Audited Consolidated Financial Statements

For the Year ended September 30, 2013

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Independent Auditors' Report

To the Shareholders of **Almonty Industries Inc.**,

We have audited the accompanying consolidated financial statements of **Almonty Industries Inc.**, which comprise the consolidated balance sheets as at September 30, 2013 and 2012, and the consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity, and cash flows for the years ended September 30, 2013 and 2012, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Almonty Industries Inc.** as at September 30, 2013 and 2012 and its financial performance and its cash flows for the years ended September 30, 2013 and 2012 in accordance with International Financial Reporting Standards.

Ernst & Young LLP
Chartered Accountants
Licensed Public Accountants

Toronto, Canada

December 19, 2013

Almonty Industries Inc.

Consolidated Balance Sheets

As at September 30
(in 000's of Canadian dollars unless otherwise noted)

	Note	2013	2012
Assets			
Current Assets			
Cash and cash equivalents	15	1.083	1,052
Trade receivable	14	870	808
VAT/HST receivable	14	1,471	699
Inventories	13	2,510	1,481
Other current assets		268	219
Total Current Assets		**6,202**	**4,259**
Non-Current Assets			
Property, plant and equipment	6	12,168	10,248
Mine development	7	16,513	11,930
Deferred tax assets	10	1,164	1,057
Restricted cash	15	237	-
Other non-current assets		392	472
Total Non-Current Assets		**30,471**	**23,707**
Total Assets		**36,676**	**27,966**
Liabilities			
Current Liabilities			
Trade and other payables	16	5,456	4,127
Capital lease	17	45	55
Current portion of long-term debt	18	2,225	-
Non-interest bearing obligation	16	617	506
Other accrued liabilities	16	2,159	1,055
Total Current Liabilities		**10,502**	**5,743**
Non-Current Liabilities			
Non-interest bearing obligation	16	-	50
Capital lease	17	63	93
Long-term debt	18	3,721	-
Deferred government grant		31	-
Restoration provision	9	502	431
Total Non-Current Liabilities		**4,317**	**574**
Total Liabilities		**14,819**	**6,317**
Shareholders' Equity			
Share capital	12	21,996	21,996
Contributed surplus	12	1,675	1,465
Accumulated other comprehensive income (loss)		115	(2,122)
Retained earnings (deficit)		(1,929)	310
Total Shareholders' Equity		**21,857**	**21,649**
Total Liabilities and Shareholders' Equity		**36,676**	**27,966**

On behalf of the Board:

"Lewis Black"	*"Mark Trachuk"*
Lewis Black, Director, President & CEO	Mark Trachuk, Director

See accompanying notes

Consolidated Statement of Operations and Comprehensive Income (Loss)

For the Years Ended September 30,
(in 000's of Canadian dollars unless otherwise noted)

	Note	2013	2012
Revenue		18,341	21,645
Cost of sales		10,420	11,106
Gross profit		**7,921**	**10,539**
Expenses			
General and administrative		3,245	3,104
Other (income) expense		66	(31)
Non-cash compensation	12	210	263
Earnings before the undernoted items		**4,400**	**7,203**
Depreciation and amortization		6,826	4,863
Earnings (loss) before the undernoted items		**(2,426)**	**2,340**
Interest expense		214	66
Loss on asset disposal from fire	19	527	-
Gain from insurance settlement	19	(928)	-
Earnings (loss) before taxes		**(2,239)**	2,274
Income tax provision			
Current		-	-
Deferred		-	(141)
Net income (loss) after tax		**(2,239)**	**2,415**
Net income (loss) for period			
Other comprehensive income (loss)			
Items that may be reclassified subsequently to profit/loss for the period			
Foreign currency translation adjustment		2,237	(2,229)
Total comprehensive income (loss) for the year		**(2)**	**186**
Earnings (loss) per share	11		
Basic income (loss) per share		**($0.06)**	**$0.07**
Diluted income (loss) per share		**($0.06)**	**$0.07**

See accompanying notes

Consolidated Statement of Changes in Shareholders' Equity

For the Years Ended September 30, 2013 and 2012
(in 000's of Canadian dollars except for share amounts)

	Share Capital				Accumulated	
	Shares	Amount	Contributed Surplus	Retained Earnings (Deficit)	Other Comprehensive Income (Loss)	Shareholders' Equity
Balance at September 30, 2012	37,044,389	21,996	1,465	310	(2,122)	21,649
Issuance of warrants and options	-	-	210	-	-	210
Net loss for the year	-	-	-	(2,239)	-	(2,239)
Foreign currency translation adjustment	-	-	-	-	2,237	2,237
Balance at September 30, 2013	**37,044,389**	**21,996**	**1,675**	**(1,929)**	**115**	**21,857**

	Share Capital				Accumulated	
	Shares	Amount	Contributed Surplus	Retained Earnings (Deficit)	Other Comprehensive Income (Loss)	Shareholders' Equity
Balance at September 30, 2011	37,011,441	21,958	1,217	(2,105)	107	21,177
Equity capital issued	32,948	23	-	-	-	23
Issuance of warrants and options	-	-	263	-	-	263
Warrants exercised	-	15	(15)	-	-	-
Net income for the year	-	-	-	2,415	-	2,415
Foreign currency translation adjustment	-	-	-	-	(2,229)	(2,229)
Balance at September 30, 2012	**37,044,389**	**21,996**	**1,465**	**310**	**(2,122)**	**21,649**

See accompanying notes

Consolidated Statement of Cash Flows

For the Years Ended September 30,
(in 000's of Canadian dollars unless otherwise noted)

	2013	**2012**
Cash flow provided by (used in) operating activities		
Net income (loss) for the year	(2,239)	2,415
Add (deduct) non-cash items:		
Non–cash compensation expense	210	263
Depreciation and amortization	6,826	4,863
Loss on disposal of fixed assets due to fire	527	-
Other net non-cash charges	233	(348)
	5,557	7,193
Net change in non-cash working capital	1,152	1,442
Net cash flow provided by operating activities	**6,709**	**8,635**
Cash flow used in investing activities		
Additions to property, plant and equipment and mine development	(12,183)	(8,835)
Restricted cash	(237)	-
Net cash flow used in investing activities	**(12,410)**	**(8,835)**
Cash flow provided by (used) in financing activities		
Issuance of common stock	-	22
Long-term debt	5,695	-
Capital leases	(47)	97
Net cash flow provided by (used in) financing activities	**5,648**	**119**
Effect of foreign exchange on cash	84	(23)
Net increase in cash and cash equivalents during the year	**31**	**(104)**
Cash and cash equivalents at beginning of period	1,052	1,156
Cash and cash equivalents at end of the year	**1,083**	**1,052**

See accompanying notes

Notes to the Consolidated Financial Statements

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

1. Description of Business

The principal business of Almonty Industries Inc. (**"Almonty"** or **"the Company")** is the mining, processing and shipping of tungsten concentrate from the Los Santos Project, a tungsten mine located in western Spain and owned by the Company through its wholly-owned subsidiary, Daytal Resources Spain S.L. (**"Daytal"**). Daytal is wholly owned by the Company's wholly owned Almonty subsidiary, 7887523 Canada Inc. (**"Almonty Sub"**). Almonty Sub has incorporated another wholly owned subsidiary , Valtreixal Resources Spain (**"VRS"**) to hold the option to acquire an interest in the Valtreixal tin/tungsten project located in western Spain. The principal business of VRS is the exploration of the Valtreixal Project.

2. Basis of Preparation of the Consolidated Financial Statements

a) Statement of compliance

The consolidated financial statements of Almonty for the years ended September 30, 2013 and 2012 have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

The consolidated financial statements were authorized for issuance by the Board of Directors of the Company on December 19, 2013.

b) Basis of preparation

The consolidated financial statements have been prepared on a going concern basis and include the accounts of the 100% owned subsidiaries, Daytal, VRS and Almonty Sub.

The accounting policies and methods of computation adopted in the preparation of the financial statements of the subsidiaries are consistent with those adopted and disclosed in Note 3.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which Almonty obtains control, and continue to be consolidated until the date when such control ceases. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends have been eliminated in full on consolidation.

c) Economic dependence

Almonty's wholly owned subsidiary, Daytal has a long-term supply agreement with one customer who participates in the global tungsten business. Currently over 95% of the output of Daytal's operations is sold to this customer. Almonty is economically dependent on the revenue received from this customer in order to be able to meet its current obligations. There is no guarantee that Almonty would be able to find an alternative customer or customers on market terms similar to its existing supply agreement should this current customer cease operations or become unable to pay Almonty under the current contract.

d) New accounting standards and interpretations

New accounting standards and interpretations not yet adopted

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

Reference	Title	Application date for Almonty
IFRS 9	Financial Instruments	October 1, 2013
IFRS 10	Consolidated Financial Statements	October 1, 2013
IFRS 11	Joint Arrangements	October 1, 2013
IFRS 12	Disclosure of Interests in Other Entities	October 1, 2013
IFRS 13	Fair Value Measurement	October 1, 2013
IAS 19	Employee Benefits (revised)	October 1, 2013
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	October 1, 2013

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted.

IAS 19 Employee Benefits (Revised)
The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording..

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine
This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity.

The adoption of these new or amended standards is not expected to have a material impact on the consolidated financial statements of Almonty.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of Almonty's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. In particular, information about significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements is described below.

(a) Mine rehabilitation and restoration provision

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

The provision at the reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the consolidated balance sheet by either increasing or decreasing the rehabilitation asset and liability if the initial estimate was originally recognized as part of an asset measured in accordance with IAS 16, *Property, Plant and Equipment*.

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. If the change in estimate results in an increase in the rehabilitation liability and therefore an addition to the carrying value of the asset, Almonty is required to consider whether this is an indication of impairment of the asset as a whole and test for impairment in accordance with IAS 36, *Impairment of Assets*.

If, for mature mines, the revised mine assets net of rehabilitation provisions exceeds the recoverable value that portion of the increase is charged directly to expenses. For closed sites, changes to estimated costs are recognized immediately in income. Also, rehabilitation obligations that arise as a result of the production phase of a mine are expensed as incurred.

Almonty, through its wholly owned subsidiary Daytal, is required to decommission and rehabilitate the Los Santos Project at the end of the Los Santos Project's useful life to a condition acceptable to the relevant authorities.

The expected cost of any approved decommissioning or rehabilitation program, discounted to its net present value, is provided when the environmental disturbance occurs. The cost is capitalized when it gives rise to future benefits, whether the rehabilitation activity is expected to occur over the life of the operation and the increase in the net present value of the provision for the expected costs is included in financing expenses. Expected decommissioning and rehabilitation costs are based on the discounted value of the estimated future costs of detailed plans prepared for each site. Where there is a change in the expected decommissioning and restoration costs, the value of the provision and any related assets are adjusted and the effect is recognized in the consolidated statement of operations and comprehensive income (loss) on a prospective basis over the remaining life of the operation.

(b) Ore reserves and mineral resources estimates

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

(c) Units-of-production depreciation

Estimated recoverable reserves are used in determining the depreciation of mine specific assets. This results in a depreciation charge proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves. Numerous units-of-production ("**UOP**") depreciation methodologies are available to choose from. Almonty adopts a Run of the Mine ("**ROM**") tonnes of ore UOP measure for mining costs and MTU (1 MTU= 1 metric tonne unit = 10kgs) of tungsten oxide (WO_3) produced UOP measure.

(d) Exploration and evaluation expenditures
The application of Almonty's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of a National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* resource is itself an estimation process that contains varying degrees of uncertainty, depending on sub-classification, and these estimates directly impact the point of deferral of exploration and evaluation expenditures. The Company's policy is to capitalize all exploration costs that are incurred on its mineral properties that currently have a NI 43-101 compliant resource estimate, provided that those expenditures are incurred to extend or enhance the resource. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in income in the period when the new information becomes available.

(e) Impairment of assets
Almonty assesses its assets at each reporting date to determine whether any indication of impairment exists. Where an indicator of impairment exists, or when annual impairment testing for an asset is required, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions related to long-term commodity prices, discount rates, future capital requirements, exploration potential and future operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. 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. As at the consolidated balance sheet date, management believes that no indication of impairment exists.

(f) Deferred stripping expenditures
Almonty defers advanced stripping costs incurred during the production stage of its operations. Should the estimate of the stripping ratio change over time as a result of a change/optimization in the design of the open pits, then Almonty will revisit the deferral and amortization rates related to its deferred stripping expenditures policy. 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 extracted as a result. Changes in a mine's life and design will usually result in changes to the expected stripping ratio (waste to mineral reserves ratio). These changes are accounted for prospectively.

(g) Contingencies
By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

(h) Deferred tax assets
Judgment is required in determining whether deferred tax assets are recognized on the consolidated balance sheet. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that Almonty will generate taxable income in future periods in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from the estimates made, the ability of Almonty to realize the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which Almonty operates could limit the ability of Almonty to obtain tax deductions in future periods.

(i) Cash and cash equivalents
Cash and cash equivalents in the consolidated balance sheet comprise cash at bank and in 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.

(j) Trade and other receivables
Trade receivables are initially recorded at the fair value of the contracted sale proceeds expected to be received only when there has been a passing of significant risks and rewards of ownership to the customer, and collectability is reasonably assured.

Collectability of trade receivables is reviewed on an ongoing basis. An impairment of doubtful receivables is raised when there is objective evidence that Almonty and the entities it controls will not be able to collect the debt.

(k) Inventories
Inventories are valued at the lower of cost and net realizable value. Net realizable value tests are performed at least annually and represent the estimated future sales price of the product based on prevailing spot metal prices at the reporting date, less estimated costs to complete production and bring the product to sale. Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the number of contained MTUs of WO_3 based on assay data, and the estimated recovery percentage based on the expected processing method. Stockpile tonnages are verified by periodic surveys.

The cost of raw materials, stores and finished goods includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average cost. The cost of mining stocks includes direct materials, direct labour, transportation costs and variable and fixed overhead costs relating to mining activities.

Materials and supplies are valued at the lower of cost and net realizable value. Any provision for obsolescence is determined by reference to specific stock items identified. A regular and ongoing review is undertaken to establish the extent of surplus items and a provision is made for any potential loss on their disposal.

Tungsten ore and WO_3 in concentrate, WO_3 in circuit and ore stockpiles are physically measured or estimated and valued at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs of selling the final product. Cost is determined by the weighted average method and comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs, including depreciation and amortization, incurred in converting materials into finished goods.

(l) Property, plant and equipment and mine properties

Property, plant and equipment and mine properties are stated at cost, less accumulated depreciation / amortization and accumulated impairment losses, if any. 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 purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalized value of a finance lease is also included within property, plant and equipment. When a mine construction project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalization relating to mining asset additions or improvements, underground mine development or mineable reserve development.

Each class of property, plant and equipment is measured at cost less, where applicable, any accumulated depreciation and impairment losses.

Buildings

Buildings are recorded at cost less accumulated depreciation and accumulated impairment losses, if any. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the consolidated statement of operations and comprehensive income (loss).

Plant and Equipment
Plant and equipment are measured on the cost basis less accumulated depreciation and accumulated impairment losses, if any. The carrying values of plant and equipment are reviewed for impairment annually, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employed and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

(m) Depreciation/amortization
Property, plant and equipment, including buildings, are depreciated/amortized over their estimated useful lives.

Accumulated mine development costs are depreciated/amortized on a unit-of-production basis over the economically recoverable reserves of the mine concerned, except in the case of assets whose useful life is shorter than the life of the mine, in which case the straight-line method is applied.

The unit of account for the ROM costs are tonnes of ore whereas the unit of account for post-ROM costs are recoverable MTUs of WO_3. Rights and concessions are depleted on the unit-of-production basis over the total reserves of the relevant area. The unit-of-production rate for the depreciation/amortization 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 7 years, commencing from the time the asset is ready for use. Leasehold improvements are amortized over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each consolidated balance sheet date.

An asset's carrying amount is immediately written down to its recoverable amount if the asset's carrying value is greater than its estimated recoverable amount.

(n) Leases
Leases of plant and equipment under which Almonty assumes substantially all the risks and benefits identical to ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalized, with a lease asset and lease liability equal to the fair value of the leased asset or, if lower, at the present value of the minimum lease payments determined at the inception of the lease. Lease payments are apportioned between the financing charges and reduction of the lease liability. The finance charge component within the lease payment is expensed. Capitalized lease assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that Almonty or its controlled entities will obtain ownership by the end of the lease term.

Payments made under the leases are expensed on a straight-line basis over the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

(o) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in income in the expense category consistent with the function of the intangible assets. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in income when the asset is derecognized.

(p) Trade and other payables

Trade and other payables are carried at cost. They represent unsecured liabilities for goods and services provided to Almonty and its controlled entities prior to the end of the fiscal period that are unpaid and arise when Almonty and any of its controlled entities become obliged to make future payments in respect of the purchase of these goods and services.

(q) Financial instruments – initial recognition and subsequent measurement

i) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss. Almonty determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Almonty's financial liabilities include trade and other payables, bank overdrafts and loans and borrowings

Subsequent measurement
The measurement of financial liabilities depends on their classification as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied.

Loans and borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (**"EIR"**) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the income statement.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amount is recognized on the income statement

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(r) Provisions
Provisions are recognized when Almonty or any of its controlled entities has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When Almonty expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of operations and comprehensive income (loss), net of any reimbursement.

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

(s) Share capital
Issued ordinary share capital is classified as equity and is recognized at the fair value of the consideration received by Almonty. Any transaction costs arising on the issuance of ordinary shares and the associated tax are recognized directly in equity as a reduction in share proceeds received.

(t) Revenue recognition
Revenue is recognized to the extent it is probable that the economic benefits will flow to Almonty and its controlled entities and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, and sales taxes or duty. Almonty assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. Almonty has concluded that it is acting as a principal in all of its revenue arrangements. Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the purchaser. The significant risks and rewards of ownership are deemed to be transferred to the purchaser generally when product is physically transferred onto a third-party vessel, train, ship or other delivery mechanism, depending on the mode of transport, and Almonty has paid all costs of shipping, freight and insurance to the destination specified by the purchaser. The following criteria are also applicable to other specific revenue transactions:

WO_3 in concentrate sales
Contract terms for Almonty's sale of WO_3 in concentrate (WO_3 concentrate) allow for a price adjustment based on final assay results of the WO_3 concentrate by the customer to determine the final content. Recognition of sales revenue for WO_3 concentrate is based on the most recently determined estimate of WO_3 concentrate (based on initial assay results carried out by Almonty) and the contract price at the date of shipment, with a subsequent adjustment made upon final determination and presented as part of "Other income". If the customer disputes the invoiced amount based on a difference of assayed values of WO_3 concentrate, then the dispute is settled by an independent third party assaying service whose findings are binding on both parties. The terms of WO_3 concentrate sales contracts with third parties contain provisional pricing arrangements whereby the selling price for WO_3 concentrate is calculated based on the adjusted prevailing monthly average price per MTU of APT (Ammonium paratungstate) as published by London Metal Bulletin on the date of shipment to the customer.

(u) Income tax
Current income tax
Current income tax assets and liabilities for the current period 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/or its controlled entities operates and generates taxable income. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in income. 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
Deferred income tax is provided using the consolidated balance sheet method on temporary differences at the reporting date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences, except:

1) Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income; and

2) In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the parent, investor or venturer and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized, except:

1) Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income; and

2) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

Almonty recognizes neither the deferred tax asset regarding the temporary difference on the rehabilitation liability, nor the corresponding deferred tax liability regarding the temporary difference on the rehabilitation asset.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable income will be available to allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognized subsequently if new information about facts and circumstances arose. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it occurred during the measurement period or in income.

(v) Value added ("VAT") and harmonized sales ("HST") taxes
Revenue, expenses and assets are recognized net of the amount of VAT/HST, except where the amount of VAT/HST incurred is not recoverable. In these circumstances, the VAT/HST is recognized as part of the acquisition cost of the asset or as part of the expense item. Receivables and payables in the consolidated balance sheet are shown inclusive of VAT/HST.

Cash flows are presented in the consolidated statement of cash flows on a net basis, including the VAT/HST component of investing and financing activities, which are disclosed as operating cash flows.

The net amount of VAT/HST recoverable from, or payable to, the relevant taxation authority is included as part of receivables or payables in the consolidated balance sheet.

(w) Earnings per share
Basic earnings per share are calculated as net income (loss) for the period attributable to Almonty shareholders, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares outstanding.

Diluted earnings per share are calculated as net income (loss) for the period attributable to Almonty shareholders divided by the weighted average number of ordinary shares and dilutive potential ordinary shares using the treasury method.

(x) Foreign currency translation
The consolidated financial statements are presented in Canadian dollars, which is Almonty's functional currency and presentation currency. Almonty has one foreign operation, Daytal, which receives all of its revenue in US dollars and incurs all of its costs in Euros. Daytal has a functional currency of Euros and translates its US dollar revenue into Euros at the respective US dollar/Euro exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange in effect at the reporting date. All differences are recorded to income or other comprehensive income should specific criteria be met. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction.

(y) Business combinations and goodwill

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 in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in selling, general and administrative expenses.

When Almonty acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through income. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IAS 39 either in income or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity. 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 income.

4. Segment Information

Management monitors the business of Almonty as a single reporting segment whose operations relate to the exploration and mining of tungsten in Spain. As Almonty operates as a single segment, the consolidated financial statements should be read as a whole for the results of this operating segment. Geographically 100% of the revenues earned from external customers are attributable to Spain and 100% of the Company's assets are located in Spain.

5. Related Party Transactions

There were no related party transactions that occurred during the year ended September 30, 2013 and 2012.

Compensation of key management personnel of Almonty during the years ended September 30

	2013	**2012**
Short-term cash compensation	372	200
Long-term Directors' incentive share-based compensation	109	178
Total compensation of key management personnel	**481**	**378**

6. Property, Plant and Equipment

	Property, Plant and Equipment
Cost at September 30, 2012	11,378
Additions	2,481
Disposals	(1,054)
Translation adjustment	1,167
Cost at September 30, 2013	**13,972**
Accumulated amortization at September 30, 2012	(1,130)
Amortization charge	(1,079)
Disposals	527
Translation adjustment	(122)
Accumulated amortization at September 30, 2013	(1,804)
Closing net book value	**12,168**

	Property, Plant and Equipment
Cost at September 30, 2011	10,624
Additions	1,801
Translation adjustment	(1,047)
Cost at September 30, 2012	**11,378**
Accumulated amortization at September 30, 2011	(39)
Amortization charge	(1,158)
Translation adjustment	67
Accumulated amortization at September 30, 2012	(1,130)
Closing net book value	**10,248**

7. Mine Development

	Mine Restoration	Inferred Resource	Mine Development	Total
Cost at September 30, 2012	353	-	14,971	15,324
Additions	1	-	9,704	9,705
Disposal/re-classification	-	-	(295)	(295)
Translation adjustment	36	-	1,934	1,970
Cost at September 30, 2013	**390**	**-**	**26,314**	**26,704**
Accumulated amortization at September 30, 2012	(85)	-	(3,309)	(3,394)
Amortization charge	(90)	-	(6,127)	(6,217)
Translation adjustment	(12)	-	(568)	(580)
Accumulated amortization at September 30, 2013	(189)	-	(10,004)	(10,191)
Closing net book value	**203**	**-**	**16,310**	**16,513**

	Mine Restoration	Inferred Resource	Mine Development	Total
Cost at September 30, 2011	390	1,188	7,803	9,381
Additions	-	-	7,035	7,035
Reclassification on updated technical report	-	(1,098)	1,098	-
Translation adjustment	(37)	(90)	(965)	(1,092)
Cost at September 30, 2012	**353**	**-**	**14,971**	**15,324**
Accumulated amortization at September 30, 2011	-	-	(19)	(19)
Amortization charge	(84)	-	(3,396)	(3,480)
Translation adjustment	(1)	-	106	105
Accumulated amortization at September 30, 2012	(85)	-	(3,309)	(3,394)
Closing net book value	**268**	**-**	**11,662**	**11,930**

8. Commitments and Contingent Liabilities

Almonty, through its wholly owned subsidiary, Daytal, owns the Los Santos Project, near the town of Los Santos, Salamanca in western Spain. Daytal rents the land where the Los Santos Project is located from several individual property owners as well as the municipalities of Los Santos and Fuenterroble. The leases range from 10 to 25 years and have expiry dates between 2017 and 2032. On all leases greater than 10 years Daytal has the right to terminate the leases under certain circumstances without penalty. Annual lease commitments total €181 (C$252) and are payable throughout the year on the anniversary dates of the individual leases.

The mining license for the Los Santos Project was granted in September 2002, for a period of 30 years and is extendable for 90 years. Daytal has to pay annual land taxes (approximately €2 per year) to the government. This amount is related to the surface covered and not to the production of minerals. There are no other royalty payments. The Company files applications in the ordinary course to renew the permits associated with its mining license that it deems necessary and/or advisable for the continued operation of its business. Certain of the Company's permits to operate that are associated with the mining license are currently under application for renewal.

Daytal has a long-term contract with Sanchez y Lago ("**SYL**") under which SYL carries out contract mining activities for Daytal on the Los Santos Project. Daytal currently does not have any mining capabilities of its own and relies on SYL for all mining activity, including waste rock removal, pit development and delivery of ore to Daytal's crushing and processing plant. The current contract with SYL runs for the life of the mine. Any disruption in the contract mining services provided by SYL would have a negative impact on Daytal's short-term economic viability.

9. Restoration Provision

Almonty has recognized a restoration provision of $502 (2012 – $431) with respect to Daytal's future obligation to restore and reclaim the mine once it has ceased to mine tungsten ore from the Los Santos Project. The restoration provision represents the present value of rehabilitation costs relating to the mine site which are expected to be incurred in 2019 after the mine ceases production. This provision has been created based on Almonty's internal estimates. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. Actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect current market conditions at that time. The timing of the rehabilitation is likely to depend on when the mine ceases to produce at economically viable rates. This in turn will depend on Almonty's ability to extend the mine life years through additional exploration and also on the future price of WO_3 concentrate.

Banco Popular has posted a bank warranty of €180 (C$246) on behalf of Daytal with the Region of Castilla y Leon, Trade and Industry Department as a form of deposit to cover the expected costs of restoring the mining property as required by Daytal's Environmental Impact Statement that forms a part of its mining and exploitation license on the Los Santos Project provision. The bank warranty cannot be cancelled unless such cancellation is approved by the government of Castilla y Leon upon approval of the completion of the restoration work. The bank warranty is undrawn and carries a quarterly stand-by fee of approximately €1 per quarter.

10. Income Tax

Current Income Taxes

The major components of income tax expense for the year ended September 30, 2013 and 2012 are:

Tax expense	**2013**	**2012**
Current income tax	-	-
Deferred income tax	-	(141)
Income tax recovery	**-**	**(141)**

A reconciliation between income tax recovery and the product of accounting profit multiplied by Almonty's domestic tax rates for the year ended September 30, 2013 and 2012 is as follows:

	2013	**2012**
Earnings (loss) before taxes	(2,239)	2,274
Tax expense at statutory tax rates	26.5%	26.5%
Expected income tax expense (recovery) at statutory tax rates	(593)	602
Permanent differences and other	58	70
Change in benefit of current year tax losses not recognized	600	128
Change in benefit of previous unrecognized tax losses	-	(1,046)
Foreign tax differential	(65)	105
Income tax recovery	-	(141)

The enacted or substantively enacted tax rate in Canada (26.50% in 2013) and in Spain (30.00% in 2013) where the Company's principal subsidiary operates is applied in the tax provision calculation.

Deferred Income Taxes

Deferred income taxes relate to the following:

	2013	**2012**
Deferred tax assets in relation to:		
Non-capital losses	1,164	1,057
	1,164	**1,057**

Opening balance as of October 1, 2012	**1,057**
Tax recovery during the period recognized in net income (loss) after tax	-
Tax expense during the period recognized in other comprehensive income (loss)	107
Closing balance as at September 30, 2013	**1,164**

The following temporary differences and non-capital losses have not been recognized in the consolidated financial statements as at September 30, 2013 and 2012:

	2013	2012
Eligible capital expenditure	523	523
Share issue costs	834	1,274
Non-capital losses	29,455	24,741
	30,812	26,538

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

Expiring in 2025	25,975
Expiring in 2026	5,481
Expiring in 2027 or later	1,879
	33,335

The non-capital losses are available for offset against future taxable income of the company in which the losses arose. The deferred tax assets recognized relate to the estimated recovery of a portion of the tax losses of the subsidiary.

11. Earnings (loss) per Share

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

	Year ended September30,	
Basic	**2013**	**2012**
Net income (loss) for the period attributable to Almonty shareholders	($2,239)	$2,415
Weighted average number of common shares outstanding	37,044,389	37,022,685
Basic income (loss) per common share	($0.06)	$0.07
Fully Diluted	**2013**	**2012**
Net income (loss) for the period attributable to Almonty shareholders	($2,239)	$2,415
Weighted average number of fully diluted common shares	37,044,389	37,067,085
Fully diluted income (loss) per fully diluted common share	($0.06)	$0.07

The weighted average number of common shares outstanding as at September 30, 2013 was unchanged from September 30, 2012.

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

As at September 30, 2013 there were 1,750,000 options outstanding, an increase of 300,000 when compared to the number that was outstanding as at September 30, 2012. None of the options outstanding at September 30, 2013 were dilutive for the purposes of the 2013 calculation (2012 – 24,758).

As at September 30, 2013 there were 3,701,144 warrants outstanding, 656,650 less than were outstanding as at September 30, 2012 due to the expiry of warrants in September 2013. None of the warrants outstanding at September 30, 2013 were dilutive for the purposes of the 2013 calculation (2012 *nil*).

As a result, the impact of dilutive securities of nil, calculated using the Treasury Method, has been added to the weighted average number of common shares outstanding to arrive at fully diluted shares outstanding for the year ended September 30, 2013 (24,758 for the year ended September 30, 2012).

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

12. Share Capital and Contributed Surplus

	Number of Shares	**Amount $**
Authorized		
Unlimited common shares, without par value		
Common shares issued	37,044,389	21,996
Total Share Capital	**37,044,389**	**21,996**

	Number of Warrants/Options	**Amount $**
Contributed surplus		
Warrants/options outstanding as at September 30, 2012	3,701,144	1,465
Warrants/options expired unexercised during the year	(656,650)	-
Compensation options previously issued whose expense was recognized during the year	-	59
Compensation options issued to directors/officers during the year	100,000	50
Compensation options issued to employees during the year	200,000	101
Total Contributed Surplus as at September 30, 2013	**5,451,144**	**1,675**
Total Share Capital and Contributed Surplus	**42,495,533**	**23,671**

During the year ended September 30, 2012, Almonty issued 32,948 common shares for gross proceeds of $23 on the exercise of 32,948 warrants with a strike price of $0.667 per warrant. As part of the warrant exercise $15 was reclassified to share capital from contributed surplus.

During the year ended September 30, 2012, the Company recorded non-cash compensation expense of $263 related to the vesting of a portion of the 500,000 options granted on September 26, 2011

that vest over a two year period, the granting of 150,000 options on January 31, 2012 that vested on March 26, 2012 and the granting of 50,000 options on June 19, 2012 that vested immediately.

The following assumptions were used for the Black-Scholes valuation of the former RCG directors' and agents' options:

Risk-free interest rate	2.15%
Expected life of former RCG directors' and agent's options	9 years
Annualized volatility	35%
Dividend rate	0%
Strike price per former RCG directors' agent's options	$0.67

Incentive Stock Options

Almonty adopted RCG's stock option plan under which it can grant options to directors, officers, employees and consultants for up to 10% of the issued and outstanding common shares. Under the plan, the exercise price of an option may not be less than the closing market price during the trading day immediately preceding the date of the grant of the option, less any applicable discount allowed by the TSX Venture Exchange. The options can be granted for a maximum term of 10 years and vest at the discretion of the Board of Directors of Almonty. The plan was approved by Almonty's shareholders at its Annual and Special Meeting of Shareholders held on March 26, 2013.

On September 26, 2011, Almonty granted 1,250,000 incentive stock options to directors, officers and employees of the Company and its subsidiaries. Each option is exercisable for one common share in the capital of Almonty at a price of $1.00 per share for a period of ten years from the date of grant. 750,000 of the options vested on March 26, 2012 and 500,000 of the options vest over a two year period. The grant resulted in a stock-based compensation expense, using the Black-Scholes option pricing model, of $363 being recorded in the period ended September 30, 2011. The weighted average fair value of the stock options granted was $0.48 per option.

During the year ended September 30, 2013, the Company recorded non-cash compensation expense of $59 ($178 for the year ended September 30, 2012) related to the vesting of a portion of the 500,000 options granted on September 26, 2011 that vested over a two year period. While the options vested in two instalments on the anniversary of the grant date, the Company has recorded the non-cash compensation expense for each tranche evenly over their respective vesting periods. The notional number of options associated with the non-cash compensation expense totalled 125,000 for the year ended September 30, 2013. As of September 30, 2013, all 500,000 options associated with this grant have vested.

The following assumptions were used for the Black-Scholes valuation of incentive stock options granted on September 26, 2011:

Risk-free interest rate	2.15%
Expected life of options	10 years
Annualized volatility	35%
Dividend rate	0%
Strike price	$1.00

On May 28, 2013, Almonty granted 300,000 incentive stock options that vested immediately to one Director (100,000 options) and two employees (100,000 each) of its wholly-owned indirect subsidiary, Daytal. Each option is exercisable into one common share of Almonty at a price of $1.07 per share for a period of ten years from the date of grant. The grant resulted in stock-based compensation expense, using the Black-Scholes option pricing model, of $151 being recorded in the three month period ended June 30, 2012. The weighted average fair value of the stock options granted was $0.50 per option.

The following assumptions were used for the Black-Scholes valuation of incentive stock options granted on May 28, 2013:

Risk-free interest rate	1.750%
Expected life of options	10 years
Annualized volatility	35%
Dividend rate	0%
Strike price	$1.07

On June 19, 2012, Almonty granted 50,000 incentive stock options that vested immediately to an employee of its wholly-owned indirect subsidiary, Daytal. Each option is exercisable into one common share of Almonty at a price of $1.02 per share for a period of ten years from the date of grant. The grant resulted in stock-based compensation expense, using the Black-Scholes option pricing model, of $24 being recorded in the three month period ended June 30, 2012. The weighted average fair value of the stock options granted was $0.48 per option.

The following assumptions were used for the Black-Scholes valuation of incentive stock options granted on June 19, 2012:

Risk-free interest rate	1.769%
Expected life of options	10 years
Annualized volatility	35%
Dividend rate	0%
Strike price	$1.02

On January 31, 2012, Almonty granted 150,000 incentive stock options that vested on March 26, 2012 to certain employees of its wholly-owned indirect subsidiary, Daytal. Each option is exercisable into one common share of Almonty at a price of $0.85 per share for a period of ten years from the date of grant. The grant resulted in stock-based compensation expense, using the Black-Scholes option pricing model, of $62 being recorded in the three month period ended March 31, 2012. The weighted average fair value of the stock options granted was $0.41 per option.

The following assumptions were used for the Black-Scholes valuation of incentive stock options granted on January 31, 2012:

Risk-free interest rate	2.04%
Expected life of options	10 years
Annualized volatility	35%
Dividend rate	0%
Strike price	$0.85

As at September 30, 2013 the following options and warrants are outstanding:

	Number of Options/Warrants	Exercise Price	Expiry Date
Incentive stock options [1, 2]	1,250,000	$1.00	26/09/2021
Incentive stock options [3]	150,000	$0.85	30/01/2022
Incentive stock options [3]	50,000	$1.02	19/06/2022
Incentive stock options [2]	300,000	$1.07	27/05/2023
Heemskirk warrants	3,701,144	$1.25	23/09/2014
Total Options /Warrants	**5,451,144**		

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

13. Inventories

	September 30, 2013	September 30, 2012
Stores and fuel	764	691
Ore and in-process ore	1,502	497
Finished goods – WO_3 concentrate	244	293
Total inventories	**2,510**	**1,481**

The change in inventories is recognized as an expense through the cost of sales line on the consolidated statements of operations and comprehensive income (loss).

14. Receivables

As at September 30, 2013, there was $870 ($808 as at September 30, 2012) in trade receivables outstanding relating to the sale of tungsten concentrate under the Company's long-term supply agreement.

As at September 30, 2013, Almonty recognized VAT recoverable in the amount of $1,438 ($636 as at September 30, 2012) and HST recoverable in the amount of $33 ($63 as at September 30, 2012) for a total VAT/HST receivable of $1,471 ($699 as at September 30, 2012).

15. Cash and Cash Equivalents

Cash at banks in deposit accounts that earn interest at floating rates based on daily bank deposit rates totalled $1,083 as at September 30, 2013 ($1,052 as at September 30, 2012). Almonty only deposits cash surpluses with major banks of high quality credit standing.

As at September 30, 2013, Almonty had $237 (nil as at September 30, 2012) in restricted cash on deposit with a financial institution in Spain. The deposit is for an 18 month term that expires in July 2014. The deposit earns a rate of interest of 2%. The deposit was required by the financial institution in order for Almonty to be able to post a bank guarantee in the amount of $391. This amount represents Almonty's obligation to Iberdrola, S.A. for the build-out and completion of an electrical substation. The scheduled completion date for the substation is February 2014. Upon

completion Almonty will be required to fund an additional $154 in order to satisfy the full amount due. If the electrical substation has not been completed by July 2014 then Almonty may, at its discretion, cancel the bank guarantee and gain full access to the restricted cash and will then be required to fund the amount due to Iberdrola, S.A. when the substation has been completed.

As at September 30, 2013, Almonty owed $5,946 under its credit facilities (see note 18 – Long-term debt).

16. Accounts Payable and Accrued Liabilities

	September 30, 2013	**September 30, 2012**
Trade and other payables	5,456	4,127
Sundry accruals	1,835	653
Accrued payroll and payroll taxes	234	319
Accrued audit fees	90	83
Total Accounts Payable and Accrued Liabilities	**7,615**	**5,182**
Current portion of capital lease (Note 17)	45	55
Current portion of long-term debt (Note 18)	2,225	-
Current portion of non-interest bearing trade payable	617	506
Total Current Liabilities	**10,502**	**5,743**

The net present value of the non-interest bearing obligation is $617 and was due for payment beginning September 1, 2012 with $17 due and payable thereon followed by 14 equal monthly instalments of $44. The non-interest bearing trade payable of $617 ($556 as at September 30, 2012) is classified as current (due within 12 months) of $617 ($506 as at September 30, 2012) and long-term (due after 1 year) of $nil ($50 as at September 30, 2012).

17. Capital Leases

	September 30, 2013	
	Minimum Lease Payment	Present Value of MLP
Within one year	50	45
After one year but not more than five years	67	63
After more than five years	-	-
Total minimum lease payments	**117**	**108**

The capital leases relate to certain equipment (forklifts, front-end loader and vehicles). Ownership of the equipment reverts to Almonty at the end of each lease. The leases carry an implied interest rate of between 2.75% and 8.50%.

	September 30, 2012	
	Minimum lease payment	Present value of MLP
Within one year	60	55
After one year but not more than five years	117	93
After more than five years	-	-
Total minimum lease payments	**177**	**148**

18. Long-term Debt

During April 2013, the Company's wholly-owned subsidiary entered into agreements with 4 individual Spanish banks for a total of €4,870,000 in debt facilities at interest rates ranging from 4.87% to 6.53%. The balance outstanding on the facilities as at September 30, 2013 was €4,271 (CAD$5,946). All of the debt facilities are fully amortizing over their respective 3-year terms that mature in April 2016. One facility totaling €1,778 (CAD$2,475) as at September 30, 2013 carries a guarantee by Almonty. In addition to the guarantee, under certain circumstances of default, the lender has a right to seize up to 20% of the net assets of Daytal in order to satisfy any amounts outstanding on the loan if the default is not cured. The remaining three facilities totaling €2,493 (CAD$3,471) as at September 30, 2013 are non-recourse. The monthly minimum principal and interest payments on the facilities, calculated at prevailing interest rates as of September 30, 2013, totals €140 (CAD$ 194) per month.

Facility	Security	Interest Rate	Current	Long-term	Total
1	Unsecured	Fixed 5.50%	$224	$382	$606
2	Unsecured	Floating 5.64%	$404	$639	$1,043
3	Guarantee/ Partial security	Floating 4.89%	$928	$1,547	$2,475
4	Unsecured	Floating 6.53%	$669	$1,153	$1,822

	September 30, 2013	September 30, 2012
Current portion of long-term debt – due within one year	2,225	-
Long-term portion – due after one year but not more than 5 years	3,721	-
Total long-term debt	**5,946**	**-**

19. Loss on disposal due to fire and pending insurance settlement

On June 23, 2013 at its wholly owned Los Santos Project a fire caused by a mechanical failure of a fuel line in one of its generators that destroyed the Company's diesel generator power supply and caused severe damage to its electrical switching infrastructure, including the electrical supply building, ball mill soft-starter and the diesel generators, which were completely destroyed. The gross book value of the machinery and equipment that was destroyed was $1,054 and the net book value was $527.

The Company has written down the value of its Property Plant and Equipment to reflect the loss of the destroyed machinery. As a result of the fire Almonty was forced to suspend operations for 10 days and continues to incur incremental costs in order to maintain operations (the rental of temporary diesel generators and ancillary electrical switching equipment) until such time as the Company is able to complete its connection to the electricity grid.

As of August 22, 2013 the Company's insurance carrier had completed its investigation of the fire and has recommended a settlement amount of $928 for 100% of the replacement value of the equipment that was destroyed as well an amount for business interruption coverage. The Company received the proceeds from the insurance settlement in September 2013. The insurance proceeds covered the replacement costs of the destroyed equipment and an amount for business interruption as a result of the fire. The Company has recorded a gain of $928 in Q4 2013 when it received the insurance proceeds.

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

Classification of Financial Instruments

Financial instruments classified as fair value through profit or loss are carried at fair value on the consolidated balance sheet, and changes in fair values are recognized in net loss for the period.

The following table provides the allocation of financial instruments and their associated financial instrument classifications as at September 30, 2013:

	FVTPL*	Loans and receivables / Other financial liabilities	Total
Measurement basis	(Fair value)	(Amortized cost)	
Financial assets			
Cash and cash equivalents	1,083	-	1,083
Restricted cash	237	-	237
Trade Receivables	-	870	870
VAT / HST receivable	-	1,471	1,471
Total	1,320	2,341	3,661
Financial Liabilities			
Trade and other payables	-	5,456	5,456
Capital lease	-	108	108
Other accrued liabilities	-	2,159	2,159
Long-term debt	-	5,946	5,946
Non-interest bearing obligation	-	617	617
Total	-	14,286	14,286

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

Fair Value Hierarchical Levels

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

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

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

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

As of September 30, 2013, cash and cash equivalents and restricted cash of $1,320, which is carried at fair value, was based on Level 1 inputs. Management has assessed the carrying values of financial assets and financial liabilities, other than Level 1inputs, and believes the amortized cost of these assets and liabilities is a reasonable approximation of fair value.

Financial Risk Management Objectives and Policies

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

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

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

Interest rate risk

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

The Company currently has $5,946 in long-term debt outstanding at varying levels of fixed and floating interest rates between 4.87% - 6.53%. The floating rate debt totaled $5,340 and is based on a fixed spread over the 6-month Euribor rate. Any movement in the 6-month Euribor rate over remaining term of the long-term debt with have an impact on the amount of interest paid by the Company. For every 100 basis point (1.0%) movement in the Euribor rate will cause the amount the Company is required to pay in monthly interest to fluctuate +/- $5. The Company may in the future become a borrower of an additional material amount of funds or repay its existing outstanding long-term debt at any time without penalty. The Company's primary operations are located in Spain and the current European financial crisis that is causing borrowing costs in several European countries to increase may have a negative impact on both the Company's future borrowing costs and its ability to obtain debt financing.

Foreign currency risk

Almonty's wholly-owned indirect subsidiary, Daytal, operates in Spain in Euros (€). Its output is a commodity that is primarily denominated in United States dollars (USD$) and Almonty's reporting currency is in Canadian dollars (CAD$). As such, Almonty's consolidated balance sheet can be significantly be affected by movements between the three currencies (CAD$, USD$ and €).

During the year ended September 30, 2013, the value of the € relative to the CAD$ increased from €1. 00 = CAD$1.2646 as at October 1, 2012 to €1.00 = CAD$1.3920 as at September 30, 2013, resulting in the Company recording a cumulative translation adjustment gain of $2,237 for the year ended September 30, 2013. This amount is recorded as other comprehensive income (loss) on the Consolidated Statement of Operations and Comprehensive Income and accumulated other comprehensive income (loss) as a separate line item in Shareholders' Equity.

Commodity price risk

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

Credit risk

Almonty's maximum exposure to credit risk, excluding the value of any collateral or other security, is the creditworthiness of its customer that is operating as counterparty to Almonty's supplier financing program. All invoices submitted to its major customer under its long-term supply agreement are subject to a supplier finance program. Almonty assigns all trade receivables that are subject to the supplier finance program to a third party bank and receives prepayment from the bank on the invoices assigned. The availability of this program rests solely on the ability of Almonty's customer to continually pay down the supplier financing facility as it comes due in order to ensure Almonty has access to draw on the facility when it ships WO_3 concentrate to its customer under the agreement. If Almonty were to no longer have access to the supplier financing program it would revert to normal trade terms with its customer.

The Company had $1,471 in VAT/HST receivables outstanding as at September 30, 2013 ($699 as at September 30, 2012) comprised of VAT of $1,438 ($636 as at September 30, 2012) due from the Spanish government and HST of $33 ($63 as at September 30, 2012) due from the Canadian government.

As at September 30, 2013, Almonty had submitted invoices totalling $870 ($808 as at September 30, 2012) under its supplier finance program where payment had not yet been received.

Liquidity risk

Almonty's objective is to use cash and cash equivalents, finance leases, inter-company participating loans and equity in order to maintain liquidity. Almonty's policy is to maximize liquidity in order to enable the continued development of the mine and operations of the plant and to enable the development of its projects. All financial liabilities with a contractual term of 12 months or less are classified as current.

21. Capital Management

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

		September 30, 2013	**September 30, 2012**
Capital leases	Note 17	108	148
Long-term debt	Note 18	5,946	
Accounts payable and accrued liabilities	Note 16	7,614	5,182
Long-term non-interest bearing trade payables		617	556
Less cash, short-term deposits and receivables		(3,424)	(2,559)

Net debt	**10,861**	**3,327**
Shareholders' equity	21,857	21,649
Equity and net debt	**32,718**	**24,976**
Gearing ratio	**33.2%**	**13.3%**

22. Subsequent Events

On December 3, 2013, Almonty announced that it intends to commence with a Normal Course Issuer Bid (the **"Bid"**). The Company intends to purchase, from time to time, as it considers advisable, up to 901,627 common shares (which is equal to 2.4% of the outstanding common shares) on the open market through the facilities of the TSXV. The price that Almonty will pay for any common share under the Bid will be the prevailing market price on the TSXV at the time of such purchase. Common shares acquired under the Bid will be subsequently cancelled. Almonty currently has 37,044,389 common shares outstanding. The Company has appointed Jennings Capital Inc. to conduct the Bid on its behalf.

The Bid is expected to commence on December 20, 2013 and will terminate on December 19, 2014 or such earlier time as the Bid is completed or terminated at the option of Almonty. A copy of the Form 5G – Notice of Intention to make a Normal Course Issuer Bid filed by the Company with the TSXV can be obtained from the Company upon request without charge.

On December 11, 2013, Almonty announced that it has entered into a Memorandum of Understanding with Global Tungsten & Powders Corp. for up to US$20.0 million in financing (the "**Financing"**) for the acquisition/build-out of, and an off-take commitment (the **"Off-Take Commitment"**) for a portion of the output of, Almonty's next tungsten project. Almonty is currently evaluating several potential tungsten mining projects that are at various stages of due diligence. No definitive agreements have been reached on any of the opportunities currently being evaluated by Almonty. Definitive terms of the Financing and Off-Take Commitment will be finalized once Almonty has reached a definitive agreement to acquire its next tungsten mining project.

On December 19, 2013, Almonty served notice to Sanchez y Lago, the mining contractor at the Los Santos Project, that it was terminating its agreement effective January 15, 2014. Almonty has entered into a new contract with MOVITEX – Movimentos de Tierras Y Excavaciones, S.L.U. for contract mining services at Los Santos effective January 15, 2014. Almonty estimates that it will owe Sanchez y Lago €40 for the demobilization of its equipment and up to €35 for a maintenance workshop owned by Sanchez y Lago that is located at the Los Santos mine site (total payment of up to €75 estimated to be $109 based on the CAD/Euro exchange rate as of the date notice was given) as a termination fee under its existing contract. This amount is expected to become payable in January 2014.

23. Comparative Figures

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