprehensive income (loss) not through profit and loss			
Net loss for the period		(2,416)	(1,633)
<i>Items that may be reclassified subsequently to profit/loss</i>			
Foreign currency translation adjustment		<u>(5,599)</u>	<u>(390)</u>
Comprehensive loss for the period		(8,015)	(2,023)
Loss per common share - basic and diluted		\$ (0.01)	\$ (0.01)
Weighted average number of shares outstanding-basic and diluted		218,437,709	208,238,221

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements

Almonty Industries Inc.

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

Three Months ended March 31, 2023 and 2022

(Unaudited)

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

	Note	Share Capital	Equity Portion of Convertible Debentures	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity
Balance at December 31, 2021		112,445	1,241	7,010	(2,608)	(80,596)	37,492
Issuance of common shares for cash	10	1,395	-	-	-	-	1,395
Share issuance costs	10	(83)	-	-	-	-	(83)
Shares issued on exercise of options	10	1	-	-	-	-	1
Share-based compensation	10	-	-	139	-	-	139
Net loss and comprehensive loss for the period		-	-	-	(390)	(1,633)	(2,023)
Balance at March 31, 2022		113,758	1,241	7,149	(2,998)	(82,229)	36,921
Issuance of common shares for cash	10	5,738	-	-	-	-	5,738
Share issuance costs	10	(113)	-	-	-	-	(113)
Share-based compensation	10	-	-	3,672	-	-	3,672
Net loss and comprehensive loss for the period		-	-	-	6,389	(12,857)	(6,468)
Balance at December 31, 2022		119,383	1,241	10,821	3,391	(95,086)	39,750
Issuance of common shares for cash	10	3,856	-	-	-	-	3,856
Share issuance costs	10	(309)	-	-	-	-	(309)
Shares issued on exercise of warrants	10	42	-	(7)	-	-	35
Shares issued for settlement of debt	10	2,917	-	-	-	-	2,917
Share-based compensation	10	-	-	102	-	-	102
Net loss and comprehensive loss for the period		-	-	-	(5,599)	(2,416)	(8,015)
Balance at March 31, 2023		125,889	1,241	10,916	(2,208)	(97,502)	38,336

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements

Almonty Industries Inc.

Interim Condensed Consolidated Statements of Cash Flows

(Unaudited)

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

	Note	Three months ended March 31,	
		2023	2022
Operating activities			
Net loss for the period		(2,416)	(1,633)
Add (deduct) non-cash items:			
Share-based compensation	10	102	139
Depreciation and amortization		250	421
Interest expense		967	724
Financing fees		739	-
Income tax expense		103	34
Gain on valuation of embedded derivative liabilities	8(c)	(123)	147
Gain on valuation of warrant liabilities		(429)	-
Unrealized foreign exchange losses		230	1,247
		<u>(577)</u>	<u>1,079</u>
Changes in non-cash working capital			
Trade receivables		564	(928)
Taxes recoverable		100	(33)
Inventories		172	(22)
Prepaid expenses and other current assets		459	34
Deferred financing costs		-	(1,368)
Accounts payable and accrued liabilities		(1,050)	(303)
Deferred revenues		(565)	117
Net change in non-cash working capital		<u>(320)</u>	<u>(2,503)</u>
Other assets		<u>171</u>	<u>(123)</u>
Cash flow used in operating activities		<u>(726)</u>	<u>(1,547)</u>
Investing activities			
Additions to mining assets		<u>(2,645)</u>	<u>(1,642)</u>
Cash flow used in investing activities		<u>(2,645)</u>	<u>(1,642)</u>
Financing activities			
Issuance of common shares	10	5,002	1,395
Share issuance costs paid	18	(309)	(83)
Exercise of options		-	1
Issuance of long-term debt	8	-	2,859
Repayment of long-term debt		(2,087)	(428)
Interest paid		(931)	(586)
Financing fees paid		-	(172)
Cash flow provided by financing activities		<u>1,675</u>	<u>2,986</u>
Effect of foreign exchange on cash		<u>(355)</u>	<u>(7)</u>
Net increase (decrease) in cash during the period		<u>(2,051)</u>	<u>(210)</u>
Cash at beginning of period		<u>8,442</u>	<u>1,048</u>
Cash at end of period⁽¹⁾		<u>6,391</u>	<u>838</u>

⁽¹⁾ Cash includes \$4,868 (March 31, 2022 - \$nil) of restricted cash solely for use on the Sangdong Project.

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements

Almonty Industries Inc.

Notes to the Interim Condensed Consolidated Financial Statements

March 31, 2023

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

1. Nature of operations

Almonty Industries Inc. ("Almonty") (with its subsidiaries, the "Company") is incorporated in Canada. The Company's shares are listed on the Toronto Stock Exchange ("TSX"), trading under the symbol AII. The Company's shares are also listed on the OTCQX Best Markets ("OTCQX") under the symbol ALMTF. On August 2, 2021, the Company raised AUD 15.25 million in conjunction with a listing on the Australia Securities Exchange ("ASX"), trading under the symbol AII.

The head office of the Company is located at 100 King Street West, Suite 5700, Toronto, Ontario, M5X 1C7. The principal business of Almonty is the mining, processing and shipping of tungsten concentrate from the Los Santos tungsten mine located near Salamanca, Spain (the "Los Santos Mine") and the Panasqueira tin and tungsten mine in Covilha, Castelo Branco, Portugal (the "Panasqueira Mine") as well as the development of the Sangdong tungsten project located in Gangwon Province, Republic of Korea, (the "Sangdong Project") and the exploration and evaluation of the Valtreixal tin and tungsten project, located in the province of Zamora in Western Spain (the "Valtreixal Project").

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

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

Management assesses the Company's ability to continue as a going concern at each reporting date, using quantitative and qualitative information available. As at March 31, 2023, the Company had a working capital deficiency of \$38,379 (December 31, 2022 - \$34,086). During the year ended December 31, 2022, the Company secured additional financings totaling \$11,221. In addition, during July 2022, the Company closed its US\$75.1 million project financing with the KfW IPEX-Bank ("KfW") and received the first and second drawdowns on this facility of US\$16.9 million during August 2022, with a third drawdown of US\$9.8 million received during November 2022 and a fourth drawdown of US\$5.6 million received during April 2023. Subsequent to December 31, 2022, the Company secured additional financings totaling \$5,060 and negotiated the extension of the maturity date of the Unicredit US\$15,650 bank loan from September 30, 2023 to March 31, 2024.

Almonty Industries Inc.

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

The Company's current forecast indicates that it will have sufficient cash flows from operations and from financings outlined above for at least the next year to continue as a going concern and settle obligations as they come due. The assessment of the Company's ability to continue as a going concern, by its nature, relies on estimates of future cash flows and other future events, whose subsequent changes would materially impact the validity of such an assessment.

Ukraine Conflict

It is unclear whether the Company's future operations may be affected by the outbreak of war between Russia and Ukraine, the variety of sanctions implemented by the international community on Russia or the resulting withdrawal of products and services from Russia.

While management believes that it is taking appropriate measures to support the sustainability of the Company's business in the current circumstances, a continuation of the current business environment could negatively affect the Company's results and financial position in a manner not currently determinable. These consolidated financial statements reflect management's current assessment of the Ukraine conflict. However, the future business environment may differ from management's assessment.

2. Basis of Preparation

a) Statement of compliance

These unaudited interim condensed consolidated financial statements of the Company have been prepared in accordance with International Accounting Standard IAS 34, Interim Financial Reporting. These financial statements do not include all the information and disclosures required in the Company's annual financial statements and should be read in conjunction with the Company's audited annual financial statements for the year ended December 31, 2022

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

These unaudited interim condensed consolidated financial statements were authorized for issuance by the Company's Board of Directors on May 12, 2023.

Almonty Industries Inc.

Notes to the Interim Condensed Consolidated Financial Statements

March 31, 2023

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

b) Basis of preparation and principles of consolidation

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.

The Company controls an investee if the Company has:

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

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

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

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

These consolidated financial statements include the accounts of the Company and its 100%-owned subsidiaries, Daytal Resources Spain S.L. ("Daytal"), Beralt Ventures Inc. ("BVI"), Beralt Tin and Wolfram (Portugal) SA ("BTW"), 7887523 Canada Inc. ("Almonty Sub"), Valtreixal Resources Spain ("VRS"), and Woulfe Mining Corp. ("Woulfe") and its four wholly-owned subsidiaries ("Woulfe Subs").

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

c) Economic dependence

Almonty's wholly-owned subsidiaries, Daytal and BTW, participate in the global tungsten business. Currently, the majority of the output of Almonty's operations is sold to two customers (2021 - two), one of which is a shareholder of the Company. There is no guarantee that Almonty would be able to find an alternative customer or customers on market terms to replace this revenue.

d) Foreign currency translation

These financial statements are presented in Canadian dollars. The functional currency of Almonty is the Canadian dollar. Daytal, BVI, BTW and VRS's functional currency is the Euro ("€") and AKTC's functional currency is the Korean Won ("KRW").

Transactions denominated in a currency other than the functional currency of Almonty or its respective subsidiaries, including revenues of Daytal and BTW which are denominated in US\$, are translated into their respective functional currencies using the exchange rate prevailing at the date

Almonty Industries Inc.

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of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the historical exchange rate. Exchange gains and losses are recognized in profit or loss in the period in which they arise.

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

e) Critical judgments and estimates

The preparation of consolidated financial statements requires management to make judgments, estimates and form assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and reported amount of revenues and expenses for the reporting period. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis.

Critical judgments

(i) Functional currency

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

(ii) Stage of exploration and development

Upon achieving technical feasibility and when commercial viability is demonstrated, capitalized exploration and evaluation assets are transferred to mineral properties and plant and equipment.

(iii) Tailings inventory

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

(iv) Going concern

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

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

Key sources of estimation uncertainty

(i) Ore reserves and mineral resources estimates

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

(ii) Mine rehabilitation and restoration provision

The Company 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. Significant assumptions related to mine rehabilitation and restoration provisions are disclosed in Note 9.

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

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

When required, the determination of fair value and value in use requires management to make estimates and assumptions about expected production, sales volumes, commodity prices, mineral resources, operating costs, and future capital expenditures. The estimates and assumptions are subject to risk and uncertainty; hence, there is the possibility that changes in

Almonty Industries Inc.

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circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be further impaired or the impairment charge reduced with the impact recorded in profit or loss. Significant assumptions used in the Company's impairment analysis are disclosed in Note 6.

(iv) Inventory

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

(v) Deferred stripping

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

(vi) Valuation of right-of-use asset and lease liabilities

The application of IFRS 16 requires the Company to make judgments that affect the valuation of the right-of-use assets and the valuation of lease liabilities. These include assessing lease agreements to determine the contract term and interest rate used for discounting of future cash flows.

The lease term determined by the Company is comprised of the non-cancellable period of lease agreements, periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option.

The present value of the lease payment is determined using a discount rate representing the rate of a commercial mortgage rate, observed in the period when the lease agreement commences or is modified.

(vii) Income taxes

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

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Notes to the Interim Condensed Consolidated Financial Statements

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

f) Pending Accounting Standards

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates have now been assessed by the Company and are not expected to have any impact on the Company's consolidated financial statements. The Company has not early adopted these standards.

3. Significant Accounting Policies

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, and short-term deposits with a maturity of three months or less at the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The Company currently does not have any cash equivalents.

Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value represents the estimated future sales price of the product based on prevailing metal prices at the reporting date, less estimated costs to complete production and bring the product to sale.

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

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

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

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

Mining assets

(a) Mineral property, plant and equipment:

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

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The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation and, for qualifying assets, borrowing costs. The capitalization of certain mine construction costs ceases when a mine construction project moves into the production stage. When parts of mineral property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of mineral property, plant and equipment.

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

Accumulated mine development costs and property plant and equipment that are directly related to the production of tungsten concentrate and that has a useful life that is equal to or in excess of the estimated life-of-mine, are depreciated on a unit-of-production basis over the economically recoverable resources of the mine ("ROM"). The unit of account for the ROM costs are tonnes of ore whereas the unit of account for post-ROM costs are recoverable MTUs of WO₃. Rights and concessions are depleted on the unit-of-production basis over the total resources. The unit-of-production rate for the depreciation of mine development costs takes into account expenditures incurred to date.

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

(b) Exploration and evaluation assets

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

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

Management reviews the carrying value of capitalized exploration costs for indicators that the carrying value is impaired in each reporting period. The review is based on the Company's intentions for further exploration and development of the undeveloped property, results of drilling, commodity prices and other economic and geological factors. Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped

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project. If a property does not prove viable, all non-recoverable costs associated with the project, net of any previous impairment provisions, are written off.

(c) Deferred stripping expenditures

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

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

Mine rehabilitation and restoration provisions

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

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

Other provisions

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

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

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Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit or loss on a straight-line basis over the lease term.

Financial instruments

(a) Financial assets

Financial assets are initially recorded at fair value and after initial recognition are either measured at amortized cost or at fair value, as fair value through profit or loss (“FVTPL”) or at fair value through other comprehensive income (FVOCI) as either certain debt instruments or

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certain equity instruments. Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through operations.

Financial assets are classified and subsequently measured at amortized cost based on meeting the following criteria of (i) hold to collect business model test – the asset being held within a business model whose objective is to hold the financial asset in order to collect contractual cash flows and (ii) solely payments of principal and interest (“SPPI”) contractual cash flow characteristics test – the contractual terms of the financial asset give rise to cash flow that are SPPI on the principal amount outstanding on a specified date.

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

(b) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as either at amortized cost or at FVTPL. Financial liabilities are measured at amortized cost unless either the financial liability is held for trading and is therefore measured at FVTPL, or the Company elects to measure the financial liability at FVTPL.

(c) Classification

The Company has classified financial assets and liabilities as follows:

<u>Asset/Liability</u>	<u>Category/Measurement</u>
Cash	Amortized cost
Trade receivables	Amortized cost
Trade receivables related to provisional pricing	FVTPL
Recoverable taxes receivable	Amortized cost
Prepaid expenses and other current assets	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Long-term debt	Amortized cost
Long-term debt related to derivative liabilities	FVTPL

(d) Compound Financial Instruments

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

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(e) Derivative financial instruments

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

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

(f) Embedded derivatives

Derivatives may be embedded in other financial instruments (the “host instrument”). Embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host instrument, the terms of the embedded derivative are the same as those of a stand-alone derivative, and the combined contract is not held for trading or designated at fair value. These embedded derivatives are measured at fair value with subsequent changes recognized in gains or losses on derivative instruments in the statement of operations and comprehensive loss.

Impairment of assets

(a) Financial assets

The Company recognizes an allowance for expected credit losses (“ECLs”) for financial instruments not held at fair value through profit or loss. Expected losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables (not subject to provisional pricing) and other receivables due in less than 12 months, the Company applies the simplified approach in calculating expected credit losses, as permitted by IFRS 9. Therefore, the Company does not track changes in credit risk, but instead, recognizes a loss allowance based on the financial asset’s lifetime expected credit loss at each reporting date.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements

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held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

(b) Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). For purposes of impairment testing, assets are grouped at the lowest levels that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

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

Revenue recognition

The Company is principally engaged in the business of producing WO₃ concentrate.

Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

The Company has concluded that it is the principal in its revenue contracts because it typically controls the goods or services before transferring them to the customer.

For most WO₃ concentrate sales, the enforceable contract is a long-term supply agreement. For the remaining WO₃ concentrate sales, the enforceable contract is each purchase order, which is an individual, short-term contract.

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Revenue from the sale of WO₃ concentrate is recognized when control has 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 the Company has paid all costs of shipping, freight and insurance to the destination specified by the purchaser.

Income taxes

Current income tax assets and liabilities are estimated as the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where Almonty and its subsidiaries operate and generates taxable income. Current income tax is recognized in profit or loss except for income taxes relating to items recognized directly in other comprehensive income or equity, in which case the related current tax is also recognized in other comprehensive income or equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate.

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

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

Income (loss) per share

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

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

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beginning of the period (or the issue date if later). The profit or loss attributable to common shareholders is adjusted to eliminate related interest costs recognized in profit or loss for the period.

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

Employee Benefits

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

Share-based payment transactions

Employees, directors and service providers of the Company may receive a portion of their compensation in the form of share-based payments.

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

The costs of share-based payments are measured by reference to the fair value of the equity instrument at the date on which they are granted and are recognized, together with a corresponding increase in contributed surplus, over the period in which the performance and/or service conditions are fulfilled which typically is the date on which the relevant employees become fully entitled to the award (vesting period). The cumulative expense recognized reflects the Company's best estimate of the number of equity instruments that will ultimately vest. No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance or service conditions are satisfied.

Restricted share unit transactions

Restricted share units ("RSU's") entitle certain employees to receive shares of the Company at the end of the applicable vesting period, which is usually three years in length. The fair value of the RSUs granted is measured based on the market value at the grant date.

Acquisitions, business combinations and goodwill

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

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

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Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value, and the amount of any non-controlling interest acquired. The Company measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets which is determined on a transaction-by-transaction basis. Acquisition costs incurred are expensed and included in general and administrative expenses.

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

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

4. Inventories

	March 31,	December 31,
	2023	2022
Stores and fuel	4,926	4,826
Ore and in-process ore	409	367
Finished goods - WO3 concentrate	293	521
Current inventories	5,628	5,714
Tailings	30,526	30,007
Total inventories	36,154	35,721

Changes in inventories and impairment charges and reversal of impairment charges are recognized in mine operating costs. At March 31, 2023, tailings inventories are classified as long term as these inventories may not be processed within the next year.

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5. Mining assets

	Plant and Equipment	Mineral Property Acquisition and Development Costs	Exploration and Evaluation Projects	Total
Cost				
Balance at December 31, 2021	40,056	51,802	68,469	160,327
Additions	8,282	14,362	111	22,755
Capitalization of exploration and evaluation projects ⁽¹⁾	-	60,501	(60,501)	-
Asset disposals	(2,695)	-	-	(2,695)
Translation adjustment	263	6,536	44	6,843
Balance at December 31, 2022	45,906	133,201	8,123	187,230
Additions	4,608	2,494	15	7,117
Change in restoration provisions	-	(17,147)	-	(17,147)
Asset disposals	(801)	-	-	(801)
Translation adjustment	(1,556)	(2,588)	140	(4,004)
Balance at March 31, 2023	48,157	115,960	8,278	172,395
Accumulated Amortization				
Balance at December 31, 2021	13,023	37,792	-	50,815
Amortization	1,238	293	-	1,531
Asset disposals	(2,659)	(65)	-	(2,724)
Translation adjustment	625	(1,728)	-	(1,103)
Balance at December 31, 2022	12,227	36,292	-	48,519
Amortization	316	-	-	316
Asset disposals	(344)	-	-	(344)
Translation adjustment	117	720	-	837
Balance at March 31, 2023	12,316	37,012	-	49,328
Carrying Value				
Balance at December 31, 2022	33,679	96,909	8,123	138,711
Balance at March 31, 2023	35,841	78,948	8,278	123,067

⁽¹⁾During July 2022, upon the completion of the KfW US\$75.1 million project financing (Note 8(e)), the Company determined that it now has sufficient resources to complete the development of its Sangdong mine. As a result, capitalized exploration and evaluation projects totaling \$60,501 were transferred to Mineral property acquisition and development costs. Translation adjustments arose as a result of the change in the functional currency of Woulfe effective January 1, 2022.

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6. Impairment Loss on Mining Assets

Los Santos mine

No indicators of impairment or reversal of impairment existed as at March 31, 2023 (March 31, 2022 – none).

Sangdong mine

During July 2022, upon completion of the KfW US\$75.1 million project financing (Note 8(e)), the Company determined that the Sangdong mine project moved from the exploration and evaluation stage to the development stage.

As a result, the Company performed an evaluation of the asset carrying value of the Sangdong mine project and determined that no impairment of capitalized costs existed as at July 28, 2022. The fair value less costs to sell (FVLCS) of the Sangdong mine project CGU was determined based on the net present value of the future cash flows expected to be generated from the mine. Key assumptions used in the FVLCS assessment included a pre-tax discount rate of 12% and forecasted exchange rates of between 1,284 KRW and 1,320 KRW to 1 US\$. Inflation was assumed to be between 2.2% and 2.4% with a forecasted price of tungsten of US\$ 300 per MTU.

7. Accounts Payable and Accrued Liabilities

The balance as of March 31, 2023 includes \$14,245 (December 31, 2022 - \$13,218) of trade accounts payable and \$11,298 (December 31, 2022 - \$10,718) of accrued liabilities.

8. Long-Term Debt

		March 31, 2023	December 31, 2022
Term and other loans - Euro	(a)	6,052	6,252
Term and other loans - US dollar	(b)	29,299	29,323
Promissory Note	(b)	250	250
Convertible debentures	(c)	30,462	33,211
Lease liabilities	(d)	46	68
Mine Construction Facility	(e)	36,388	36,767
		<u>102,497</u>	<u>105,871</u>
Less: Current portion		(30,355)	(30,346)
		72,142	75,525
Fair value of derivative liabilities	(c)	323	446
Deferred financing costs		(15,550)	(16,837)
		<u>56,915</u>	<u>59,134</u>

- a) The Company's wholly-owned Spanish subsidiary, Daytal, has Euro-denominated term loan facilities totaling \$2,874 (December 31, 2022 - \$2,991). The loans are unsecured, have a maturity

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date of June 2023 (December 31, 2022 – June 2023) and require monthly payments of principal and interest. Of the loans, \$362 (December 31, 2022 - \$389) have fixed interest rates with a weighted average interest rate as at March 31, 2023 of 2.06% (December 31, 2022 – 2.06%). The remaining \$2,512 (December 31, 2022 - \$2,602) have floating interest rates, based on varying spreads from Euribor rates. As of March 31, 2023, the weighted average interest rate on these loans was 2.57% (December 31, 2022 - 2.57%).

VRS has a Euro-denominated term loan with a balance of \$1,193 as of March 31, 2023 (December 31, 2022 - \$1,243). The loan is unsecured, bears interest at 2.50% (December 31, 2022 - 2.50%), with monthly payments of principal and interest until it matures in June 2023 (December 31, 2022 - in June 2023).

During June 2022, the Company completed a non-brokered private placement of an unsecured bond in the principal amount of \$1,851 (EUR 1,377). This unsecured bond will mature on June 7, 2025, and will bear interest at a rate of 7.5% per annum, payable semi-annually, in cash. In addition, in conjunction with this transaction, the Company issued share purchase warrants to the bond holder enabling the bond holder to acquire up to 1,795,608 common shares of the Company with an exercise price of EUR0.767, expiring June 7, 2025. These warrants were recorded as a financial liability with an initial value of \$560 and were then re-valued at March 31, 2023 to \$273 (December 31, 2022 - \$416).

- b) During September 2019, the Company restructured its existing debt with the UniCredit Bank AG such that then-existing term and revolving loans, with a total principal amount of approximately US\$13,716, was rolled into a new restated term loan with a principal amount of \$19,841 (US\$15,650). The restated term loan bears interest at the prevailing Libor rate plus 1.5% per annum, with interest payable quarterly and with principal repayable at maturity. The maturity date for the Restated Term Loan was October 31, 2021 (extended to September 30, 2023 during fiscal 2021 and then to March 31, 2024 during the three months ended March 31, 2023).

The Company may repay all or part of amounts owing under the restated term loan at any time without penalty.

The Company has issued two US\$1,000 secured promissory notes to Deutsche Rohstoff AG (“DRAG”), an existing shareholder of the Company, which matured on January 1, 2020 and January 26, 2020, respectively (extended to March 22, 2021 during November 2019 and then further extended to October 22, 2023 during fiscal 2021 and then further extended to September 30, 2024 during fiscal 2022). The notes bear interest at 6.0% per annum, with the accrued interest due on the maturity date. The loans are secured by a pledge of the shares of Woulfe. As at March 31, 2023, the outstanding loan balance was \$2,707 (US\$2,000) (December 31, 2022 - \$2,706 (US\$2,000)).

During September 2019, approximately US\$2,221 (Cdn\$2,946) that was included in accounts payable and accrued liabilities, US\$687 (Cdn\$912) that was included in deferred revenue as well as a US\$173 (Cdn\$230) convertible debenture (Note 8(c)(ii)), all held by a customer and shareholder, were converted into a loan payable, with the same bearing an effective rate of interest of 7.16% (2019 – 7.74%) with quarterly principal and interest payments due, maturing June 30, 2022

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(increased by US\$268 and extended to September 30, 2022 during fiscal 2020 and then to October 31, 2022 during fiscal 2021). In connection with this loan, the Company had pledged as security, for obligations relating to concurrently entered indemnity agreements, the shares of certain of its subsidiaries. During June 2022, the Company repaid this loan in full.

During December 2019, the Company received \$250 from DRAG pursuant to a promissory loan which bears interest at the rate of 6% per annum and matures in December 2020 (extended to October 22, 2023 during fiscal 2021 and then to September 30, 2024 during fiscal 2022).

During January 2020, the Company received \$1,320 (US\$1,000) from DRAG pursuant to a promissory loan which bears interest at the rate of 6% per annum and matures in January 2021 (extended to October 22, 2023 during fiscal 2021 and then further extended to September 30, 2024 during fiscal 2022). During fiscal 2020, this loan was amended and increased by \$1,981 (US\$1,500) and was further amended and increased by \$625 (US\$500) during fiscal 2022.

During December 2021, the Company received \$1,270 (US\$1,000) from DRAG pursuant to a promissory loan which bears interest at the rate of 5% per annum with a maturity date of September 30, 2024.

c) The following convertible debentures are outstanding as of March 31, 2023:

- (i) On December 18, 2018, the Company completed a non-brokered private placement of an unsecured convertible debenture with a principal amount of \$2,000, which debenture was acquired by DRAG. The debenture matured on December 31, 2019 (extended to March 22, 2021 during November 2019, to October 22, 2023 during fiscal 2021 and then further extended to September 30, 2024 during fiscal 2022) and bears interest at a rate of 6.0% per annum, payable at maturity. The Company may elect to convert the debenture into common shares upon the availability to the Company of full funding for the Sangdong Mine project at a conversion price equal to the higher of the price per share in any equity financing completed by the Company after the date of issuance of the debenture and prior to the conversion or the maturity date of the debentures for purposes of financing the Sangdong Mine project and \$0.628. However, the Company may not convert the debentures if at any time the Company's shares trade below \$0.628 per share or if such conversion would result in DRAG holding more than 19.9% of the Company's issued and outstanding common shares as at March 31, 2023. The fair value of the conversion feature allocated to equity upon modification of the debenture was \$35.
- (ii) On January 30, 2018, the Company issued a convertible debenture as part of a debt restructuring with a principal amount of \$5,963, which was due on January 31, 2020 (extended to January 30, 2021 during fiscal 2020, further extended to July 31, 2022 during fiscal 2021, then further extended to October 31, 2024 during fiscal 2022). The debenture is convertible into common shares of Almonty at \$0.90 per share. The debenture bears interest at a rate of 6.0% per annum, compounding quarterly, payable on the earlier of the maturity date or the date of conversion. The debenture is subject to covenants customary for such facilities and the lender

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has nominated a member of the Board of Directors. On issuance of the debenture, the Company estimated the liability and equity components as \$5,311 and \$652, respectively. The fair value of the liability component was determined by discounting the expected future cash outflows for principal and interest at a discount rate of 12.0%, representing a market rate of interest on similar debt without a conversion feature. The difference between the total proceeds of the loan and the amount allocated to the liability component was allocated to the equity component. As at March 31, 2023, the amortized cost of the debt was \$5,963 (December 31, 2022 - \$5,963) with the difference between the principal amount of the loan and the amortized cost being recognized in profit or loss over the period to maturity at an effective interest rate of 12%.

- (iii) The Company has a \$6,000 (December 31, 2021 - \$6,000) unsecured convertible debenture outstanding with DRAG, which bears interest at 4.0% per annum, payable at maturity. The debenture (including any accrued and unpaid interest) may be converted by the holder, at its option, into common shares of the Company at an exercise price of \$1.45 per share. The maturity date of the loan was March 22, 2019, (which was extended to March 22, 2021 during fiscal 2020 and then further extended to October 22, 2023 during fiscal 2021 and to September 30, 2024 during fiscal 2022), with all other terms remaining unchanged).
- (iv) During March 2020, the Company received \$2,680 (US\$2,000) pursuant to the issuance of a convertible debenture which bears interest at the rate of 7%, is convertible at US\$0.50 per share and matures in March 2021 (extended to September 6, 2022 during fiscal 2021 and then to October 31, 2024 during fiscal 2022). As the convertible debenture is denominated in USD, the instrument contains an embedded derivative liability. As a result, the Company allocated \$2,434 (US\$1,797) to the liability component and \$275 (US\$203) to the derivative liability on issuance. The embedded derivative liability, on issuance, was valued using the Black-Scholes Option Pricing Model assuming an expected life of 1 year, expected dividend yield of 0%, a risk-free interest rate of 0.20% and an expected volatility of 65.68%. The total liability (principal and embedded derivative) is capped at the face value of the instruments that were issued. The embedded derivative liability, as at March 31, 2023, was valued using the Black-Scholes Option Pricing Model assuming an expected life of 1.59 years, expected dividend yield of 0%, a risk-free interest rate of 3.74% and an expected volatility of 64.5%. The total liability (principal and embedded derivative) is capped at the face value of the instruments that were issued. Accordingly, the Company recognized a gain on valuation of the derivative liability in the amount of \$19 for the three months ended March 31, 2023.
- (v) During July 2020, the Company completed a non-brokered private placement of secured convertible bonds in the principal amount of \$4,975 (EUR 3.25 million). These secured convertible bonds mature on July 13, 2023, and bear interest at a rate of 10% per annum, payable semi-annually, in cash. The outstanding principal amount of the bonds plus any related unpaid accrued interest is convertible into common shares of the Company at the option of the holder at the fixed conversion price of EUR 0.35 (equivalent to Cdn\$0.54) per share for the principal and at the conversion price of the greater of i) EUR 0.35 (equivalent to Cdn\$0.54) and ii) the EUR equivalent of the volume weighted average price of the common shares of the

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Company on the TSX for the five trading days immediately preceding the date of conversion for related accrued interest. As the convertible debentures are denominated in EURO, the instrument contains an embedded derivative liability. As a result, the Company allocated \$4,734 (EUR 3,033) to the liability component and \$339 (EUR 217) to the derivative liability on issuance. The embedded derivative liability, on issuance, was valued using the Black-Scholes option pricing model assuming an expected life of 3 years, expected dividend yield of 0%, a risk-free interest rate of 0.24% and an expected volatility of 67.15%. The total liability (principal and embedded derivative) is capped at the face value of the instruments that were issued. The embedded derivative liability, as at March 31, 2023, was valued using the Black-Scholes Option Pricing Model assuming an expected life of 0.29 years, expected dividend yield of 0%, a risk-free interest rate of 3.74% and an expected volatility of 64.5%. The total liability (principal and embedded derivative) is capped at the face value of the instruments that were issued. Accordingly, the Company recognized a gain on valuation of the derivative liability in the amount of \$61 for the three months ended March 31, 2023. The embedded derivative is designated as a financial liability carried at fair value through profit and loss. During March 2021, a convertible bond in the principal amount of EUR250 was converted into 719,200 common shares of the Company.

- (vi) During February 2021, the Company completed a non-brokered private placement of an unsecured convertible bond in the principal amount of \$2,288 (EUR 1,500). This unsecured convertible bond will mature on February 8, 2024, and bears interest at a rate of 10% per annum, payable semi-annually, in cash. The outstanding principal amount of the bond plus any related unpaid accrued interest is convertible into common shares of the Company at the option of the holder at the fixed conversion price of EUR 0.4875 (equivalent to Cdn\$0.75) per share for the principal and at the conversion price of the greater of i) EUR 0.4875 (equivalent to Cdn\$0.75) and ii) the EUR equivalent of the volume weighted average price of the common shares of the Company on the TSX for the five trading days immediately preceding the date of conversion for related accrued interest. As the convertible debenture is denominated in EURO, the instrument contains an embedded derivative liability. As a result, the Company allocated \$2,109 (EUR1,429) to the liability component and \$109 (EUR 74) to the derivative liability on issuance. The embedded derivative liability, on issuance, was valued using the Black-Scholes option pricing model assuming an expected life of 3 years, expected dividend yield of 0%, a risk-free interest rate of 0.24% and an expected volatility of 67.15%. The total liability (principal and embedded derivative) is capped at the face value of the instruments that were issued. The embedded derivative liability, as at March 31, 2023, was valued using the Black-Scholes option pricing model assuming an expected life of 0.86 years, expected dividend yield of 0%, a risk-free interest rate of 3.74% and an expected volatility of 64.5%. The total liability (principal and embedded derivative) is capped at the face value of the instruments that were issued. Accordingly, the Company recognized a gain on valuation of the derivative liability in the amount of \$17 for the three months ended March 31, 2023.

- (vii) During June 2021, the Company completed a non-brokered private placement of an unsecured convertible bond in the principal amount of \$3,088 (EUR 2,100). This unsecured convertible

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bond will mature on October 31, 2022, and will bear interest at a rate of 5% per annum, payable semi-annually, in cash. The outstanding principal amount of the bond plus any related unpaid accrued interest is convertible into common shares of the Company at the option of the holder at the fixed conversion price of EUR 0.70 (equivalent to Cdn\$1.05) per share for the principal and at the conversion price of the greater of i) EUR 0.70 (equivalent to Cdn\$1.05) and ii) the EURO equivalent of the volume weighted average price of the common shares of the Company on the TSX for the five trading days immediately preceding the date of conversion for related accrued interest. As the convertible debenture is denominated in EURO, the instrument contains an embedded derivative liability. As a result, the Company allocated \$2,722 (EUR1,852) to the liability component and \$272 (EUR 185) to the derivative liability on issuance. The embedded derivative liability, on issuance, was valued using the Black-Scholes option pricing model assuming an expected life of 3 years, expected dividend yield of 0%, a risk-free interest rate of 0.49% and an expected volatility of 71.00%. The total liability (principal and embedded derivative) is capped at the face value of the instruments that were issued.

(viii) During November 2021, the Company completed a non-brokered private placement of four unsecured convertible bonds in the principal amounts of \$2,302 (EUR 1,600), \$1,268 (US\$1,000), \$144 (EUR100), and \$190 (US\$150), respectively. These unsecured convertible bonds will mature on October 31, 2024, and will bear interest at a rate of 5% per annum, payable semi-annually, in cash. The outstanding principal amount of the bonds plus any related unpaid accrued interest is convertible into common shares of the Company at the option of the holder at the fixed conversion price of EUR0.70 per share, US\$0.85 per share, Cdn\$1.05 per share and US\$0.83 per share, respectively, for the principal and at the conversion price of the greater of i) EUR 0.70 (equivalent to Cdn\$1.05) and ii) the EUR equivalent of the volume weighted average price of the common shares of the Company on the TSX for the five trading days immediately preceding the date of conversion for related accrued interest. As the convertible debentures are denominated in EURO and USD, the instruments contain embedded derivative liabilities. As a result, the Company allocated \$3,637 to the liability component and \$182 to the derivative liability on issuance. The embedded derivative liabilities, on issuance, were valued using the Black-Scholes option pricing model assuming an expected life of 2.84 years, expected dividend yield of 0%, a risk-free interest rate of 1.02% and an expected volatility of 67.49%. The total liability (principal and embedded derivative) is capped at the face value of the instruments that were issued. The embedded derivative liability, as at March 31, 2023, was valued using the Black-Scholes option pricing model assuming an expected life of 1.59 years, expected dividend yield of 0%, a risk-free interest rate of 3.74% and an expected volatility of 64.5%. The total liability (principal and embedded derivative) is capped at the face value of the instruments that were issued. Accordingly, the Company recognized a gain on valuation of the derivative liabilities in the amount of \$15 for the three months ended March 31, 2023.

(ix) During February 2022, the Company received \$1,900 (US\$1,500) pursuant to the issuance of a convertible debenture which bears interest at the rate of 5%, is convertible at US\$0.83 per share and matures October 31, 2024. As the convertible debenture is denominated in USD, the

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instrument contains an embedded derivative liability. As a result, the Company allocated \$1,830 to the liability component and \$70 to the derivative liability on issuance. The embedded derivative liability, on issuance, was valued using the Black-Scholes Option Pricing Model assuming an expected life of 2.74 years, expected dividend yield of 0%, a risk-free interest rate of 1.29% and an expected volatility of 66.86%. The total liability (principal and embedded derivative) is capped at the face value of the instruments that were issued. The embedded derivative liability, as at March 31, 2023, was valued using the Black-Scholes Option Pricing Model assuming an expected life of 1.59 years, expected dividend yield of 0%, a risk-free interest rate of 3.74% and an expected volatility of 64.5%. The total liability (principal and embedded derivative) is capped at the face value of the instruments that were issued. Accordingly, the Company recognized a gain on valuation of the derivative liability in the amount of \$7 for the three months ended March 31, 2023.

- (x) During June 2022, the Company received \$1,288 (US\$1,000) pursuant to the issuance of a convertible debenture which bears interest at the rate of 7%, is convertible at US\$0.84 per share and matures June 7, 2025. As the convertible debenture is denominated in USD, the instrument contains an embedded derivative liability. As a result, the Company allocated \$1,251 to the liability component and \$37 to the derivative liability on issuance. The embedded derivative liability, on issuance, was valued using the Black-Scholes Option Pricing Model assuming an expected life of 3.0 years, expected dividend yield of 0%, a risk-free interest rate of 3.04% and an expected volatility of 63.92%. The total liability (principal and embedded derivative) is capped at the face value of the instruments that were issued. The embedded derivative liability, as at March 31, 2023, was valued using the Black-Scholes Option Pricing Model assuming an expected life of 2.19 years, expected dividend yield of 0%, a risk-free interest rate of 3.74% and an expected volatility of 64.5%. The total liability (principal and embedded derivative) is capped at the face value of the instruments that were issued. Accordingly, the Company recognized a gain on valuation of the derivative liability in the amount of \$4 for the three months ended March 31, 2023.

Changes in the balances of the convertible debentures for the three months ended March 31, 2023 and year ended December 31, 2022 are summarized as follows:

	March 31, 2023	December 31, 2022
Balance, beginning of year	33,211	29,366
Debentures issued, liability component	-	3,069
Repayment of debenture, including interest	(2,975)	-
Interest	68	307
Debentures revalued, derivative liability component	-	(107)
Translation adjustment	158	576
Balance, end of year	<u>30,462</u>	<u>33,211</u>

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The Company's term loans and convertible debentures include various positive and negative covenants as well as cross-default clauses which could cause several defaults in the event the Company is in default on any of its loan agreements. As of March 31, 2023, the Company was in compliance with all covenants under its term loans and convertible debentures.

- d) The capital leases relate to certain equipment and vehicles. The leases carry implied interest rates of between 2.69% and 5.12%.
- e) During July 2022, the Company completed a US\$75.1 million senior secured term loan facility with KfW for the financing and construction of the Sangdong Tungsten Underground Mining Project and received US\$16,900 (\$23,236) in conjunction with the first and second drawdowns on this loan facility during August 2022 as well as US\$9,487 (\$12,618) in conjunction with the third drawdown during November 2022. The loan bears interest at the rate of Libor plus 2.3%, payable quarterly, with repayment of principal quarterly over a 6.25 year period commencing six months subsequent to commencement of the mine's ramp-up period (Note 18).

- f) Payments are due under the terms of the Company's loans and leases for each of the following years ending March 31:

2024	30,427
2025	45,390
2026	22,053
2027	4,892
	<hr/>
	102,762
Less: Unamortized discount	(248)
Less: Imputed interest on capital lease obligations	(17)
	<hr/>
	102,497
	<hr/>

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g) Debt Continuity

	March 31, 2023	December 31, 2022
Balance, beginning of year	105,871	66,872
Cash flows		
Issuance of debt	-	39,121
Scheduled debt repayments	(3,314)	(5,852)
Non-cash changes		
Accrued interest	81	388
Amount reclassified to derivative liability	-	(674)
Translation adjustment and other	(141)	6,016
Balance, end of year	102,497	105,871
Fair value of derivative liability	323	446
	102,820	106,317

9. Restoration Provision and Other Liabilities

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

Balance at December 31, 2021	38,071
Accretion expense	34
Translation adjustment	184
Balance at December 31, 2022	38,289
Revisions in estimated cash flows and changes in assumptions	(17,147)
Accretion expense	123
Translation adjustment	395
Balance at March 31, 2023	21,660

As at March 31, 2023, there is a restoration provision of \$19,985 (December 31, 2022 - \$36,604) with respect to the Panasqueira Mine, representing management's estimate of the present value of the rehabilitation costs relating to the mine site which are estimated to total \$23,694 and are to be incurred after the mine ceases production subsequent to 2045. BTW has assumed an inflation rate of 2.0% per year in calculating its estimates and a discount rate of 0.35%.

There is a restoration provision of \$993 (December 31, 2022 - \$976) with respect to Daytal's future obligation to restore and reclaim the mine once it has ceased the processing of tungsten from the Los Santos Mine. The restoration provision represents management's estimate of the present value of the rehabilitation costs relating to the mine site which are estimated to total \$982 and are to be incurred beginning in 2027 after Daytal ceases processing operations. Daytal has used a 5.5% discount rate and assumes an inflation rate of 2% per year in calculating its

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estimates. The Company has filed, and is awaiting final approval of its mine plan and restoration provision by the relevant authorities in Spain. Banco Popular has posted a bank warranty of \$261 (€180) on behalf of Daytal with the Region of Castilla y Leon, Trade and Industry Department as a form of deposit to cover the expected costs of restoring the mining property as required by Daytal's Environmental Impact Statement that forms a part of its mining and exploitation license on the Los Santos Mine.

There is a restoration provision of \$682 (December 31, 2022 - \$643) with respect to the Woulfe properties. The provision was determined based on a levy imposed by the relevant local government authority.

- b) Included in other long-term liabilities is \$310 (December 31, 2022 - \$336) related to employee benefit obligations in respect of government mandated pension plans in Woulfe's Korean subsidiary and in BTW.

10. Share Capital

Common Shares

	Number of Shares	Amount \$
Authorized - Unlimited number of common shares		
Issued and outstanding		
Outstanding at December 31, 2021	207,704,554	112,445
Shares issued for cash	8,274,940	6,937
Shares issued on exercise of options	1,000	1
Outstanding at December 31, 2022	215,980,494	119,383
Shares issued for cash	7,361,111	3,581
Shares issued on exercise of warrants	47,244	8
Shares issued on conversion of debt	4,643,609	2,917
Outstanding at March 31, 2023	228,032,458	125,889

During February 2022, the Company issued 1,500,000 CDI's, receiving gross proceeds of \$1,395 (AUD \$1,500,000), in conjunction with the closing of a non-brokered private placement.

During March 2022, the Company issued 1,000 common shares pursuant to the exercise of stock options for proceeds totaling \$1.

During May 2022, the Company issued 2,852,251 common shares to DRAG at \$0.94 per share pursuant to the closing of a non-brokered private placement, for proceeds totaling \$2,681. The Company also issued 1,428,571 Units at US\$0.70 per Unit for proceeds totaling \$1,288 (USD

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\$1,000). Each Unit consists of one common share and one-half share purchase warrant with each whole warrant exercisable at a price of US\$0.84 for 24 months from closing and valued at \$148.

During June 2022, the Company issued 2,494,118 CDI's, for proceeds totaling \$1,917 (AUD \$2,120), in conjunction with the closing of a non-brokered private placement.

During January 2023, the Company issued 2,500,000 CDI's, for proceeds totaling \$1,820 (AUD \$2,000), in conjunction with the closing of a non-brokered private placement. Each unit is comprised of one CDI and one warrant, with each warrant enabling the holder to acquire one additional common share with an exercise price of AUD \$1.25, expiring December 31, 2024. The warrants were initially valued at \$568 and subsequently revalued at March 31, 2023 at \$276.

During February 2023, the Company issued 47,244 common shares pursuant to the exercise of warrants for proceeds totaling \$43.

During March 2023, the Company issued 141,769 common shares as settlement of a loan maturity date extension agreement for \$92 (€63) and issued 4,501,840 common shares as settlement of a debt of \$3,288.

During March 2023, the Company issued 4,861,111 CDI's for proceeds totaling \$3,220 (AUD \$3,500), in conjunction with the closing of a non-brokered private placement. Each unit is comprised of one CDI and one warrant, with each warrant enabling the holder to acquire one additional common share with an exercise price of AUD \$1.25, expiring December 31, 2024. The warrants were initially value at \$578 and subsequently revalued at March 31, 2023 at \$537.

Warrants

As at March 31, 2023, the outstanding warrants, all of which are exercisable, are summarized as follows:

	Number of Warrants
Warrants outstanding at December 31, 2021	1,767,244
Warrants issued	2,509,893
Warrants expired	(1,020,000)
Warrants outstanding at December 31, 2022	3,257,137
Warrants issued	6,736,143
Warrants exercised	(47,244)
Warrants outstanding at March 31, 2023	9,946,036

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Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
0.75	700,000	0.90	\$0.75
1.13	6,736,143	1.78	\$1.13
1.14	2,509,893	1.68	\$1.14
	9,946,036	1.69	\$1.11

Incentive Stock Options

Under Almonty's stock option plan, the Company can grant options to directors, officers, employees and consultants for up to 10% of the issued and outstanding common shares of the Company. 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. Options can be granted for a maximum term of 10 years and vest at the discretion of the Company's Board of Directors. The existing plan was re-approved by Almonty's shareholders at its Annual and Special Meeting of Shareholders held on June 30, 2022.

As of March 31, 2023, the outstanding options, all of which are exercisable, are summarized as follows:

	Number of Share Options
Options outstanding at December 31, 2021	8,875,000
Options granted	6,450,000
Options exercised	(1,000)
Options expired	(549,000)
Options outstanding at December 31, 2022 and March 31, 2023	14,775,000

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
\$ 0.33 - \$0.75	4,150,000	4.72	\$0.51
\$ 0.76 - \$0.99	10,375,000	4.21	\$0.87
\$ 1.00 - \$ 1.23	250,000	1.72	\$1.10
	14,775,000	4.31	\$0.77

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During July 22, 2022, the Company granted 6,450,000 share options to consultants pursuant to the Company's stock option plan. The options vested immediately and are exercisable for a period of 5 years from the grant date at \$0.87 per share. The grant resulted in the recording of share-based compensation expense of \$3,287. The value of the stock options granted was determined using the Black-Scholes option pricing model using a risk-free interest rate of 2.86%, volatility of 68.23% based on historical volatility, expected life of 5 years, and no expected dividend yield.

Restricted Share Units

RSUs granted under the Company's RSU Plan to employees vest in thirds at the end of each year from the date of grant and are convertible into shares on a 1:1 basis. RSU's issued were valued based on the value of the underlying shares at the date of issuance.

Transactions related to RSUs are summarized as follows:

	<u>Number of RSUs</u>
Units, December 31, 2021	1,000,000
Units granted	300,000
Units outstanding at December 31, 2022 and March 31, 2023	<u>1,300,000</u>

During July, 2022, the Company granted 300,000 RSU's to directors of the Company pursuant to the Company's RSU plan. The value of the RSU's granted was based on the value of the underlying shares at the date of issuance.

11. Income Taxes

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

	Canada	Spain	Portugal	Korea
	<u>CAD</u>	<u>EUR</u>	<u>EUR</u>	<u>CAD</u>
2023	-	-	-	2,143
2024	2,092	-	-	24
2025	3,625	-	-	2,559
2026	2,260	-	279	1,787
2027	1,974	-	-	5
2028	-	-	-	3,288
2029	-	286	2,722	715
2030 or later	45,447	15,485	4,732	3,699
Non-Capital losses in local currency	55,398	15,771	7,733	14,220
Non-Capital losses in CAD	55,398	23,196	11,373	14,220
Total Non-Capital losses in CAD				<u>104,187</u>

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12. Employee Compensation

The Company incurred costs of \$2,234 with respect to the costs of employee compensation and benefits for the three months ended March 31, 2023 (March 31, 2022 - \$3,012).

13. Segment Information

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

Management monitors the business of the Company as a single commodity segment, whose operations relate to the exploration and mining of tungsten across three geographical locations; the Iberian Peninsula (Spain and Portugal), Australia (2018), and the Republic of Korea.

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

- The Los Santos Mine located in Spain whose operations relate to the exploration and mining of tungsten that is ultimately sold as tungsten concentrate;
- The Panasqueira Mine located in Covilha Castelo Branco, Portugal whose operations relate to the exploration and mining of tungsten which is ultimately sold as tungsten concentrate, as well as the production of copper and tin concentrate by-products that are sold as concentrate;
- The Valtreixal Project located in Spain whose operations relate to the exploration and evaluation activities of the Valtreixal tin/tungsten project; and
- Woulfe, whose properties are located in Gangwon Province, Republic of Korea, and whose operations relate primarily to the development of the Sangdong Project.

The Company monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on income (losses) from mining operations and is measured consistently with income (losses) from mining operations in the consolidated financial statements.

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

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Segmented information for the three months ended March 31, 2023 and 2022 is as follows:

Three months ended March, 31, 2023	Los Santos	Valtreixal	Woulfe	Panasquiera	Corporate	Consolidated
Revenue	-	-	-	7,097	-	7,097
Production costs	-	-	-	5,728	-	5,728
Care and maintenance costs	255	-	-	-	-	255
Depreciation and amortization	5	-	-	245	-	250
Earnings (loss) from mining operations	(260)	-	-	1,124	-	864
Expenses						
General and administrative	204	4	6	564	911	1,689
Share-based compensation	-	-	-	-	102	102
Interest expense	37	-	-	-	930	967
Financing fees	-	-	-	-	739	739
Gain on valuation of embedded derivative liabilities	-	-	-	-	(123)	(123)
Gain on valuation of warrant liabilities	-	-	-	-	(429)	(429)
Foreign exchange loss (gain)	(5)	-	4,165	(3,844)	(84)	232
Income (loss) before income taxes	(496)	(4)	(4,171)	4,404	(2,046)	(2,313)
Capital expenditures	-	15	2,576	54	-	2,645
As at March 31, 2023						
Assets						
Current	1,012	42	8,472	7,712	309	17,547
Non-current	30,967	8,278	99,532	17,970	-	156,747
Total Assets	31,979	8,320	108,004	25,682	309	174,294
Total Liabilities	4,891	2,095	27,708	25,690	75,574	135,958
As at December 31, 2022						
Assets						
Current	1,100	39	11,989	7,452	240	20,820
Non-current	30,633	8,123	96,547	36,722	-	172,025
Total Assets	31,733	8,162	108,536	44,174	240	192,845
Total Liabilities	5,069	2,127	23,846	42,652	79,401	153,095

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

Three months ended March, 31, 2022	Los Santos	Valtreixal	Woulfe	Panasquiera	Corporate	Consolidated
Revenue	-	-	-	6,258	-	6,258
Production costs	-	-	-	4,734	-	4,734
Care and maintenance	237	-	-	-	-	237
Depreciation and amortization	12	-	2	407	-	421
Earnings (loss) from mining operations	(249)	-	(2)	1,117	-	866
Expenses						
General and administrative	204	7	-	416	734	1,361
Share-based compensation	-	-	-	-	139	139
Interest expense	26	-	1	-	697	724
Loss on valuation of embedded derivative liabilities	-	-	-	-	147	147
Foreign exchange loss (gain)	7	(2)	901	(558)	(254)	94
Income (loss) before income taxes	(486)	(5)	(904)	1,259	(1,463)	(1,599)
Capital expenditures	-	24	1,226	131	-	1,381

Information by geographical region is as follows:

Country	Revenue		Non-current Assets	
	Three months ended March 31,	Three months ended March 31,	March 31,	December 31,
	2023	2022	2023	2022
Portugal	7,097	6,258	17,970	36,722
Spain	-	-	39,245	38,756
South Korea	-	-	99,532	96,547
Canada	-	-	-	-
Total	7,097	6,258	156,747	172,025

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

Fair Value Hierarchical Levels

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

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

The carrying value of cash, trade receivables and accounts payable and accrued liabilities approximates their fair value due to their short terms to maturity. The accounts receivable associated with provisional pricing arrangements are a level 2 fair value estimate and are valued based upon observable WO_3 forward prices as of the reporting date. The fair value of long-term debt is a level 2 fair value estimate and is not materially different from the carrying value based on current market rates of interest, or interest rates set at relatively short time intervals.

Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash deposits and long-term debt.

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

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

Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates to cash at banks and long-term debt with a floating interest rate. Of the long-term debt, \$60,580 is subject to floating interest rates and \$41,917 is subject to fixed interest rates. A portion of the floating rate debt totaling \$3,013 is subject to a fixed spread over the 6- and 12-month Euro Interbank Offered Rate ("Euribor") rates. A change of 100 basis points (1%) in the rates would result in a \$30 change in annual interest costs. The remaining floating rate debt of \$21,179 is based on a fixed spread over the 3-month Libor rate. A change of 100 basis point (1.0%) in the 3-month Libor rate would result in a \$212 change in annual interest costs.

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Foreign currency risk

Daytal and BTW, operate in Spain and Portugal, respectively, both of which use Euros (€) as their functional currency. Their output is a commodity that is primarily priced in United States dollars which is different than the functional currency of the Company and its subsidiaries, and the Company and its subsidiaries may also incur costs or obtain indebtedness in a currency that is different from their functional currency. Almonty's functional currency is the Canadian dollars but it advances funds to subsidiaries in the functional currency of the subsidiary to which funds are advanced. As such, the Company's consolidated balance sheet and profit or loss can be significantly affected by movements in various currencies (CAD\$, US\$, € and KRW).

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

	Currency	Carrying Value (\$)
Cash and cash equivalents	US \$	17
Cash and cash equivalents	EURO €	1
Accounts payable and accrued liabilities	US \$	10,460
Accounts payable and accrued liabilities	AUS \$	378
Accounts payable and accrued liabilities	KRW	5,613
Long-term debt	US \$	73,209
Long-term debt	EURO €	10,489

A 5% change in the value of the CAD\$ relative to the above currencies would change net income for the three months ended March 31, 2023 by approximately \$5,007.

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

	Currency	Carrying Value (\$)
Cash and cash equivalents	US\$	47
Trade receivables	US\$	996

A 5% change in the value of the Euro relative to the above currencies would change net income for the three months ended March 31, 2023 by approximately \$52.

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

	Currency	Carrying Value (\$)
Accounts payable and accrued liabilities	US\$	415
Long-term debt	US\$	36,388

A 5% change in the value of the Korean Won relative to the above currencies would change net income for the three months ended March 31, 2023 by approximately \$1,840.

Credit risk

The Company deposits surplus cash with major banks of high quality credit standing, in interest bearing accounts that earn interest at floating rates. Trade receivables represents amounts receivable related to delivery of concentrate that have not been settled and are with the Company's customers, all of whom have good credit ratings and the Company has not experienced any credit issues with any of its customers. Other assets are deposits. The carrying value of the cash and cash equivalents, trade receivables and deposits totals \$8,059 and represents the Company's maximum exposure to credit risk.

The Company's credit risk associated with its trade receivables is concentrated due to the fact the majority of revenues are earned from two customers (2021 – two).

Liquidity risk

The Company's objective is to use cash and cash equivalents, finance leases, and third party short and long-term loans (see Note 8 for debt maturities) and equity in order to maintain liquidity. The Company's policy is to maximize liquidity in order to enable the continued development of the mines and operations of the plants and to enable the development of its projects. All financial liabilities with a contractual term of 12 months or less are classified as current. The Company is currently pursuing debt and equity financing opportunities to increase its liquidity. In addition to the items presented below, the Company has mine reclamation liability of \$23,625 payable at the end of mining activities. Contractual undiscounted cash flow requirement for financial liabilities as at March 31, 2023 are as follows:

	Less than			Total
	1 year	1-2 years	3-4 years	
Accounts payable and accrued liabilities	25,543	-	-	25,543
Term and other loans - Euro	2,583	3,469	-	6,052
Term and other loans - US dollar	21,179	8,120	-	29,299
Promissory note	-	250	-	250
Convertible debentures	6,619	22,756	1,353	30,728
Lease liabilities	46	-	-	46
Mine Construction Facility	-	31,495	4,893	36,388

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15. Capital Management

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

	March 31, 2023	December 31, 2022
Accounts payable and accrued liabilities	25,543	23,936
Long-term debt	87,270	89,480
Less: Cash and receivables	(8,010)	(10,635)
Net debt	104,803	102,781
Shareholders' equity	38,336	39,750
Equity and net debt	143,139	142,531
Gearing ratio	73.2%	72.1%

The gearing ratio exceeded the targeted range as at March 31, 2023 and December 31, 2022. During the three months ended March 31, 2023, while the price environment improved and the Company has raised additional equity, the Company also issued additional debt, resulting in a worsening of the gearing ratio. The Company is working to improve its profitability, raise additional equity capital and /or reduce its outstanding debt levels in order to return the gearing ratio to targeted levels.

16. Commitments and Contingent Liabilities

Daytal owns the Los Santos Mine, near the town of Los Santos, Salamanca in western Spain. Daytal rents the land where the Los Santos Mine is located from local property owners and municipalities. The leases range from 10 to 25 years and have expiry dates in 2032. On all leases greater than 10 years, Daytal has the right to terminate the leases under certain circumstances without penalty. Annual lease commitments total approximately \$393 payable throughout the year on the anniversary dates of the individual leases.

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The mining license for the Los Santos Mine was granted in September 2002 for a period of 30 years and is extendable for 90 years. Daytal pays minimal land taxes and there are no other royalty payments associated with the license. The Company files applications in the ordinary course to renew the permits associated with its mining license that it deems necessary and/or advisable for the continued operation of its business. Certain of the Company's permits to operate that are associated with the mining license are currently under application for renewal.

The Company's operations are subject to other claims and lawsuits from time to time, including any claims related to suppliers, employees or other parties. However, these are not expected to result in a material impact on the financial statements.

17. Related Party Transactions

For the three months ended March 31, 2023, the Company paid or accrued compensation to key management personnel, which includes the Company's Chief Executive Office, Chief Financial Officer and members of the Company's Board of Directors totaling \$331 (March 31, 2022 - \$241).

The Company has long-term debt owing to DRAG, a company that is an existing shareholder of Almonty, and whose former CEO is a member of the Board of Directors of the Company. In addition to the transactions disclosed in notes 8(b) and 8(c), interest of \$231 was accrued on the DRAG loans during the three months ended March 31, 2023 (March 31, 2022 - \$169). As of March 31, 2023, there is \$3,694 (March 31, 2022 - \$2,693) of unpaid interest on these loans included in accounts payable and accrued liabilities.

18. Subsequent Event

Subsequent to March 31, 2023, the Company:

- 1) Received a fourth drawdown of US\$5.6 million pursuant to the US\$75.1 million KfW project financing.