Management Discussion and Analysis

For the Three Month Period
Ended December 31, 2015

REPORT DATED: February 29, 2016

1. Introduction

This management discussion and analysis ("**MD&A**"), dated February 29, 2016, provides a review of, and discusses the financial position and results of operations of, Almonty Industries Inc. (TSX-V: AII) ("**Almonty**" or the "**Company**") for the three-month period ended December 31, 2015. It should be read in conjunction with the unaudited interim consolidated financial statements of the Company and notes thereto for the three months ended December 31, 2015 (the "**Q1 2016 Financial Statements**").

The Company's management is responsible for the preparation of the Company's consolidated financial statements as well as other information contained in this MD&A. The board of directors of Almonty (the "**Board of Directors**") is required to ensure that management assumes its responsibility in regard to the preparation of the Company's financial statements. To facilitate this process, the Board of Directors has created an audit committee (the "**Audit Committee**"). The Audit Committee meets with members of the management team to discuss the operating results and the financial results of the Company, before making their recommendations and submitting the Q1 2016 Financial Statements and MD&A to the Board of Directors for review and approval. Following the recommendation of the Audit Committee, the Board Directors approved the Q1 2016 Financial Statements and this MD&A on February 29, 2016.

The Q1 2016 Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

All currency figures in this MD&A appear in thousands of Canadian dollars unless otherwise stated.

Additional information about the Company, including the Q1 2016 Financial Statements, is available on the Company's website at www.almonty.com and on SEDAR (www.sedar.com) under Almonty's profile.

Forward-Looking Information

This MD&A contains forward-looking statements that reflect management's expectations, estimates and projections concerning future events in relation to the Company's business and the economic environment in which it operates. Forward-looking statements may include, but are not limited to, statements with respect to possible acquisitions, demand for tungsten, tungsten prices, tungsten recovery and production, reductions in operating and unit production costs, improvements in efficiencies or reduction in dilution, future remediation and reclamation activities, future mineral exploration, the estimation of mineral reserves and mineral resources, the realization of mineral reserve and mineral resource estimates, the timing of activities and the amount of estimated revenues and expenses, the success of exploration activities, permitting time lines, the success of mine development and construction activities, the success of future mine operations, the success of other future business operations, requirements for additional capital and sources and uses of funds. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expects", "anticipates", "plans", "estimates", "intends", "strategy", "goals", "objectives" or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be "forward-looking statements".

Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors which could cause actual events, results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, but are not limited to, the inability of the Company to maintain its interest in its mineral projects or to obtain or comply with all required permits and licenses, risks normally incidental to exploration and development of mineral properties, uncertainties in the interpretation of drill results, the possibility that future exploration, development or mining results will not be consistent with expectations, changes in governmental regulation adverse to the Company, lack of adequate infrastructure at the mineral properties, economic uncertainties, the inability of the Company to obtain additional financing when and as needed, competition from other mining businesses, the future price of tungsten and other metals and commodities, fluctuation in currency exchange rates, title defects and other related matters. See Section 9, "Risks and Uncertainties", in this MD&A and under the heading "Risk Factors" in the Company's Annual Information Form dated February 9, 2016 for a further discussion of factors that could cause the Company's actual results, performance or achievements to be materially different from any anticipated results, performance or achievements expressed or implied by forward-looking statements. The forward-looking statements in this MD&A represent the expectations of management as of the date hereof and accordingly, are subject to change after such date. Readers should not place undue importance on forward-looking statements and should not rely upon these statements as of any other date. The Company does not undertake to update any forward-looking information, except as, and to the extent, required by applicable laws. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

A glossary of terms is affixed to the last page of this MD&A. Capitalized terms used but not otherwise defined herein have the respective meanings ascribed thereto in the glossary of terms.

2. Overview

Almonty is a publicly-traded company listed on the TSX Venture Exchange (the "**TSXV**") under the symbol "AII". The principal business of Almonty is the mining, processing and shipping of tungsten concentrate from the Los Santos tungsten project located near Salamanca, Spain (the "**Los Santos Mine**"), the Wolfram Camp tungsten, wolframite and molybdenum mine located about 130 kilometres from Cairns, Queensland, Australia, near the town of Dimbulah (the "**Wolfram Camp Mine**"), and the Panasqueira tungsten mine in Covilha, Castelo Branco, Portugal (the "**Panasqueira Mine**") as well as the evaluation of the Sangdong tungsten mine located in Gangwon Province, Republic of Korea (the "**Sangdong Mine**") and the Valtreixal tin and tungsten project located in Western Spain (the "**Valtreixal Mine**").

The Los Santos Mine was acquired by Almonty in September 2011 and is located approximately 50 kilometres from Salamanca in western Spain and produces tungsten concentrate. The Wolfram Camp Mine was acquired by Almonty in September 2014 and is located approximately 130 kilometres west of Cairns in northern Queensland, Australia and produces tungsten and molybdenum concentrate. The Panasqueira Mine, which has been in production since 1896 and is located approximately 260 kilometres northeast of Lisbon, Portugal, was acquired in January 2016. The Sangdong Mine, which was historically one of the largest tungsten mines in the world and one of the few long-life, high-grade tungsten deposits outside of China, was acquired by Almonty in September 2015. Almonty currently owns a 25% interest in, and has an option to acquire up to a 100% ownership interest in, the Valtreixal Mine in northwestern Spain.

On June 4, 2015, Almonty acquired an 8% interest in Woulfe Mining Corp. ("**Woulfe**") and through the acquisition of convertible debentures in Woulfe gained control over the Woulfe board of directors with the ability to nominate a majority of the board members. On July 7, 2015 Almonty and Woulfe entered into an arrangement agreement in respect of the acquisition by Almonty of all of the issued and outstanding shares of Woulfe that it did not already own by way of a plan of arrangement under the *Business Corporations Act* (British Columbia) (the "**Plan of Arrangement**"). On August 21, 2015 Woulfe shareholders approved the Plan of Arrangement. On September 10, 2015 Almonty closed the Plan of Arrangement and acquired all of the shares of Woulfe that it did not already own, leading to Almonty having a 100% ownership interest in Woulfe. The principal asset of Woulfe is the Sangdong Mine. In accordance with IFRS 3, Business Combinations, Woulfe did not meet the definition of a business. Therefore, the acquisition of effective control of Woulfe on June 4, 2015 has been accounted for as an asset acquisition. The acquisition of all of the shares of Woulfe that Almonty did not already own on September 10, 2015 has been accounted for as an equity transaction.

On January 6, 2016, Almonty acquired 100% of the issued and outstanding shares of Beralt Ventures Inc. ("**BVI**") from Sojitz Tungsten Resources Inc. for €1.00. In connection therewith, Almonty acquired and purchased €12,260 in aggregate principal amount of debt owed by Sojitz Beralt Tin & Wolfram (Portugal), S.A. (now Beralt Tin and Wolfram (Portugal) S.A.), a wholly-owned subsidiary of BVI, to Sojitz Corporation of Japan in exchange for a cash payment of €1,000 on closing and a promissory note issued by Almonty in the principal amount of €500, bearing interest at 4% per annum, maturing December 29, 2017 (the "**January 2016 Note**"). BVI, through its wholly-owned subsidiaries, is the 100% owner of the Panasqueira Mine. The Panasqueira Mine has been in production since 1896, and is located approximately 260 kilometres northeast of Lisbon, Portugal.

Further information about the Company's activities may be found at www.almonty.com and under the Company's profile at www.sedar.com.

Market for Tungsten Concentrate

Market demand for tungsten concentrate continued to be stable during the first quarter of fiscal 2016. Management believes that the pricing for tungsten concentrate will rebound in the medium-term, given the limited quantities of "spot" concentrate available and the Company's primary customer purchasing all production from its operations over and above the minimum volumes specified in the Supply Agreements (as hereinafter defined) during the year ended September 30, 2015 and the three months ended December 31, 2015. Longer-term, the Company expects the recovery in global economic output and global demand will continue to have a positive impact on the price of APT and that continued forecasted demand increases will lead to supply shortages for tungsten concentrates and sustained higher prices. In the short-term the price for APT is expected to remain at or near the 10-year historic lows currently being experienced.

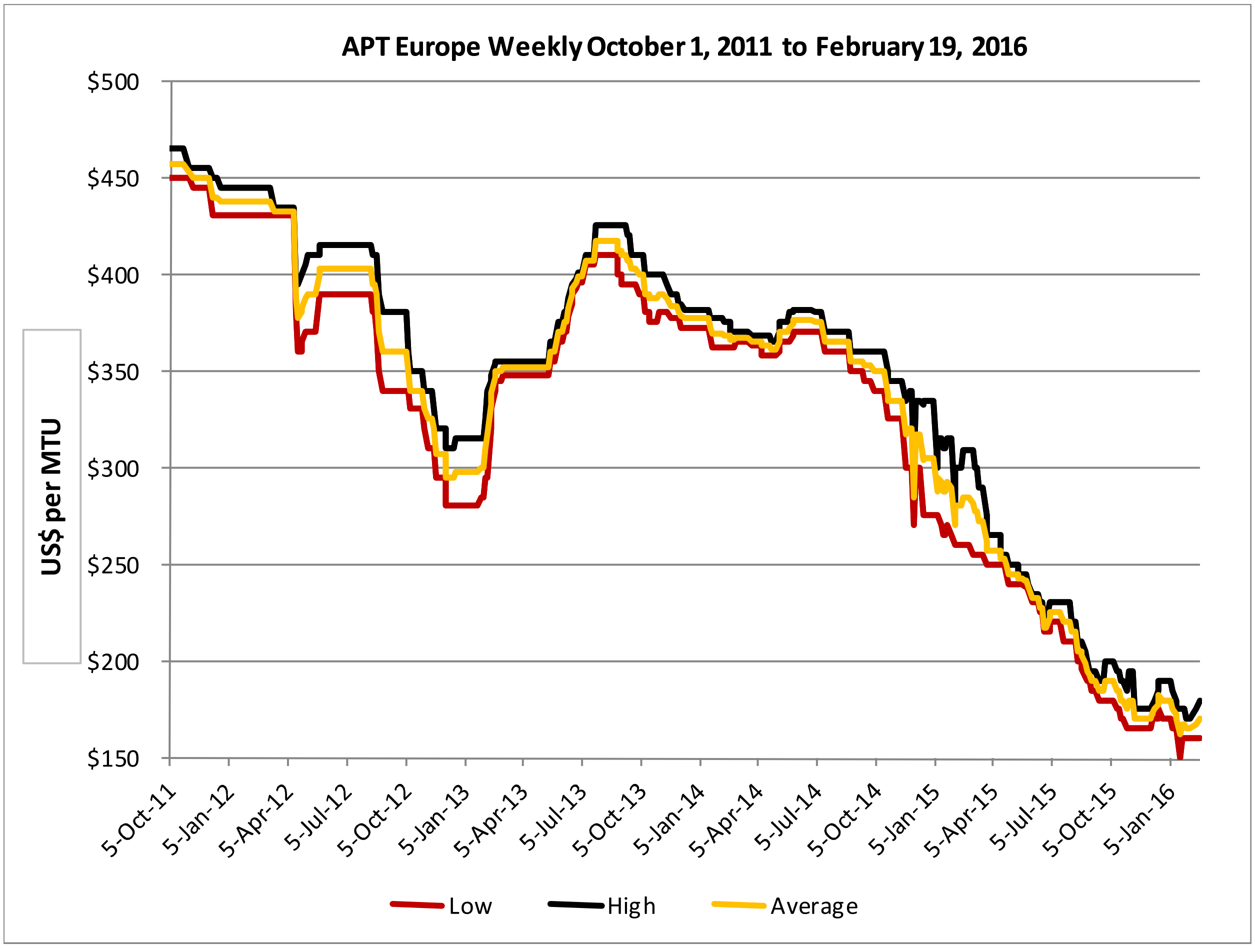
Tungsten prices according to the MB European quotation for APT (from which Almonty's concentrate prices are derived by varying formulae under its Supply Agreements) averaged the following:

Three Months ended	Tungsten APT European Average High -Low US$/MTU	Year ended	Tungsten APT European Average High -Low US$/MTU
31-Dec-11	$448		
31-Mar-12	$436		
30-Jun-12	$400		
30-Sep-12	$384	30-Sep-12	$417
31-Dec-12	$324		
31-Mar-13	$325		
30-Jun-13	$364		
30-Sep-13	$411	30-Sep-13	$356
31-Dec-13	$387		
31-Mar-14	$370		
30-Jun-14	$370		
30-Sep-14	$362	30-Sep-14	$372
31-Dec-14	$327		
31-Mar-15	$282		
30-Jun-15	$242		
30-Sep-15	$206	30-Sep-15	$264
31-Dec-15	$178		

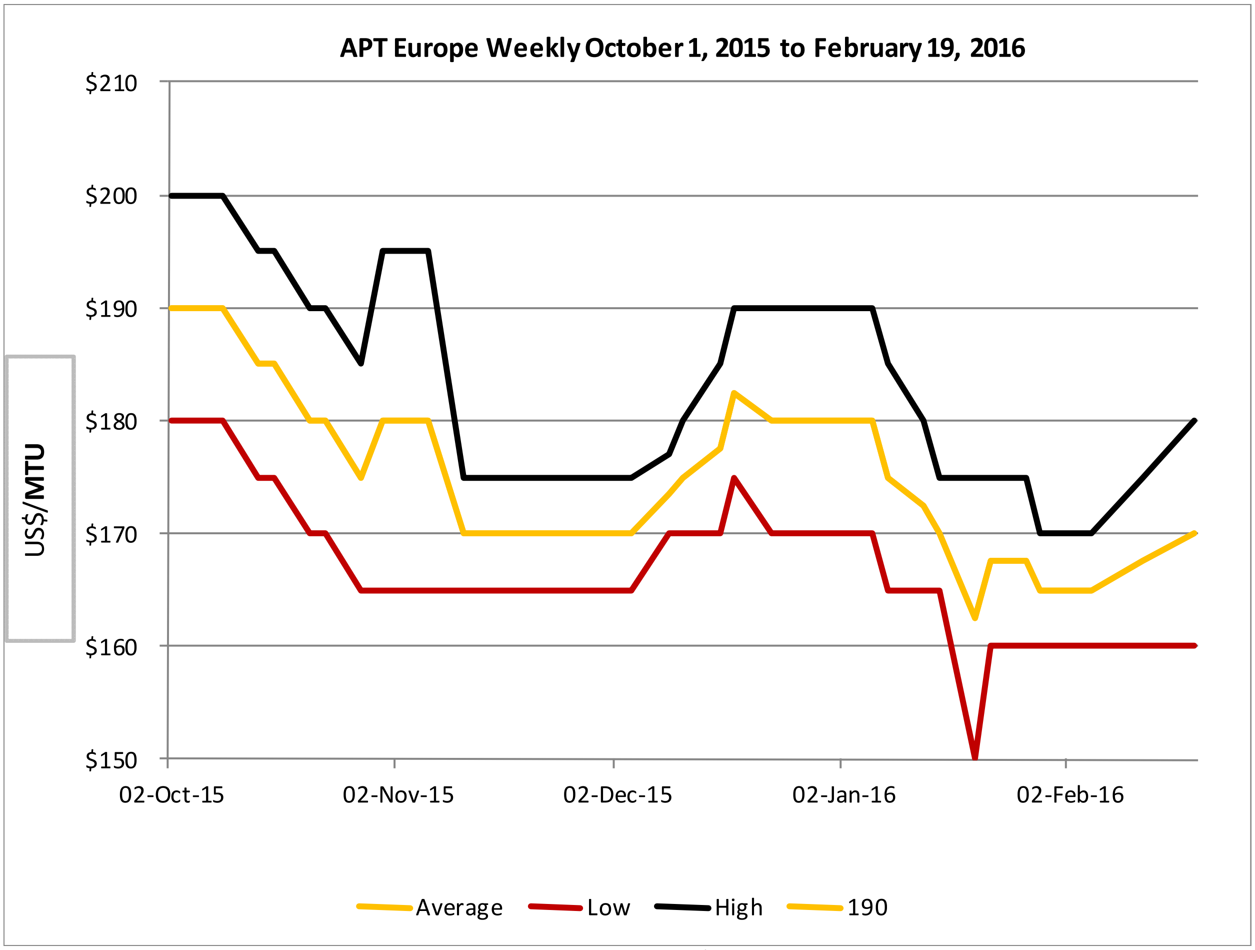
Almonty prices its tungsten concentrate product in relation to the prior month's average quoted price for APT on the MB European quotation service.

In the short-term, the Company anticipates that prices will continue to remain at current levels, with limited downside to the current price, in the near-term before rebounding in the medium term to the US$250/MTU level. The Company remains cautious as to the timing of a return to prices in the US$300/MTU range. The Company continues to take the necessary steps to reduce operating costs and enhance its efficiency in order to ensure that it remains profitable should the price for APT continue to remain at current levels and the Euro/USD and AUD/USD exchange rates return to levels experienced during January and February 2013. Tungsten prices during the months of October 2015 to January 2016 have declined to lows of

US$170/MTU; while the appreciation of the USD, that had partially mitigated the negative impact of the low tungsten price during Q1 2016, has not been significant enough to make up for the decline in the APT price during Q1 2016 when compared to prior periods.



Source: Metal Bulletin, ammonium para tungstate (APT), European (US$/MTU).



Source: Metal Bulletin, ammonium para tungstate (APT), European (US$/MTU).

Los Santos Mine

Summary operating information for the Los Santos Mine is set forth below:

	Three Months Ended December 31, 2015	Three Months Ended December 31, 2014	Three Months Ended September 30, 2015	Year Ended September 30, 2015	Year Ended September 30, 2014
Ore treated (tonnes)	133,293	125,827	135,956	518,765	488,110
WO_3 produced (MTU)	26,847	21,631	25,949	99,603	90,282
WO_3 sold (MTU)	27,013	22,200	26,090	97,768	90,828
Sales revenue (US$ million)	5.6	5.9	4.6	21.0	26.2
Cash operating costs (US$/MTU)	81	120	82	88	119
Waste rock mining costs, including deferred stripping costs (US$/MTU)	43	89	70	62	105
All in cash operating costs (US$/MTU)	124	209	152	150	224
Ore mined (tonnes)	146,375	118,612	124,329	525,219	474,509
Average grade WO_3 mined	0.37%	0.33%	0.31%	0.32%	0.49%
Average WO_3 recovery rate	62.2%	56.0%	61.0%	60.0%	52.9%

MTU production during the three months ended December 31, 2015 continued to be robust as the tungsten recovery rate continued to improve when compared to the three months ended December 31, 2014 and September 30, 2015. The increase in MTUs production during the three months ended December 31, 2015, when compared to the three months ended September 30, 2015 and December 30, 2014, was a direct result of higher grades of ore mined and processed and a higher tungsten recovery rate during the three months ended December 31, 2015 when compared to the prior periods. Despite an increase in both the tonnes of ore mined and treated during the three months ended December 31, 2015 when compared to the three months ended December 31, 2014 the per unit operating costs during the period were down by over 41% when compared to the three months ended December 31, 2014. Cash production costs were also down over 18% during the three months ended December 31, 2015 when compared to the three months ended September 30, 2015. Almonty continues to focus on cost control and its cost reduction program. This led to both Euro and USD denominated cash operating costs decreasing significantly over the prior year periods. The decrease in unit production costs during the three months ended December 31, 2015 compared to the three months ended September 30, 2015 was a direct result of higher mined and feed grades during the period resulting in a lesser tonnage of ore mined and ore processed during the period. Unit cash operating costs are anticipated to further decrease as the tungsten recovery rate improves.

Almonty continued its work with third party consultants in evaluating its tailings reprocessing methodology, running bulk samples through the existing plant as well as continued sampling through a testing circuit. Results to date have reaffirmed that the Company’s tailings reprocessing methodology will enable it to reprocess the stockpile of tailings inventory. The draft third party report supports the Company’s view that it will be able to economically reprocess the tailings stockpile as outlined in the technical report dated October 31, 2015 prepared pursuant to NI 43-101 entitled "Technical Report on the Mineral Resources and Reserves of the Los Santos Mine Project, Spain" (the "**Los Santos Technical Report**"). The tailings recovery rate contained in the Los Santos Technical Report assumes no additional modifications will be carried out in the mill processing circuit and assumes a tungsten recovery rate of 46%. Based on additional testing work carried out by Almonty, the Company believes that it will be able to achieve a tungsten recovery rate in the tailings in excess of 50% with minimal capital expenditures required to modify the processing circuit.

Almonty is also in the process of extending the main plant and processing circuit in order to remove the final bottleneck from the milling process. The plant extension will enable a doubling of the throughput on the finishing circuit. This is anticipated to increase output to 5.75 tonnes per day up from the current 5.0 tonnes per day and also enhance the tungsten recovery rate to between 65-69%, an increase from the 62.0% recovery rate from the three months ended December 31, 2016. This will have the effect of further reducing per unit cash production costs. Almonty anticipates that the extension will be certified and on line before March 31, 2016 with no additional capital expenditures required. Tungsten Recovery rates are already showing improvement with the month of January 2016 achieving a 65.7% recovery rate.

On February 12, 2016 Almonty signed an amendment to its current offtake agreement in place at the Los Santos mine extending the term of the agreement by 5 years until September 2021.

Wolfram Camp Mine

Almonty acquired 100% of the share capital of Wolfram Camp Mining Pty Ltd ("**WCM**") and Tropical Metals Pty Ltd ("**TM**") (which collectively own a 100% interest in the Wolfram Camp Mine) from Deutsche Rohstoff AG ("**DRAG**") on September 22, 2014. Total consideration for the acquisition was approximately $15,400 satisfied by Almonty as follows:

- Almonty issued 12,209,302 common shares at a value of $0.77 per share for deemed consideration of approximately $9,400, representing approximately 24.9% of Almonty's issued and outstanding common shares as at such date.

- The remaining purchase price was satisfied by Almonty issuing a convertible debenture in the principal amount of $6,000 to DRAG (the "**2014 DRAG Debenture**"). The 2014 DRAG Debenture has a maturity of 2.5 years with a coupon of 4% with interest payable quarterly and may be converted, at the option of DRAG, into common shares of Almonty at a conversion price of $1.45 per Almonty share.

Almonty also completed a 10,000 metre exploration program that resulted in an updated technical report being completed as at October 31, 2015 prepared pursuant to NI 43-101 entitled "Technical Report on the Mineral Resources and Reserves of the Wolfram Camp Mine Project, Australia" and continued its optimization work. This has led to continued pit optimization work and allowed Almonty to gain a better understanding of the nature of the resource potential of the mine. During the last half of fiscal 2015 Almonty implemented a significant reduction in fresh ore mining in order to conserve costs while the plant optimization is ongoing. This included a reduction in head count of approximately 20 people and the optimization of work scheduling in order to improve the efficiency of the labour force. During the optimization phase production on concentrate has been adversely affected by impurities that are expected to be fully addressed upon completion of the optimization process. In order to address this issue in the short-term the Company began blending concentrate produced at the mine with tungsten concentrate from other sources in order to meet product specifications in its Supply Agreements. Once the optimization is complete the Company believes such blending will be made redundant.

Almonty is midway through the initial phase of a two phase, twelve- month optimization and turn-around plan at Wolfram Camp Mine and results to date are on track:

> Phase one: Replacement of hire fleet completed. Exploration drilling to produce the first mine plan is ongoing and the Company is in the process of completing a revised block model and pit optimization plan.
>
> Phase two: Commenced during the fiscal quarter ended June 30, 2015. Accessing old underground galleries. Continued drilling to expand resource and mine planning. Expansion of existing tailings dam to meet increased production. Continued optimization of the milling circuit, plant extension and installation of additional tables, spirals and a hydrosizer and water flow controls.

Almonty has identified the remaining optimization steps that are required to be implemented in order to bring the Wolfram Camp Mine's cost structure in line with that of the Los Santos Mine.

The Company is continuing to monitor the production costs at the Wolfram Camp Mine in light of the 10-year lows currently being experienced with the commodity price of APT. The Company has begun evaluating suspending mineral processing activities in addition to the stoppage of mining activities should the commodity price of APT continue to fall during the period that Almonty is completing the optimization of the milling circuit. The Company is focused on optimizing mining and processing costs to ensure the long-term viability of the Wolfram Camp Mine should the current market prices for APT continue to prevail over the medium term.

Summary operating information for the Wolfram Camp Mine is set forth below:

	Three Months Ended Dec 31, 2015	Three Months Ended Dec 31, 2014	Three Months Ended Sept 30, 2015	Year Ended Sept 30, 2015
Ore treated (tonnes)	48,078	82,857	74,634	332,530
WO_3 produced (MTU)	4,436	11,069	6,450	36,200
WO_3 sold (MTU)	6,230	6,817	5,859	32,831
Sales revenue (US$ million)	1.0	1.9	1.0	8.0
Cash processing costs (US$/MTU)	354	176	248	203
Cash mining costs (US$/MTU)	111	176	83	120
All in cash operating costs (US$/MTU)	465	354	331	323
Ore mined (tonnes)	24,006	114,323	26,037	243,866
Average grade WO_3 mined	0.21%	0.18%	0.20%	0.19%
Average WO_3 recovery rate	48.2%	65.1%	50.3%	57.0%

MTU production during the three-month period ended December 31, 2015 decreased significantly when compared to the three months ended December 31, 2014 and the three months ended September 30, 2015

30, 2015 as a result of the processing of mineralized waste after the reintegration of the x-ray ore sorter to the processing circuit. Almonty continued its curtailment of hard rock mining activities while the optimization of the milling circuit is ongoing as evidenced by the significant reduction in ore mined when compared to the prior periods. Sales of MTUs of contained tungsten were also significantly lower due to lower production levels during the quarter. In addition, the decrease in the commodity price of APT also had a negative impact on revenue during Q1 2016 when compared to the fiscal quarter ended Q1 2015 and Q4 2015. Almonty continues to review the optimization plan at the mine and is in the planning stages of expanding the tailings area. Detailed plans have been approved for the construction of a new tailings dam that will enable expanded mining activity to occur once the plant has been fully optimized. Almonty will need to post an additional sum of approximately AUD $1,155 (CAD$ $1,166). Almonty expects that the per unit production costs will decrease significantly once activity levels return to normal levels on completion of the optimization plan.

Valtreixal Mine

During the fourth quarter of fiscal 2015, Almonty finalized its negotiations with Sociedad de Invencion y Exploracion Minera de Castilla y leon, S.A. ("**SIEMCALSA**") for payment of €700 that would take the Company's ownership in the Valtreixal Mine to 51%, pursuant to which Almonty and SIEMCALSA agreed to a €100 payment on December 19, 2015 (which was paid on that date), a further €50 per month starting January 2016 (which the payment for the month of January has been paid as at the date hereof) and ending in May 2016 followed by a final payment of €350 in June 2016. Almonty will own 51% of the Valtreixal Mine upon completion of these installment payments and has an irrevocable option to acquire the balance of the ownership interest in the project for an additional payment of €1,000. Almonty also completed its analysis of the exploration campaign of the Valtreixal Mine that was completed in Q3 2015. This led to Almonty filing an updated technical report on the Valtreixal Mine as at October 31, 2015 prepared pursuant to NI 43-101 entitled "Technical Report on the Mineral Resources and Reserves of the Valtreixal Project, Spain". The Company intends to make a decision on filing for the necessary permits and is fine tuning its planning and budgeting for the potential build-out and commissioning of the Valtreixal Mine to the extent it exercises its option to acquire a 100% ownership interest therein.

Sangdong Mine

On June 4, 2015, Almonty acquired an 8.02% interest in Woulfe and through the acquisition of convertible debentures in Woulfe gained control over the Woulfe board of directors with the ability to nominate a majority of the board members. On July 7, 2015 Almonty and Woulfe entered into an arrangement agreement in respect of the acquisition by Almonty of all of the issued and outstanding shares of Woulfe that it did not already own by way of the Plan of Arrangement. On August 21, 2015 Woulfe shareholders approved the Plan of Arrangement. On September 10, 2015 Almonty closed the Plan of Arrangement and acquired all of the shares of Woulfe that it did not already own, leading to Almonty having a 100% ownership interest in Woulfe. In accordance with IFRS 3, Business Combinations, Woulfe did not meet the definition of a business. Therefore, the acquisition of effective control of Woulfe on June 4, 2015 has been accounted for as an asset acquisition. The acquisition of all of the shares of Woulfe that Almonty did not already own on September 10, 2015 has been accounted for as an equity transaction.

The following table presents the final allocation of the purchase price, after reflecting the acquisition of 8.02% of the issued and outstanding shares of Woulfe as at the June 4, 2015 acquisition date.

	Fair value at acquisition date
Assets acquired	
Cash and cash equivalents	1,053
GST Receivable	25
Other current assets	88
Plant and equipment	110
Development projects	42,109
Total assets	**43,385**
Liabilities assumed	
Trade and other payables	2,868
Other liabilities and accruals	860
Long-term debt	12,199
Deferred tax liabilities	1,769
Restoration provision	83
Total liabilities	**17,779**
Net assets acquired	**25,606**
Non-controlling interest	**18,954**
Total net assets acquired	**6,652**
Consideration:	
Cash	3,100
Common shares	1,652
4% unsecured loan	500
4% term promissory note	1,400
Total consideration	**6,652**

The amounts of Woulfe's revenue and net (loss) included in the unaudited interim condensed consolidated statements of income for the three-month period ended December 31, 2015 was *nil* and ($490) respectively.

The fair values disclosed have been determined by management after review of the mine plan and review of the fair market value of the assets acquired.

Mine development and property, plant and equipment are amortized over the useful life of the mine based on a unit-of-production. See Note 3 for a summary of the Company's accounting policies; Note 7 regarding property, plant and equipment, and mine development in the 2015 Annual Financial Statements.

Direct transaction costs of $228 were capitalized and are included in the carrying value of the mine development asset as at September 30, 2015.

The project is still in an exploration and development phase, as such there was no production activity during the period and therefore did not lend itself to meaningful disclosure of production, cost and recovery detail.

On September 10, 2015, Almonty completed the acquisition of all of the outstanding shares of Woulfe that it did not already own pursuant to the Plan of Arrangement, pursuant to which each issued and outstanding Woulfe common share (except for those Woulfe shares owned by Almonty) was exchanged for 0.1029 of one Almonty common share. Almonty issued an aggregate of 34,806,205 Almonty common shares in connection with the Plan of Arrangement. As part of the Plan of Arrangement, Almonty granted 719,271 incentive stock options to holders of outstanding Woulfe options on the closing of the Plan of Arrangement, as replacement options (the "**Replacement Options**"), which vested immediately, and which expire at various dates before December 14, 2016, with exercise prices between $0.97 and $1.70 per share. In addition, as part of the Plan of Arrangement, warrants that were outstanding in Woulfe became warrants to acquire an aggregate of 6,179,578 common shares of Almonty (the "**Replacement Warrants**"), of which 1,345,418 expired before September 30, 2015. The value ascribed to the Replacement Options was $48. The value ascribed to the Replacement Warrants was $420. Costs of the transaction in the amount of $593 were also incurred.

The transaction was accounted for as though Almonty acquired the non-controlling interest in Woulfe, in the amount of $18,207, as at the date of the transaction in exchange for total consideration of $29,254. As Almonty controlled Woulfe on the date of this transaction, the difference of $11,047 was charged to retained earnings.

On September 15, 2015, Almonty reached an agreement with TaeguTec Ltd. ("**TaeguTec**") for an extension to March 31, 2016 of the indebtedness of Sangdong Mining Corporation (now renamed Almonty Korea Tungsten Corporation) to TaeguTec (in the outstanding principal amount of approximately $6,330 after deducting the $5,000 payment that was made to TaeguTec by Almonty as part of the agreement) on similar terms as the original debt previously due on September 15, 2015.

On December 31, 2015, Almonty completed an updated technical report prepared pursuant to NI 43-101 entitled "Technical Report on the Mineral Resources and Reserves of the Sangdong Project, South Korea" (the "**Sangdong Technical Report**") that is available under Almonty's profile on SEDAR (www.sedar.com) and on the Company's website (www.almonty.com).

On January 5, 2016, Almonty signed an agreement with Korea Engineering Consultants Corporation ("**KECC**") to conduct detailed engineering and design work on a mineral processing plant and mine facilities for a 640,000 tonne per annum tungsten ore processing operation at the Sangdong Mine. Almonty is working towards the start of construction in the first half of calendar 2016.

On January 29, 2016 Almonty completed an update to the feasibility study of the Sangdong Mine that resulted from information gathered during Almonty's due diligence associated with the acquisition of Woulfe Mining Corp. The analysis of additional exploration data that was not previously considered as part of the old feasibility study that was filed on June 5, 2015, led to the updated National Instrument 43-101 technical report on Sangdong that was filed by Almonty on Jan. 6, 2016. This in turn led to a review of the mining methods and mine development plan, which have now been adapted to Almonty's overall vision for the long-term potential of the project.

Panasqueira Mine

On January 6, 2016 Almonty acquired a 100% ownership interest in BVI from Sojitz Tungsten Resources, Inc. BVI, through its wholly-owned subsidiaries, is the 100% owner of the various rights and interests comprising the Panasqueira Mine. Almonty acquired 100% of the shares of BVI from Sojitz Tungsten Resources, Inc. for €1.00. In connection therewith, Almonty acquired and purchased €12,260 in aggregate principal amount of debt owed by Sojitz Beralt Tin & Wolfram (Portugal), S.A. (now Beralt Tin and Wolfram (Portugal) S.A.), a wholly-owned subsidiary of BVI, to Sojitz Corporation of Japan in exchange for a cash payment of €1,000 on closing and a promissory note issued by Almonty in the principal amount of €500, bearing interest at 4% per annum, maturing December 29, 2017.

Almonty is in the process of finalizing a NI 43-101 compliant technical report on the Panasqueira Mine and will file it on SEDAR once it has been completed.

On February 12, 2016 Almonty entered into a 5-year off-take agreement with its Panasqueira mine on similar terms as the existing off-take agreements at both its Los Santos Mine and its Wolfram Camp Mine. This off-take agreement is in addition to the distribution agreement currently in place with Sojitz Corporation (the former owner of the mine) for the sale of tungsten concentrate from the mine to Japanese based customers.

Other Developments

On September 10, 2015, Almonty completed a non-brokered private placement of a secured convertible debenture to DRAG in the principal amount of $4,000, bearing interest at 5% per annum, payable semi-annually in arrears, with a maturity date of September 15, 2017 and convertible, at the option of the holder, into common shares of Almonty at a price of $0.81 per share (the "**2015 DRAG Debenture**"). If Almonty raises at least $22,500 in equity capital pursuant to a subsequent offering, Almonty will have the option to convert the outstanding principal amount of the 2015 DRAG Debenture into common shares of Almonty at a price of $0.81 per share. The 2015 DRAG Debenture is secured by a pledge of Almonty's shareholdings in Woulfe. For so long as DRAG, together with its affiliates, continues to hold not less than 10% of the issued and outstanding Almonty common shares on a partially diluted basis, it shall have the right to nominate Dr. Thomas Gutschlag, the Chief Executive Officer of DRAG, as a member of the Board of Directors provided that Mr. Gutschlag remains the Chief Executive Officer of DRAG.

On September 10, 2015, Almonty also completed an unsecured bridge financing in the principal amount of $2,100 (the "**Bridge Loan**"). The Bridge Loan matures on the earlier of: (i) September 15, 2017; and (ii) the date that Almonty completes a subsequent equity offering (in one or more tranches) by September 11, 2016, provided that if the gross proceeds of such offering are less than $11,000, such proportionately lesser amount of the loan shall mature and be due on such date. The Bridge Loan bears interest at a rate of 12% per annum, payable on maturity.

On December 24, 2015, the Company granted 900,000 stock options to directors and management pursuant to the Company's stock option plan. The options vest immediately, and are exercisable for a period of ten years at $0.80 per share.

3. Financial Highlights

The following financial information is for the periods from October 1 to December 31, 2015; from October 1 to December 31, 2014; and, from July 1 to September 30, 2015.

	Three Months Ended 31-Dec-15 $'000	Three Months Ended 31-Dec-14 $'000	Three Months Ended 30-Sep-15 $'000
Gross Revenue	8,181	8,725	8,415
Mine production costs	8,683	6,336	17,481
Mine impairment	-	-	1,708
Depreciation and amortization	2,019	1,961	2,412
Earnings (loss) from mining operations	(2,521)	428	(13,186)
General and administrative costs	1,448	1,341	1,732
Other (gain) loss realized (fx, asset disposal, other)	-	(38)	146
Non-cash compensation costs	170	112	-
Earnings (loss) before the under noted items	(4,139)	(987)	(15,064)
Interest expense	535	282	561
Foreign exchange loss	570	12	1,017
Non-controlling interest	-	-	(774)
Deferred tax provision	-	-	(556)
Net income (loss) for the period	(5,244)	(1,281)	(15,312)
Income (loss) per share basic	($0.06)	($0.03)	($0.26)
Income (loss) per share diluted	($0.06)	($0.03)	($0.26)
Dividends	-	-	-
Cash flows provided by (used in) operating activities	894	(1,302)	2,088
Cash flows provided by (used in) investing activities	(1,926)	(3,107)	(4,671)
Cash flows provided by (used in) financing activities	293	(807)	(800)

The following table sets forth a summary of the Company's consolidated financial position as of the date presented:

	31-Dec-15	30-Sep-15	30-Sep-14
	$'000	$'000	$'000
Cash	118	866	14,847
Restricted cash	1,313	1,223	956
Total assets	119,048	117,527	86,547
Bank indebtedness	3,069	1,794	1,041
Long-term debt	33,841	33,321	20,296
Capital lease obligations	1,221	1,133	295
Convertible debentures	10,052	9,981	5,833
Shareholders' equity	45,767	49,002	47,055
Other			
Outstanding shares ('000)	87,107	86,482	49,621
Weighted average outstanding shares ('000)			
Basic	87,046	51,787	43,149
Fully diluted (treasury method)	87,046	51,787	43,149
Closing share price	$0.28	$0.68	$0.70

Three Months Ended December 31, 2015 ("Q1 2016") Compared to the Three Months Ended December 31, 2014 ("Q1 2015")

Gross revenue for Q1 2016 was $8,181 ($8,725 for Q1 2015). Production was up at the Company's Los Santos mine by over 24% when compared to Q1 2015 and down by 59% at Wolfram Camp (overall decrease of 4% across all operation) when compared to Q1 2015. The increase in sales volume of 4,226 MTUs was not sufficient to offset the impact of a lower commodity price in Q1 2016 when compared to Q1 2015 resulting in overall revenue decreasing by 6.2% when compared to Q1 2015. The average US$/MTU price of APT decreased over 54% during Q1 2016 when compared to Q1 2015.

Mine production costs (including direct mining costs, milling costs and waste rock stripping costs associated with current production as well as the revaluation of inventory using the lower of cost and net realizable value as a result of any decreases in the commodity price) increased by $2,347 when compared to Q1 2015. The increase includes a charge of $2,765 related to a reduction in the carrying value of inventory on hand as at December 31, 2015 at the Company's Wolfram Camp operations. Excluding the revaluation of inventory on hand production costs decreased by $418 as a result of the Company's continued cost reduction efforts. The Company carries out a quarterly revaluation of its ore and in-process ore and finished goods inventory as well as its stockpiles of long-term tailings inventory to ensure that the carrying is recorded at the lower of cost and net realizable value. Any adjustments to the carrying value of ore, in-process ore and finished goods inventory are included in costs of goods sold (mine production costs). Any adjustment to long-term tailings inventory is recognized as an impairment and the amount is expensed through the statement of operations as an extraordinary charge. The significant decrease in the commodity price of APT during Q1 2016 resulted in a write down of the carrying value of the ending inventory at the Wolfram Camp Mine that had a negative impact on operating margins and profitability at the Wolfram Camp Mine as well as the carrying value of the long-term tailings inventory at the Los Santos Mine.

As at December 31, 2015, the Company wrote down the following inventories to their net realizable values:

	Los Santos	Wolfram Camp	Total
Ore and in-process ore	-	-	-
Finished goods - WO3 concentrate	-	2,765	2,765
Non-current tailing inventory	-	-	-
	-	2,765	2,765

The change in inventories and the write downs have been recognized as an expense through mine operating costs in the statements of operations and comprehensive income (loss).

In accordance with the Company's accounting policy, operating mines are tested for impairment when events or changes in circumstances suggest that their carrying amount may not be recoverable. The Company generally uses a discounted cash flow model to determine the value in use (VIU) for its operating mines where there are indicators of impairment. The assessment is done at the CGU level, which is the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets. A CGU is generally an individual operating mine and its related long-term assets. An impairment loss is recognized when the carrying amount of the CGU exceeds the recoverable amount.

The Company considers the significant decrease in tungsten prices during 2015 as an indicator of possible impairment. Accordingly, management performed an impairment assessment for each of its two operating mines, Los Santos and Wolfram Camp.

The VIU was determined for each mine based on the NPV of future cash flows expected to be generated using the most recent life of mine plans. Future tungsten prices based on observable market or publicly available data was used to estimate future revenues and operating costs estimated based on current costs adjusted for anticipated changes. The future cash flows for each CGU were discounted using comparable discount rates for similar companies with the same market risk factors.

The key assumptions used in these impairment tests are summarized as follows:

	Assumption
Future tungsten prices, per MTU	US$231 - US$398
Discount rate - Spain	8%
Discount rate - Australia	12%
Life of mine – Daytal, Spain	8 years
Life of mine – Wolfram Camp, Australia	4 years

The Company did not recognize any impairment losses during Q1 2016 or Q1 2015.

Any variation in these key assumptions would result in a change of the assessed fair value. If a variation in assumption had a negative impact on fair value, it could indicate a requirement for impairment to the Company's mining assets.

It is estimated that changes in the key assumptions would have the following approximate impact on the fair value of each mine as at September 30, 2015, holding all other assumptions constant:

	Los Santos	**Wolfram Camp**
10% change in tungsten prices	24.0%	38.0%
1% change in discount rate	4.0%	3.0%

Depreciation and amortization expense for Q1 2016 decreased by $58 compared to Q1 2015 as a result of an overall decrease in mining activity of 62,054 tonnes or 26.7% when compared to Q1 2015. Production from the Wolfram Camp Mine was down when compared to Q1 2015 as mining activity continued to be curtailed during Q1 2016. Almonty employs a unit-of-production basis for recording depreciation and amortization.

Earnings from mining operations, excluding the inventory revaluation and impairment charges, decreased by 134% during Q1 2016 as a result of the lower price of APT during Q1 2016 when compared to Q1 2015, despite increased sales volumes of 4,226 MTUs in Q1 2016 when compared to Q1 2015. The lower APT price, when combined with higher production costs from the Wolfram Camp Mine, the impairment charge with respect to inventory at the Wolfram Camp Mine contributed the loss from mining operations of ($2,521) when compared to earnings from mining operations in Q1 2015 of $428. Almonty is in the process of optimizing the performance of the Wolfram Camp Mine and anticipates that unit production costs will decrease significantly once the optimization has been completed.

General and administrative costs increased by $107 during Q1 2016 when compared to Q1 2015 as a direct result of the acquisition of Woulfe both in terms of the addition of a full quarter of General and administrative expenses at Woulfe and increased expenditures at Almonty's corporate office related to Woulfe. General and administrative costs include employee salaries and employment-related expenses of all non-mining/processing personnel as well as corporate overhead costs, business development and corporate development costs, listing and transfer agent fees, accounting, legal and other professional fees and travel.

Non-cash compensation costs of $170 were incurred during Q1 2016. This compares to a non-cash compensation expense of $112 during Q1 2015. The company issued 950,000 options in Q1 2016 compared to 700,000 during Q1 2015. The increased volatility in Almonty 's share price was the main cause of the increase in the per-option costs.

Net other expense (income) for Q1 2016 was $570 and consisted of foreign exchange (gains) losses on the translation of United States dollar revenue into Euros and the revaluation of interest bearing long-term debt and non-interest bearing trade payables denominated in United States dollars. This compared to net other (income) expense of $112 in Q1 2015. In addition, during Q1 2015 the Company realized a gain of $38 o the disposal of assets compared to *$nil* during Q1 2016.

Interest expense increased by $253 as a direct result of the increase in long term debt and convertible debentures outstanding when compared to Q1 2015.

Net income (loss) for Q1 2016 was ($5,244) or ($0.06) per common share. This compares to a net loss of (41,281) or ($0.03) per common share, for Q1 2015.

Cash provided by (used in) operating activities totaled $894 and ($1,302) for Q1 2016 and Q1 2015, respectively.

Cash used in investing activities totaled $1,926 for Q1 2016 ($1,837 for Q1 2015) and is related to exploration activities of $500 ($848 for Q1 2015), additions to plant and equipment of $1,009 ($637 for Q4 2014), and pit optimization and waste rock movement and other expenditures on mine development of $417 ($352 for Q1 2015. Pit development costs are capitalized and then amortized based on the unit of production ("**UOP**") method as the current strip ratio is greater than the average strip ratio over the life of the Los Santos Mine.

Cash (used in) provided by financing activities totaled $293 and comprised principal repayments on existing debt of ($1,664) and proceeds from new borrowings of $1,612, and ($*nil*) spent on the repurchase of common shares under the Company's Normal Course Issuer Bid ("**NCIB**") and the issuance of common shares and common share purchase warrants that totaled $500 during Q1 2016. Cash (used in) provided by financing activities during Q1 2015 was ($807) consisting of repayment of long-term debt of ($1,948), proceeds from new borrowings of $1,166, ($19) in payments under capital leases and ($6) spent on the repurchase of common shares under the NCIB.

Liquidity and Capital Resources

As of December 31, 2015 the Company had sufficient cash resources and liquidity to meet its current obligations and to fund working capital requirements and planned capital expenditures for the first half of fiscal 2016 and is reviewing contingency plans such as reducing planned drilling and exploration activities and expenditures on pit optimization should the continued weakness in the price of APT continue. The Company had cash and receivables of $2,292 and net non-cash working capital of ($10,943) (Calculated as current assets (excluding cash) less accounts payable and accrued liabilities and deferred revenue, excluding long-term tailings inventory) as at December 31, 2015. The Company believes that, based on the current price of APT, its forecast production schedule for fiscal 2016 and its ability to draw on existing working capital loan facilities, it has the ability to generate sufficient cash flow to meet both its current and long-term obligations. The continued decline in the price of APT has reached levels where it is insufficient to cover the Company's cash operating costs. The Company is reliant on its ability to draw on the working capital loan facility to sustain its operations. In addition, should the Company no longer be able to produce tungsten concentrate in sufficient quantity, then the Company may not be able to meet its current and long-term obligations. Outside of abiding by (i) Spanish law requirements on minimum capital adequacy at Valtreixal Resources Spain SL, Daytal Resources Spain SL, (ii) Australian law requirements on minimum capital adequacy at Wolfram Camp Mine Pty Ltd and Tropical Metals Pty Ltd, (iii) Korean law requirements on minimum capital adequacy at Almonty Korea Tungsten, and (iv) Portuguese law requirements on minimum capital adequacy at the Beralt Tin and Wolfram Portugal SA, there is no legal restriction on Almonty's ability to repatriate capital from its subsidiaries.

The loan payable to TaeguTec of $6,406 matures on March 31, 2016. Almonty may be required to raise additional equity and / or debt capital in order to meet the repayment obligation.

The primary objective of Almonty's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. Almonty manages its capital structure and makes adjustments to it in light of changes in economic conditions. Almonty may make a dividend payment to shareholders, return capital to shareholders or issue new shares in order to meet its capital management objectives in future periods. 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 50%, which is consistent with industry standards. The Company may have a gearing ratio outside of this range for brief periods but over the long-term strives to maintain its gearing in this range. Almonty includes within net debt, interest-bearing loans and borrowings, trade and other payables, less cash and short term deposits and receivables (calculation in the table includes normal A/R) from government tax authorities. Almonty is not exposed to any externally imposed capital requirements.

The Company had $45,114 in long-term debt (including convertible debentures and capital leases), comprised of individual facilities with Spanish domiciled banks, one facility with a US subsidiary of an Austrian bank and debt owed to TaeguTec, as at December 31, 2015 ($44,435 as at September 30, 2015). See Note 10 in the Q1 2016 Financial Statements.

		December 31 2015	September 30 2015
Term loans - Euro	(a)	9,101	9,107
Term loan - US dollar	(b)	13,840	13,394
Term and other loans - Canadian dollar	(c)	10,900	10,820
Convertible debentures	(d)	10,052	9,981
Obligations under capital leases	(e)	1,221	1,133
		45,114	44,435
Less: Current portion		(13,252)	(13,634)
		31,862	30,801

	December 31 2015	September 30 2015
Accounts payable and accrued liabilities	17,919	15,453
Bank indebtedness	3,069	1,794
Long-term debt	45,115	44,435
Less: Cash and receivables	(2,292)	(3,855)
Net debt	**63,811**	**57,827**
Shareholders' equity	45,767	49,002
Equity and net debt	**109,578**	**106,829**
Gearing ratio	**58.2%**	**54.1%**

The Company's approach to capital management did not change during the three month and year periods ended December 31, 2015. The gearing ratio exceeded the targeted range as at December 31, 2015 due to the continued deterioration in the commodity price environment having a negative impact on net income. 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.

On December 31, 2015, Almonty reached an agreement with respect to an expansion of its existing guaranteed loan agreement by up to US$14,000 (the "**Support Agreement**"). The Company entered into a long-term US$7,000 working capital loan agreement (the "**Working Capital Loan**") with UniCredit Bank AG ("**UniCredit**"), representing the first tranche of funds under the Support Agreement whereby Almonty will be able to draw down on the facility based on production and granting security over certain assets of the Company. The second tranche is expected to be available in March 2016 on similar terms. Principal and interest under the Working Capital Loan is due to UniCredit under a revolving facility based on production and APT pricing levels. Repayment of the Working Capital Loan will only begin when the price of APT exceeds US$254 MTU and accelerating in repayment at $320 MTU. The Working Capital Loan carries an interest rate of LIBOR plus 1.5%. On January 6, 2016 Almonty made the first draw down under the Working Capital Loan in the amount of US$1,658. On February 16th, 2016 Almonty made the second draw down request under the Working Capital Loan in the amount of US$1,194.

On January 1, 2016 Almonty issued a secured promissory note to DRAG (the "**DRAG Note**") for gross proceeds of US$1,000, which will mature on January 1, 2017, and bears interest at a rate of 6% per annum, payable at the maturity date. The DRAG Note is secured by the existing security granted to DRAG in connection with the 2015 DRAG Debenture.

Outstanding Share Data

As of the date hereof, there were 87,107,419 common shares outstanding, 5,393,546 options outstanding, with each option entitling the holder thereof to acquire one common share of Almonty, 5,146,660 potential shares to be issued upon the exercise of outstanding warrants and 9,076,203 potential shares to be issued upon conversion of outstanding convertible debentures. The Company issued 2,949,723 common shares on June 4, 2015 as part of its acquisition of shares in Woulfe; the Company issued 34,806,205 common shares on September 10, 2015 pursuant to the Plan of Arrangement; and the Company issued 625,000 common shares in a non-brokered private placement on October 9, 2015.

The Company has established a stock option plan for its directors, officers, employees and technical consultants under which the Company may grant options to acquire a maximum number of common shares equal to 10% of the total issued and outstanding common shares of the Company. As of the date hereof there are 5,393,546 options outstanding, all of which are under this stock option plan, which was last approved by the Company's shareholders at the Company's Annual and Special Meeting of Shareholders held on March 26, 2015. All of the outstanding options are fully vested.

4. Quarterly Earnings and Cash Flow

	1st Quarter (2016)			
Period Ended	**December 31, 2015 $'000**			
Total Revenue	8,181			
Net income (loss)	(5,243)			
Basic earnings (loss) per share	($0.06)			
Diluted earnings (loss) per share	($0.06)			
Total assets	119,200			
Total long-term debt	45,114			
Dividend	-			

	1st Quarter (2015)	2nd Quarter (2015)	3rd Quarter (2015)	4th Quarter (2015)
Period Ended	**December 31, 2014 $'000**	**March 31, 2015 $'000**	**June 30, 2015 $'000**	**Sept 30, 2015 $'000**
Total Revenue	8,725	10,271	8,731	8,415
Net income (loss)	(1,281)	(3,198)	246	(15,312)
Basic earnings (loss) per share	($0.03)	($0.07)	$0.00	($0.26)
Diluted earnings (loss) per share	($0.03)	($0.07)	$0.00	($0.26)
Total assets	86,950	86,281	127,744	117,527
Total long-term debt	26,860	30,267	42,665	44,435
Dividend	-	-	-	-

Restated for Quarters 1-3– see Note 2 and Note 25 of the Company's audited consolidated financial statements for the year ended September 30, 2014	1st Quarter (2014)	2nd Quarter (2014)	3rd Quarter (2014)	4th Quarter (2014)
Period Ended	**December 31, 2013 $'000**	**March 31, 2014 $'000**	**June 30, 2014 $'000**	**September 30, 2014 $'000**
Total Revenue	5,463	8,327	7,368	8,451
Net income (loss)	1,647	3,783	1,335	3,630
Basic earnings (loss) per share	$0.04	$0.10	$0.04	$0.10
Diluted earnings (loss) per share	$0.04	$0.10	$0.04	$0.10
Total assets	45,688	48,559	51,779	88,047
Total long-term debt	5,679	7,665	10,775	27,883
Dividend	-	-	-	1,001

See Section 3 "Financial Highlights", for details on the three-month period ended December 31, 2015, and a comparison to the three-month period ended December 31, 2014.

5. Critical Accounting Estimates

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 revenues 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 in more detail in Note 3 and Note 8 of the 2015 Annual Financial Statements.

6. 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 the 2015 Annual Financial Statements.

The Company has not early adopted these revised standards and is currently assessing the impact that these standards could have on future financial statements.

Reference	Title	Application date for Almonty
IFRS 9	Financial Instruments	October 1, 2018
IAS 16 and IAS 38	Amendments to IAS 16 and IAS 38 – Property, Plant and Equipment and Intangible Assets	October 1, 2016
IFRS 11	Amendments to IFRS 11 – Joint Arrangements	October 1, 2017
IFRS 15	Amendments to IFRS 15 – Revenue from Contracts with Customers	October 1, 2018

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International Accounting Standards Board ("**IASB**") or IFRS Interpretation Committee ("**IFRIC**") that are mandatory at certain dates or later. Management is still assessing the effects of the pronouncements on the Company. The standards impacted that may be applicable to the Company are the following:

IAS 1 - Presentation of Financial Statements
IAS 1, Presentation of Financial Statements was amended by the IASB in December 2014. The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements.

For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of the financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted.

IAS 16 and IAS 38 – Property, Plant and Equipment and Intangible Assets
IAS 16 and IAS 38, Property, Plant and Equipment and Intangible Assets were amended by IASB in December 2013. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset are not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

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

Most requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method be used, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements.

The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. In addition, a single, forward-looking expected loss impairment model is introduced, which will require more timely recognition of expected credit losses. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

IFRS 15 - Revenue from Contracts with Customers
IFRS 15, Revenue from Contracts with Customers was issued by the IASB in May 2014. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue,

IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue - Barter Transactions Involving Advertising Services.

7. Related Party Transactions

There were two related party transactions that occurred during the three-month period ended December 31, 2015. The incurred interest expense of $111 on the convertible debentures held by DRAG during the three-month period ended December 31, 2015 ($61 for the three-month period ended December 31, 2014) and paid $43 in cash for a partial payment of the interest expense ($*nil* for the three months ended December 31, 2014).

Compensation of key management personnel of Almonty during the three month periods ended December 31, 2015 and 2014, respectively,

Three Months ended December,	**2015**	**2014**
Short-term cash compensation	116	100
Long-term Directors' incentive share-based compensation	150	-
Total compensation of key management personnel	**266**	**100**

8. Objectives and Outlook

Los Santos cost reductions and Tailings analysis

The Company continues to focus on cost reduction initiatives in light of the deterioration in the tungsten price. Results to date have been promising and Almonty anticipates that the Los Santos Mine will continue to generate positive cash flow from operations at the current commodity price level. Should the price continue to decline then additional measures will need to be taken in order to keep the Los Santos Mine operating profitably.

Sangdong Mine

The Company intends to continue with its analysis of the additional exploration data available on the Sangdong Mine and has filed the Sangdong Technical Report and an updated Feasibility study for the Sangdong Mine based on, and consistent with, the NI 43-101 technical report. (The Sangdong Technical Report is available on SEDAR (www.sedar.com) under Almonty's profile and on the Company's website (www.almonty.com); and, the updated feasibility study is available on the Company's website). Almonty has engaged KECC to conduct detailed engineering and design work on a mineral processing plant and mine facilities for a 640,000 tonne per annum tungsten ore processing operation at the Sangdong Mine. Almonty and Almonty Korea Tungsten Corporation are working towards the start of construction in the first half of calendar 2016. Almonty is considering seeking both debt and equity financing in order to be able to complete the buildout of the Sangdong Mine.

Additional financing

During Q1 2016, Daytal Resources Spain, S.L. ("**Daytal**"), an indirect wholly-owned subsidiary of the Company, entered into two unsecured debt facilities with local Spanish banks for total loan proceeds of

$1,650. The first facility is fully drawn at $750, which matures on July 30, 2016, carries an interest rate of 2.25% per annum and is fully repayable on a quarterly basis up to maturity. The second facility is an increase in Daytal's working capital operating line by $900.

The Company completed an agreement with respect to the payment of $1,047 that will increase the Company's ownership in the Valtreixal Mine to 51%. The Company made a payment of $150 on December 19, 2015, and is required to make monthly payments of $75 beginning in January 2016 and ending in May 2016 followed by a final payment of $522 in June 2016. Almonty will own 51% of the Valtreixal Mine upon completion of the installment payments and has an irrevocable option to acquire the balance of the ownership interest in the Valtreixal Mine for an additional payment of $1,532.

On October 9, 2015, the Company completed a non-brokered private placement of 625,000 units (the "**Units**") at a price of $0.80 per Unit, for gross proceeds of $500. Each Unit is comprised of one common share in the capital of the Company and one half of one common share purchase warrant (each whole warrant, a "**Warrant**"), with each Warrant being exercisable to acquire one common share in the capital of the Company at a price of $0.90 until October 9, 2017.

On January 1, 2016 Almonty issued the DRAG Note to DRAG for gross proceeds of US$1.0 million, which will mature on January 1, 2017, and bears interest at a rate of 6% per annum, payable at the maturity date. The DRAG Note is secured by the existing security granted to DRAG in connection with the 2015 DRAG Debenture.

On January 6, 2016, the Company entered into the Support Agreement, and entered into the Working Capital Loan, representing the first tranche of funds under the Support Agreement, whereby the Company will be able to draw down on the facility based on production and the granting security over certain assets of the Company. The second tranche is expected to be available in March 2016 on similar terms. Principal and interest under the Working Capital Loan is due under a revolving facility based on production and APT pricing levels, and payments will only begin when the price of APT exceeds US$254 MTU, with accelerating payments when the price of APT exceeds $320 MTU. The loan carries an interest rate of LIBOR plus 1.5%.

Acquisition of the Panasqueira mine

On January 6, 2016, Almonty acquired a 100% ownership interest in BVI from Sojitz Tungsten Resources, Inc. for €1.00. In connection therewith, Almonty acquired and purchased €12,260 in aggregate principal amount of debt owed by Beralt Tin & Wolfram (Portugal), S.A. ("**Beralt**"), a wholly-owned subsidiary of BVI, to Sojitz Corporation of Japan in exchange for a cash payment of €1,000 on closing and the January 2016 Note. BVI, through its wholly-owned subsidiaries, is the 100% owner of the Panasqueira Mine.

Summary of the Company's Long-Term Supply Agreements

Almonty, along with Daytal, WCM, and Beralt, is a party to three long-term supply agreements dated September 23, 2011 and September 22, 2014 and February 12, 2016 with one customer who participates in the global tungsten business. In the case of Daytal, the long-term supply agreement is dated September 23, 2011 and runs for a period of 10 years (the "**Los Santos Supply Agreement**"). In the case of WCM, the long-term supply agreement is dated September 22, 2014 and runs for a period of 5.5 years (the "**Wolfram Camp Supply Agreement)**. In the case of Beralt, the long-term supply agreement is dated February 12, 2016 and runs for a period of 5 years (the "**Beralt Supply Agreement**"). and, together with the Los Santos Supply Agreement and the Wolfram Camp Supply Agreement, the "**Supply Agreements**"). The Supply Agreements provide for the supply of a minimum amount of tungsten concentrate to the customer in accordance with certain specifications of the customer. Pricing is based on a formula derived from the prior month's average of the high and low price for European APT per MTU as quoted on the MB and Metal Pages tungsten pricing service. Each agreement has an automatic renewal for an additional five years (unless either party provides at least three months' notice of its intention not to renew). The customer was also granted a right of first refusal for any tungsten concentrate (that meets the customer's specifications) produced by Almonty under each contract which exceeds the minimum amount required to be shipped under the terms of the relevant Supply Agreement.

The Company entered into Amendment No. 2 of the Los Santos Supply Agreement and Amendment No. 1 of the Wolfram Camp Supply Agreement on April 20, 2015 where by the pricing mechanism was adjusted to reflect the inclusion of a secondary source for pricing of APT as well an adjustment to the timing of the monthly average APT price used in the determining the selling price of concentrate. The revised pricing mechanism does not go into effect until the quoted price for APT shows an increase in the monthly average price when compared to the prior month for a period of three consecutive months. In exchange for agreeing to these amendments, Almonty received prepayment for four containers of concentrate totaling $1,355. The Company is obligated to deliver these containers prior to the end of March 2016. The Company has delivered two of the four containers in January 2016 and is on schedule to deliver the remaining two containers in March 2016.

The Company entered into Amendment No. 3 of the Los Santos Supply Agreement on February 8, 2016 whereby the Company extended the term of the Los Santos Supply Agreement for an additional 5 years and amended the terms of the repayment of the unsecured trade payable of US$600 that had been accrued since September 23, 2011 as well as granted the customer a security interest over certain assets of the Company.

The Company entered into Amendment No. 2 of the Wolfram Camp Supply Agreement on February 8, 2016 whereby the pricing mechanism formula was adjusted and the customer's security over certain assets of the Company that are located in Australia was adjusted.

A redacted copy of each of the Supply Agreements and the related amendments thereto is available on SEDAR under Almonty's profile at www.sedar.com.

Stamp Duty Payable
In connection with the acquisition of the Wolfram Camp Mine (See Note [4] of the 2015 Annual Financial Statements) the Company has accrued $268 in stamp duty payable to the Queensland State government. The Company received communication via its tax advisor in Australia that a final assessment is expected to be issued prior to the end of Q2 2016 whereby the assessment has been revised to $321. The Company is reviewing its options with respect to filing an appeal to the revised assessed amount. There can be no certainty with respect to the success of the appeal and the Company may be liable for the additional $53 stamp duty that has been assessed.

9. Risks and Uncertainties

The Company operates in the mining industry, which is subject to numerous significant risks that can influence profitability. The Company has disclosed several risks below which it believes to be the most significant and that could have a material impact on its current and future operations. Other risks may exist or may arise at a future date. For additional, and more detailed, risk factors, please see the Company's Annual Information Form dated February **9**, 2016 under the heading "Risk Factors".

Financial Risks

Price of Metals and Foreign Exchange Rates

The Company's profitability is exposed to commercial risks, notably those linked to the price of tungsten and foreign exchange rates.

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 APT as quoted on the MB exchange impacts the Company's revenue by +/- US$8.00 per MTU of WO_3. The price of tungsten varies considerably and is based on factors outside the control of the Company. Should the market price of tungsten concentrate fall below the Company's cash operating costs, Almonty would cease to generate positive cash flow from operations.

Daytal, Valtreixal and Beralt Tin and Wolfram (Portugal) S.A. operate in Europe in Euros (€), WCM and TM operate in Australia in Australian Dollars (AUD$), and Woulfe and Almonty Korea Tungsten Corporation (owner of the Sangdong Mine) operates in Canadian dollars (CAD$). The output from all producing operations are commodities that are 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 affected by movements between these five currencies

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 (US$) and Almonty's reporting currency is in Canadian dollars (CAD$). As such, Almonty's consolidated balance sheet can be significantly affected by movements between the three currencies (CAD$, US$ and €).

During Q1 2016, the value of the € relative to the CAD$ decreased from €1.00 = CAD$1.4950 as at September 30, 2015 to €1.00 = CAD$1.5029 as at December 31, 2015. A 5% change in the value of the CAD$ relative to the Euro would have an impact on net income of approximately $70 (Q1 2015 - $140).

During Q1 2016, the value of the US$ relative to the CAD$ increased from US$1.00 = CAD$1.3394 as at September 30, 2015 to US$1.00 = CAD$1.3840 as at December 31, 2015. A 5% change in the value of the CAD$ relative to the US$ would have an impact on net income of approximately $400 (Q1 2015 - $400).

Almonty's wholly-owned indirect subsidiary, Wolfram Camp, operates in Australia in Australian dollars (AUD$). Its output is a commodity that is primarily denominated in United States dollars (US$) and Almonty's reporting currency is in Canadian dollars (CAD$). As such, Almonty's Consolidated balance sheet can be significantly affected by movements between the three currencies (CAD$, US$ and AUD$).

During Q1 2016, the value of the AUD$ relative to the CAD$ decreased from AUD$1.00 = CAD$0.9402 as at September 30, 2015 to AUD$1.00 = CAD$1.0099 as at December 31, 2015, 2015. A 5% change in the value of the CAD$ relative to the AUD$ would have an impact on net income of approximately $120 (Q1 2014 $180).

Currency movements during Q1 2016 resulted in the Company recording a cumulative translation adjustment gain of $1,339 (2014 - $472). This amount is recorded as other comprehensive income (loss) on the consolidated Statements of Operations and Comprehensive Income (Loss) and accumulated other comprehensive income (loss) as a separate line item in Shareholders' Equity.

Fluctuation in Interest Rates
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 Supply Agreements.

The Company currently has $45115 in long-term debt outstanding at varying levels of fixed and floating interest rates of between 1.77% - 12.0%. A portion of the floating rate debt totaled $4,195 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. 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 +/- $3. A second portion of the floating rate debt totaled $13,840 and is based on a fixed spread over the 3-month LIBOR rate. Any movement in the 3-month Libor rate over remaining term of the long-term debt with have an impact on the amount of interest paid by the Company. Every 100 basis point (1.0%) movement in the 3-month LIBOR rate will cause the amount the Company is required to pay in monthly interest to fluctuate +/- $10.

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 the Iberian Peninsula, Australia and South Korea. The ongoing uncertainty in the financial markets may have a negative impact on both the Company's future borrowing costs and its ability to obtain debt financing.

Pledge of Assets as Security
The Company has pledged certain of its assets as security in order to obtain additional capital through loans. Should Almonty fail to pay or remedy an event of default (as defined under the loan agreements) the holder of the security would then be able to seize and dispose of the secured assets.

Access to Capital Markets
To fund its future growth plans, the Company may become dependent on securing the necessary capital through loans or permanent capital. The availability of this capital is subject to general economic conditions and lender and investor interest in the Company's projects. To facilitate the availability of capital, the Company maintains an investor relations program in order to inform all shareholders and potential investors of the Company's developments.

Future Financing, Credit and Liquidity risk
The success of exploration programs, development programs and other transactions related to concessions could have a significant impact on the need for capital. If Almonty decides to develop one of its properties, it must ensure that it has access to the required capital. The Company could finance its need for capital by using working capital, by arranging partnerships or other arrangements with other companies, through equity financing, by taking on long-term debt or any combination thereof.

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 the customer under the Supply Agreements are subject to a supplier finance program and a factoring fee that varies with a fixed spread to the 6-month LIBOR rate. Almonty is exposed to fluctuations in the 6-month LIBOR rate up to a maximum of movement of 250 basis points. For every 100 basis point movement in the 6-month LIBOR rate would impact the Company's cash flow by +/- US$1.00 for each US$100.00 in revenue. 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 the customer under the Supply Agreements. If the 6-month LIBOR rate were to exceed the maximum amount or if Almonty were to no longer have access to the supplier financing program it would revert to normal trade terms with its customer.

Economic Dependency
Daytal and WCM, together with Almonty, are parties to the Supply Agreements with the Customer. Currently over 95**%** of the revenue earned by the Company's operations is sold to the Customer. Almonty is economically dependent on the revenue received from the Customer in order to be able to meet its current obligations and is subject to the pricing terms set out in the Supply Agreements. There is no guarantee that Almonty would be able to find an alternative customer or customers on terms similar to its existing Supply Agreements should the Customer cease operations or become unable to pay Almonty under the Supply Agreements. See Section 8, "Objectives and Outlook – Summary of the Company's Long-Term Supply Agreements", in this MD&A for further details.

Tungsten Market
There is no assurance that a profitable market will continue to exist for the sale of tungsten. Tungsten prices have experienced significant movement over short periods of time and are affected by numerous factors beyond the Company's control, such as international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumption and demand patters, speculative activities and increased production due to improved mining and production methods. Tungsten prices may be negatively affected by any slowing of the global economy, increases in exports from one market economy countries, notably China, and the release of tungsten concentrate onto the market from the U.S. National Defence Stockpile.

Operational Risks

Production
Daytal's contract with Movimentos de Tierras Y Excavaciones, S.L.U. ("**MOVITEX**"), under which MOVITEX carries out contract mining activities for Daytal at the Los Santos Mine, was entered into for the life of the Los Santos Mine with an effective date of January 15, 2014. Daytal currently does not have

any mining capabilities of its own and relies on MOVITEX for all mining activity, including waste rock removal, pit development and delivery of ore to Daytal's crushing and processing plant. There is no guarantee that Daytal would be able to replace MOVITEX with another contract mining firm if MOVITEX were no longer able to provide contract mining services to Daytal. Any disruption in the contract mining services provide by MOVITEX would have a negative impact on Daytal's short-term economic viability.

Competition
The mining industry is very competitive and the Company has to compete with other companies related to the acquisition of attractive mineral properties and the retention of skilled labour. Many competitors possess greater financial, technical and other resources than the Company. As a result, the Company may be faced with a shortage or no supply of ore or employees, as well as not being able to maintain or acquire mineral properties on reasonable terms or at all.

Risks Related to Property Title
Although the Company leases all of the land of the Los Santos Mine from third party property owners as well as the two closest municipalities to the Los Santos Mine and the Company has obtained legal opinions on the titles to all of its properties, and although it has taken reasonable measures to ensure that all property titles are valid, there is no certainty that the property titles will not be challenged or questioned. Third parties could have valid claims to the lands occupied by the Company or immediately adjacent to the Company's leased lands.

Dependence on Key Personnel
The Company is dependent on a relatively small number of key employees, of which the loss of any could have an adverse effect on its operations.

Laws and Regulations
The Company's exploration and development projects are subject to laws and regulations, including those concerning mining as well as environmental and health and safety matters. The laws and regulations in place are susceptible to change and the impact of any modification is difficult to measure. The Company's policy is to maintain safe working conditions in compliance with applicable health and safety rules.

Licenses and Permits
There can be no guarantees that the Company will be able to obtain or maintain all the necessary licenses and permits to extract and process minerals, explore, develop, or maintain its continued operations, or that the Company will be able to comply with all the conditions imposed. The current operating permits and plant capacity limitations at the Los Santos Mine allows Almonty to process up to 500,000 tonnes of ore per annum. The current operating permits and plant capacity limitations at the Wolfram Camp Mine allow Almonty to process between 400,000 and 540,000 tonnes of ore per annum. Any increase in available ore or significant increase in the concentration of tungsten contained in the ore may require the Company to expand its production and processing capabilities. The current operating permits and plant capacity limitations at the Panasqueira Mine allow Almonty to process up to 865,000 tonnes of ore per annum. Almonty is in the process of completing an engineering study at the Sangdong Mine and expects to be in a position to apply for a surface permit in April 2016. The surface permit is required before Almonty can begin the necessary work to bring the Sangdong Mine back into production. There is no guarantee that Almonty will be able to obtain the necessary permits in order to expand its production footprint.

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 has to pay annual land taxes (approximately €2,000 per year) to the Spanish government. This amount is related to the surface covered and not to the production of minerals. There are no other royalty payments.

Almonty has all necessary licences to operate and remain in compliance with regulations for WCM. Its licenses have no restrictions with respect to waste dumping or tailings capacity. The Company has the tenement commitments set out below in relation to exploration tenements held by TM and WCM. The Department of Mines and Natural Resources (Queensland, Australia) aggregates expenditure commitments over the first three to five years of the term and allows for variations to commitments should these be required due to operational practicalities:

Year ending September 30:	
2016	771
2017	273
2018	324
	1,368

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. There is no guarantee that Almonty will be able to renew the necessary permits in order to continue operating.

For Q1 2016, Almonty has recognized a restoration provision of $649 (Q1 2015 – $) 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 Mine. 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 Los Santos 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 Los Santos 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. The Company is in the process of having its mine plan and restoration provision for the Los Santos Mine reviewed by the relevant authorities in Spain. The Company posted an insurance policy in the amount of $4,406,000 (€2,800,000) for a period of one year (maturity in July 2016) during the period of time that the mine plan is being reviewed. Almonty's current mine plan entails ongoing reclamation work of the site as part of the pit optimization work (several small pits that have been fully mined are filled in and reclaimed as part of the regular waste rock movement and stripping work carried on other pits that are in production, as opposed to hauling the waste rock to the waste dump). The current mine plan under review by the relevant authorities entails the reclamation of the majority of the site as part of on-going operations and waste rock movement. The restoration provision currently recognized by the Company is estimated to be sufficient to cover any remedial restoration and reclamation work needed upon completion of the tailings reprocessing operation.

Upon completion of open pit mining operations, during the period when the Company will process the bulk of its inventory stock pile of mineralized tailings, Almonty estimates that the current restoration provision will be sufficient to complete all reclamation work required under its mine plan. The relevant Spanish authorities may determine, upon final review, that the amount required to be posted for future reclamation work be increased. The Company anticipates that it will receive approval of its mine plan for the Los Santos Mine prior to the expiration of the current insurance policy in July 2016.

Banco Popular has posted a bank warranty of €180 ($271) 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 Los Santos Mine as required by Daytal's Environmental Impact Statement that forms a part of its mining and exploitation license on the Los Santos Mine 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.

Almonty has recognized a restoration provision of $2,450 (Q1 2015 – $1,152) with respect to WCM's future obligation to restore and reclaim the mine once it has ceased to mine tungsten and molybdenum ore from Wolfram Camp Mine. The restoration provision represents the present value of rehabilitation costs relating to the mine site which are expected to be incurred subsequent to 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 Wolfram Camp 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.

As at December 31, 2015, Almonty had $1,313 (Q1 2015 - $1,230) in restricted cash on deposit with the Queensland Government, Department of Natural Resources and Mines as required by the Department of Environment and Heritage Protection, based on the mine plan in effect as at September 30, 2014.

There is a restoration provision of $85 with respect to the Woulfe properties.

A summary of the Company’s restoration provision is presented below:

Balance at September 30, 2014	1,262
Revisions in estimated cash flows and changes in as	1,584
Provision assumed on acquisition	83
Accretion expense	82
Translation adjustment	(23)
Balance at September 30, 2015	2,988
Revisions in estimated cash flows and changes in as	**-**
Accretion expense	**25**
Translation adjustment	**171**
Balance at December 31, 2015	**3,184**

Political Risk
The Spanish, Portuguese, South Korean and Australian governments currently support the development of their natural resources by foreign and domestic companies. However, there is no assurance the government will not adopt different policies regarding foreign ownership of mineral resources, taxation, exchange rates, environmental protection, labour relations, repatriation of income or expropriation in the future.

Litigation
All industries, including the mining industry, are subject to legal claims, with and without merit. The Company has in the past and may in the future be involved in various legal proceedings. While the Company is not aware of any possible legal proceeding that could have a material adverse effect on its financial position, future cash flow or results of operations of the Company, due to the inherent uncertainty of the litigation process and the defence costs which may have to be incurred, even with respect to claims that have not merit, there can be no assurance that the resolution of any particular legal proceeding will not have a material adverse effect on the Company.

Risks Linked to Common Shares
The price of the common shares of Almonty may fluctuate for several reasons such as production and/or exploration results or operating results and cash flow, exchange rates, available financing, lack of liquidity and several other factors. It is possible that the price of a common share of Almonty may experience significant fluctuations and that such price might be less than the actual price paid by an investor.

10. Disclosure of Internal Controls

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the Q1 2016 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 unaudited interim condensed consolidated financial statements, and (ii) the Q1 2016 Financial Statements fairly present in all material respects the financial condition, results of operations and cash flow of the Company, as of December 31, 2015, and for the three months ended December 31, 2015.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("**NI 52-109**"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("**DC&P**") and internal control over financial reporting ("**ICFR**"), as defined in NI 52-109. In particular, the certifying officers filing the certificate are not making any representations relating to the establishment and maintenance of:

(i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's generally accepted accounting principles.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

11. Management's Responsibility for Financial Statements

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgements and have been properly reflected in the accompanying financial statements.

February 29, 2016
On behalf of Management and the Board of Directors,

"Lewis Black"

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Chairman, President and Chief Executive Officer

Glossary of Terms

APT	ammonium para tungstate is an intermediate product which is one of the principal chemical forms in which tungsten is traded
Concentrates	the valuable fraction of an ore that is left after waste material is removed in processing
€	Euros
MB	Metal Bulletin of London
MTU	metric tonne unit, equal to 1 percent of a metric tonne or 10 kg (22.046 pounds) of contained WO_3
NI 43-101	National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*
Scheelite	a brown tetragonal mineral, $CaWO_4$. It is found in pneumatolytic veins associated with quartz, and fluoresces to show a blue color. Scheelite is a mineral of tungsten
Tonne	a metric unit equal to 1,000kg (2,204.6 pounds)
Tungsten concentrates	concentrates generally containing between 40 and 75 percent WO_3
US$	United States dollars
W	the elemental symbol for tungsten
WO_3	tungsten tri-oxide, a compound of tungsten and oxygen