



Interim Condensed Consolidated Financial Statements
For the Three Months Ended March 31, 2021 and 2020
(UNAUDITED)

Presented in Canadian dollars

Management's Responsibility for Financial Reporting

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

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the interim condensed consolidated financial statements and (ii) the interim condensed consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods then ended presented by the 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 17, 2021
Toronto, Ontario

Almonty Industries Inc.

Interim Condensed Consolidated Balance Sheets

(Unaudited)

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

	Note	March 31, 2021	December 31, 2020
Assets			
Current Assets			
Cash		2,296	2,372
Trade receivables		776	399
Recoverable taxes receivable		632	534
Inventories	4	7,002	6,141
Prepaid expenses and other current assets		225	393
Total Current Assets		10,931	9,839
Mining assets	5	106,092	107,465
Tailings inventory	4	25,552	27,454
Deferred financing costs		4,508	3,498
Deferred tax assets	11	2,127	2,250
Other assets		775	557
		139,054	141,224
Total Assets		149,985	151,063
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	7	17,956	17,613
Deferred revenue		680	-
Current portion of long-term debt	8	5,640	49,146
Total Current Liabilities		24,276	66,759
Long-term debt	8	56,319	12,378
Restoration provision and other liabilities	9	40,416	42,743
Deferred tax liabilities	11	14	14
		96,749	55,135
Total Liabilities		121,025	121,894
Shareholders' Equity			
Share capital	10	96,837	92,548
Subscriptions received	10	1,700	1,529
Equity portion of convertible debentures		1,241	1,241
Contributed surplus		6,062	5,612
Accumulated other comprehensive (loss) income		(952)	1,082
Deficit		(75,928)	(72,843)
Total Shareholders' Equity		28,960	29,169
Total Liabilities and Shareholders' Equity		149,985	151,063

Nature of operations (Note 1)

Commitments and contingent liabilities (Note 16)

Subsequent events (Note 18)

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

(Unaudited)

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

		Three months ended March 31,	
	Note	2021	2020
Revenue		3,858	6,391
Cost of sales			
Production costs		3,947	5,728
Care and maintenance costs		200	598
Depreciation and amortization		571	709
Loss from mining operations		(860)	(644)
Expenses			
General and administrative	17	1,543	1,620
Share-based compensation	10	522	207
Loss before other items and income taxes		(2,925)	(2,471)
Other (income) expenses			
Interest expense		786	664
Gain on debt settlement		-	(1,619)
Loss on valuation of embedded derivative liabilities	8(c)	191	-
Foreign exchange (gain) loss		(826)	2,544
Loss before income taxes		(3,076)	(4,060)
Income tax expense			
Current	11	9	-
Net loss for the period		(3,085)	(4,060)
Other comprehensive income (loss)			
Net loss for the period		(3,085)	(4,060)
<i>Items that may be reclassified subsequently to profit/loss</i>			
Foreign currency translation adjustment		(2,034)	2,147
Comprehensive loss for the period		(5,119)	(1,913)
Basic and diluted loss per common share		\$ (0.02)	\$ (0.02)
Weighted average number of shares outstanding - basic and diluted		187,675,535	183,062,108

Almonty Industries Inc.
Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

(Unaudited)

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

	Note	Share Capital	Subscriptions Received	Equity Portion of Convertible Debentures	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity
Balance at December 31, 2019		92,194	-	678	4,880	(150)	(63,786)	33,816
Issuance of common shares and warrants for cash	10	354	-	-	120	-	-	474
Subscriptions received	10	-	1,529	-	-	-	-	1,529
Share-based compensation	10	-	-	-	612	-	-	612
Issuance of convertible loans	8(c)	-	-	563	-	-	-	563
Net income and other comprehensive loss for the period		-	-	-	-	1,232	(9,057)	(7,825)
Balance at December 31, 2020		92,548	1,529	1,241	5,612	1,082	(72,843)	29,169
Issuance of common shares for cash	10	3,651	(1,529)	-	-	-	-	2,122
Shares issued on exercise of options	10	172	-	-	(59)	-	-	113
Shares issued on exercise of warrants	10	73	-	-	(13)	-	-	60
Shares issued on conversion of debt	8(c)	393	-	-	-	-	-	393
Subscriptions received	10	-	1,700	-	-	-	-	1,700
Share-based compensation	10	-	-	-	522	-	-	522
Net loss and other comprehensive loss for the year		-	-	-	-	(2,034)	(3,085)	(5,119)
Balance at March 31, 2021		96,837	1,700	1,241	6,062	(952)	(75,928)	28,960

Almonty Industries Inc.

Interim Condensed Consolidated Statements of Cash Flows

(Unaudited)

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

	Note	Three months ended March 31,	
		2021	2020
Operating activities			
Net loss for the period		(3,085)	(4,059)
Add (deduct) non-cash items:			
Share-based compensation	10	522	207
Depreciation and amortization		571	709
Interest expense		786	664
Income tax expense		9	-
Gain on disposal of assets		46	(30)
Loss on valuation of embedded derivative liabilities	8(c)	191	-
Gain on debt settlement		-	(1,619)
Unrealized foreign exchange (gains) losses		(1,368)	1,209
		<u>(2,328)</u>	<u>(2,919)</u>
Interest paid		(413)	(246)
Changes in non-cash working capital			
Trade receivables		(405)	(809)
Recoverable taxes receivable		(129)	211
Inventories		(1,234)	(381)
Prepaid expenses and other current assets		158	74
Deferred financing costs		315	-
Accounts payable and accrued liabilities		345	2,813
Deferred revenues		703	-
		<u>(247)</u>	<u>1,908</u>
Net change in non-cash working capital			
Change in tailings inventory		422	-
Other		(248)	-
		<u>(248)</u>	<u>-</u>
Cash flow used in operating activities		<u>(2,815)</u>	<u>(1,257)</u>
Investing activities			
Additions to mining assets		(1,632)	(1,074)
Cash flow used in investing activities		<u>(1,632)</u>	<u>(1,074)</u>
Financing activities			
Issuance of common shares	10	2,122	474
Share subscriptions received in advance	18	1,700	-
Exercise of options		113	-
Exercise of warrants		60	-
Issuance of long-term debt	8	2,288	4,277
Repayment of long-term debt		(556)	(255)
Financing fees paid		(1,325)	(160)
		<u>4,402</u>	<u>4,336</u>
Cash flow provided by financing activities		<u>4,402</u>	<u>4,336</u>
Effect of foreign exchange on cash		<u>(31)</u>	<u>123</u>
Net increase (decrease) in cash during the period		<u>(76)</u>	<u>2,128</u>
Cash at beginning of period		<u>2,372</u>	<u>1,496</u>
Cash at end of period		<u>2,296</u>	<u>3,624</u>

Almonty Industries Inc.

Notes to the Interim Condensed Consolidated Financial Statements

March 31, 2021

(Unaudited)

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

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").

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

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

Management assesses the Company's ability to continue as a going concern at each reporting date, using quantitative and qualitative information available. As at March 31, 2021, the Company had a working capital deficiency of \$13,345 (December 31, 2020 - \$56,920). During, and subsequent to, the three months ended March 31, 2021, the Company secured additional financings totaling \$7,948 and extended the maturity dates of \$45,584 of long-term debt out to dates varying from July 2022 to October 2023 (Note 18).

The Company's current forecast indicates that it will have sufficient cash flows from operations and the financings outlined above for at least the next year to continue as a going concern and settle obligations as they come due. 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. The assessment of the Company's ability to continue as

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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.

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 unaudited interim condensed consolidated financial statements of the Company have been prepared in accordance with International Accounting Standard IAS 34, Interim Financial Reporting. These financial statements do not include all the information and disclosures required in the Company's annual financial statements and should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2020.

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

These unaudited interim condensed consolidated financial statements were authorized for issuance by the Company's Board of Directors on May 17, 2021.

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

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

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

c) Economic dependence

Almonty's wholly owned subsidiaries, Daytal and BTW participate in the global tungsten business. Currently, the majority of the output of Almonty's operations is sold to two customers (2020 - two), one of which is a shareholder of the Company. There is no guarantee that Almonty would be able to find an alternative customer or customers on market terms to replace this revenue.

d) Foreign currency translation

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

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

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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) Stage of exploration

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

(iii) Tailings inventory

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

(iv) Going concern

The preparation of these unaudited interim condensed 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

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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

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

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

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

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

(vii) Income taxes

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

f) New and Future Accounting Standards

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

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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.

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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 WO₃. Rights and concessions are depleted on the unit-of-production basis over the total resources. The unit-of-production rate for the depreciation of mine development costs takes into account expenditures incurred to date.

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

(b) Exploration and evaluation assets

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

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

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

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(c) Deferred stripping expenditures

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

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

Mine rehabilitation and restoration provisions

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

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

Other provisions

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

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

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Leases

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

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

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

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

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

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

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

Financial instruments

(a) Financial assets

Financial assets are initially recorded at fair value and after initial recognition are either measured at amortized cost or at fair value, as Fair value through profit or loss ("FVTPL") or at Fair value through other comprehensive income (FVOCI) as either Certain Debt Instruments or

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

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

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

(b) Financial liabilities

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

(c) Classification

The Company has classified financial assets and liabilities as follows:

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
Long-term debt related to derivative liabilities	FVTPL

(d) Compound Financial Instruments

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

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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.

(f) Embedded derivatives

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

Impairment of assets

(a) Financial assets

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

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

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

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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.

(b) Non-Financial assets

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

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

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

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

Revenue recognition

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

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

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

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

Revenue from the sale of WO₃ concentrate is recognized when control has been transferred to the purchaser. The significant risks and rewards of ownership are deemed to be transferred to the purchaser generally when product is physically transferred onto a third-party vessel, train, ship or other delivery mechanism, depending on the mode of transport, and Almonty has paid all costs of shipping, freight and insurance to the destination specified by the purchaser.

Income taxes

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

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

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

Income (loss) per share

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

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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

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related costs are included in the consideration paid and capitalized. No goodwill is recorded and no deferred tax asset or liability arising from the assets acquired or liabilities assumed are recognized upon the acquisition of the assets.

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

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

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

4. Inventories

	March 31, 2021	December 31, 2020
Stores and fuel	5,111	5,550
Ore and in-process ore	954	467
Finished goods - WO3 concentrate	937	124
Current inventories	7,002	6,141
Tailings	25,552	27,454
	32,554	33,595

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 (2019 - \$13,663) which have not yet been reversed. At March 31, 2021, tailings inventories are classified as long term as these inventories may not 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.

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5. Mining assets

	Plant and Equipment	Mineral Property Acquisition and Development Costs	Exploration and Evaluation Projects	Total
Cost				
Balance at December 31, 2019	40,317	50,324	59,444	150,085
Additions	2,537	-	3,757	6,294
Change in restoration provisions	-	6,874	-	6,874
Asset disposals	(5,217)	-	-	(5,217)
Translation adjustment	2,808	1,502	575	4,885
Balance at December 31, 2020	40,445	58,700	63,776	162,921
Additions	137	20	1,470	1,627
Changes in restoration provisions	-	-	-	-
Asset disposals	(367)	-	-	(367)
Translation adjustment	(2,063)	(3,373)	(465)	(5,901)
Balance at March 31, 2021	38,152	55,347	64,781	158,280
Accumulated Amortization				
Balance at December 31, 2019	15,455	39,931	-	55,386
Amortization	1,766	254	-	2,020
Asset disposals	(5,129)	-	-	(5,129)
Translation adjustment	2,225	954	-	3,179
Balance at December 31, 2020	14,317	41,139	-	55,456
Amortization	558	255	-	813
Asset disposals	(137)	-	-	(137)
Translation adjustment	(1,402)	(2,542)	-	(3,944)
Balance at March 31, 2021	13,336	38,852	-	52,188
Carrying Value				
Balance at December 31, 2020	26,128	17,561	63,776	107,465
Balance at March 31, 2021	24,816	16,495	64,781	106,092

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6. Impairment loss on Mining Assets

Los Santos mine

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, during fiscal 2019, 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.

No indicators of impairment existed as at December 31, 2020 and March 31, 2021.

7. Accounts Payable and Accrued Liabilities

The balance as of March 31, 2021 includes \$10,736 (December 31, 2020 - \$12,729) of trade accounts payable and \$7,220 (December 31, 2020 - \$4,884) of accrued liabilities.

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8. Long-term Debt

		March 31, 2021	December 31, 2020
Term loans - Euro	(a)	8,121	8,954
Term and other loans - US dollar	(b)	29,028	29,329
Promissory Note	(b)	250	250
Convertible debentures	(c)	23,260	21,729
Lease liabilities	(d)	412	648
		<u>61,071</u>	<u>60,910</u>
Less: Current portion		(5,640)	(49,146)
		<u>55,431</u>	<u>11,764</u>
Fair value of derivative liabilities	(c)	888	614
		<u>56,319</u>	<u>12,378</u>

- a) The Company's wholly-owned Spanish subsidiary, Daytal, has in place Euro-denominated term loan facilities totaling \$5,093 (December 31, 2020 - \$5,884). The loans are unsecured, have a maturity date of April 2021 to June 2023 (December 31, 2020 – January 2020 to June 2023) and require monthly payments of principal and interest. Of the loans, \$633 (December 31, 2020 - \$708) have fixed interest rates with a weighted average interest rate as at March 31, 2021 of 2.06% (December 31, 2020 – 2.13%). The remaining \$4,460 (December 31, 2020 - \$5,175) have floating interest rates, based on varying spreads from Euribor rates. As of March 31, 2021, the weighted average interest rate on these loans was 2.56% (December 31, 2020 - 2.55%).

VRS has in place a Euro-denominated term loan with a balance of \$2,079 as of March 31, 2021 (December 31, 2020 - \$2,289). The loan is unsecured, bears interest at 2.50% (December 31, 2020 - 2.50%), with monthly payments of principal and interest until it matures in June 2023 (December 31, 2020 - in June 2023).

- 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% (December 31, 2019 - 2.41%). The loans were secured by certain assets of WCM, the shares of BVI (a former 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 (December 31, 2019 - \$11,651 (US\$9,000)) and \$6,589 (US\$4,966) under the revolving loan facility (December 31, 2019 - \$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

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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 then-existing Term and Revolving loans, with a total principal amount of approximately US\$13,716, was rolled into a new restated term loan with a principal amount of \$19,926 (US\$15,650). The Restated Term Loan bears interest at the prevailing Libor rate plus 1.5% per annum, with interest payable quarterly and with principal repayable at maturity. The maturity date for the Restated Term Loan was October 31, 2021 (extended to September 30, 2023 during the current period).

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 matured on January 1, 2020 and January 26, 2020, respectively (extended to March 22, 2021 during November 2019 and then further extended to October 22, 2023 during the current period). The notes bear interest at 6.0% per annum, with the accrued interest due on the maturity date. The loans are secured by a pledge of the shares of Woulfe. As at March 31, 2021, the outstanding loan balance was \$2,515 (US\$2,000) (December 31, 2020 - \$2,668 (US\$2,000)).

During September 2019, approximately US\$2,221 (Cdn\$2,946) that was included in accounts payable and accrued liabilities, US\$687 (Cdn\$912) that was included in deferred revenue as well as a US\$173 (Cdn\$230) convertible debenture (Note 8(c)(ii)), all held by a customer and shareholder, were converted into an unsecured loan payable with the same bearing an effective rate of interest of 7.16% (2019 – 7.74%) with quarterly principal and interest payments due, maturing June 30, 2022 (increased by US\$268 and extended to September 30, 2022 during fiscal 2020 and then to October 31, 2022 during the current period). 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.

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

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

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- c) The following convertible debentures are outstanding as of March 31, 2021:
- (i) On December 18, 2018, the Company completed a non-brokered private placement of an unsecured convertible debenture with a principal amount of \$2,000, which debenture was acquired by DRAG. The debenture matured on December 31, 2019 (extended to March 22, 2021 during November 2019 and then to October 22, 2023 during the current period) and bears interest at a rate of 6.0% per annum, payable at maturity. 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 with a principal amount of \$5,963, which is due on January 31, 2020 (extended to January 30, 2021 during fiscal 2020 and then further extended to July 31, 2022 during the current period). The debenture is convertible into common shares of Almonty at \$1.00 per share. The debenture bears interest at a rate of 6.0% per annum, compounding quarterly, 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 March 31, 2021, the amortized cost of the debt was \$6,508 (December 31, 2020 - \$6,475) 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 (December 31, 2019 - \$6,000) unsecured convertible debenture outstanding with DRAG, which bears interest at 4.0% per annum, payable at maturity. The debenture (including any accrued and unpaid interest) may be converted by the holder, at its option, into common shares of the Company at an exercise price of \$1.45 per share. The maturity date of the loan was March 22, 2019, (which was extended to March 22, 2021 during

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fiscal 2020 and then further extended to October 22, 2023 during the current period), with all other terms remaining unchanged).

- (v) During March 2020, the Company received \$2,680 (US\$2,000) pursuant to the issuance of a convertible debenture which bears interest at the rate of 7%, is convertible at US\$0.50 per share and matures in March 2021 (extended to September 6, 2022 during the current period). As the convertible debenture is denominated in USD, the instrument contains an embedded derivative liability. As a result, the Company allocated \$2,434 (US\$1,797) to the liability component and \$275 (US\$203) to the derivative liability on issuance. The embedded derivative liability, on issuance, was valued using the Black-Scholes Option Pricing Model assuming an expected life of 1 year, expected dividend yield of 0%, a risk-free interest rate of 0.20% and an expected volatility of 65.68%, adjusted for a liquidity factor. The embedded derivative liability, as at March 31, 2021, was valued using the Black-Scholes Option Pricing Model assuming an expected life of 1.44 years, expected dividend yield of 0%, a risk-free interest rate of 0.22% and an expected volatility of 72.38%, adjusted for a liquidity factor. Accordingly, the Company recognized a loss on valuation of the derivative liability in the amount of \$10 for the three months ended March 31, 2021.
- (vi) During July 2020, the Company completed a non-brokered private placement of secured convertible bonds in the principal amount of \$4,975 (EUR 3.25 million). These secured convertible bonds will mature on July 13, 2023, and will bear interest at a rate of 10% per annum, payable semi-annually, in cash. The outstanding principal amount of the Bonds plus any related unpaid accrued interest is convertible into common shares of the Company at the option of the holder at the fixed conversion price of EUR 0.35 (equivalent to Cdn\$0.54) per share for the principal and at the conversion price of the greater of i) EUR 0.35 (equivalent to Cdn\$0.54) and ii) the EUR equivalent of the volume weighted average price of the Common Shares on the Toronto Stock Exchange for the five trading days immediately preceding the date of conversion for related accrued interest. As the convertible debentures are denominated in EURO, the instrument contains an embedded derivative liability. As a result, the Company allocated \$4,734 (EUR 3,033) to the liability component and \$339 (EUR 217) to the derivative liability on issuance. The embedded derivative liability, on issuance, was valued using the Black-Scholes Option Pricing Model assuming an expected life of 3 years, expected dividend yield of 0%, a risk-free interest rate of 0.25% and an expected volatility of 71.24%, adjusted for a liquidity factor. The embedded derivative liability, as at March 31, 2021, was valued using the Black-Scholes Option Pricing Model assuming an expected life of 2.28 years, expected dividend yield of 0%, a risk-free interest rate of 0.22% and an expected volatility of 72.38%, adjusted for a liquidity factor. Accordingly, the Company recognized a loss on valuation of the derivative liability in the amount of \$116 for the three months ended March 31, 2021. The embedded derivative is designated as a financial liability carried at fair value through profit and loss. During March 2021, a convertible bond in the principal amount of EUR250 was converted into 719,200 common shares of the Company.
- (vii) During February 2021, the Company completed a non-brokered private placement of an unsecured convertible bond in the principal amount of \$2,288 (EUR 1.5 million). This

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unsecured convertible bond will mature on February 8, 2024, and will bear interest at a rate of 10% per annum, payable semi-annually, in cash. The outstanding principal amount of the Bond plus any related unpaid accrued interest is convertible into common shares of the Company at the option of the holder at the fixed conversion price of EUR 0.4875 (equivalent to Cdn\$0.75) per share for the principal and at the conversion price of the greater of i) EUR 0.4875 (equivalent to Cdn\$0.75) and ii) the EUR equivalent of the volume weighted average price of the Common Shares on the Toronto Stock Exchange for the five trading days immediately preceding the date of conversion for related accrued interest. As the convertible debenture is denominated in EURO, the instrument contains an embedded derivative liability. As a result, the Company allocated \$2,109 (EUR1,429) to the liability component and \$109 (EUR 74) to the derivative liability on issuance. The embedded derivative liability, on issuance, was valued using the Black-Scholes Option Pricing Model assuming an expected life of 3 years, expected dividend yield of 0%, a risk-free interest rate of 0.24% and an expected volatility of 67.15%, adjusted for a liquidity factor. The embedded derivative liability, as at March 31, 2021, was valued using the Black-Scholes Option Pricing Model assuming an expected life of 2.86 years, expected dividend yield of 0%, a risk-free interest rate of 0.22% and an expected volatility of 72.38%, adjusted for a liquidity factor. Accordingly, the Company recognized a loss on valuation of the derivative liability in the amount of \$65 for the three months ended March 31, 2021.

Changes in the balances of the convertible debentures as at March 31, 2021 and December 31 2020 are summarized as follows:

	March 31, 2021	December 31, 2020
Balance, beginning of period	21,729	13,824
Debentures issued, liability component	2,396	7,752
Debentures converted to shares	(358)	-
Interest	63	1,467
Debentures revalued, equity component	-	(1,185)
Translation adjustment	(570)	(129)
Balance, end of period	<u>23,260</u>	<u>21,729</u>

The Company's term loans and convertible debentures include various positive and negative covenants as well as cross-default clauses which could cause several defaults in the event the Company is in default on any of its loan agreements. As of March 31, 2020, the Company was in compliance with all covenants under its term loans and convertible debentures.

- d) The capital leases relate to certain equipment and vehicles. The leases carry implied interest rates of between 1.33% and 6.00%.

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

2022	5,983
2023	13,889
2024	42,128
	<u>62,158</u>
Less: Imputed interest on capital lease obligations	(30)
Less: Unamortized discount	(1,057)
	<u>61,071</u>

- f) Debt Continuity

	March 31, 2021	December 31, 2020
Balance, beginning of period	60,910	49,499
Cash flows		
Issuance of debt	2,179	32,979
Scheduled debt repayments	(566)	(21,517)
Non-cash changes		
Adjustment on adoption of IFRS 16 Note 8(e)	-	79
Accrued interest	123	2,035
Settlements	(358)	-
Amount reclassified to equity	-	(1,185)
Translation adjustment and other	(1,217)	(980)
Balance, end of period	<u>61,071</u>	<u>60,910</u>
Fair value of derivative liability	888	614
	<u>61,959</u>	<u>61,524</u>

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9. Restoration Provision and Other Liabilities

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

Balance at December 31, 2019	33,084
Revisions in estimated cash flows and changes in assumptions	6,874
Accretion expense	172
Translation adjustment	2,337
Balance at December 31, 2020	42,467
Accretion expense	(5)
Translation adjustment	(2,304)
Balance at March 31, 2021	40,158

As at March 31, 2021, there is a restoration provision of \$38,451 (December 31, 2020 - \$40,680) 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 2020 was 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 \$965 (December 31, 2020 - \$1,009) 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 \$266 (€180) on behalf of Daytal with the Region of Castilla y Leon, Trade and Industry Department as a form of deposit to cover the expected costs of restoring the mining property as required by Daytal's Environmental Impact Statement that forms a part of its mining and exploitation license on the Los Santos Mine.

There is a restoration provision of \$742 (December 31, 2020 - \$760) 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 \$258 (December 31, 2020 - \$277) related to employee benefit obligations in respect of government mandated pension plans in Woulfe's Korean subsidiary and in BTW.

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10. Share Capital

Common Shares

	Number of Shares	Amount \$
Authorized - Unlimited number of common shares		
Issued and outstanding		
Outstanding at December 31, 2019	182,717,226	92,194
Shares issued for cash	747,244	354
Outstanding at December 31, 2020	183,464,470	92,548
Shares issued for cash	4,880,251	3,652
Shares issued on exercise of options	200,000	172
Shares issued on exercise of warrants	80,000	73
Shares issued on conversion of long-term debt	719,200	392
Outstanding at March 31, 2021	189,343,921	96,837

During February 2020, the Company 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. The value ascribed to the warrants and the common shares was determined on a relative fair value basis.

During January 2021, the Company issued 4,880,251 common shares at \$0.75 per share pursuant to the closing of two non-brokered private placements, receiving gross proceeds of \$3,660.

During March 2021, the Company issued 200,000 common shares pursuant to the exercise of stock options for proceeds totaling \$114 and issued 80,000 common shares pursuant to the exercise of share purchase warrants for proceeds totaling \$60.

During March 2021, the Company issued 719,200 common shares in conjunction with the conversion of a EUR250-denominated convertible bond.

Warrants

As at March 31, 2021, there are warrants outstanding enabling the holders to acquire up to 1,967,244 common shares at a price of \$0.75 per share, expiring between December 9, 2022 and February 19, 2023. During the three months ended March 31, 2021, the Company issued 80,000 common shares pursuant to the exercise of share purchase warrants for proceeds totaling \$60

As at December 31, 2020, there are warrants outstanding enabling the holders to acquire up to 2,047,244 common shares at a price of \$0.75 per share, expiring between December 9, 2022 and February 19, 2023.

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Incentive Stock Options

Under Almonty's stock option plan, the Company can grant options to directors, officers, employees and consultants for up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of an option may not be less than the closing market price during the trading day immediately preceding the date of the grant of the option, less any applicable discount allowed by the TSX. Options can be granted for a maximum term of 10 years and vest at the discretion of the Company's Board of Directors. The existing plan was re-approved by Almonty's shareholders at its Annual and Special Meeting of Shareholders held on June 30, 2020.

As of March 31, 2021, the outstanding options, all of which are exercisable, are summarized as follows:

	Number of Share Options
Options outstanding at December 31, 2019	6,200,000
Options granted	1,375,000
Options expired	(100,000)
Options outstanding at December 31, 2020	7,475,000
Options granted	800,000
Options exercised	(200,000)
Options outstanding and exercisable at March 31, 2021	8,075,000

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
\$ 0.33 - \$0.75	4,150,000	6.72	\$0.51
\$ 0.76 - \$0.99	2,975,000	6.99	\$0.63
\$ 1.00 - \$ 1.07	950,000	1.38	\$0.96
	8,075,000	6.19	\$0.60

On January 8, 2020, the Company granted 550,000 share options to consultants 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 \$0.49 per share. The grant resulted in stock-based compensation expense of \$207. The value of the stock options granted was determined using the Black-Scholes option pricing model using a risk-free interest rate of 1.62%, volatility of 72% based on historical volatility, expected life of 10 years, and no expected dividend yield.

On October 27, 2020, the Company granted 825,000 share options to consultants 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 \$0.70 per share. The grant resulted in stock-based compensation

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expense of \$404. The value of the stock options granted was determined using the Black-Scholes option pricing model using a risk-free interest rate of 0.60%, volatility of 66% based on historical volatility, expected life of 10 years, and no expected dividend yield.

On February 1, 2021, the Company granted 750,000 share options to consultants 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 \$0.75 per share. The grant resulted in stock-based compensation expense of \$474. The value of the stock options granted was determined using the Black-Scholes option pricing model using a risk-free interest rate of 0.88%, volatility of 76.6% based on historical volatility, expected life of 10 years, and no expected dividend yield.

On March 23, 2021, the Company granted 50,000 share options to consultants 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 \$1.23 per share. The grant resulted in stock-based compensation expense of \$48. The value of the stock options granted was determined using the Black-Scholes option pricing model using a risk-free interest rate of 1.49%, volatility of 78.1% based on historical volatility, expected life of 10 years, and no expected dividend yield.

11. Income Taxes

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

	Canada	Spain	Portugal	Korea
	CAD	EUR	EUR	CAD
2021	-	-	-	87
2022	-	-	-	310
2023	-	-	-	47
2024	2,092	-	-	27
2025	3,625	-	-	349
2026	2,260	-	773	2,021
2027	1,990	-	-	3,707
2028 or later	34,852	11,627	4,638	1,676
Non-Capital losses in local currency	44,819	11,627	5,411	8,224
Non-Capital losses in CAD	44,819	18,147	8,445	8,224
Total Non-Capital losses in CAD				79,635

12. Employee Compensation

The Company incurred costs of \$3,273 with respect to the costs of employee compensation and benefits for the three months ended March 31, 2021 (2019 - \$3,621).

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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 interim condensed consolidated financial statements.

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

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Segmented information for the three months ended March 31, 2021 and 2020 is as follows:

Three months ended March, 31, 2021	Los Santos	Valtreixal	Woulfe	Panasquiera	Corporate	Consolidated
Revenue	-	-	-	3,858	-	3,858
Production costs	-	-	-	3,947	-	3,947
Care and maintenance costs	200	-	-	-	-	200
Depreciation and amortization	28	1	7	535	-	571
Earnings (loss) from mining operations	(228)	(1)	(7)	(624)	-	(860)
Expenses						
General and administrative	414	2	(71)	619	579	1,543
Share-based compensation	-	-	-	-	522	522
Interest expense	(8)	-	50	-	744	786
Loss on valuation of embedded derivative liabilities	-	-	-	-	191	191
Foreign exchange (gain) loss	1	-	(148)	(320)	(359)	(826)
Income (loss) before income taxes	(635)	(3)	162	(923)	(1,677)	(3,076)
Capital expenditures	-	15	1,499	70	-	1,585
As at March 31, 2021						
Assets						
Current	1,083	61	425	7,313	2,049	10,931
Non-current	27,794	8,082	59,480	39,191	4,508	139,054
Total assets	28,877	8,143	59,905	46,504	6,557	149,985
Total Liabilities	7,665	2,986	2,166	45,385	62,823	121,025
As at December 31, 2020						
Assets						
Current	1,294	39	111	7,129	1,266	9,839
Non-current	29,521	8,532	58,015	41,657	3,499	141,224
Total assets	30,815	8,571	58,126	48,786	4,765	151,063
Total Liabilities	8,828	3,254	2,294	46,364	61,154	121,894

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Three months ended March 31, 2020	Los Santos	Valtreixal	Woulfe	Panasquiera	Corporate	Consolidated
Revenue	207	-	-	6,184	-	6,391
Production costs	299	-	-	5,429	-	5,728
Care and maintenance	598	-	-	-	-	598
Depreciation and amortization	46	-	8	655	-	709
Earnings (loss) from mining operations	(736)	-	(8)	100	-	(644)
Expenses						
General and administrative	826	2	(19)	562	249	1,620
Share-based compensation	-	-	-	-	207	207
Interest expense	64	-	1	-	599	664
(Gains) losses on debt settlements	-	-	-	(999)	(620)	(1,619)
Foreign exchange (gain) loss	-	-	130	(44)	2,458	2,544
Income (loss) before income taxes	(1,626)	(2)	(120)	581	(2,893)	(4,060)
Capital expenditures	16	57	474	441	-	987

Information by geographical region is as follows:

Country	Revenue		Non-current Assets	
	Three months ended March 31,	Three months ended March 31,	March 31,	December 31,
	2021	2020	2021	2020
Portugal	3,858	6,184	39,191	41,657
Spain	-	207	35,876	38,053
South Korea	-	-	59,480	58,015
Canada	-	-	4,508	3,499
Total	3,858	6,391	139,054	141,224

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

Fair Value Hierarchical Levels

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

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

The carrying value of cash, trade receivables and accounts payable and accrued liabilities approximates their fair value due to their short terms to maturity. The accounts receivable associated with provisional pricing arrangements are a level 2 fair value estimate and are valued based upon observable WO₃ 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, \$25,286 is subject to floating interest rates and \$35,785 is subject to fixed interest rates. A portion of the floating rate debt totaling \$5,568 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 \$56 change in annual interest costs. The remaining floating rate debt of \$19,680 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 \$197 change in annual interest costs.

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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\$, and €).

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 \$	91
Other assets	AUS \$	36
Accounts payable and accrued liabilities	US \$	3,355
Accounts payable and accrued liabilities	AUS \$	378
Accounts payable and accrued liabilities	KRW	893
Long-term debt	US \$	31,499
Long-term debt	EURO €	6,280

A 5% change in the value of the CAD\$ relative to the above currencies would change net income for the three months ended March 31, 2021 by approximately \$2,114.

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

	Currency	Carrying Value (\$)
Trade receivables	US\$	954
Accounts payable and accrued liabilities	US\$	1,007

A 5% change in the value of the Euro relative to the above currencies would change net income for the three months ended March 31, 2021 by approximately \$3.

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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, promissory note and deposits totaling \$3,110 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 (2020 – two).

Liquidity risk

The Company's objective is to use cash and cash equivalents, finance leases, and third party short and long-term loans (see Note 8 for debt maturities) and equity in order to maintain liquidity. 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.

Almonty Industries Inc.

Notes to the Interim Condensed Consolidated Financial Statements

March 31, 2021

(Unaudited)

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

	March 31, 2021	December 31, 2020
Accounts payable and accrued liabilities	17,956	17,613
Long-term debt	61,959	61,524
Less: Cash and receivables	(3,704)	(3,305)
Net debt	76,211	75,832
Shareholders' equity	28,960	29,169
Equity and net debt	105,171	105,001
Gearing ratio	72.5%	72.2%

The gearing ratio exceeded the targeted range as at March 31, 2021 and December 31, 2020 due to the deterioration in the commodity prices from 2016 to mid-2017 having a negative impact on net income (loss). During the twelve months ended December 31, 2020, while the price environment improved and the Company has raised additional equity, the Company also issued additional debt, resulting in a worsening of the gearing ratio. The Company is working to improve its profitability, raise additional equity capital and /or reduce its outstanding debt levels in order to return the gearing ratio to targeted levels.

16. Commitments and Contingent Liabilities

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

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

whether the Department will continue with any action. Even if any action was continued, 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 three months ended March 31, 2021, 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 \$219 (2020 - \$255).

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(c), interest of \$176 was accrued on the DRAG loans during the three months ended March 31, 2021 (2020 - \$136). As of March 31, 2021, there is \$1,977 (December 31, 2020 - \$1,801) 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(c)(i)).

During December 2019, the Company received \$250 from DRAG pursuant to a secured promissory loan which bears interest at the rate of 6% per annum and matures in October 2023.

During January 2020, the Company received \$1,320 (US\$1,000) from DRAG pursuant to a secured promissory loan which bears interest at the rate of 6% per annum and matures in January 2021

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(Unaudited)

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

(amended to October 22, 2023 during the current period). During fiscal 2020, this loan was amended and increased by \$1,981 (US\$1,500).

18. Subsequent Events

Subsequent to March 31, 2021, the Company:

- 1) issued 2,000,000 common shares at \$0.85 per share pursuant to the closing of a non-brokered private placement, receiving gross proceeds of \$1,700; and
- 2) issued 308,333 common shares at \$0.90 per share pursuant to the closing of a non-brokered private placement, receiving gross proceeds of \$278.