



Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

Presented in Canadian dollars



INDEPENDENT AUDITORS' REPORT

To the Shareholders of Almonty Industries Inc.

Opinion

We have audited the consolidated financial statements of Almonty Industries Inc. and its subsidiaries (the "Company"), which comprise the consolidated balance sheet as at December 31, 2021, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("GAAS"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements of the Company for year ended December 31, 2020, were audited by another auditor who expressed an unmodified opinion on those statements on May 14, 2021.

Key Audit Matters

Key audit matters are those that, in our professional judgement, were of most significance in our audit of the consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p data-bbox="203 279 797 338">Reversal of impairment of tailing inventories in subsidiary, Daytal Resources Spain S.L. (“Daytal”)</p> <p data-bbox="203 369 797 401"><i>(Refer to note 6 in the consolidated financial statements)</i></p> <p data-bbox="203 432 797 1066">At the end of each reporting date, the Company considers various external and internal sources of information when assessing whether any indication exists that a CGU may be impaired or that an impairment loss recognized in prior periods may no longer exist or may have decreased. If any such indication exists, the Company estimates the CGU’s recoverable amount. A CGU’s recoverable amount is the higher of its value in use and its fair value less costs of disposal. When the carrying amount of a CGU exceeds its recoverable amount, the carrying value is reduced to its recoverable amount. That reduction is an impairment loss, which is recognized in the consolidated statements of operations and comprehensive loss. When the recoverable amount exceeds the carrying amount of a CGU, and the carrying value had been reduced in a prior period due to an impairment loss, the carrying amount of the CGU is increased to the revised estimate of its recoverable amount not exceeding the carrying amount that would have been determined had no impairment loss been recognized in prior periods.</p> <p data-bbox="203 1098 797 1312">As of December 31, 2021, there were indicators of an impairment reversal of tailing inventories, mainly due to significant increases in the current as well as estimated future prices of tungsten. Impairment reversal tests were performed for the Company’s Daytal CGU using the net present value of future cash flows from the CGU prepared by the management.</p> <p data-bbox="203 1344 797 1495">Key assumptions developed by management used to determine the recoverable amount of the CGU included the discount rates, quantities, production volumes, future tungsten prices, operating expenses, and production costs.</p> <p data-bbox="203 1526 797 1619">During the year ended 31 December 2021, management recorded an impairment reversal in tailings inventories of \$4,136,000.</p> <p data-bbox="203 1650 797 1864">We determined that this is a key audit matter due to significant judgment made by the management. There was a high degree of auditor judgment, subjectivity, and effort in performing procedures relating to the key assumptions, and the audit effort involved the use of professionals with specialized skills and knowledge in the field of valuation.</p>	<p data-bbox="824 279 1268 310">Our procedures included, amongst others:</p> <ul data-bbox="836 369 1421 989" style="list-style-type: none"> <li data-bbox="836 369 1421 462">• We evaluated the appropriateness of the method used by management in making these estimates and the discounted cash flow model; <li data-bbox="836 493 1421 615">• We assessed the reasonableness of the discount rates applied, through the assistance of professionals with specialized skill and knowledge in the field of valuation; <li data-bbox="836 646 1421 739">• We tested the underlying data used by the management in the discounted cash flow model and tested the mathematical accuracy thereof; <li data-bbox="836 770 1421 863">• We assessed the anticipated future tungsten prices by comparing them to third party industry forecasts; and <li data-bbox="836 894 1421 989">• We evaluated the adequacy of the Company’s disclosures in the consolidated financial statements.

<p>Valuation of Mining Assets</p> <p><i>(refer to note 5 to the consolidated financial statements)</i></p> <p>The Company has mining assets with a carrying value of \$109,649,000 as of December 31, 2021. These represent 68% of the Company’s total assets on its consolidated balance sheet at that date.</p> <p>The tungsten market is volatile, and any price decrease could result in an impairment. The Company’s ability to monetize these assets involves complex estimates, significant uncertainty and subjectivity. The forecasts are forward-looking over the medium term, increasing the risk of inaccurate forecasting. The valuations of mining assets are sensitive to small changes in these assumptions.</p> <p>We determined that the impairment assessment for mining assets is a key audit matter due to the significant judgement required from management.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • We examined and challenged management’s assessment of whether indicators of possible impairment of exploration and evaluation assets were present that would require impairment testing; • We reviewed key inputs to the Company’s feasibility study; • We reviewed key inputs and assumptions included in management’s cash forecast to corroborate that no impairment indicators were present; and • We reviewed the Company’s disclosures in this area in the consolidated financial statements.
<p>Asset Retirement Obligation</p> <p><i>(Refer to note 9 in the consolidated financial statements)</i></p> <p>As at 31 December 2021, the Company has a provision of \$38,071,000 for Asset Retirement Obligations (“ARO”) with respect to the Panasqueira mine, Los Santos mine and Woulfe properties.</p> <p>The determination of this provision requires judgment in estimating the total cost, the timing when these costs will be incurred and the determination of an appropriate discount rate to calculate present value of these costs.</p> <p>This matter is a key audit matter because estimating the costs associated with ARO requires judgement and estimation for factors such as the timing of when ARO works will take place, the extent of ARO activities that will be required and the inflation and discount rates pertinent to the rehabilitation work.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • We reviewed the memoranda from external experts in terms of recommended adjustments made to the estimate; • We checked that the Company considered and updated the ARO provision in the consolidated financial statements; • We considered the timing of the Company’s proposed restoration activities for consistency with the Company’s legal and constructive obligations and useful lives of the associated mining operations; • We assessed the mathematical accuracy of the calculations and the appropriateness of the inflation and discount rates used; and • We assessed whether the Company’s disclosures appropriately describe the significant degree of inherent imprecision in the estimates and the potential impact on future periods of revisions to these estimates.
<p>Going Concern Disclosure</p> <p>The Company’s use of the going concern basis of preparation is a key audit matter due to the high level of judgment required in evaluating the Company’s assessment of going concern.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Understanding the key controls over management’s and the board of directors’ review and approval of the management’s cash forecast and the consolidated financial statements,

<p>As described in Note 1 to the consolidated financial statements, the Company had a working capital deficiency of \$30,090,000 as at December 31, 2021. For the year ended December 31, 2021, the Company had a comprehensive loss of \$11,443,000 and cash flows used in operating activities of \$5,560,000. Further, as at December 31, 2021, the Company held long-term debt of \$67,706,000 of which \$18,700,000 matured within twelve months of December 31, 2021. The above factors increased the risk that the Company would be required to disclose a material uncertainty related to going concern. The above described uncertainties related to going concern were mitigated by the subsequent events, which are described in Note 18 of the consolidated financial statements.</p>	<p>including assessments of the disclosure required with respect to the Company's ability to continue as a going concern;</p> <ul style="list-style-type: none"> • Evaluating the reasonability of management's and the board of directors' assumptions within their cash forecast for the year ended December 31, 2022, and considering their consistency with: (i) external market and industry data for commodity prices and foreign exchange rates; and (ii) recent results of operations, including revenues, operating costs and capital expenditures incurred. We corroborated the upcoming required payments regarding the Company's long-term debt to executed amending agreements to extend the maturity dates beyond December 31, 2022; and • Evaluating the adequacy of the Company's disclosure in this area.
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Other Information

Management is responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis ("MD&A") but does not include the consolidated financial statements and our auditors' report thereon.

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

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

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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



Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosure is inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit



matters. We described these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Ahmad Aslam.

Toronto, Ontario
March 30, 2022

Zeifmans LLP

Chartered Professional Accountants
Licensed Public Accountants

Management's Responsibility for Financial Reporting

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

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

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

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

"Lewis Black"

Lewis Black
Director, President & CEO

"Mark Gelmon"

Mark Gelmon
Chief Financial Officer

March 30, 2022
Toronto, Ontario

Almonty Industries Inc.

Consolidated Balance Sheets

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

	Note	December 31, 2021	December 31, 2020
Assets			
Current Assets			
Cash		1,048	2,372
Trade receivables		1,588	399
Recoverable taxes receivable		403	534
Inventories	4	6,777	6,141
Prepaid expenses and other current assets		1,069	393
Total Current Assets		10,885	9,839
Mining assets	5	109,512	107,465
Tailings inventory	4	29,051	27,454
Deferred financing costs		13,296	3,498
Deferred tax assets	11	2,654	2,250
Other assets		457	557
		154,970	141,224
Total Assets		165,855	151,063
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	7	20,997	17,613
Deferred revenue		1,278	-
Current portion of long-term debt	8	18,700	49,146
Total Current Liabilities		40,975	66,759
Long-term debt	8	49,006	12,378
Restoration provision and other liabilities	9	38,368	42,743
Deferred tax liabilities	11	14	14
		87,388	55,135
Total Liabilities		128,363	121,894
Shareholders' Equity			
Share capital	10	112,445	92,548
Subscriptions received	10	-	1,529
Equity portion of convertible debentures		1,241	1,241
Contributed surplus		7,010	5,612
Accumulated other comprehensive (loss) income		(2,608)	1,082
Deficit		(80,596)	(72,843)
Total Shareholders' Equity		37,492	29,169
Total Liabilities and Shareholders' Equity		165,855	151,063

Nature of operations (Note 1)

Commitments and contingent liabilities (Note 16)

Subsequent event (Note 18)

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

Almonty Industries Inc.

Consolidated Statements of Operations and Comprehensive Loss

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

	<u>Note</u>	<u>Year ended December 31, 2021</u>	<u>Year ended December 31, 2020</u>
Revenue		20,847	25,095
Cost of sales			
Production costs		19,565	23,394
Care and maintenance costs		848	997
Depreciation and amortization		1,783	2,075
Impairment reversal		(4,136)	-
Income (loss) from mining operations		2,787	(1,371)
Expenses			
General and administrative		6,380	6,964
Share-based compensation	10	1,513	612
Loss before other items and income taxes		(5,106)	(8,947)
Other (income) expenses			
Interest expense		3,487	3,139
Financing fees		-	697
Gain on valuation of embedded derivative liabilities	8	(133)	-
Gain on debt settlement		-	(1,777)
Gain on foreign exchange		(215)	(863)
Loss before income taxes		(8,245)	(10,143)
Income tax expense (recovery)			
Current	11	88	81
Deferred	11	(580)	(1,167)
		(492)	(1,086)
Net Loss		(7,753)	(9,057)
Other Comprehensive Loss			
Net loss		(7,753)	(9,057)
<i>Items that may be reclassified subsequently to net loss</i>			
Foreign currency translation adjustment		(3,690)	1,232
Comprehensive loss		(11,443)	(7,825)
Loss per share			
Basic loss per share		(\$0.04)	(\$0.05)
Fully-diluted loss per share		(\$0.04)	(\$0.05)
Weighted average common shares outstanding:			
Basic		198,185,504	183,364,429
Fully-diluted		198,185,504	183,364,429

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

Almonty Industries Inc.

Consolidated Statements of Changes in Shareholders' Equity

(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 loss and other comprehensive income for the year		-	-	-	-	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	20,306	(1,529)	-	-	-	-	18,777
Share issuance costs	10	(1,241)	-	-	-	-	-	(1,241)
Shares issued on exercise of options	10	172	-	-	(59)	-	-	113
Shares issued on exercise of warrants	10	267	-	-	(56)	-	-	211
Shares issued to settle convertible debt	10	393	-	-	-	-	-	393
Share-based compensation	10	-	-	-	1,513	-	-	1,513
Net loss and other comprehensive loss for the year		-	-	-	-	(3,690)	(7,753)	(11,443)
Balance at December 31, 2021		112,445	-	1,241	7,010	(2,608)	(80,596)	37,492

Almonty Industries Inc.

Consolidated Statements of Cash Flows

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

	Year ended December 31, 2021	Year ended December 31, 2020
Operating activities		
Net loss for the period	(7,753)	(9,057)
Add (deduct) non-cash items:		
Share-based compensation	1,513	612
Depreciation and amortization	1,783	2,075
Interest expense	3,487	3,137
Financing fees	-	697
Income tax expense	88	81
Deferred tax recovery	(580)	(1,167)
Loss on valuation of embedded derivative liability	(133)	-
Gain on disposal of assets	61	-
Gain on debt settlement	-	(1,777)
Impairment reversal	(4,136)	-
Unrealized foreign exchange (gains) losses	110	1,756
Other non-cash charges	-	-
	<u>(5,560)</u>	<u>(3,643)</u>
Interest paid	(1,172)	(725)
Changes in non-cash working capital		
Trade receivables	(1,245)	497
Recoverable taxes receivable	96	442
Inventories	(1,148)	843
Prepaid expenses and other current assets	(861)	151
Accounts payable and accrued liabilities	1,064	(1,003)
Deferred financing costs	(955)	(1,479)
Deferred revenue	1,316	-
Net change in non-cash working capital	<u>(1,732)</u>	<u>(549)</u>
Change in tailings inventory	-	206
Other	24	(121)
Cash flow used in operating activities	<u>(8,440)</u>	<u>(4,831)</u>
Investing activities		
Additions to mining assets	<u>(10,001)</u>	<u>(6,294)</u>
Cash flow used in investing activities	<u>(10,001)</u>	<u>(6,294)</u>
Financing activities		
Issuance of common shares	18,777	474
Share subscriptions received in advance	-	1,529
Exercise of options	113	-
Exercise of warrants	211	-
Share issuance costs paid	(863)	-
Issuance of long-term debt	10,555	12,225
Repayment of long-term debt	(2,385)	(1,550)
Financing fees paid	<u>(9,221)</u>	<u>(772)</u>
Cash flow provided by financing activities	<u>17,187</u>	<u>11,906</u>
Effect of foreign exchange on cash	<u>(70)</u>	<u>95</u>
Net (decrease) increase in cash during the period	<u>(1,324)</u>	<u>876</u>
Cash at beginning of period	<u>2,372</u>	<u>1,496</u>
Cash at end of period	<u>1,048</u>	<u>2,372</u>

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

Almonty Industries Inc.

Notes to the Consolidated Financial Statements

December 31, 2021

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

1. Nature of operations

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

The head office of the Company is located at 100 King Street West, Suite 5700, Toronto, Ontario, M5X 1C7. The principal business of Almonty is the mining, processing and shipping of tungsten concentrate from the Los Santos tungsten mine located near Salamanca, Spain (the "Los Santos Mine") and the Panasqueira tin and tungsten mine in Covilha, Castelo Branco, Portugal (the "Panasqueira Mine") as well as the 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 consolidated financial statements have been prepared on a going concern basis which assumes that the Company will continue operating for the foreseeable future and will be able to realize a return on its assets and discharge its liabilities and commitments in the ordinary course of its business.

Management assesses the Company's ability to continue as a going concern at each reporting date, using quantitative and qualitative information available. As at December 31, 2021, the Company had a working capital deficiency of \$30,090 (December 31, 2020 - \$56,920). During, and subsequent to, the year ended December 31, 2021, the Company secured additional financings totaling \$12,636 and extended the maturity dates of \$55,914 of long-term debt to dates varying from October 2023 to October 2024.

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

Almonty Industries Inc.

Notes to the Consolidated Financial Statements

December 31, 2021

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

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.

Ukraine Conflict

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

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

2. Basis of Preparation

a) Statement of compliance

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

These 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 consolidated financial statements were authorized for issuance by the Company's Board of Directors on March 30, 2022.

Almonty Industries Inc.

Notes to the Consolidated Financial Statements

December 31, 2021

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

b) Basis of preparation and principles of consolidation

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

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

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

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

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

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

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

c) Economic dependence

Almonty's wholly owned subsidiaries, Daytal and BTW, participate in the global tungsten business. Currently, the majority of the output of Almonty's operations is sold to two customers (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 of Daytal and BTW which are denominated in US\$, are translated into their respective functional currencies using the exchange rate prevailing at the date

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

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

e) Critical judgments and estimates

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

Estimates and underlying assumptions are reviewed on an ongoing basis.

Critical judgments

(i) Functional currency

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

(ii) Stage of exploration

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

(iii) Tailings inventory

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

(iv) Going concern

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

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Key sources of estimation uncertainty

(i) Ore reserves and mineral resources estimates

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

(ii) Mine rehabilitation and restoration provision

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

The provision at the reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the consolidated balance sheet by either increasing or decreasing the rehabilitation asset and liability. Significant assumptions related to mine rehabilitation and restoration provisions are disclosed in Note 9.

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

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

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

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

(iv) Inventory

The net recoverable value of ore stock piles, WO₃ 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 WO₃ in concentrate, contained WO₃ based on assay data, and the estimated recovery percentage based on the expected processing method. Changes in these estimates could affect the net realizable value of inventory and could result in an impairment of inventory. The net realizable value of long-term tailings inventory also requires estimates related to future sales prices.

(v) Deferred stripping

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

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

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

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

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

(vii) Income taxes

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

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f) **Pending Accounting Standards**

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

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

Mining assets

(a) Mineral property, plant and equipment:

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

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

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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:

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

(d) Compound Financial Instruments

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

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(e) Derivative financial instruments

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

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

(f) Embedded derivatives

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

Impairment of assets

(a) Financial assets

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

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

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

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive

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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.

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

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

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

Income taxes

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

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

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

Income (loss) per share

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

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

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

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

Employee Benefits

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

Share-based payment transactions

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

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

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

Restricted share unit transactions

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

Acquisitions, business combinations and goodwill

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

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

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

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

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

4. Inventories

	December 31, 2021	December 31, 2020
Stores and fuel	4,626	5,550
Ore and in-process ore	626	467
Finished goods - WO3 concentrate	1,525	124
Current inventories	6,777	6,141
Tailings	29,051	27,454
	35,828	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 in 2019 as well as a reversal of impairment charges in the amount of \$4,136 recognized during the year ended December 31, 2021. At December 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.

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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	4,612	-	5,389	10,001
Changes in restoration provisions	-	(1,043)	-	(1,043)
Asset disposals	(2,049)	-	-	(2,049)
Translation adjustment	(2,952)	(5,855)	(696)	(9,503)
Balance at December 31, 2021	40,056	51,802	68,469	160,327
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	1,525	893	-	2,418
Asset disposals	(1,631)	-	-	(1,631)
Translation adjustment	(1,188)	(4,240)	-	(5,428)
Balance at December 31, 2021	13,023	37,792	-	50,815
Carrying Value				
Balance at December 31, 2020	26,128	17,561	63,776	107,465
Balance at December 31, 2021	27,033	14,010	68,469	109,512

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6. Impairment Loss on Mining Assets

Los Santos mine

During fiscal 2019, the Company completed the mining of the remaining ore and commenced reprocessing the tailings inventory. 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 for 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 FVLCS of the remaining property, plant, and equipment at the mine.

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

As a result of an impairment test performed for fiscal 2021, an impairment reversal of \$4,136 was recorded to tailings inventory, based on the estimated lower of cost and net realizable value.

7. Accounts Payable and Accrued Liabilities

The balance as of December 31, 2021 includes \$12,260 (December 31, 2020 - \$12,729) of trade accounts payable and \$8,737 (December 31, 2020 - \$4,884) of accrued liabilities.

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8. Long-Term Debt

		December 31, 2021	December 31, 2020
Term loans - Euro	(a)	6,363	8,954
Term and other loans - US dollar	(b)	30,720	29,329
Promissory Note	(b)	250	250
Convertible debentures	(c)	29,366	21,729
Lease liabilities	(d)	173	648
		66,872	60,910
Less: Current portion		(18,700)	(49,146)
		48,172	11,764
Fair value of derivative liabilities	(c)	834	614
		49,006	12,378

- a) The Company's wholly-owned Spanish subsidiary, Daytal, has Euro-denominated term loan facilities totaling \$4,895 (December 31, 2020 - \$5,884). The loans are unsecured, have a maturity date of June 2023 (December 31, 2020 – January 2020 to June 2023) and require monthly payments of principal and interest. Of the loans, \$556 (December 31, 2020 - \$708) have fixed interest rates with a weighted average interest rate as at December 31, 2021 of 2.06% (December 31, 2020 – 2.13%). The remaining \$3,904 (December 31, 2020 - \$5,175) have floating interest rates, based on varying spreads from Euribor rates. As of December 31, 2021, the weighted average interest rate on these loans was 2.56% (December 31, 2020 - 2.55%).

VRS has a Euro-denominated term loan with a balance of \$1,620 as of December 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) During September 2019, the Company restructured its existing debt with the UniCredit Bank AG such that then-existing term and revolving loans, with a total principal amount of approximately US\$13,716, was rolled into a new restated term loan with a principal amount of \$19,841 (US\$15,650). The restated term loan bears interest at the prevailing Libor rate plus 1.5% per annum, with interest payable quarterly and with principal repayable at maturity. The maturity date for the Restated Term Loan was October 31, 2021 (extended to September 30, 2023 during the current year).

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

The Company has issued two US\$1,000 secured promissory notes to Deutsche Rohstoff AG (“DRAG”), an existing shareholder of the Company, which matured on January 1, 2020 and January 26, 2020, respectively (extended to March 22, 2021 during November 2019 and then further extended to October 22, 2023 during the current year). 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

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shares of Woulfe. As at December 31, 2021, the outstanding loan balance was \$2,536 (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 year). 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 year).

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 year, the maturity date was extended to October 22, 2023).

During December 2021, the Company received \$1,270 (US\$1,000) from DRAG pursuant to a promissory loan which bears interest at the rate of 5% per annum and matures in December 2022.

c) The following convertible debentures are outstanding as of December 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 year) and bears interest at a rate of 6.0% per annum, payable at maturity. The Company may elect to convert the debenture into common shares upon the availability to the Company of full funding for the Sangdong Mine project at a conversion price equal to the higher of the price per share in any equity financing completed by the Company after the date of issuance of the debenture and prior to the conversion or the maturity date of the debentures for purposes of financing the Sangdong Mine project and \$0.628. However, the Company may not convert the debentures if at any time the Company's shares trade below \$0.628 per share or if such conversion would result in DRAG holding more than 19.9% of the Company's issued and outstanding common shares as at December 31, 2021. The fair value of the conversion feature allocated to equity upon modification of the debenture was \$35.
- (ii) On January 30, 2018, the Company issued a convertible debenture as part of a debt restructuring with a principal amount of \$5,963, which is due on January 31, 2020 (extended to January 30, 2021 during fiscal 2020, further extended to July 31, 2022 during the current year,

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then further extended to October 31, 2024 subsequent to December 31, 2021). The debenture is convertible into common shares of Almonty at \$0.90 per share. The debenture bears interest at a rate of 6.0% per annum, compounding quarterly, payable on the earlier of the maturity date or the date of conversion. The debenture is subject to covenants customary for such facilities and the lender has nominated a member of the Board of Directors. On issuance of the debenture, the Company estimated the liability and equity components as \$5,311 and \$652, respectively. The fair value of the liability component was determined by discounting the expected future cash outflows for principal and interest at a discount rate of 12.0%, representing a market rate of interest on similar debt without a conversion feature. The difference between the total proceeds of the loan and the amount allocated to the liability component was allocated to the equity component. As at December 31, 2021, the amortized cost of the debt was \$5,963 (December 31, 2020 - \$5,963) with the difference between the principal amount of the loan and the amortized cost being recognized in profit or loss over the period to maturity at an effective interest rate of 12%.

- (iii) The Company has a \$6,000 (December 31, 2020 - \$6,000) unsecured convertible debenture outstanding with DRAG, which bears interest at 4.0% per annum, payable at maturity. The debenture (including any accrued and unpaid interest) may be converted by the holder, at its option, into common shares of the Company at an exercise price of \$1.45 per share. The maturity date of the loan was March 22, 2019, (which was extended to March 22, 2021 during fiscal 2020 and then further extended to October 22, 2023 during the current year), with all other terms remaining unchanged).
- (iv) During March 2020, the Company received \$2,680 (US\$2,000) pursuant to the issuance of a convertible debenture which bears interest at the rate of 7%, is convertible at US\$0.50 per share and matures in March 2021 (extended to September 6, 2022 during the current year and then to October 31, 2024 subsequent to December 31, 2021). As the convertible debenture is denominated in USD, the instrument contains an embedded derivative liability. As a result, the Company allocated \$2,434 (US\$1,797) to the liability component and \$275 (US\$203) to the derivative liability on issuance. The embedded derivative liability, on issuance, was valued using the Black-Scholes Option Pricing Model assuming an expected life of 1 year, expected dividend yield of 0%, a risk-free interest rate of 0.20% and an expected volatility of 65.68%. The total liability (principal and embedded derivative) is capped at the face value of the instruments that were issued. The embedded derivative liability, as at December 31, 2021, was valued using the Black-Scholes Option Pricing Model assuming an expected life of 0.68 years, expected dividend yield of 0%, a risk-free interest rate of 0.95% and an expected volatility of 67.49%. The total liability (principal and embedded derivative) is capped at the face value of the instruments that were issued. Accordingly, the Company recognized a gain on valuation of the derivative liability in the amount of \$148 for the year ended December 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 mature on July 13, 2023, and bear interest at a rate of 10% per annum, payable semi-annually, in cash. The outstanding principal amount of the bonds plus any related

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unpaid accrued interest is convertible into common shares of the Company at the option of the holder at the fixed conversion price of EUR 0.35 (equivalent to Cdn\$0.54) per share for the principal and at the conversion price of the greater of i) EUR 0.35 (equivalent to Cdn\$0.54) and ii) the EUR equivalent of the volume weighted average price of the common shares of the Company on the TSX for the five trading days immediately preceding the date of conversion for related accrued interest. As the convertible debentures are denominated in EURO, the instrument contains an embedded derivative liability. As a result, the Company allocated \$4,734 (EUR 3,033) to the liability component and \$339 (EUR 217) to the derivative liability on issuance. The embedded derivative liability, on issuance, was valued using the Black-Scholes option pricing model assuming an expected life of 3 years, expected dividend yield of 0%, a risk-free interest rate of 0.25% and an expected volatility of 71.24. The total liability (principal and embedded derivative) is capped at the face value of the instruments that were issued. The embedded derivative liability, as at December 31, 2021, was valued using the Black-Scholes Option Pricing Model assuming an expected life of 1.53 years, expected dividend yield of 0%, a risk-free interest rate of 0.95% and an expected volatility of 67.49%. The total liability (principal and embedded derivative) is capped at the face value of the instruments that were issued. Accordingly, the Company recognized a loss on valuation of the derivative liability in the amount of \$56 for the year ended December 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.

- (vi) During February 2021, the Company completed a non-brokered private placement of an unsecured convertible bond in the principal amount of \$2,288 (EUR 1,500). This unsecured convertible bond will mature on February 8, 2024, and 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 of the Company on the TSX for the five trading days immediately preceding the date of conversion for related accrued interest. As the convertible debenture is denominated in EURO, the instrument contains an embedded derivative liability. As a result, the Company allocated \$2,109 (EUR1,429) to the liability component and \$109 (EUR 74) to the derivative liability on issuance. The embedded derivative liability, on issuance, was valued using the Black-Scholes option pricing model assuming an expected life of 3 years, expected dividend yield of 0%, a risk-free interest rate of 0.24% and an expected volatility of 67.15%. The total liability (principal and embedded derivative) is capped at the face value of the instruments that were issued. The embedded derivative liability, as at December 31, 2021, was valued using the Black-Scholes option pricing model assuming an expected life of 2.11 years, expected dividend yield of 0%, a risk-free interest rate of 0.95% and an expected volatility of 67.49%. The total liability (principal and embedded derivative) is capped at the face value of the instruments that

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were issued. Accordingly, the Company recognized a loss on valuation of the derivative liability in the amount of \$14 for the year ended December 31, 2021.

(viii) During June 2021, the Company completed a non-brokered private placement of an unsecured convertible bond in the principal amount of \$3,088 (EUR 2,100). This unsecured convertible bond will mature on October 31, 2022, and will bear interest at a rate of 5% per annum, payable semi-annually, in cash. The outstanding principal amount of the bond plus any related unpaid accrued interest is convertible into common shares of the Company at the option of the holder at the fixed conversion price of EUR 0.70 (equivalent to Cdn\$1.05) per share for the principal and at the conversion price of the greater of i) EUR 0.70 (equivalent to Cdn\$1.05) and ii) the EURO equivalent of the volume weighted average price of the common shares of the Company on the TSX for the five trading days immediately preceding the date of conversion for related accrued interest. As the convertible debenture is denominated in EURO, the instrument contains an embedded derivative liability. As a result, the Company allocated \$2,722 (EUR1,852) to the liability component and \$272 (EUR 185) to the derivative liability on issuance. The embedded derivative liability, on issuance, was valued using the Black-Scholes option pricing model assuming an expected life of 3 years, expected dividend yield of 0%, a risk-free interest rate of 0.49% and an expected volatility of 71.00%. The total liability (principal and embedded derivative) is capped at the face value of the instruments that were issued. The embedded derivative liability, as at December 31, 2021, was valued using the Black-Scholes Option Pricing Model assuming an expected life of 2.11 years, expected dividend yield of 0%, a risk-free interest rate of 0.95% and an expected volatility of 67.49%. The total liability (principal and embedded derivative) is capped at the face value of the instruments that were issued. Accordingly, the Company recognized a gain on valuation of the derivative liability in the amount of \$5 for the year ended December 31, 2021.

(ix) During November 2021, the Company completed a non-brokered private placement of four unsecured convertible bonds in the principal amounts of \$2,302 (EUR 1,600), \$1,268 (US\$1,000), \$144 (EUR100), and \$190 (US\$100), respectively. These unsecured convertible bonds will mature on October 31, 2024, and will bear interest at a rate of 5% per annum, payable semi-annually, in cash. The outstanding principal amount of the bonds plus any related unpaid accrued interest is convertible into common shares of the Company at the option of the holder at the fixed conversion price of Cdn\$1.05 per share for the principal and at the conversion price of the greater of i) EUR 0.70 (equivalent to Cdn\$1.05) and ii) the EUR equivalent of the volume weighted average price of the common shares of the Company on the TSX for the five trading days immediately preceding the date of conversion for related accrued interest. As the convertible debentures are denominated in EURO and USD, the instruments contain embedded derivative liabilities. As a result, the Company allocated \$3,637 to the liability component and \$182 to the derivative liability on issuance. The embedded derivative liabilities, on issuance, were valued using the Black-Scholes option pricing model assuming an expected life of 2.84 years, expected dividend yield of 0%, a risk-free interest rate of 1.02% and an expected volatility of 67.49%. The total liability (principal and embedded derivative) is capped at the face value of the instruments that were issued. The embedded derivative liability,

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as at December 31, 2021, was valued using the Black-Scholes option pricing model assuming an expected life of 2.84 years, expected dividend yield of 0%, a risk-free interest rate of 0.1.02% and an expected volatility of 67.49%. The total liability (principal and embedded derivative) is capped at the face value of the instruments that were issued. Accordingly, the Company recognized a gain on valuation of the derivative liabilities in the amount of \$50 for the year ended December 31, 2021.

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

	December 31, 2021	December 31, 2020
Balance, beginning of year	21,729	13,824
Debentures issued, liability component	9,295	7,752
Debentures converted to shares	(393)	-
Interest	(213)	1,467
Debentures revalued, equity component	-	(1,185)
Debentures revalued, derivative liability component	(423)	-
Translation adjustment	(629)	(129)
Balance, end of year	<u>29,366</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 December 31, 2021, 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%.
- e) Payments are due under the terms of the Company's loans and leases for each of the following years ending December 31:

2022	18,779
2023	40,457
2024	7,476
2025	695
2026	-
	<u>67,407</u>
Less: Imputed interest on capital lease obligations	(28)
Less: Unamortized discount	(507)
	<u>66,872</u>

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f) Debt Continuity

	December 31, 2021	December 31, 2020
Balance, beginning of period	60,910	49,499
Cash flows		
Issuance of debt	10,555	32,979
Scheduled debt repayments	(2,384)	(21,517)
Non-cash changes		
Adjustment on adoption of IFRS 16	-	79
Accrued interest	32	2,035
Settlements	(393)	-
Amount reclassified to equity	-	(1,185)
Amount reclassified to derivative liability	(423)	-
Translation adjustment and other	(1,425)	(980)
Balance, end of period	<u>66,872</u>	<u>60,910</u>
Fair value of derivative liability	<u>834</u>	<u>614</u>
	<u>67,706</u>	<u>61,524</u>

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
Revisions in estimated cash flows and changes in assumptions	(1,043)
Accretion expense	(35)
Translation adjustment	(3,318)
Balance at December 31, 2021	38,071

As at December 31, 2021, there is a restoration provision of \$36,384 (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 \$38,694 and are to be incurred after the mine ceases production subsequent to 2045. The estimate decrease of \$1,043 in 2021 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

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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 \$972 (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 \$259 (€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 \$714 (December 31, 2020 - \$778) 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 \$298 (December 31, 2020 - \$276) related to employee benefit obligations in respect of government mandated pension plans in Woulfe's Korean subsidiary and in BTW.

10. Share Capital

Common Shares

	Number of Shares	Amount \$
Authorized - Unlimited number of common shares		
Issued and outstanding		
Outstanding at December 31, 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	23,040,884	19,065
Shares issued on exercise of options	200,000	172
Shares issued on exercise of warrants	280,000	267
Shares issued on conversion of long-term debt	719,200	393
Outstanding at December 31, 2021	207,704,554	112,445

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Fiscal 2020:

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.

Fiscal 2021:

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 \$3,651.

During March 2021, the Company issued 200,000 common shares pursuant to the exercise of stock options for proceeds totaling \$113 and issued 80,000 common shares pursuant to the exercise of share purchase warrants for proceeds totaling \$61.

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

During April 2021, the Company 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.

During April 2021, the Company 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.

During May 2021, the Company issued 200,000 common shares in conjunction with the exercise of share purchase warrants for proceeds totaling \$150.

During June 2021, the Company issued 600,000 common shares at \$0.91 per share pursuant to the closing of a non-brokered private placement, receiving gross proceeds of \$546.

During August 2021, the Company issued 15,252,300 CHES Depository Interests (“CDI’s”), receiving gross proceeds of \$14,131 (AUD \$15,252), in conjunction with a listing on the Australia Securities Exchange.

Warrants

As at December 31, 2021, there are warrants outstanding enabling the holders to acquire up to 1,767,244 common shares at a price of \$0.75 per share, expiring between December 9, 2022 and February 19, 2023. During the year ended December 31, 2021, the Company issued 280,000 common shares pursuant to the exercise of share purchase warrants for proceeds totaling \$211.

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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 10, 2021.

As of December 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	2,250,000
Options exercised	(200,000)
Options expired	(650,000)
Options outstanding and exercisable at December 31, 2021	8,875,000

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
\$ 0.33 - \$0.75	4,150,000	5.97	\$0.51
\$ 0.76 - \$0.99	4,425,000	7.35	\$0.86
\$ 1.00 - \$ 1.23	300,000	2.55	\$1.09
	8,875,000	6.54	\$0.70

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 \$208. 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.

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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 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 \$473. 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.

During August 2021, the Company granted 1,450,000 share options to consultants pursuant to the Company's stock option plan. The options vested immediately and are exercisable for a period of 5 years from the grant date at \$0.94 per share for 850,000 options and \$0.98 per share for 600,000 options. The grant resulted in the recording of stock-based compensation expense of \$792. The value of the stock options granted was determined using the Black-Scholes option pricing model using a risk-free interest rate of 1.13%, volatility of 73.78% based on historical volatility, expected life of 10 years, and no expected dividend yield.

Restricted Share Units

RSUs granted under the Company's RSU Plan to employees vest in thirds at the end of each year from the date of grant. Transactions related to RSUs are summarized as follows:

	<u>Number of RSUs</u>
Balance, January 1, 2021	-
RSUs granted	1,000,000
Balance, December 31, 2021	<u>1,000,000</u>

During the year ended December 31, 2021, the Company's Chief Executive Officer was granted 1,000,000 RSUs (2020 – 0 RSUs).

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11. Income Taxes

The major components of income tax expense for the year ended December 31, 2021 and 2020 are:

	2021	2020
Tax expense applicable to:		
Current	88	81
Deferred	(580)	(1,167)
Income tax expense	(492)	(1,086)

A reconciliation between income tax recovery and the product of accounting loss multiplied by the Company's domestic tax rates for the year ended December 31, 2021 and 2020 are as follows:

	2021	2020
Income (loss) before income taxes	(8,245)	(10,141)
Tax expense at statutory rate:	27%	27%
Expected income tax expense (recovery) at statutory rates	(2,226)	(2,738)
Permanent differences and other	(270)	(878)
Changes in temporary differences not recongized	(232)	3,572
Foreign tax differential	2,236	(1,042)
Income tax expense	(492)	(1,086)

The enacted or substantively enacted tax rates for the Company are 27% in Canada (2020 – 27%), 25% in Spain (2020 – 25%), 21% in Portugal (2020 – 21%) and 22% in Korea (2020 – 22%). The rates applied in the tax provision are based on where the Company's principal subsidiaries operate.

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

	2021	2020
Non-capital losses (Portugal)	2,486	2,065
Other assets (Portugal)	168	185
Other (Spain)	(14)	(14)
	2,640	2,236
Opening balance	2,236	993
Tax expense during period recognized in net income after tax	580	1,167
Tax expense recognized in equity portion convertible debentures	-	-
Impact of change in foreign exchange rates	(176)	76
Closing balance	2,640	2,236

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

	2021	2020
Inventory	7,698	6,610
Mining assets	2,388	4,783
Restoration provision	8,018	12,940
Non-capital losses	79,990	69,805
Other	1,369	1,339
	99,463	95,477

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

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

	Canada	Spain	Portugal	Korea
	CAD	EUR	EUR	CAD
2022	-	-	-	299
2023	-	-	-	45
2024	2,092	-	-	26
2025	3,625	-	-	10,617
2026	3,625	-	773	6
2027	2,260	-	-	3,571
2028	1,974	-	-	776
2029 or later	40,967	13,016	2,402	839
Non-Capital losses in local currency	54,544	13,016	3,175	16,178
Non-Capital losses in CAD	54,544	18,732	4,570	16,178
Total Non-Capital losses in CAD				94,024

12. Employee Compensation

The Company incurred costs of \$12,912 with respect to the costs of employee compensation and benefits for the year ended December 31, 2021 (2020 - \$13,027).

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

For management reporting purposes, the Company is organized into business units based on its products and activities, and has 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 the Company in reporting segments internally are the same as those contained in Note 3.

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Segmented information for the year ended December 31, 2021 and 2020 is as follows:

Year ended December, 31, 2021	Los Santos	Valtreixal	Woulfe	Panasquiera	Corporate	Consolidated
Revenue	-	-	-	20,847	-	20,847
Production costs	-	-	-	19,565	-	19,565
Care and maintenance costs	848	-	-	-	-	848
Depreciation and amortization	69	1	27	1,686	-	1,783
Impairment reversal	-	-	-	(4,136)	-	(4,136)
Earnings (loss) from mining operations	(917)	(1)	(27)	3,732	-	2,787
Expenses						
General and administrative	935	10	(36)	1,478	3,993	6,380
Share-based compensation	-	-	-	-	1,513	1,513
Interest expense	176	-	51	-	3,260	3,487
Financing fees	-	-	-	-	-	-
Gain on valuation of embedded derivative liabilities	-	-	-	-	(133)	(133)
Foreign exchange loss (gain)	35	(1)	303	(912)	360	(215)
Income (loss) before income taxes	(2,063)	(10)	(345)	3,166	(8,993)	(8,245)
Capital expenditures	-	106	9,230	664	-	10,000
As at December 31, 2021						
Assets						
Current	1,275	59	1,179	7,826	547	10,885
Non-current	25,619	7,968	80,106	41,017	259	154,970
Total assets	26,894	8,027	81,285	48,843	806	165,855
Total Liabilities	6,075	2,491	2,526	44,075	73,196	128,363
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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Year ended December 31, 2020	Los Santos	Valtreixal	Woulfe	Panasquiera	Corporate	Consolidated
Revenue	222	-	-	24,873	-	25,095
Production costs	99	-	-	23,295	-	23,394
Impairment	997	-	-	-	-	997
Depreciation and amortization	298	3	29	1,745	-	2,075
Earnings (loss) from mining operations	(1,172)	(3)	(29)	(167)	-	(1,371)
Expenses						
General and administrative	3,329	9	(47)	2,470	1,203	6,964
Share-based compensation	-	-	-	-	612	612
Interest expense	217	-	11	1	2,910	3,139
Financing fees	-	-	-	-	697	697
Gain on debt settlement	-	-	(158)	(999)	(620)	(1,777)
Foreign exchange loss (gain)	(32)	-	(41)	604	(1,394)	(863)
Income (loss) before income taxes	(4,686)	(12)	206	(2,243)	(3,408)	(10,143)
Capital expenditures	32	128	3,037	1,507	-	4,704

Information by geographical region is as follows:

Country	Revenue		Non-current Assets	
	Year ended December 31, 2021	Year ended December 31, 2020	December 31, 2021	December 31, 2020
Portugal	20,847	24,873	41,017	41,657
Spain	-	222	33,587	38,053
South Korea	-	-	80,106	58,015
Canada	-	-	259	3,499
Total	20,847	25,095	154,970	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

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

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

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

Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates to cash at banks and long-term debt with a floating interest rate. Of the long-term debt, \$24,206 is subject to floating interest rates and \$42,665 is subject to fixed interest rates. A portion of the floating rate debt totaling \$4,356 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 \$44 change in annual interest costs. The remaining floating rate debt of \$19,841 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 \$198 change in annual interest costs.

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Foreign currency risk

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

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 \$	253
Other assets	AUS \$	-
Accounts payable and accrued liabilities	US \$	5,267
Accounts payable and accrued liabilities	AUS \$	378
Accounts payable and accrued liabilities	KRW	1,284
Long-term debt	US \$	34,651
Long-term debt	EURO €	11,471

A 5% change in the value of the CAD\$ relative to the above currencies would change net income for the year ended December 31, 2021 by approximately \$2,640.

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

	Currency	Carrying Value (\$)
Cash and cash equivalents	US\$	1
Trade receivables	US\$	1,300
Accounts payable and accrued liabilities	US\$	978

A 5% change in the value of the Euro relative to the above currencies would change net income for the year ended December 31, 2021 by approximately \$16.

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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 \$2,684 represents the Company's maximum exposure to credit risk.

The Company's credit risk associated with its trade receivables is concentrated due to the fact the majority of revenues are earned from two customers (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. The Company's policy is to maximize liquidity in order to enable the continued development of the mines and operations of the plants and to enable the development of its projects. All financial liabilities with a contractual term of 12 months or less are classified as current. The Company is currently pursuing debt and equity financing opportunities to increase its liquidity.

Contractual undiscounted cash flow requirement for financial liabilities as at December 31, 2021 are as follows:

	Less than			After	
	1 year	1-2 years	3-4 years	5 years	Total
Accounts payable and accrued liabilities	20,997	-	-	-	20,997
Term loans - Euro	1,980	3,688	695	-	6,363
Term and other loans - US dollar	5,174	25,546	-	-	30,720
Promissory note	-	250	-	-	250
Convertible debentures	11,521	18,380	-	-	29,901
Lease liabilities	105	68	-	-	173

15. Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure (composed of shareholders' equity and net debt) and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, Almonty may initiate dividend payments to shareholders, return capital to shareholders, repurchase issued shares or issue new shares. Almonty monitors capital using a gearing ratio, which is net debt, divided by equity plus net debt. Almonty's policy is to maintain

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the gearing ratio between 5% and 40%. Net debt for this purpose includes interest-bearing loans and borrowings and trade and other payables, less cash and cash equivalents and receivables from government tax authorities. Almonty is not exposed to any externally imposed capital requirements.

	December 31, 2021	December 31, 2020
Accounts payable and accrued liabilities	20,997	17,613
Long-term debt	67,706	61,524
Less: Cash and receivables	(2,636)	(2,771)
Net debt	86,067	76,366
Shareholders' equity	37,492	29,169
Equity and net debt	123,559	105,535
Gearing ratio	69.7%	72.4%

The gearing ratio exceeded the targeted range as at December 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 year ended December 31, 2021, while the price environment improved and the Company has raised additional equity, the Company also issued additional debt, resulting in a worsening of the gearing ratio. The Company is working to improve its profitability, raise additional equity capital and /or reduce its outstanding debt levels in order to return the gearing ratio to targeted levels.

16. Commitments and Contingent Liabilities

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

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

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penalty for the alleged offences, if convicted, could be approximately \$7.0 million for each subsidiary although the Company believes that, given the nature of the alleged offenses, any penalties would be substantially less. Further, as WCM and TM have been placed into voluntary liquidation, the liquidators of each of WCM and TM will liaise with the Department to determine whether the Department will continue with any action. Even if any action was 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 year ended December 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 \$903 (2020 - \$964).

During the year ended December 31, 2021, the Company's Chief Executive Officer was granted 1,000,000 RSUs (2020 - 0 RSUs).

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 \$723 was accrued on the DRAG loans during the year ended December 31, 2021 (2020 - \$634). As of December 31, 2021, there is \$2,524 (December 31, 2020 - \$1,801) of unpaid interest on these loans included in accounts payable and accrued liabilities.

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18. Subsequent Events

Subsequent to December 31, 2021, the Company:

- 1) received US\$500 (Cdn\$635) from DRAG pursuant to an amended secured promissory note which bears interest at the rate of 6% per annum and matures October 22, 2023;
- 2) received US\$1,500 (Cdn\$1,905) pursuant to an unsecured convertible debenture which bears interest at the rate of 5% per annum, payable semi-annually, convertible at US\$0.83 per share and matures October 31, 2024;
- 3) issued 1,500,000 common shares at AUD1.00 per share pursuant to the closing of a non-brokered private placement, receiving gross proceeds of AUD1,500 (Cdn\$1,380); and
- 4) negotiated the amendment of two loans with an aggregate principal amount of \$10,330 whereby the maturity dates were extended from 2022 to October 31, 2024 (Note 8).