Consolidated Financial Statements

For the Fifteen Months Ended December 31, 2019 and Twelve Months Ended September 30, 2018

Presented in Canadian dollars

Independent auditor's report

To the Shareholders of
Almonty Industries Inc.

Opinion

We have audited the consolidated financial statements of **Almonty Industries Inc.** and its subsidiaries [the "Group"], which comprise the consolidated balance sheet as at December 31, 2019, and the consolidated statement of operations and comprehensive loss, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the 15-month period then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the 15-month period then ended in accordance with International Financial Reporting Standards ["IFRSs"].

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

We draw attention to note 1 to the consolidated financial statements, which indicates that the Group had a working capital deficiency of $40,344,000 as at December 31, 2019. As stated in note 1, these events or conditions, along with other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other matter

The consolidated financial statements of the Group for the year ended September 30, 2018, were audited by another auditor who expressed an unmodified opinion on those statements on January 11, 2019.

Other information

Management is responsible for the other information. The other information comprises:

- Management's Discussion & Analysis

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Sam Whittaker.

Ernst & Young LLP

Vancouver, Canada
May 14, 2020

Chartered Professional Accountants

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 14, 2020
Toronto, Ontario

Almonty Industries Inc.
Consolidated Balance Sheets
As at December 31, 2019 and September 30, 2018
(in 000's of Canadian dollars unless otherwise noted)

	Note	December 31, 2019	September 30, 2018
Assets			
Current Assets			
Cash		1,496	8,721
Trade receivables		858	2,674
Recoverable taxes		922	1,960
Inventories	4	6,542	9,698
Prepaid expenses and other current assets		521	1,416
Total Current Assets		**10,339**	**24,469**
Mining assets	5	94,699	91,255
Tailings inventory	4	25,847	28,084
Deferred financing costs	18	1,247	-
Deferred tax assets	11	1,007	1,226
Restricted cash	9	-	1,245
Other assets		507	1,023
		123,307	**122,833**
Total Assets		**133,646**	**147,302**
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	7	16,920	25,673
Deferred revenue		-	1,542
Current portion of long-term debt	8	33,763	25,876
Total Current Liabilities		**50,683**	**53,091**
Long-term debt	8	15,736	24,455
Restoration provision and other liabilities	9	33,397	28,893
Deferred tax liabilities	11	14	-
		49,147	**53,348**
Total Liabilities		**99,830**	**106,439**
Shareholders' Equity			
Share capital	10	92,194	91,626
Equity portion of convertible debentures		678	819
Contributed surplus		4,880	4,579
Accumulated other comprehensive (loss) income		(150)	2,392
Deficit		(63,786)	(58,553)
Total Shareholders' Equity		**33,816**	**40,863**
Total Liabilities and Shareholders' Equity		**133,646**	**147,302**

See accompanying notes
Nature of operations (Note 1)
Commitments and contingent liabilities (Note 16)
Subsequent event (Note 18)

Almonty Industries Inc.

Consolidated Statements of Operations and Comprehensive Loss

For the Fifteen Months Ended December 31, 2019 and Twelve Months ended September 30, 2018

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

	Note	Fifteen months ended December 31, 2019	Twelve months ended September 30, 2018
Revenue		54,634	65,171
Cost of sales			
Production costs		38,194	36,699
Impairment	6	10,112	15,604
Depreciation and amortization		4,487	11,155
Income from mining operations		**1,841**	**1,713**
Expenses			
General and administrative		10,124	8,426
Share-based compensation	10	68	897
		(8,351)	**(7,610)**
Interest expense		3,049	2,459
Gain on debt settlement		(401)	-
Gain on deconsolidation	6	(4,150)	-
Foreign exchange gain		(1,785)	(95)
Loss before income taxes		**(5,064)**	**(9,974)**
Income tax expense	11		
Current		156	225
Deferred		13	490
		169	**715**
Net Loss for the period		**(5,233)**	**(10,689)**
Other Comprehensive Loss			
Net loss for the period		(5,233)	(10,689)
Items reclassified to net loss			
Accumulated foreign currency translation adjustments relating to entities deconsolidated		(1,348)	-
Items that may be reclassified subsequently to net loss			
Foreign currency translation adjustment		(1,194)	(377)
Comprehensive loss for the period		**(7,775)**	**(11,066)**
Loss per share			
Basic loss per share		**($0.03)**	**($0.06)**
Fully-diluted loss per share		**($0.03)**	**($0.06)**
Weighted average common shares outstanding:			
Basic		181,493,096	178,586,769
Fully-diluted		181,493,096	178,586,769

See accompanying notes

Almonty Industries Inc.
Consolidated Statements of Changes in Shareholders' Equity
For the Fifteen Months Ended December 31, 2019 and Twelve Months Ended September 30, 2018
(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 September 30, 2017		**86,350**	**167**	**4,203**	**2,769**	**(47,864)**	**45,625**
Issuance of common shares for cash	10	3,265	-	-	-	-	3,265
Share-based compensation		-	-	897	-	-	897
Repurchase of common shares	10	(332)	-	-	-	-	(332)
Issuance of convertible debenture	8(d)	-	652	-	-	-	652
Shares issued on exercise of warrants	10	2,343	-	(521)	-	-	1,822
Net loss and other comprehensive loss for the period		-	-	-	(377)	(10,689)	(11,066)
Balance at September 30, 2018		**91,626**	**819**	**4,579**	**2,392**	**(58,553)**	**40,863**
Balance at September 30, 2018		**91,626**	**819**	**4,579**	**2,392**	**(58,553)**	**40,863**
Issuance of common shares and warrants for cash	10	593	-	233	-	-	826
Share-based compensation	10	-	-	68	-	-	68
Repurchase of common shares	10	(25)	-	-	-	-	(25)
Issuance of convertible debenture	8(d)	-	35	-	-	-	35
Income taxes on issuance of convertible debenture	11	-	(176)	-	-	-	(176)
Net loss and other comprehensive loss for the period		-	-	-	(2,542)	(5,233)	(7,775)
Balance at December 31, 2019		**92,194**	**678**	**4,880**	**(150)**	**(63,786)**	**33,816**

See accompanying notes

Almonty Industries Inc.

Consolidated Statements of Cash Flows

For the Fifteen Months Ended December 31, 2019 and Twelve Months Ended September 30, 2018

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

	Note	Fifteen months ended December 31, 2019	Twelve months ended September 30, 2018
Operating activities			
Net loss for the period		(5,233)	(10,689)
Add (deduct) non-cash items:			
Share-based compensation		68	897
Depreciation and amortization		4,487	11,155
Interest expense		3,049	2,459
Income tax expense		169	715
Impairment loss	6	10,112	-
Inventory impairment charges		-	15,604
Gain on disposal of assets		(70)	-
Gain on debt settlement		(401)	-
Gain on deconsolidation	6	(4,150)	-
Unrealized foreign exchange (gains) losses		(1,522)	936
Other non-cash charges		-	(215)
		6,509	20,862
Interest paid		(1,285)	(1,199)
Changes in non-cash working capital			
Trade receivables		1,831	(1,485)
Recoverable taxes		1,008	(572)
Inventories		894	(364)
Prepaid expenses and other current assets		824	(121)
Accounts payable and accrued liabilities		(3,292)	(850)
Deferred revenue		(627)	(1,699)
Net change in non-cash working capital		638	(5,091)
Change in tailings inventory		(1,708)	(3,632)
Other		56	-
Cash flow provided by operating activities		**4,210**	**10,940**
Investing activities			
Additions to mining assets		(9,206)	(6,270)
Proceeds on disposition of assets		1,082	17
Decrease in promissory note receivable		326	-
Restricted cash and other		-	230
Cash flow used in investing activities		**(7,798)**	**(6,023)**
Financing activities			
Issuance of common shares		826	3,265
Exercise of warrants		-	1,822
Repurchase of common stock		(25)	(332)
Issuance of long-term debt		24,443	-
Repayment of long-term debt		(28,668)	(5,295)
Deferred financing costs paid	18	(132)	-
Cash flow used in financing activities		**(3,556)**	**(540)**
Effect of foreign exchange on cash		**(81)**	**(129)**
Net (decrease) increase in cash during the period		**(7,225)**	**4,248**
Cash at beginning of period		8,721	4,473
Cash at end of period		**1,496**	**8,721**

See accompanying notes

1. Nature of operations

Almonty Industries Inc. (“Almonty” or “the Company”) is incorporated in Canada. The Company’s shares were listed on the TSX Venture Exchange ("TSX-V") until May 31, 2018 and, on June 1, 2018, began trading 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. 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 exploration and evaluation of the Sangdong tungsten project located in Gangwon Province, Republic of Korea, (the "Sangdong Project") and the Valtreixal tin and tungsten project, located in the province of Zamora in Western Spain (the "Valtreixal Project").

Subsequent to September 30, 2019, the Company, pursuant to Section 4.8(2) of National Instrument 51-102, provided notice that the Company has determined to change its financial year end from September 30 to December 31 and, accordingly, the financial statements presented herein are as at and for the fifteen months ended December 31, 2019 with comparatives as at and for the twelve months ended September 30, 2018.

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 audited 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 December 31, 2019, the Company had a working capital deficiency of $40,344 (September 30, 2018 - $28,622).

This gives rise to a material uncertainty which may cast significant doubt upon the Company’s ability to continue as a going concern. 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. The Company will be required to refinance various debt obligations that are coming due in the next year, generate additional financing, and generate positive cashflow from its existing mining operations. In addition, Management expects to require financing to complete the exploration and development of the Sangdong Project and plans to secure the necessary financing through new equity and debt arrangements. Subsequent to December 31, 2019 the Company has secured additional financing and refinanced certain obligations as described in Note 18.

In March 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments may adversely affect workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

2. Basis of Preparation

a) Statement of compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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

These audited consolidated financial statements were authorized for issuance by the Board of Directors on May 13, 2020.

b) Basis of preparation and principles of consolidation

Subsidiaries are fully consolidated from the date of acquisition, being the date on which Almonty obtains control, and continue to be consolidated until the date when such control ceases. The Company controls an investee if the Company has:

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

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

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

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Assets, liabilities, income and expenses of a subsidiary are included in the 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 audited 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").

As of December 4, 2019, the Company no longer controls Tropical Metals Pty Ltd. ("TM") and Wolfram Camp Mining Pty Ltd. ("WCM") as the entities entered voluntary liquidation proceedings. Accordingly, the Company no longer consolidated TM and WCM in its financial statements as of that date.

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 (2018 - one), 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 audited consolidated financial statements are presented in Canadian dollars. The functional currency of Almonty and its subsidiaries is the Canadian dollar except for Daytal, BVI, BTW and VRS whose functional currency is the Euro ("€") and TM and WCM, whose functional currency was the Australian Dollar.

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

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

e) Critical judgments and estimates

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

Estimates and underlying assumptions are reviewed on an ongoing basis.

Critical judgments

(i) Functional currency

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

(ii) 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.

(iii) 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.

Key sources of estimation uncertainty

(i) Ore reserves and mineral resources estimates

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

(ii) Mine rehabilitation and restoration provision

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

The provision at the reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the 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 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 Almonty will revise the deferral and amortization rates related to its deferred stripping expenditures. Such changes are accounted for prospectively.

(vi) Income taxes

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

f) New accounting standards and interpretations and those not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International Accounting Standards Board ("IASB") or IFRS Interpretation Committee ("IFRIC") and were effective for annual periods beginning after September 30, 2018.

The Company has adopted the following new and revised standards, along with all consequential amendments, effective October 1, 2018:

IFRS 9 - Financial Instruments

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

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

The Company adopted IFRS 9 on October 1, 2018 and has determined that there was no material impact on its consolidated financial statements as a result of the adoption.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15, "Revenue from Contracts with Customers": the standard was issued in May 2014 and amended in April 2016. IFRS 15 applies to contracts with customers, excluding, most notably, insurance and leasing contracts. IFRS 15 prescribes a framework in accounting for revenues from contracts within its scope, including (a) identifying the contract, (b) identify separate performance obligations in the contract, (c) determine the transaction price of the contract, (d) allocate the transaction price to the performance obligations and (e) recognize revenues when each performance obligation is satisfied. IFRS 15 also prescribes additional financial statement presentations and disclosures. The Company adopted IFRS 15 on October 1, 2018, under the modified retrospective method where the cumulative effect is recognized at the date of initial application. It has been concluded that the adoption of IFRS 15 had no material effect on the Company's consolidated financial statements.

New accounting standard not yet adopted:

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

The new standard is effective for the Company on January 1, 2020. The impact that adoption of IFRS 16 will have on its consolidated financial statements is in the process of being determined.

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 has been mined and processed and is available for reprocessing. As not all tailings inventory will be reprocessed within one year of the date of these 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.

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

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

Accumulated mine development costs and property plant and equipment that is directly related to the production of tungsten concentrate and that has a useful life that is equal to or in excess of the estimated life-of-mine, are depreciated on a unit-of-production basis over the economically recoverable resources of the mine ("ROM"). The unit of account for the ROM costs are tonnes of ore whereas the unit of account for post-ROM costs are recoverable MTUs of WO_3. Rights and concessions are depleted on the unit-of-production basis over the total resources. The unit-of-production rate for the depreciation of mine development costs takes into account expenditures incurred to date.

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

(b) Exploration and evaluation assets

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

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

Management reviews the carrying value of capitalized exploration costs for indicators that the carrying value is impaired 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 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.

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

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

Financial instruments

IFRS 9 (effective October 1, 2018)

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 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.

(a) 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.

(b) Classification

The Company has classified financial assets and liabilities as follows:

Asset/Liability	Category/Measurement
Cash	Amortized cost
Trade receivables	Amortized cost
Trade receivables related to provisional pricing	FVTPL
Restricted cash	Amortized cost
Promissory note and deposits	Amortized cost
Bank indebtedness	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Long-term debt	Amortized cost

(c) 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.

(d) 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.

IAS 39 (to September 30, 2018)

(a) Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans-and-receivables or at fair value through profit or loss ("FVTPL"). Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost. Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary which recognized in profit or loss. Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

(b) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. Transaction costs directly attributable to financial liabilities classified as other financial liabilities are recognized as a reduction of the carrying value of the liability. Transaction costs related to liabilities classified as FVTPL are expensed. Subsequently, other financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Changes in fair value of financial liabilities classified as FVTPL are recognized in profit or loss.

(c) Classification

The Company has classified financial assets and liabilities as follows:

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

(d) Compound Financial Instruments

The Company evaluates the terms of its financial instruments to determine whether they are compound financial instruments containing 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.

(e) Derivative financial instruments

From time to time, the Company holds derivative financial instruments to mitigate risks related to changes in commodity prices or to change the interest rates of its loans and borrowings. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met. Derivatives are initially recognized at their fair value and the attributable transaction costs are recognized in profit or loss when incurred. After initial recognition, derivatives are measured at fair value and their changes are recorded in profit or loss.

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

Impairment of assets

(f) Financial assets

IFRS 9 (effective October 1, 2018)

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 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.

IAS 39 (to September 30, 2018)
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset.

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

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

(g) 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 WO_3 concentrate.

IFRS 15 (effective October 1, 2018)

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 WO_3 concentrate sales, the enforceable contract is a long-term supply agreement. For the remaining $W0_3$ concentrate sales, the enforceable contract is each purchase order, which is an individual, short-term contract.

Revenue from the sale of WO_3 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 Almonty has paid all costs of shipping, freight and insurance to the destination specified by the purchaser.

A portion of WO_3 concentrate allow for price adjustments based on the market price at the end of the settlement period stipulated in the contract. These are referred to as provisional pricing arrangements and are such that the selling price for WO_3 concentrate is based on prevailing spot prices on a specified future date after shipment to the customer. Adjustments to the sales price occur based on movements in quoted market prices up to the end of the settlement period. The period between provisional invoicing and the end of the settlement period is typically three months or less. Effective December 1, 2019 the Company no longer has provisional pricing arrangements.

IAS 18 (to September 30, 2018)

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding sales taxes or duty. Revenue from the sale of WO_3 concentrate is recognized when the significant risks and rewards of ownership have been transferred to the purchaser. The significant risks and rewards of ownership are deemed to be transferred to the purchaser generally when product is physically transferred onto a third-party vessel, train, ship or other delivery mechanism, depending on the mode of transport, and Almonty has paid all costs of shipping, freight and insurance to the destination specified by the purchaser.

The provisional pricing arrangements represents an embedded derivative which is recorded at fair value each reporting period until the date of final pricing, with change in fair value recorded as an adjustment to revenue.

Income taxes

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

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

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

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

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

Employee Benefits

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

Share-based payment transactions

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

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

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

Acquisitions, business combinations and goodwill

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

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

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

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

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

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

	December 31, 2019	**September 30, 2018**
Stores and fuel	5,387	4,813
Ore and in-process ore	1,044	1,707
Finished goods - WO3 concentrate	111	1,294
Tailings	-	1,884
Current inventories	6,542	9,698
Tailings	25,847	28,084
	32,389	37,782

Changes in inventories and impairment charges and reversal of impairment charges are recognized in mine operating costs. The tailings inventory is net of previously recognized provisions to net realizable value of $13,663 (2018 - $7,895) which have not yet been reversed. At December 31, 2019 tailings inventories are classified as long term as these inventories are not expected to be processed in the next year. Refer to Note 6 for discussion of the adjustment to tailings inventory of $5,768 to the lower of cost and net realizable value in 2019.

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

5. Mining assets

	Plant and Equipment	Mineral Property Acquisition and Development Costs	Exploration and Evaluation Projects	Total
Cost				
Balance at September 30, 2017	53,225	51,408	53,646	158,279
Additions	4,277	2,033	2,740	9,050
Impairment loss (Note 6)	(7,651)	(7,953)	-	(15,604)
Change in restoration provisions	(3,831)	(1,191)	213	(4,809)
Asset disposals	(2,049)	-	-	(2,049)
Translation adjustment	584	723	131	1,438
Balance at September 30, 2018	44,555	45,020	56,730	146,305
Additions	**5,619**	**647**	**2,958**	**9,224**
Impairment loss (Note 6)	**(3,287)**	**(1,057)**	**-**	**(4,344)**
Changes in restoration provisions	**-**	**7,286**	**-**	**7,286**
Asset disposals	**(4,177)**	**-**	**-**	**(4,177)**
Deconsolidation Adjustment (Note 6)	**(1,153)**	**-**	**-**	**(1,153)**
Translation adjustment	**(1,240)**	**(1,572)**	**(244)**	**(3,056)**
Balance at December 31, 2019	**40,317**	**50,324**	**59,444**	**150,085**
Accumulated Amortization				
Balance at September 30, 2017	12,648	29,910	-	42,558
Amortization	4,907	8,824	-	13,731
Asset disposals	(1,775)	-	-	(1,775)
Translation adjustment	143	393	-	536
Balance at September 30, 2018	15,923	39,127	-	55,050
Amortization	**3,185**	**2,002**	**-**	**5,187**
Asset disposals	**(3,165)**	**-**	**-**	**(3,165)**
Translation adjustment	**(488)**	**(1,198)**	**-**	**(1,686)**
Balance at December 31, 2019	**15,455**	**39,931**	**-**	**55,386**
Carrying Value				
Balance at September 30, 2018	28,632	5,893	56,730	91,255
Balance at December 31, 2019	**24,862**	**10,393**	**59,444**	**94,699**

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

6. Impairment loss on Mining Assets

Wolfram Camp mine

The Wolfram Camp Mine had been on care and maintenance since 2016. During the fifteen months ended December 31, 2019, the Board of Directors of the Company determined that it was in the best interests of the Company to cease expending further funds towards refurbishment and maintenance of WCM and TM and, consequently, the Company caused WCM and TM to be placed into voluntary liquidation with all requisite approvals received. In fiscal 2018 the Wolfram Camp Mine CGU was written down to its estimated recoverable amount. The recoverable amount was based on a fair value less cost to sell model. As a result, an impairment loss of $12,757 was recognized during the year ended September 30, 2018, of which $7,651 was allocated to plant and equipment and $5,106 to mineral property acquisition and development costs.

The assets and liabilities of WCM and TCM included in the 2018 consolidated financial statements were as follows:

Assets	
Cash	39
Other current assets	249
Mining assets	1,183
Restricted cash	1,245
Total Assets	2,716
Liabilities	
Accounts payable and accrued liabilities	4,275
Long-term debt	393
Restoration provision	2,145
Total Liabilities	6,813

Upon TM and WCM being placed into voluntary liquidation the Company determined that it no longer controlled the entities under IFRS 10, *Consolidated financial statements* and deconsolidated them at that time. The balances de-recognized from the statement of financial position upon the loss of control approximated those noted above. As a result of the deconsolidation of TM and WCM, deconsolidation gain of $4,150 and reclassification of accumulated foreign currency translation adjustments of $1,348 were recorded in the statement of operations and comprehensive loss. Subsequent to deconsolidation of TM and WCM, balances due from TM/WCM were accounted for under IFRS 9 and recognized at fair value of nil.

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

Los Santos mine

During fiscal 2018, the Company changed its life of mine plan for the Daytal CGU and planned to complete mining of the remaining ore in the third quarter of fiscal 2019 and commence reprocessing of tailings at that time. As a result, the Company recognized an impairment loss of $2,847 for the year ended September 30, 2018, to write down certain pit development and stripping costs included in mineral property acquisition and development costs related to pits that will no longer be mined. In addition, Management considered the changes to the life of mine plan to be an indicator of impairment. Accordingly, the recoverable amount of the Daytal CGU was determined based on the value in use (VIU).

The VIU for the Daytal CGU was determined based on the net present value of the future cash flows expected to be generated from mining the remaining ore and processing the tailings using the most recent life of mine plans. Future tungsten prices are estimated based on observable market or publicly available data to estimate future revenues and operating costs are estimated based on current costs adjusted for anticipated changes. The future cash flows were discounted using a comparable discount rate for similar assets with the same market risk factors.

During fiscal 2019, the Company completed mining of the remaining ore and commenced reprocessing the tailings. During the period in which tailings were reprocessed the Company achieved WO3 recovery rates below those previously estimated and, as a result, recorded an impairment of tailings inventory of $5,768 representing an adjustment to the lower of cost and net realizable value. In addition, Management considered the lower recovery rates to be an indicator of potential impairment. Accordingly, the recoverable amount of the Daytal CGU was determined based on the fair value less costs to sell (FVLCS).

The FVLCS for the Daytal CGU was determined based on the net present value of the future cash flows expected to be generated from processing the tailings and incorporated cash flows associated with improvement capital expenditures. Future tungsten prices are estimated based on observable market or publicly available data to estimate future revenues and operating costs are estimated based on current costs adjusted for anticipated changes. The future cash flows were discounted using a comparable discount rate for similar assets with the same market risk factors.

As a result of the impairment test performed, impairments of $3,287 and $1,057 were recorded to property, plant, and equipment and mineral property acquisition and development, respectively, based on the estimated fair value less costs of disposal of the remaining property, plant, and equipment at the mine.

The key assumptions used in these impairment tests as at December 31, 2019 and September 30, 2018 are summarized as follows:

	2019	**2018**
Future tungsten prices, per MTU	US$237 - US$282	US$300 - US$320
Discount rate - Daytal, Spain	9%	7%
Life of mine – Daytal, Spain	7 years	8 years

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

The life of mine included ore mining and processing until the second quarter of fiscal 2019 and the processing of tailings thereafter until 2027.

Any variation in these key assumptions would result in a change in the net realizable value of the tailings inventory and the recoverable amount of the CGU which may result in the requirement to recognize an additional impairment loss.

7. Accounts Payable and Accrued Liabilities

The balance as of December 31, 2019 includes $11,690 (September 30, 2018 - $16,969) of trade accounts payable and $5,230 (September 30, 2018 - $8,704) of accrued liabilities.

8. Long-term Debt

		December 31, 2019	September 30, 2018
Term loans - Euro	(a)	8,204	14,370
Term and other loans - US dollar	(b)	26,126	23,186
Convertible debentures	(c)/(d)	13,824	11,683
Obligations under capital leases	(e)	1,095	1,092
Promissory Note	(f)	250	-
		49,499	50,331
Less: Current portion		(33,763)	(25,876)
		15,736	24,455

a) The Company's wholly owned Spanish subsidiary, Daytal, has in place Euro-denominated term loan facilities totaling $5,881 (September 30, 2018 - $11,588). The loans are unsecured, have maturity dates from January 2020 to June 2023 (September 30, 2018 – January 2019 to September 2020) and require monthly payments of principal and interest. Of the loans, $1,187 (September 30, 2018 - $1,084) have fixed interest rates with a weighted average interest rate as at December 31, 2019 of 1.49% (September 30, 2018 – 1.64%). The remaining $4,694 (September 30, 2018 - $10,504) have floating interest rates, based on varying spreads from Euribor rates. As of December 31, 2019, the weighted average interest rate on these loans was 2.81% (September 30, 2018 - 2.52%).

   VRS has in place a Euro-denominated term loan with a balance of $2,325 as of December 31, 2019 (September 30, 2018 - $2,782). The loan is unsecured, bears interest at 3.25% (September 30, 2018 - 3.25%), with monthly payments of principal and interest until it matures in June 2023 (September 30, 2018 - in May 2025).

b) The Company had a term loan facility for up to US$10,000 and a US$7,000 revolving loan facility with the UniCredit Bank AG. The term loan was due on September 30, 2019. The revolving loan maturity date was extended from December 31, 2018 to December 31, 2019 during fiscal 2018. These loans bore interest at a rate based on the 3-month London Interbank Offered Rate ("Libor") rate plus 1.5%. As at September 23, 2019, the weighted average rate was 4.1% (September 30, 2018

- 2.41%). The loans were secured by certain assets of WCM, the shares of BVI (an Almonty Subsidiary), and were guaranteed by a third party. As at September 23, 2019, $11,611 (US$8,750) was outstanding under the term loan (September 30, 2018 - $11,651 (US$9,000)) and $6,589 (US$4,966) under the revolving loan facility (September 30, 2018 - $8,945 (US$6,911)).

The Company was required to make semi-annual principal repayments of US$250 for the term loan, with the balance of the loan due at maturity on September 30, 2019. Principal and interest for the revolving loan were payable every three months with the amount payable determined based on tungsten production for the period and APT pricing levels. Principal payments were required only when the price of APT exceeded US$254/MTU and accelerating payments were required when the price of APT exceeded US$320/MTU. Any unpaid interest and principal was due at maturity.

During September 2019, the Company restructured its existing debt with the UniCredit Bank AG such that the 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 US$15,650. The Restated Term Loan will bear interest at the prevailing Libor rate plus 1.5%, with interest payable quarterly and with principal repayable at maturity. The maturity date for the Restated Term Loan is September 30, 2020.

The Company may repay all or part of amounts owing under the new 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 mature on January 1, 2020 and January 26, 2020, respectively (extended to March 22, 2021 during November 2019). 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 December 31, 2019, the outstanding loan balance was $2,598 (US$2,000) (September 30, 2018 - $2,590 (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(d)(iii)), all held by a customer and shareholder, were converted into an unsecured loan payable with the same bearing an effective rate of interest of 7.74% with quarterly principal and interest payments due, maturing June 30, 2022 (increased by US$278 and extended to September 30, 2022 subsequent to December 31, 2019). The modification was accounted for as an extinguishment of the original liabilities resulting in a gain of $401. In connection with the unsecured loan, the Company has pledged as security, for obligations relating to concurrently entered indemnity agreements, the shares of certain of its subsidiaries.

c) All of the Company’s previous Canadian dollar term and other loans totaling $5,963, including accrued interest, were settled during the year ended September 30, 2018 as a result of a debt restructuring completed on January 30, 2018, whereby the Company issued a convertible debenture as described more fully in note 8(d). These loans were unsecured and bore interest at rates ranging from 4.0% to 12%.

d) The following convertible debentures are outstanding as of December 31, 2019:

(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 matures on December 31, 2019 (extended to March 22, 2021 during November 2019) and bears interest at a rate of 6.0% per annum, payable semi-annually. Almonty 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. The fair value of the conversion feature allocated to equity upon modification of the debenture is $35.

(ii) On January 30, 2018, the Company issued a convertible debenture as part of a debt restructuring (Note 8(c)) with a principal amount of $5,963, which is due on January 31, 2020 (extended to January 30, 2021 subsequent to December 31, 2019). The debenture is convertible into common shares of Almonty at $1.00 per share (amended to $0.90 per share subsequent to December 31, 2019). 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 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 December 31, 2019, the amortized cost of the debt was $5,891 (September 30, 2018 - $5,459) and the difference between the principal amount of the loan and the amortized cost is recognized in profit or loss over the period to maturity at an effective interest rate of 12%.

(iii) The Company issued a $230 (US$173) secured convertible debenture in June 2017 in connection with a debt settlement. The debenture was due on June 23, 2022 and bore annual interest at 2.36%, payable quarterly. During September 2019, the debenture was extinguished and converted into part of a long-term loan payable (Note 8(b)).

(iv) The Company has a $6,000 (September 30, 2018 - $6,000) convertible debenture outstanding with DRAG, which bears interest at 4.0% per annum, payable quarterly in arrears. 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, during the period ended December 31, 2019, was extended to March 22, 2021, with all other terms remained unchanged).

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

Changes in the balances of the convertible debentures during the fifteen months ended December 31, 2019 and the twelve months ended September 30, 2018 are summarized as follows:

	December 31, 2019	**September 30, 2018**
Balance, beginning of period	11,683	6,725
Debentures issued, liability component	2,000	5,311
Repayment of debenture, including interest	(224)	(551)
Interest	401	190
Debentures revalued, equity component	(36)	-
Translation adjustment	-	8
Balance, end of period	13,824	11,683

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 December 31, 2019, the Company was in compliance with all covenants under its term loans and convertible debentures.

e) The capital leases relate to certain equipment and vehicles. The leases carry implied interest rates of between 1.75% and 6.00%.

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

Repayment section:	
2020	33,952
2021	13,222
2022	2,001
2023	744
	49,919
Less: Imputed interest on capital lease obligations	(28)
Less: Unamortized discount	(392)
	49,499

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

g) Debt Continuity

		December 31, 2019	September 30, 2018
Balance, beginning of period		50,331	44,659
Cash flows			
Issuance of debt		24,443	-
Scheduled debt repayments		(28,668)	(5,295)
Non-cash changes			
Refinancing	Note 8(b)	3,577	10,195
Accrued interest		469	204
Settlements		-	(551)
Deconsolidation	Note 6	(383)	-
Amount reclassified to equity		(36)	
Translation adjustment and other		(234)	1,119
Balance, end of period		49,499	50,331

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 September 30, 2017	32,335
Revisions in estimated cash flows and changes in assumptions	(4,809)
Accretion expense	435
Translation adjustment	542
Balance at September 30, 2018	28,503
Revisions in estimated cash flows and changes in assumptions	**7,286**
Accretion expense	**231**
Deconsolidation adjustment (Note 6)	**(2,050)**
Translation adjustment	**(886)**
Balance at December 31, 2019	**33,084**

As at December 31, 2019, there is a restoration provision of $31,677 (September 30, 2018 - $25,130) 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 $34,694 and are to be incurred after the mine ceases production subsequent to 2045. The estimate increase of $6,547 in 2019 is due to changes in the manner and the timing in which the reclamation will occur and to increases in estimated costs of restoration of certain buildings and infrastructure as management continues to review restoration and rehabilitation costs. 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 $630 (September 30, 2018 - $746) 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 $852 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 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 $270 (€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.

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

There was a restoration provision $2,145 at September 30, 2018 with respect to WCM's future obligation to restore and reclaim the mine. The cost of the restoration provision was estimated to be $2,276. WCM used a 3.25% discount rate and assumed an inflation rate of 1.5% per year in calculating its estimates at September 30, 2018. As at September 30, 2018, the Company had $1,245 in restricted cash on deposit with the Queensland Government, Department of Natural Resources and Mines as required by the Department of Environment and Heritage Protection based on a revised mine plan approved in 2015. During the fifteen months ended December 31, 2019, WCM was placed into voluntary liquidation and, accordingly, has not been consolidated in these financial statements.

There is a restoration provision of $777 (September 30, 2018 - $482) 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 $313 (September 30, 2018 - $390) 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 September 30, 2017	169,751,679	86,350
Shares issued for cash	6,294,462	3,265
Shares issued on exercise of warrants	6,071,752	2,343
Shares repurchased under NCIB	(676,000)	(332)
Outstanding at September 30, 2018	**181,441,893**	**91,626**
Shares issued for cash	1,300,000	593
Shares repurchased under NCIB	(24,667)	(25)
Outstanding at December 31, 2019	**182,717,226**	**92,194**

During October 2017, the Company issued 5,000,000 Common shares at $0.54 per share in a private placement, receiving gross proceeds of $2,700 and issued 1,294,462 Common shares at $0.54 per share in a private placement, receiving gross proceeds of $699. Costs of $134 were incurred in connection with the placements. During December 2019, the Company issued 1,300,000 units at $0.635 per unit pursuant to the closing of two of three tranches of a non-brokered private placement, receiving gross proceeds of $826. Each unit was comprised of on common share and one share purchase warrant with each warrant exercisable into one common share at a price of $0.75 per share. The value ascribed to the warrants and the common shares was determined on a relative fair value basis.

Shares repurchased under NCIB

During the year ended September 30, 2018, the Company purchased 676,000 of its common shares for $332 pursuant to a Normal Course Issuer Bid ("NCIB"). The NCIB was terminated on June 1, 2018.

The Company commenced a NCIB on March 20, 2019, announcing its intention to purchase for cancellation up to 9,072,094 common shares over a 12-month period. The Company purchased 24,667 of its common shares for $25 under this NCIB to December 31, 2019. The NCIB was terminated on March 19, 2020.

Warrants

As at December 31, 2019, there are warrants outstanding enabling the holders to acquire up to 1,300,000 common shares at a price of $0.75 per share, expiring between December 9 and December 17, 2022. These warrants were valued at $233 using the Black-Scholes model. During the year ended September 30, 2018, the Company issued 6,071,752 common shares in connection with the exercise of share purchase warrants, all of which were exercisable at $0.30 per share. During the fifteen months ended December 31, 2019, 3,482,769 warrants exercisable at $1.26 expired and 670,468 warrants expired in fiscal 2018.

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 March 29, 2019.

As of December 31, 2019, the outstanding options, all of which are exercisable, are summarized as follows:

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

	Number of Share Options
Options outstanding at September 30, 2017	5,575,000
Options granted	1,275,000
Options expired	(650,000)
Options outstanding at September 30, 2018	**6,200,000**
Options granted	100,000
Options expired	(100,000)
Options outstanding and exercisable at December 31, 2019	**6,200,000**

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
$ 0.33 - $0.75	2,875,000	6.70	$0.452
$ 0.76 - $0.99	2,425,000	7.31	$0.839
$ 1.00 - $ 1.07	900,000	2.15	$1.017
	6,200,000	**6.28**	**$0.685**

On September 29, 2018, the Company granted 1,275,000 share options to directors, officers, consultants and employees pursuant to the Company's stock option plan. The options vested immediately and are exercisable for a period of 10 years from the grant date at $0.87 per share. The grant resulted in stock-based compensation expense of $897. The value of the stock options granted was determined using the Black-Scholes option pricing model using a risk-free interest rate of 2.20%, volatility of 78% based on historical volatility, expected life of 10 years, and no expected dividend yield.

On April 8, 2019, the Company granted 100,000 share options to a consultant pursuant to the Company's stock option plan. The options vested immediately and are exercisable for a period of 10 years from the grant date at $0.85 per share. The grant resulted in stock-based compensation expense of $68. The value of the stock options granted was determined using the Black-Scholes option pricing model using a risk-free interest rate of 1.73%, volatility of 81% based on historical volatility, expected life of 10 years, and no expected dividend yield.

11. Income Taxes

The major components of income tax expense for the fifteen months ended December 31, 2019 and twelve months ended September 30, 2018 are:

	2019	**2018**
Tax expense applicable to:		
Current	156	225
Deferred	13	490
Income tax expense	169	715

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

A reconciliation between income tax recovery and the product of accounting profit multiplied by the Company's domestic tax rates for the fifteen months ended December 31, 2019 and twelve months ended September 30, 2018 are as follows:

Reconciliation to statutory tax rate:	**2019**	**2018**
Income (loss) before income taxes	(5,064)	(9,974)
Tax expense at statutory rate:	27%	26.75%
Expected income tax expense (recovery) at statutory rates	(1,367)	(2,668)
Permanent differences and other	(2,179)	(1,650)
Changes in temporary differences not recongized	3,640	6,115
Effect of change in tax rates	-	(176)
Foreign tax differential	75	(906)
Income tax expense	169	715

The enacted or substantively enacted tax rates for the Company are 27.0% in Canada (2018 – 26.75%), 25.0% in Spain (2018 – 25.0%), 21.0% in Portugal (2018 – 22.1%) and 22.0% in Korea (2018 – 22.0%). The rates applied in the tax provision are based on where the Company's principal subsidiaries operate.

Recognized deferred income tax assets and liabilities relate to the following:

Deferred Income Tax Asset (Liability):	**2019**	**2018**
Non-capital losses (Portugal)	832	1,041
Non-capital losses (Korea)	-	588
Other assets (Portugal)	175	185
Other (Spain)	(14)	-
Unrealized foreign exchange (Korea)	-	(588)
	993	1,226
Opening balance	1,226	1,664
Tax expense during period recognized in net income after tax	(13)	(490)
Tax expense recognized in equity portion convertible debentures	(176)	-
Impact of change in foreign exchange rates	(44)	52
Closing balance	993	1,226

Deferred tax assets for the following temporary differences have not been recognized in the consolidated financial statements:

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

Temporary Differences and Non-Capital Losses Not Recognized:

	2019	**2018**
Inventory	7,944	12,751
Mining assets	28,998	32,700
Restoration provision	11,130	12,358
Non-capital losses	71,782	75,938
Other	3,521	1,970
	123,375	135,717

Based on the Company's estimates for future taxable income and available taxable temporary differences, the Company concluded that it is not probable that all of the benefits of the above unrecognized temporary differences will be realized. Accordingly, the related deferred tax assets have not been recognized.

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

	Canada	Spain	Portugal	Korea
	CAD	**EUR**	**EUR**	**CAD**
2020	-	-	-	25
2021	-	-	-	176
2023	-	-	-	1,337
2024	-	-	773	2,871
2025	2,092	-	-	1,998
2026	3,625	-	-	3,591
2027 or later	33,644	13,673	2,717	1,742
Non-Capital losses in local currency	39,361	13,673	3,490	11,740
Non-Capital losses in CAD	**39,361**	**19,939**	**5,089**	**11,740**
Total Non-Capital losses in CAD				**76,129**

12. Employee Compensation

The Company incurred costs of $18,262 with respect to the costs of employee compensation and benefits for the fifteen months ended December 31, 2019 (2018 - $17,345).

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 Almonty as a single commodity segment, whose operations relate to the exploration and mining of tungsten across three geographical locations; the Iberian Peninsula (Spain and Portugal), Australia (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 five reportable operating segments, as follows:

- The Los Santos Mine located in Spain whose operations relate to the exploration and mining of tungsten that is ultimately sold as tungsten concentrate;
- The 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;
- Woulfe, whose properties are located in Gangwon Province, Republic of Korea, and whose operations relate primarily to the exploration, evaluation and development of the Sangdong Project; and
- The Wolfram Camp Mine, located in Queensland, Australia, which was placed into voluntary administration in December 2018.

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 Almonty in reporting segments internally are the same as those contained in Note 3.

Segmented information for the fifteen months ended December 31, 2019 and twelve months ended September 30, 2018 is as follows:

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

Fifteen months ended December 31, 2019	Los Santos	Wolfram Camp	Valtreixal	Woulfe	Panasquiera	Corporate	Consolidated
Revenue	20,032	-	-	-	34,602	-	54,634
Production costs	9,616	-	-	152	28,426	-	38,194
Impairment of mine assets	10,112	-	-	-	-	-	10,112
Depreciation and amortization	2,170	-	4	-	2,313	-	4,487
Earnings (loss) from mining operations	(1,866)	-	(4)	(152)	3,863	-	1,841
Expenses							
General and administrative	4,009	122	43	95	1,721	4,134	10,124
Share-based compensation	-	-	-	-	-	68	68
Interest expense	221	-	-	(3)	222	2,609	3,049
(Gains) losses on debt settlements	-	-	-	-	-	(401)	(401)
Gain on deconsolidation	-	-	-	-	-	(4,150)	(4,150)
Foreign exchange (gain) loss	10	-	-	(284)	(221)	(1,290)	(1,785)
Income (loss) before income taxes	(6,106)	(122)	(47)	40	2,141	(970)	(5,064)
Capital expenditures	1,253	-	297	3,064	4,592	-	9,206
Assets							
Current	2,320	-	41	163	7,518	297	10,339
Non-current	28,796	-	7,816	54,715	31,583	397	123,307
Total assets	31,116	-	7,857	54,878	39,101	694	133,646
Total Liabilities	10,109	-	3,296	3,531	38,248	44,646	99,830

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

Twelve months ended September 30, 2018	Los Santos	Wolfram Camp	Valtreixal	Woulfe	Panasquiera	Corporate	Consolidated
Revenue	27,918	-	-	-	38,046	(793)	65,171
Production costs	14,354	-	-	-	23,138	(793)	36,699
Impairment of mine assets	2,847	12,757	-	-	-	-	15,604
Depreciation and amortization	8,760	(40)	2	-	2,433	-	11,155
Earnings (loss) from mining operations	1,957	(12,717)	(2)	-	12,475	-	1,713
Expenses							
General and administrative	3,899	1,118	30	(49)	2,332	1,096	8,426
Share-based compensation	-	-	-	-	-	897	897
Interest expense	425	96	-	60	363	1,515	2,459
Foreign exchange (gain) loss	36	-	-	(635)	(146)	650	(95)
Income (loss) before income taxes	(2,403)	(13,931)	(32)	624	9,926	(4,158)	(9,974)
Capital expenditures	614	29	326	3,071	2,230	-	6,270
Assets							
Current	8,050	288	152	117	15,300	562	24,469
Non-current	37,179	2,427	7,755	50,629	24,471	372	122,833
Total assets	45,229	2,715	7,907	50,746	39,771	934	147,302
Total Liabilities	19,763	6,813	3,768	2,779	34,200	39,116	106,439

Information by geographical region is as follows:

	Revenue		Non-current Assets	
Country	**Fifteen months ended December 31, 2019**	**Twelve months ended September 30, 2018**	**December 31, 2019**	**September 30, 2018**
Portugal	34,602	37,253	31,583	24,471
Spain	20,032	27,918	36,612	44,934
South Korea	-	-	54,715	50,629
Canada	-	-	397	372
Australia	-	-	-	2,427
Total	54,634	65,171	123,307	122,833

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, restricted cash, 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

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

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

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

Interest rate risk

Almonty's exposure to the risk of changes in market interest rates relates to cash at banks and long-term debt with a floating interest rate. Of the long-term debt, $25,569 is subject to floating interest rates and $23,930 is subject to fixed interest rates. A portion of the floating rate debt totaling $5,242 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 $52 change in annual interest costs. The remaining floating rate debt of $20,326 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 $203 change in annual interest costs.

Foreign currency risk

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

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

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

	Currency	Carrying Value ($)
Cash and cash equivalents	**US$**	**2**
Other assets	**AUS$**	**159**
Accounts payable and accrued liabilities	**US$**	**2,450**
Accounts payable and accrued liabilities	**AUS$**	**378**
Accounts payable and accrued liabilities	**KRW**	**(2,262)**
Long-term debt	**US$**	**26,127**

A 5% change in the value of the CAD$ relative to the above currencies would change net income for the fifteen months ended December 31, 2019 by approximately $1,327.

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

	Currency	Carrying Value ($)
Cash and cash equivalents	**US$**	**592**
Trade receivables	**US$**	**866**
Accounts payable and accrued liabilities	**US$**	**1,081**

A 5% change in the value of the Euro relative to the above currencies would change net income for the fifteen months ended December 31, 2019 by approximately $19.

Credit risk

The Company deposits surplus cash and restricted 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 include a non-interest-bearing promissory note and deposits. The carrying value of the cash and cash equivalents, trade receivables, restricted cash, promissory note and deposits totaling $2,363 represents Almonty'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 (2018 – one).

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

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. Almonty's policy is to maximize liquidity in order to enable the continued development of the mines and operations of the plants and to enable the development of its projects. All financial liabilities with a contractual term of 12 months or less are classified as current. The Company is currently pursuing debt and equity financing opportunities to increase its liquidity.

15. Capital Management

The primary objective of Almonty's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure (composed of shareholders' equity and net debt) and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, Almonty may 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.

	December 31, 2019	**September 30, 2018**
Accounts payable and accrued liabilities	16,920	25,673
Long-term debt	49,499	50,331
Less: Cash and receivables	(3,276)	(13,355)
Net debt	**63,143**	**62,649**
Shareholders' equity	33,816	40,863
Equity and net debt	**96,959**	**103,512**
Gearing ratio	**65.1%**	**60.5%**

The gearing ratio exceeded the targeted range as at December 31, 2019 and September 30, 2018 due to the deterioration in the commodity prices from 2016 to mid-2017 having a negative impact on net income (loss). In 2019, the price environment improved and the Company has raised additional equity, resulting in an improvement in the gearing ratio. The Company is working to improve its profitability, raise additional equity capital and /or reduce its outstanding debt levels in order to return the gearing ratio to targeted levels.

16. Commitments and Contingent Liabilities

The Company's subsidiary, Daytal, owns the Los Santos Mine, near the town of Los Santos, Salamanca in western Spain. Daytal rents the land where the Los Santos Mine is located from local property owners and municipalities. The leases range from 10 to 25 years and have expiry dates 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.

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.

WCM and TM in Australia are each subject to an action brought by the Department of Environment and Science alleging breaches of the environmental authority with respect to the Wolfram Camp Mine. Each of WCM and TM deny liability and have defended the action to date. The maximum penalty for the alleged offences, if convicted, could be approximately $7.0 million for each subsidiary although the Company believes, given the nature of the alleged offenses, that any penalties would be substantially less. Further, as WCM and TM have been placed into voluntary liquidation, the liquidators of each of WCM and TM will liaise with the Department to determine whether the Department will continue with any action. Even if any action was continues, despite the liquidation, the Company believes there is unlikely to be any cash outflows from the companies due to the liquidation.

In addition, on November 9, 2018, the Department of Environment and Science filed proceedings in the Planning and Environment Court seeking orders (among others) that WCM and TM provide the financial assurance in the amount of $2.3 million related to its restoration and rehabilitation obligations associated with the Wolfram Camp Mine. WCM and TM have already posted approximately $1.1 million in financial assurance. The proceedings relate to a further $1.2 million representing further financial assurance for future restoration and rehabilitation. Prior to the voluntary liquidation, WCM and TM were ordered to deliver, within 10 business days, a bank guarantee for the balance amount of $1.2 million, representing the potential future restoration and rehabilitation costs.

Almonty is not a party to either of the above actions and is not liable to pay any amount as a result of the above actions. Any liability for payment of money (assuming that liability exists) rests with either WCM or TM as applicable.

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 fifteen months ended December 31, 2019, 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 $1,789 (2018 - $981).

The Company incurred certain costs on behalf of the Company's Chief Executive Officer in the amount of $324 (2018 - $311) which was repaid to the Company during Q3 - 2019.

The Company has long-term debt owing to DRAG, a company that is an existing shareholder of Almonty, and whose CEO is a member of the Board of Directors of the Company. In addition to the transactions disclosed in notes 8(b) and 8(d), interest of $619 was accrued on the DRAG loans during the fifteen months ended December 31, 2019 (2018 - $397). As of December 31, 2019, there is $1,195 (September 30, 2018 - $576) of unpaid interest on these loans included in accounts payable and accrued liabilities.

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. (Note 8(d)(i)).

18. Subsequent Events

Subsequent to December 31, 2019, the Company:

1) issued 747,244 units at $0.635 per unit pursuant to the closing of the third of three tranches of a non-brokered private placement, receiving gross proceeds of $474. Each unit was comprised of one common share and one share purchase warrant with each warrant exercisable into one common share at a price of $0.75 per share;

2) received US$1,000 (Cdn$1,320) pursuant to a promissory loan which bears interest at the rate of 6% per annum and matures in January 2021;

3) received US$2,000 (Cdn$2,680) 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; and

4) negotiated the amendment of a convertible debenture with a principal amount of $5,963, whereby the maturity date of January 31, 2020 was extended to January 30, 2021 and the conversion price was amended from $1.00 to $0.90 per share (Note 8(d)(ii));

5) received a binding commitment letter in January 2020 for US$76 million from the KfW-IPEX Bank for the proposed project financing for the development and operation of the Company's Sangdong Mine located in South Korea. As of December 31, 2019, deferred financing costs totaling $1,247 have been incurred in conjunction with this financing;

6) announced the decision in February 2020 to put the Los Santos Mine on care and maintenance so as to allow the Company to focus its efforts on finalizing the proposed project financing for the Sangdong Mine and to assess and complete a restructuring initiative that will involve an approximate EUR 1 million capital expenditure.