



## Management Discussion and Analysis

For the Three-Month Period  
Ended December 31, 2016

REPORT DATED: March 1, 2017

Management Discussion and Analysis  
For the Three Months Ended December 31, 2016  
Dated March 1, 2017

## 1. Introduction

This management discussion and analysis (“**MD&A**”), dated March 1, 2017, 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, 2016. It should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company and notes thereto for the three months ended December 31, 2016 (the “**Q1 2017 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 2017 Financial Statements and MD&A to the Board of Directors for review and approval. Following the recommendation of the Audit Committee, the Board of Directors approved the Q1 2017 Financial Statements and this MD&A on March 1, 2017.

The Q1 2017 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 2017 Financial Statements, is available on the Company’s website at [www.almonty.com](http://www.almonty.com) and on SEDAR ([www.sedar.com](http://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

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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 January 30, 2017 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 mine located near Salamanca, Spain (the “**Los Santos Mine**”), the processing and shipping of tungsten concentrate from the Panasqueira tin and tungsten mine in Covilha, Castelo Branco, Portugal (the “**Panasqueira Mine**”), the refurbishment of the Wolfram Camp tungsten and molybdenum mine located near the town of Dimbulah, Queensland, Australia (the “**Wolfram Camp Mine**”), as well as the evaluation of the Sangdong tungsten mine located in Gangwon Province, Republic of Korea (the “**Sangdong Mine**”) and the evaluation of the Valtreixal tin and tungsten project located in Western Spain in the province of Zamora (the “**Valtreixal Mine**”).

The Los Santos Mine was acquired by Almonty in September 2011 and is located approximately 50 kilometers 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 kilometers west of Cairns in northern Queensland, Australia. The Panasqueira Mine, which has been in production since 1896 and is located approximately 260 kilometers 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 owns a 100% interest in the Valtreixal Mine project in northwestern Spain, having exercised its option to acquire the remaining ownership in the mine on December 21, 2016.

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. Production at the Wolfram Camp Mine has been suspended during the period of time that Almonty is refurbishing the mill. The Company estimates

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that it will be back in production before the end of calendar 2017, pending a sustained increase in the quoted price for an MTU of APT.

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 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 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.

On December 21, 2016 Almonty exercised its option to acquire the remaining 49% of the Valtreixal Mine it did not already own for payment of Euro 1.5 million. Almonty now owns a 100% interest in the Valtreixal Mine.

Further information about the Company’s activities may be found at [www.almonty.com](http://www.almonty.com) and under the Company’s profile at [www.sedar.com](http://www.sedar.com).

#### Market for Tungsten Concentrate

Market demand for tungsten concentrate continued to be stable during the first quarter of fiscal 2017, although the current pricing environment continues to be challenging from a cash flow perspective. Pricing for tungsten concentrate continued to rebound during the first half of the year in fiscal 2016 before falling back to levels where it began in fiscal 2016. The mid-price for European APT has stayed at these levels through Q1 2017 and is currently holding in the US\$190-195 range. While the increase in the price from the lows experienced during January 2016 of US\$162.50 is positive, the net price received by Almonty for its tungsten concentrate is still below Almonty’s average cost of production at certain of its mines and the Company continues to have to rely on external funding sources in order to meet its current obligations. Management expects that the limited quantities of “spot” concentrate available in the market will help with continued price improvement in the near to mid-term (between now and the end of calendar 2017) with several forecasting services projecting prices in the US\$250 per MTU of APT by December 31, 2017. The Company’s primary customers continued purchasing substantially all production from Almonty’s operations over and above the minimum volumes specified in the Supply Agreements (as hereinafter defined) during the three-month period ended December 31, 2016. In addition, the Company also shipped material under its Distribution Agreement with the former owner of the Panasqueira Mine. Almonty also entered into several fixed price contracts for a net price to Almonty of US\$210 per MTU of contained W03. The fixed price contracts imply a price for APT of US\$269 per MTU, assuming an industry average discount factor of 22% when pricing tungsten concentrate. The volume commitments under the contracts will consume virtually all of the tungsten concentrate produced at the Panasqueira Mine. These fixed price contracts came into effect January 1, 2017 and should positively impact the cash flow of the Company’s Panasqueira Mine, which had a current all in production cost of US\$216 per MTU in Q1 2017, in future periods. 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 their current levels through fiscal Q2 2017 leading up to the Chinese New Year.

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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:

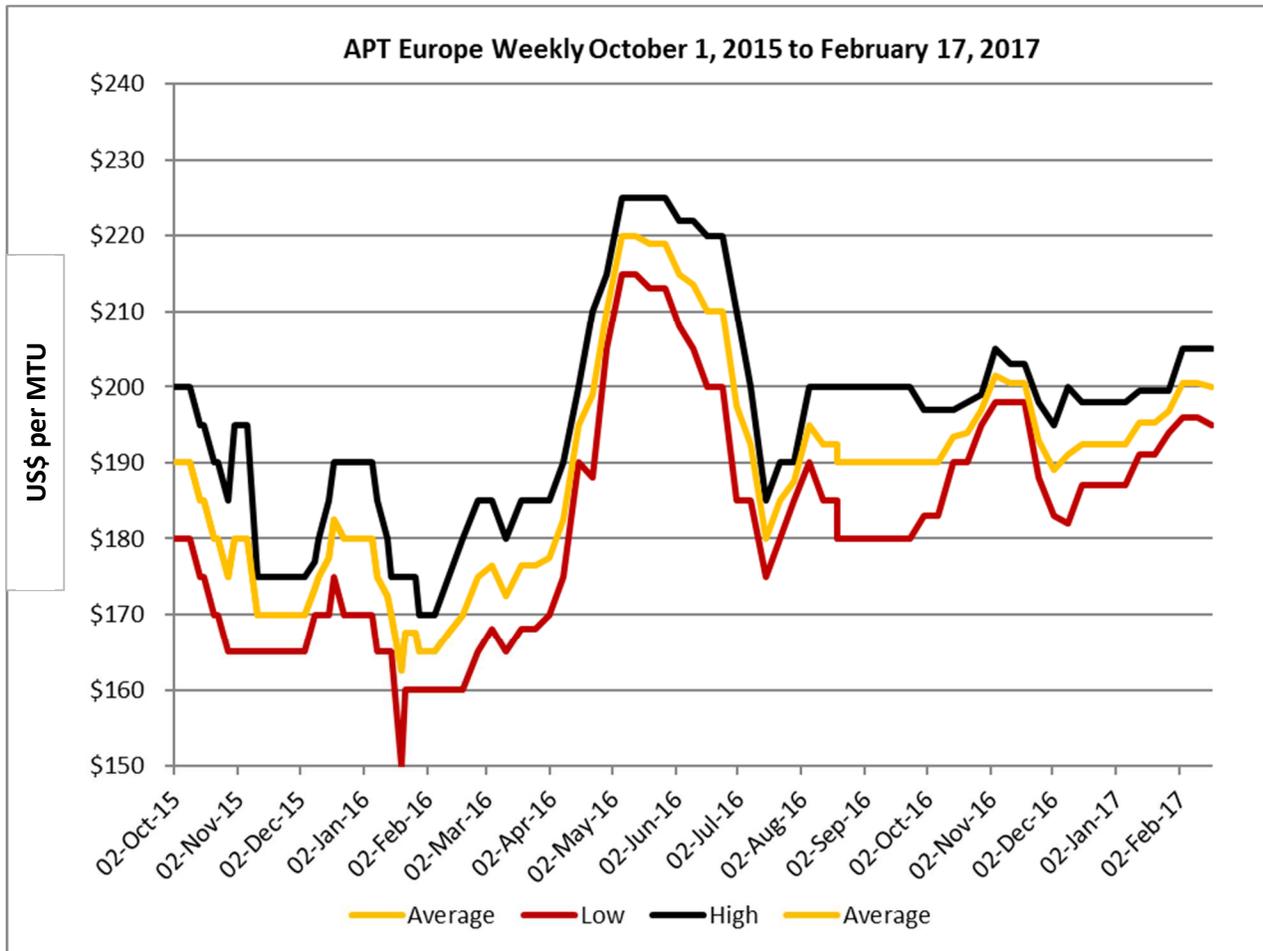
Three Months ended	Tungsten APT European Average High -Low US\$/MTU	Year ended	Tungsten APT European Average High -Low US\$/MTU
31-Dec-11	\$448		
31-Mar-12	\$436		
30-Jun-12	\$400		
30-Sep-12	\$384	30-Sep-12	\$417
31-Dec-12	\$324		
31-Mar-13	\$325		
30-Jun-13	\$364		
30-Sep-13	\$411	30-Sep-13	\$356
31-Dec-13	\$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	\$207	30-Sep-15	\$264
31-Dec-15	\$178		
31-Mar-16	\$172		
30-Jun-16	\$207		
30-Sep-16	\$190	30-Sep-16	\$184
31-Dec-16	\$194		

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

The Company continues to take the necessary steps to reduce operating costs and enhance its efficiency in order to ensure that it is able to maintain and fund operations should the price for APT continue to remain

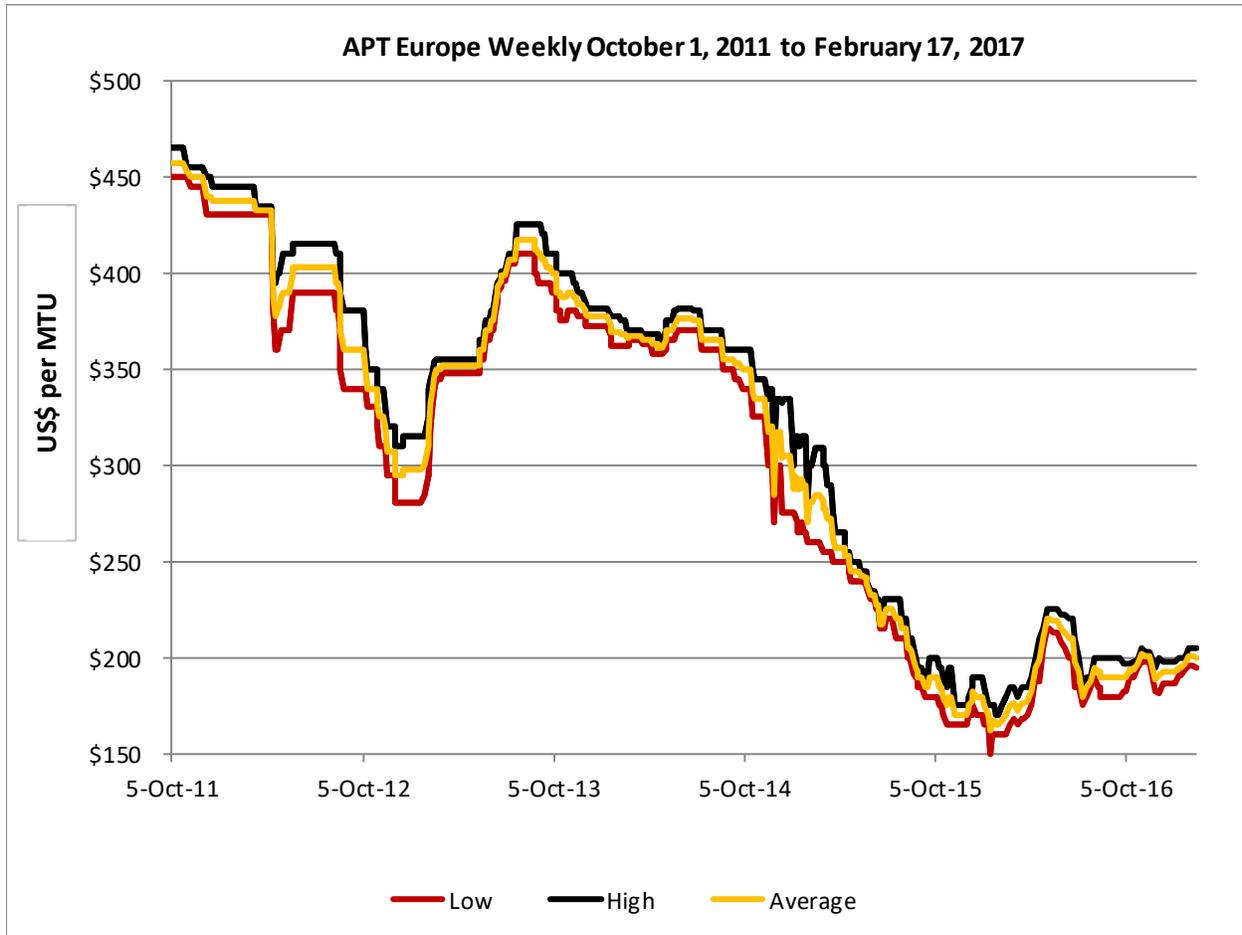
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at current levels. In Fiscal 2016, tungsten prices during the months of October 2015 to February 2016 declined to lows of US\$162.50/MTU before rebounding back to the US\$195-200 level.



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

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

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Los Santos Mine

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

	Three Months Ended Dec 31, 2016	Three Months Ended Dec 31, 2015	Three Months Ended Sept. 30, 2016	Year Ended Sept. 30, 2016	Year Ended Sept. 30, 2015
Ore treated (tonnes)	123,511	133,293	128,990	519,803	518,765
WO <sub>3</sub> produced (MTU)	15,040	26,847	21,946	93,102	99,603
WO <sub>3</sub> sold (MTU)	14,530	27,013	25,109	94,201	97,768
Sales revenue (US\$ million)	2.1	5.6	4.1	15	21
Cash operating costs (US\$/MTU)	116	81	92	91	88
Waste rock mining costs, including deferred stripping costs (US\$/MTU)	120	43	67	68	62
All in cash operating costs (US\$/MTU)	236	124	159	159	150
Ore mined (tonnes)	78,504	146,375	110,190	522,782	525,219
Average grade WO <sub>3</sub> mined	0.18%	0.37%	0.39%	0.35%	0.32%
Average WO <sub>3</sub> recovery rate	56.3%	62.2%	58.9%	60.2%	60.0%

MTU production during the three months ended December 31, 2016 decreased significantly when compared to the three months ended December 31, 2015 and when compared to Q4 2016. The grade of ore milled during this period was lower than prior periods. The grade of ore mined during Q1 2017 was also significantly lower than the grades mined during Q4 2016 and Q1 2017. The decreased grades mined resulted from ore mined in a new pit that was opened during the end of Q4 2016 and mined extensively during Q1 2017 resulting in a substantial increase in the amount of waste rock moved during Q1 2017 when compared to prior periods. Production is beginning to return to normal levels in February 2017 and is expected to be back to regular production volumes in March after the company finishes working through the low-grade ore in inventory from the new pit opening. The reduction in grade and recovery from oxidized ore associated with new pit openings is consistent with past experience. Tungsten recovery rates for Q1 2017 were in line with the comparative periods when lower grade, oxidized ore, from newly opened pits were processed historically. The grade of ore milled has an impact on the tungsten recovery rate with lower grades typically resulting in lower recovery rates when compared to higher grades. The decrease in MTU production during Q1 2017 when compared to Q1 2016 was directly attributable to the lower grade of ore processed during the quarter as well as the processing of oxidized ore from the opening of a new pit during Q1 2017. Increased recovery rates are expected in future periods when the higher grade of ore mined during Q2 2017 is processed. The lower grade ore processed in Q1 2017 led to an increase in unit production costs during Q1 2017 when compared to Q1 2016 and Q4 2016. Almonty continues to focus on cost control and its cost reduction program. Unit cash operating costs are anticipated to continue a downward trend but are approaching the theoretical cost limits of the Los Santos operations. Additional decreases in unit costs will be dependent on improvements in the tungsten recovery rate. Unit costs are expected to continue their variability in the +/- 10% range over time along with the variability in the grade of ore milled during any given period.

Almonty continued its work with third party consultants in evaluating its tailings reprocessing methodology, and continued to run bulk samples through the existing plant in Q1 2017 as well as continued sampling through a testing circuit. Results to date have reaffirmed management's belief that the planned

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tailings reprocessing methodology will enable it to economically reprocess the stockpile of tailings inventory 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 in connection with the design and testing of the milling circuit for the Sangdong mineral processing plant (also a scheelite ore deposit), the Company believes that it will be able to achieve a tungsten recovery rate in the tailings in excess of 52% with minimal capital expenditures required to modify the existing processing circuit. These plant modifications are expected to be implemented in the latter half of fiscal 2019 after the mine has been depleted of its ore reserves. The exact timing of this changeover is dependent on Almonty’s ability to identify additional ore resources at the Los Santos Mine through continued exploration activities.

### Wolfram Camp Mine

Almonty ceased all fresh ore mining towards the end of Q2 2016 as previously reported and suspended all ore mining activity (including mineralized waste mining and processing) during Q3 2016 and shutdown the milling circuit to concentrate on the construction of a new tailings dam and continue with the installation of new equipment and the upgrading of the milling circuit. The shutdown led to several redundancies in the labour force at the mine site and revaluation of the work program at the mine site – leading to a reduction in the planned work week, mining schedule and milling throughput once the operations are brought back on line. The decision to restart the mining and milling process will depend on a sustained improvement in the forecast price of APT. Optimization of the operations is continuing as scheduled during the shutdown period. The Company has carried out extensive testing on the revamped design of the milling and processing circuit, based in part on its extensive experience of mining and processing wolframite ore at its Panasqueira Mine and is confident that significant costs savings will be realized once production has resumed.

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

	Three Months Ended Dec 31, 2016	Three Months Ended Dec 31, 2015	Three Months Ended Sept 30, 2016	Year Ended Sept 30, 2016	Year Ended Sept 30, 2015
Ore treated (tonnes)	0	48,078	0	73,897	332,530
WO <sub>3</sub> produced (MTU)	0	4,436	0	7,327	36,200
WO <sub>3</sub> sold (MTU)	0	6,230	0	9,316	32,831
Sales revenue (US\$ million)	0	1.0	0	1.4	8.0
Cash processing costs (US\$/MTU)	0	354	0	386	203
Cash mining costs (US\$/MTU)	0	111	0	108	120
All in cash operating costs (US\$/MTU)	0	465	0	494	323
Ore mined (tonnes)	0	24,006	0	24,006	243,866
Average grade WO <sub>3</sub> mined	0.00%	0.21%	0.00%	0.21%	0.19%
Average WO <sub>3</sub> recovery rate	0.0%	48.2%	0.0%	54.70%	57.0%

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Almonty has reworked the proposed tailings dam to significantly reduce its size and capital cost while still meeting the requirements of its mining and exploitation permits. The Company is working on initiatives to reduce the amount of additional security that will need to be posted with the Queensland government as a financial assurance amount to cover estimated reclamation cost once all the ore has been mined and mining operations have ceased. The proposed reduction is directly linked to the much smaller area of disturbance that will result from the revamped design of the tailings dam. 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 Q1 2017 Almonty exercised its option to acquire the remaining 49% interest in the project for a payment of €1.5 million in December 2016, a reduction of €750 from the previously agreed price, resulting in a much-needed savings of capital on the acquisition. The Company is continuing to carry out work on the project and is working towards a final decision on proceeding with the development of the project. The Company continues to fine tune its planning and budgeting for the potential build-out and commissioning of the Valtreixal Mine.

#### Sangdong Mine

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) owed 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 March 31, 2016 Almonty reached an agreement with TaeguTec for a further extension of the indebtedness of Almonty Korea Tungsten to December 31, 2016 on the same terms as the original debt previously due on March 31, 2016. On November 28, 2016, Almonty repaid all principal outstanding and interest owing to TaeguTec totaling \$6,550. The loan was repaid out of funds drawn on the Company’s previously announced working capital loan agreement (this loan is now fully drawn). In addition to the repayment to TaeguTec, the parties terminated all the other agreements that were previously in effect between the parties relating to the Sangdong Mine.

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](http://www.sedar.com)) and on the Company’s website ([www.almonty.com](http://www.almonty.com)).

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 the Sangdong Mine that was filed by Almonty on January 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. A copy of the feasibility study is available on the Company’s website ([www.almonty.com](http://www.almonty.com)).

On July 26, 2016, the Company announced that the Credit Committee of the Korean Development Bank (the “**KDB**”), a state owned bank in Korea, has entered into a binding Letter of Commitment (the “**LoC**”)



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for a six (6) year term loan facility of Korean Won 50.0 billion (\$57.9 million at the prevailing exchange rate as at July 26, 2016) with the KDB (the “**KDB Loan**”).

One of the conditions of the KDB LoC required Almonty to raise subordinated financing (equity, subordinated debt or other financing that ranked below the KDB Loan) by January 26, 2017 to fund the balance of the planned build-out costs of the Sangdong Mine prior to KDB entering into the KDB Loan with Almonty. As a result, KDB now has the right to terminate the LoC. Almonty is continuing discussions with KDB regarding the LoC. There is no guarantee that Almonty will be able to negotiate an extension to the LoC and the KDB could cancel the current LoC at any time.

Almonty is also working with other financial institutions as well as industry participants on financing alternatives, including sufficient funding to replace the KDB Loan and fund Sangdong in its entirety. The Company is continuing with the development and permitting required to commence construction once the appropriate finding package has been put in place. Almonty is continuing to work with POSCO on the proposed engineering, procurement and construction (“**EPC**”) contract and expects to be in a position to execute the EPC contract once funding has been secured. Almonty is also working on an offtake agreement with several industry participants for the full production of the planned Sangdong Mine. The Company is on track, subject to securing appropriate financing, to bring the Sangdong Mine into commercial production in the second half of calendar 2018.

### Panasqueira Mine

On January 6, 2016 Almonty acquired a 100% ownership interest in BVI from Sojitz Tungsten Resources, Inc. for €1.00. BVI, through its wholly-owned subsidiaries, is the 100% owner of the various rights and interests comprising the Panasqueira Mine. In connection therewith, Almonty acquired and purchased €12,260 in aggregate principal amount of debt owed by Beralt, 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 Panasqueira Mine has been in production since 1896, and is located approximately 260 kilometers northeast of Lisbon, Portugal. the Company has determined that the operations of BVI represent a business, and as such, the acquisition has been accounted for as a business combination.

The following represents the allocation of the purchase price:

	<b>Fair value at acquisition date</b>
<b>Assets acquired</b>	
Cash and cash equivalents	683
VAT Receivable	499
Inventory	5,515
Other current assets	305
Plant and equipment	34,143
Deferred tax asset	161
Other assets	327
<b>Total assets</b>	<b>41,633</b>
<b>Liabilities assumed</b>	
Trade and other payables	1,759
Other liabilities and accruals	2,431
Long-term debt	70
Employee benefit obligation	190
Restoration provision	34,910
<b>Total liabilities</b>	<b>39,360</b>
<b>Net assets acquired</b>	<b>2,273</b>
<b>Consideration:</b>	
Cash	1,516
Promissory note	757
<b>Total consideration</b>	<b>2,273</b>

Direct transaction costs of \$146 were expensed during the year ended September 30, 2016.

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On February 12, 2016 Almonty entered into a 5-year off-take agreement with the 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.

Almonty filed a NI 43-101 compliant technical report on the Panasqueira Mine on SEDAR on February 23, 2016.

Summary operating information for the Panasqueira Mine:

	Three Months Ended Dec 31, 2016	Three Months Ended Dec 31, 2015	Three Months Ended Sept 30, 2016	Year Ended Sept 30, 2016	Year Ended Dec 31, 2015
Ore treated (tonnes)	154,487	113,510	168,931	601,596	517,505
WO <sub>3</sub> produced (MTU)	16,790	13,730	19,165	66,164	59,737
WO <sub>3</sub> sold (MTU)	17,926	16,461	20,870	71,787	59,737
Sales revenue (US\$ million)	2.8	2.3	3.6	11.3	13
Cash processing costs (US\$/MTU)	73	74	63	67	74
Cash mining costs (US\$/MTU)	143	144	125	134	145
All in cash operating costs (US\$/MTU)	216	218	188	201	219
Ore mined (tonnes)	153,072	102,660	176,049	611,252	544,531
Average grade WO <sub>3</sub> mined	0.10%	0.13%	0.10%	0.10%	0.09%
Average WO <sub>3</sub> recovery rate	80.30%	79.60%	80.60%	80.20%	80.20%

Almonty acquired the Panasqueira Mine on January 6, 2016. Results presented above for the three months and year ended December 31, 2015 were under the mine's former owner. Data for the year ended September 30, 2016 include the three months ended December 31, 2015 when Almonty did not own the mine.

Almonty continued its focus on cost reduction and all-in-production costs at Panasqueira continued to decrease. Mined grades continued to improve throughout Q1 2017 and into Q2 2017 as expected under the revised mine plan implemented by Almonty since its acquisition in January 2016. Mined grades in Q2 2017 are approaching 0.15% with significant improvements in the content of by-product payable metals as well (copper and tin) which will further help reduce the operating costs of the mine. Overall production volumes were up significantly over the three months ended December 31, 2015 was 12% lower than production during Q4 2016. Panasqueira is a poly metallic wolframite deposit as opposed to a skarn deposit scheelite mine like Los Santos. Tungsten recovery rates for wolframite deposits are typically higher than for scheelite deposits. The Panasqueira Mine has some of the highest tungsten recovery rates in the industry.

Almonty anticipates that the grades of ore mined will begin trending towards the long-term average of the remaining life of mine of 0.185% (see NI 43-101 technical report on the Panasqueira Mine filed on SEDAR

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under Almonty's profile, also available on the Company's website [www.almonty.com](http://www.almonty.com)) through the refinement of the life of mine plan. The expected increased grades are continuing to have an impact on the level of production being experienced in H1 2017 and the increase in contained tungsten is also having a positive impact on unit costs as at the date of this MD&A. Almonty has also entered into several one-year fixed price off-take agreements with its existing customers at the Panasqueira Mine. The net price to be received by Almonty under the contracts is US\$210 per MTU of contained WO<sub>3</sub>, equating to an effective price of US\$269 per MTU of APT (assuming an industry standard discount of 22% to the price of APT when pricing MTUs of WO<sub>3</sub>). Please refer to Almonty's press release dated November 29, 2016. The improving grade, coupled with Almonty's continued focus on cost control and the fixed price contacts that came into effect on January 1, 2017 should enable the Panasqueira Mine to reach positive operating cash flow in Q2 2017.

Almonty continued the metallurgical testing of the metal content of one of the tailings ponds at the Panasqueira Mine. This tailings pond contains more than 40 years of tailings and management believes there is a significant amount of economically recoverable WO<sub>3</sub> contained in the tailings. In addition to the contained tungsten ore, the tailings also contain both copper and tin ore as the tailings in the pond are from a time when the milling circuit was not set up to recover the tin and copper from the ore being processed. Almonty is continuing its analysis of both the grade and economic recoverability of the contained metals in the tailings and expects to be able to include the amounts in the tailings pond in an updated NI 43-101 technical report that is in the process of being completed. Almonty anticipates that it will be able to file the updated NI43-101 technical report prior to the end of March 2017.



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### 3. Financial Highlights

The following financial information is for the periods from October 1, 2016 to December 31, 2016 and, from October 1, 2015 to December 31, 2015.

	Three Months Ended 31-Dec-16 \$'000	Three Months Ended 31-Dec-15 \$'000
Gross Revenue	7,060	8,181
Mine production costs	7,494	8,682
Inventory write-down	-	-
Mine impairment	-	-
Depreciation and amortization	941	2,019
Earnings (loss) from mining operations	(1,375)	(2,520)
General and administrative costs	1,699	1,617
Earnings (loss) before the under noted items	(3,074)	(4,137)
Interest expense	656	535
Foreign exchange (gain) loss	823	570
Tax provision	-	-
<b>Net income (loss) for the period</b>	<b>(4,553)</b>	<b>(5,242)</b>
Income (loss) per share basic	(\$0.04)	(\$0.06)
Income (loss) per share diluted	(\$0.04)	(\$0.06)
Dividends	-	-
Cash flows provided by (used in) operating activities	690	801
Cash flows provided by (used in) investing activities	(4,743)	(1,927)
Cash flows provided by (used in) financing activities	2,434	370

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

	31-Dec-16	30-Sep-16
	\$'000	\$'000
Cash	2,463	4,215
Restricted cash	1,290	1,336
Total assets	166,616	167,766
Bank indebtedness	5,541	4,456
Long-term debt	59,260	56,497
Shareholders' equity	29,159	35,569
<u>Other</u>		
Outstanding shares ('000)	110,896	110,896
Weighted average outstanding shares ('000)		
Basic	110,896	107,871
Fully diluted	110,896	107,871
Closing share price	\$0.27	\$0.27

**Three Months Ended December 31, 2016 ("Q1 2017") Compared to the Three Months Ended December 31, 2015, ("Q1 2016")**

	Production		Shipments		APT USD/MTU	
	2017	2016	2017	2016	2016	2015
Q1 -December 31,						
Los Santos	15,040	26,847	14,530	27,013		
Panasqueira	16,790	0	17,926	0		
Wolfram Camp	0	4,436	0	6,230		
Total	31,830	31,283	32,456	33,243	\$194	\$178

Gross revenue for Q1 2017 was \$7,060 (\$8,181 for Q1 2016). Both production and shipments were down at the Los Santos Mine by over 42% when compared to Q1 2016 as a direct result of lower grades of ore being processed during the period. The Company worked through lower grade ore that was in inventory from the stockpile of mined ore from Q2 2016 and Q3 2016. Ore mined during Q4 2016 was 0.39% and is expected to result in a more robust production profile for Q2 2017 when blended with the low grade (0.18%) ore mined during Q1 2017 than if the ore mined during Q1 2017 were to be processed on its own. Production at the Wolfram Camp Mine was nil during Q1 2017 as a result of the curtailment of mining and processing activity at the mine. These decreases were offset by the addition of production and shipments from the recently acquired Panasqueira Mine. Overall this led to a small (2%) increase in MTUs produced and a slight decrease in MTU shipments during Q1 2017 when compared to Q1 2016. Revenue for Q1 2017 decreased by 13.7% when compared to the prior period. The small decrease in shipments during the quarter was exacerbated by the decrease in the US\$/MTU price of APT in the months of September, October and November when compared to Q1 2016. Almonty prices its tungsten concentrate off of the prior month

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average quoted mid-price per MTU of APT. The increase in the commodity price in December 2016 should benefit revenue in Q2 2017.

Mine production costs (including direct mining costs, milling costs and waste rock stripping costs associated with current production but excluding any impairment or the revaluation of inventory using the lower of cost and net realizable value as a result of any decreases in the commodity price) decreased by 13.6% when compared to Q1 2016 directly in line with the decrease in production and shipment volumes at Los Santos. Overall production costs continue to decline as the company focuses on its cost control initiatives and unit production costs (\$/MTU) are expected to return to more normalized levels towards the end of Q2 2017 when higher grades of ore are forecast to be processed. The Company also anticipates that the production costs at the Wolfram Camp Mine will decrease significantly once the operations are back on line, currently anticipated to be in calendar 2017. The decision to restart the mining and milling process at the Wolfram Camp Mine will depend on a sustained improvement in the forecast price of APT.

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. During Q4 2016 the Company incurred write-down of its long-term tailings inventory of \$1,650. The Company recognized a write-down of \$548 on its finished goods inventory at WCM when it was processed during Q1 2017. The change in inventory values and write downs have been recognized as an expense through mine operating costs in the statements of operations and comprehensive income (loss). The Company anticipates that the impairment charges incurred on the write-down of the long-term tailings stockpile in prior periods will be reversed in future periods once Almonty finalizes the metallurgical testing it is carrying out. Almonty is highly confident that the tungsten recovery rate on the tailings will be in excess of 52%. The current impairment analysis assumes a 46% recovery.

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 cash generating unit level ("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 2016 when compared to prices experienced during fiscal 2015 as an indicator of possible impairment. Accordingly, management performed an impairment assessment for each of its two operating mines, the Los Santos Mine and Panasqueira Mine, as well as for the Wolfram Camp Mine that is expected to resume production in calendar 2017.

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.

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

	<b>Assumptions</b>	
	<b>2016</b>	<b>2015</b>
Future tungsten prices, per MTU	US\$248 - US\$350	US\$231 - US\$399
Discount rate - Spain	8%	8%
Discount rate - Portugal	11%	-
Discount rate - Australia	12%	12%
Life of mine – Daytal, Spain	8 years	8 years
Life of mine – Panasqueira, Portugal	12 years	-
Life of mine – Wolfram Camp, Australia	4 years	4 years

During Q4, 2016, the Company recognized an impairment loss relating to the Wolfram Camp Mine of \$5,345 before tax that is included in the Loss from mining operations for the year. This charge was applied against mine development costs.

During Q4 2015, the Company recognized an impairment loss relating to the Wolfram Camp Mine of \$1,708 before tax that is included in the Loss from mining operations for the year. This charge was applied against mine development costs.

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, 2016, holding all other assumptions constant:

	<b>Los Santos</b>	<b>Panasqueira</b>	<b>Wolfram Camp</b>
10% change in tungsten prices	40.0%	37.7%	55.0%
1% change in discount rate	4.1%	6.0%	2.8%

The two largest factors in the impairment analysis were the forecast price of APT as reflected in the above table and the reserve and resource base. Should Almonty be able to increase the reserve and resource based at the Wolfram Camp Mine then the new reserve and resource estimates could be used in the VIU calculation and may lead to a reversal of the impairment charges incurred to date.

Depreciation and amortization expense for Q1 2017 decreased by 53.4% compared to Q1 2016 as a result of lower depreciation and amortization charges at the Panasqueira Mine when compared to the inclusion of depreciation and amortization at the Wolfram Camp Mine during Q1 2016 as well as a reduction in the amount of tungsten produced at the Los Santos Mine during Q1 2017. Almonty employs a unit-of-production basis for recording depreciation and amortization. (See Note 3 of the Company’s Q1 2017 Financial Statements for additional information.)



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Losses from mining operations, including inventory write-downs, were (\$1,375) during Q1 2017 as a result of the addition of the more cost-efficient production from the Company's Panasqueira mine and the curtailment of production at the Company's higher cost Wolfram Camp Mine when compared to a loss of (\$2,520) in Q1 2016. Almonty ceased production at the Wolfram Camp Mine while it continues with the optimization of the milling circuit and revises the mine plan. The Company anticipates that unit production costs will decrease significantly when production restarts once the optimization has been completed.

General and administrative costs increased by 5.1% during Q1 2017 when compared to Q1 2016 as a direct result of the inclusion of results from the Panasqueira Mine significantly increasing the size of the Company even after factoring in the downsizing that occurred at the Company's Wolfram Camp Mine when compared to Q1 2016. 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 \$nil were incurred during Q1 2017. This compares to a non-cash compensation expense of \$170 during Q1 2016.

Interest expense increased by 22.6% during Q1 2017 as a direct result of the increase in long-term debt outstanding when compared to Q1 2016 due to debt assumed and incurred on the acquisition of the Panasqueira Mine as well as increases in debt associated with the Company's working capital loan facilities.

Foreign exchange 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 of \$823 were incurred during Q1 2017. This compared to a foreign exchange loss of \$570 in Q1 2016.

The Net loss for Q1 2017 was (\$4,553) or (\$0.04) per common share. This compares to a net loss of (\$5,242) or (\$0.06) per common share, for Q1 2016.

Cash provided by (used in) operating activities totaled \$690 and \$801 for Q1 2017 and Q1 2016, respectively.

Cash used in investing activities totaled \$4,743 for Q1 2017 (\$1,927 for Q1 2016). The increase when compared to the prior period relates to the Company exercising its option to acquire the remaining 49% interest in the Valtreixal Mine Project and the increase in capitalized stripping costs at the Company's Los Santos Mine.

Cash (used in) provided by financing activities totaled \$2,434 and comprised principal repayments on existing debt of (\$8,255) and proceeds from new borrowings of \$10,689, during Q1 2017. Cash (used in) provided by financing activities during Q1 2016 was \$370 consisting of repayment of long-term debt of (\$1,778), proceeds from new borrowings of \$1,650, (\$2) spent on the repurchase of common shares under the Company's Normal Course Issuer Bid ("NCIB") and \$500 from the issuance of common share and common share purchase warrants during the period.

**Liquidity and Capital Resources**

As of December 31, 2016, the Company had sufficient cash resources, liquidity and undrawn bank lines to meet its current obligations at its operating subsidiaries and to fund working capital requirements and planned capital expenditures for Q2 2017. The Company had cash and receivables of \$5,342 and net non-cash working capital of (\$39,508) (Calculated as current assets (excluding cash) less accounts payable and accrued liabilities and deferred revenue, and the current portion of long-term debt, and excluding long-term tailings inventory) as at December 31, 2016. The Company believes that, based on the current price of APT, its forecast production schedule for the balance of fiscal 2017 and its ability to draw on existing loan facilities, it has the ability to generate sufficient cash flow to meet both its current and long-term obligations at its producing mines. The Company will, however, need to raise additional capital to continue funding the development of the Sangdong Mine, the ongoing refurbishment of the Wolfram Camp mill and to fund ongoing corporate overhead expenses during the balance of fiscal 2017. The current price of APT has reached levels where it is insufficient to cover the Company's cash operating costs. 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 Beral Tin and Wolfram (Portugal) SA, there is no legal restriction on Almonty's ability to repatriate capital from its subsidiaries.

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, short term deposits and receivables from government tax authorities. Almonty is not exposed to any externally imposed capital requirements.

The Company had \$59,260 in long-term debt (including convertible debentures and capital leases) (\$56,497 as at September 30, 2016), comprised of individual facilities with Spanish domiciled banks, one facility with a US subsidiary of an Austrian bank, debt owed to an industry participant, promissory notes owed to third parties and a promissory note owed to a shareholder as at December 31, 2016. See Note 10 in the Q1 2017 Financial Statements for additional detail regarding each component of long-term debt.

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Summary of Long-term Debt

		December 31	September 30
		2016	2016
Term and other loans - Euro	(a)	9,642	10,345
Term and other loans - US dollar	(b)	33,448	23,494
Term and other loans - Canadian dollar	(c)	4,548	11,010
Convertible debentures	(d)	10,781	10,718
Obligations under capital leases	(e)	841	930
		59,260	56,497
Less: Current portion		(20,236)	(27,172)
		39,024	29,325

Summary of Gearing Ratio

	December 31	September 30
	2016	2016
Accounts payable and accrued liabilities	23,671	21,799
Bank indebtedness	5,541	4,456
Long-term debt	59,260	56,497
Less: Cash and receivables	(5,342)	(6,361)
Net debt	<b>83,130</b>	<b>76,391</b>
Shareholders' equity	29,159	35,569
Equity and net debt	<b>112,289</b>	<b>111,960</b>
<b>Gearing ratio</b>	<b>74.0%</b>	<b>68.2%</b>

The Company's approach to capital management did not change during Q1 2017. The gearing ratio exceeded the targeted range as at December 31, 2016 due to the continued deterioration in the commodity price environment having a negative impact on net income and increased levels of debt used to fund acquisitions, capital expenditures and operating costs during Q1 2017. 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 was able to draw down on the facility based on production and shipments and granting security over certain assets of the Company. Principal 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%. The current balance under the Working Capital Loan as at the date of this MD&A is US\$6,911.

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On November 22, 2016, the Company drew down the full amount of the second tranche of the US\$14.0 million working capital loan in the amount of US\$7.0 million and used a portion of the proceeds to repay principal and interest owed to TaeguTec (refer to the discussion of the Sangdong Mine for additional details) in the amount of \$6,550. The balance of the loan was used for general working capital purposes.

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. On January 26, 2017, the Company and DRAG reached an agreement to extend the term of this promissory note until January 1, 2019.

On January 27, 2017, the Company issued a secured promissory note (the “**2017 Note**”) for aggregate gross proceeds of US\$1.0 million (the “**2017 Note Financing**”). The Note was issued to DRAG, an existing shareholder of, and lender to, Almonty, matures on January 1, 2019, and bears interest at a rate of 6% payable semi-annually in arrears on July 1 and January 1 each year, per annum, payable in cash or, subject to approval of the TSX Venture Exchange, shares at the option of Almonty up to the maturity date. To the extent interest is paid in shares, such shares would be issued at the 5-day volume weighted average price on the day prior to the issuance. The 2017 Note Financing closed on January 26, 2017 and will be funded in two tranches. The first tranche of US\$500,000 was received on closing and the second tranche is due to close on or before March 15, 2017. Almonty intends to use the net proceeds of the 2017 Note Financing for working capital and general corporate purposes.

**Outstanding Share Data**

As of the date hereof (March 1, 2017), there were 110,896,109 common shares outstanding, 4,700,000 options outstanding, with each option entitling the holder thereof to acquire one common share of Almonty, 10,224,989 potential shares to be issued upon the exercise of outstanding warrants and 9,985,294 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, issued 34,806,205 common shares on September 10, 2015, pursuant to the Plan of Arrangement, issued 625,000 common shares in a non-brokered private placement on October 9, 2015, issued 10,396,040 common shares in a non-brokered private placement on March 9, 2016, issued 2,463,400 shares on March 31, 2016, issued 5,000,000 common shares in a brokered private placement on June 3, 2016, issued 329,250 common shares in a share for debt settlement, and issued 5,600,000 common shares in a brokered private placement on August 17, 2016.

	<b>Number of Shares</b>	<b>Amount \$</b>
<b>Authorized - Unlimited number of common shares</b>		
<b>Issued and outstanding</b>		
Outstanding at September 30, 2015	86,484,919	60,827
Shares issued for cash	24,084,440	6,394
Shares issued on debt settlement	329,250	132
Shares repurchased under NCIB	(2,500)	(2)
Outstanding at September 30, 2016 and December 31, 2016	<b>110,896,109</b>	<b>67,351</b>

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Outstanding options as at December 31, 2016

As of December 31, 2016, the outstanding options, all of which are exercisable, are summarized as follows:

	<b>Number of Share Options</b>
Options outstanding at September 30, 2015	4,443,546
Options expired/forfeited	(125,387)
Options granted	950,000
Options outstanding at September 30, 2016	5,268,159
<b>Options expired/forfeited</b>	<b>(568,159)</b>
<b>Options granted</b>	<b>-</b>
<b>Options outstanding at December 31, 2016</b>	<b>4,700,000</b>

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
\$0.50 - \$0.75	2,100,000	8.1 years	\$0.656
\$0.76 - \$0.99	1,100,000	8.5 years	\$0.802
\$1.00 - \$1.70	1,500,000	5.1 years	\$1.015
	<b>4,700,000</b>	<b>7.2 years</b>	<b>\$0.800</b>

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 4,700,000 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 22, 2016. All of the outstanding options are fully vested.

The Company issued warrants in connection with financing and acquisitions. The outstanding warrants as of December 31, 2016, are summarized as follows:

<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Warrants</b>
March 7, 2019	\$1.26	3,482,769
October 9, 2017	\$0.90	312,500
March 9, 2018	\$0.30	5,198,020
March 31, 2018	\$0.30	1,231,700
		10,224,989



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4. Quarterly Earnings and Cash Flow

	<b>1<sup>st</sup> Quarter (2017)</b>			
<b>Period Ended</b>	<b>December 31, 2016 \$'000</b>			
Total Revenue	7,060			
Net income (loss)	(4,553)			
Basic earnings (loss) per share				
Diluted earnings (loss) per share	(\$0.04)			
Total assets	(\$0.04)			
Total long-term debt	59,260			
Dividend	-			

	<b>1<sup>st</sup> Quarter (2016)</b>	<b>2<sup>nd</sup> Quarter (2016)</b>	<b>3<sup>rd</sup> Quarter (2016)</b>	<b>4<sup>th</sup> Quarter (2016)</b>
<b>Period Ended</b>	<b>December 31, 2015 \$'000</b>	<b>March 31, 2016 \$'000</b>	<b>June 30, 2016 \$'000</b>	<b>Sept 30, 2016 \$'000</b>
Total Revenue	8,181	10,377	8,280	10,472
Net income (loss)	(5,243)	(4,467)	(3,132)	(8,384)
Basic earnings (loss) per share	(\$0.06)	(\$0.05)	(\$0.03)	(\$0.08)
Diluted earnings (loss) per share	(\$0.06)	(\$0.05)	(\$0.03)	(\$0.08)
Total assets	119,200	163,640	166,358	167,766
Total long-term debt	45,114	49,096	55,737	56,497
Dividend	-	-	-	-

	1 <sup>st</sup> Quarter (2015)	2 <sup>nd</sup> Quarter (2015)	3 <sup>rd</sup> Quarter (2015)	4 <sup>th</sup> 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	-	-	-	-

## 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 2016 Audited Annual Financial Statements.

## 6. New Accounting Standards and Interpretations

### New Accounting Standards and Interpretations Not Yet Adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International Accounting Standards Board ("IASB") or IFRS Interpretation Committee ("IFRIC") that are mandatory at certain dates or later. For IAS 1, IAS 16 and IAS 38 below, which are now applicable, Management has determined there is no significant impact on the adoption of these standards, and is still assessing the effects of the other 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.

### **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 the 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. The amendments are effective for annual periods beginning on or after January 1, 2016.

### **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**

During Q1, 2017 the Company incurred costs for officers and directors, in accordance with the terms of their compensation arrangements, of \$160 (Q1 2016 - \$116), none of which was owing as at December 31,

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2016. In addition, *nil* (Q1 2016- \$150) of share-based compensation expense was attributable to officers and directors.

For Q1 2017, interest expense of \$131 (Q1 2016 - \$168) was recorded on the DRAG debt and convertible debentures. The Company did not pay any of the accrued interest to DRAG during Q1 2017. The unpaid accrued interest of \$752 is recorded in accounts payable as at December 31, 2016 (As at September 30, 2016 - \$621)

## 8. Objectives and Outlook

### **Los Santos Tailings analysis**

Metallurgical testing continues on the stock piles of long-term tailings inventory at Los Santos with a view to increasing the projected tungsten recovery rate of the tailings by introducing flotation circuits to the milling circuits once the processing of ore has ceased. Initial results are positive and the Company expects that the ultimate design of the flotation circuit will result in a tungsten recovery rate in excess of 52% once tailings re-processing commences.

### **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 two 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 was obligated to deliver these containers prior to the end of March 2016, which was done, with the agreement of the customer, prior to June 30, 2016.

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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. 4 of the Los Santos Supply Agreement on April 1, 2016 whereby the Company amended the pricing mechanism under the contract.

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](http://www.sedar.com).

#### **Stamp Duty Payable**

In connection with the acquisition of the Wolfram Camp Mine the Company has accrued \$268 in stamp duty payable to the Queensland State Government as at September 30, 2016. The Company received communication via its tax advisor in Australia that a final assessment has been agreed to and the parties have signed a Compromise Assessment Deed whereby the assessment has been revised to AUD\$331 as at December 31, 2016. Almonty received a final notice of assessment February 9<sup>th</sup> 2017 and the Company has until March 9<sup>th</sup>, 2017 to pay the assessed amount. The company is currently in discussion with the Queensland State Government regarding a possible extension of the time to pay.

#### **Repayment of TaeguTec Loan**

On November 28, 2016 Almonty repaid the outstanding \$6,550 loan and accrued interest that was owed to TaeguTec Ltd. releasing any and all security held by TaeguTec over the Sangdong Mine project. The loan was due on December 31, 2016. In addition to the repayment, Almonty and TaeguTec have terminated all the other agreements that were previously in effect between the parties relating to the Sangdong Mine. The loan was repaid out of funds borrowed pursuant to a previously announced loan agreement.

#### **Sangdong Funding Commitment**

On November 28, 2016 Almonty received a letter of commitment from an industry participant with respect to the funding of the equity component of the overall financing package needed to bring the Sangdong Mine into production. The nature and terms of the commitment are currently being finalized. Almonty is currently finalizing, with the same industry participant an off-take agreement covering 100% of the initial planned production of the Sangdong Mine and expects to conclude these discussions in the near-term.

#### **Sangdong Surface Permits**

On January 9, 2017, Almonty received the final surface permit in respect of its Sangdong Mine that now enables it to begin construction of the processing plant once the terms of funding for the build out have been finalized and the EPC contract with POSCO has been agreed to and signed.

#### **Fixed Price Contracts**

On November 29<sup>th</sup>, 2016, Almonty entered several 1-year fixed price off-take agreements with several of its existing customers. The net price to be received under the contracts is US\$210 per MTU of contained

tungsten, equating to an effective APT price of US\$269 per MTU (assuming an industry average discount factor of 22%). These contracts became effective January 1, 2017.

### **Exercise of the Valtreixal Purchase Option**

On December 23, 2016, Almonty exercised its option on the Valtreixal Mine. Almonty acquired the remaining 49% through a series of payments to Siemcalsa that totaled €1.5 million, having negotiated a €750 reduction on the final price. Almonty now owns 100% of the Valtreixal Mine and continues to work on project development with a view to being in a position to bring the project on-line when market conditions warrant.

### **Issuance of Secured Promissory Note**

On January 26, 2017, the Company issued a secured promissory note (the “2017 Note”) for aggregate gross proceeds of US\$1.0 million (the “2017 Note Financing”). The Note was issued to DRAG, an existing shareholder of, and lender to, Almonty, and matures on January 1, 2019, and bears interest at a rate of 6% per annum, payable in cash or, subject to approval of the TSX Venture Exchange, shares at the option of Almonty at the maturity date. To the extent interest is paid in shares, such shares would be issued at the 5-day volume weighted average price on the day prior to the issuance. The 2017 Note Financing closed on January 27, 2017 and will be funded in two tranches. The first tranche of US\$500 was received on closing and the second tranche is due to close on or before March 15, 2017. Almonty intends to use the net proceeds of the 2017 Note Financing for working capital and general corporate purposes.

## **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 January 30, 2017, 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<sub>3</sub> 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<sub>3</sub>. The price of tungsten varies considerably and is based on factors outside the control of the Company. Should the market price of tungsten concentrate continue to be below the Company’s cash operating costs, Almonty would continue to generate negative cash flow from operations. Payments of interest and principal under one of the Company’s credit facilities is based on APT pricing levels (Note 10(b)). From time to time, the Company enters into contracts to fix the price of the product it sells for periods of time it deems appropriate.

Daytal, Valtreixal and Beralt 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

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that are 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 these four currencies.

*Foreign currency risk*

Almonty's wholly-owned indirect subsidiary, Daytal, operates in Spain in Euros (€), and its wholly-owned indirect subsidiary, BTW, operates in Portugal in Euros (€). Their 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 interim condensed consolidated balance sheet can be significantly affected by movements between the three currencies (CAD\$, US\$ and €).

During the three months ended December 31, 2016, the value of the € relative to the CAD\$ decreased from €1.00 = CAD\$1.4741 as at September 30, 2016 to €1.00 = CAD\$1.4169 as December 31, 2016. As of December 31, 2016, a 5% change in the value of the CAD\$ relative to the Euro would have an impact on the net income for the three months ended December 31, 2016 of approximately \$30 (2015 - \$70).

During the three months ended December 31, 2016, the value of the US\$ relative to the CAD\$ increased from US\$1.00 = CAD\$1.3117 as at September 30, 2016 to US\$1.00 = CAD\$1.3427 as at December 31, 2016. As of December 31, 2016, a 5% change in the value of the CAD\$ relative to the US\$ would have an impact on net income for the three months ended December 31, 2016 of approximately \$360 (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 interim condensed consolidated balance sheet can be significantly affected by movements between the three currencies (CAD\$, US\$ and AUD\$).

During the three months ended December 31, 2016, the value of the AUD\$ relative to the CAD\$ decreased from AUD\$1.00 = CAD\$1.0054 as at September 30, 2016 to AUD\$1.00 = CAD\$0.9707 as at December 31, 2016. As of December 31, 2016, a 5% change in the value of the CAD\$ relative to the AUD\$ would have an impact on net income for the three months ended December 31, 2016 of approximately \$26 (2015 - \$120).

Currency movements during the three months ended December 31, 2016 resulted in the Company recording a cumulative translation adjustment gain (loss) of (\$1,852) (2015 – gain of \$1,339). This amount is recorded as other comprehensive income (loss) in the interim condensed consolidated statements of operations and comprehensive 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 to cash at banks, and long-term debt with a floating interest rates, and amounts payable to Almonty under its supplier finance program that is part of its long-term supply agreement with its major customer.

The Company currently has \$64,801 in short and long-term debt outstanding at varying levels of fixed and floating interest rates of between 0.0% - 12.0%. A portion of the floating rate debt totaling \$10,398 is based

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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 would have an impact on the amount of interest paid by the Company. For every 100 basis point (1.0%) movement in the Euribor rate will cause the amount the Company is required to pay in monthly interest to fluctuate +/- \$9. The remaining floating rate debt of \$32,105 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 would have an impact on the amount of interest paid by the Company. For 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 +/- \$27.

The Company may in the future become a borrower of an additional material amount of funds or repay its existing outstanding long-term debt at any time without penalty. The Company's primary operations are located in Spain, Australia, Korea and Portugal. 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<sub>3</sub> 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, Beralt and WCM, together with Almonty, are parties to the Supply Agreements with one customer. Currently greater than 60% of all the revenue earned by the Company's operations was 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 patterns, 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 provided 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.

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#### *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 completed an engineering study at the Sangdong Mine and was granted all the necessary surface permits enabling the Company to begin building the Sangdong Mine. The Company is working with POSCO as its EPC contractor for the construction of the mine and anticipates beginning the buildout of the mine once funding for the project has been secured. There is no guarantee that Almonty will be able to raise sufficient capital to fund the construction of the Sangdong Mine.

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 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.

The current approved mine plan covers the period from January 2017 to January 2022 and comprises estimates of minimal disturbance activities during that period. The Company has the ability to revise and resubmit the mine plan within that period depending upon anticipated activities in future years.

The Company holds a valid Environmental Authority for its current operations and is in the process of negotiating the Financial Assurance figure to be held by the Department of Environmental Heritage and Protection. The initial Financial Assurance assessment was approximately AUD\$2.9 million however it is anticipated that the final Financial Assurance total will be in the vicinity of AUD\$2.3 million. The Department currently holds Financial Assurance of approximately AUD\$1.3 million. A bank guarantee has been executed to cover the difference between the total and currently held Financial Assurance and is in the process of being transferred to the Department.

Almonty has all necessary licenses to operate and remain in compliance with regulations for WCM. Its licenses have no restrictions with respect to waste dumping or tailings capacity, subject to compliance with the Environmental Protection Order to maintain sufficient control of water on site, which the company has complied with. The Company has the tenement commitments set out below in relation to exploration

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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:**

2017	500
2018	365
2019	50
	<hr/>
	915
	<hr/>

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 2017, Almonty has recognized a restoration provision of \$643 (September 30, 2016 - \$662) 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 2020 after the Los Santos Mine ceases to mine ore based on the current estimate of economically recoverable ore resources. 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<sub>3</sub> concentrate. The Company has had its mine plan approved by the local mining and environmental authorities in the Province Salamanca and is currently awaiting approval of the regional mining authority in Castilla y Leon. 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. Upon approval of the mine plan the Company intends to arrange an insurance policy to cover any increase in the assessed reclamation requirements. The Company anticipates that it will receive approval of its mine plan for the Los Santos Mine prior to the end of fiscal 2017 (the updated plan was originally filed in February 2015). The Company continues to work with the relevant authorities in Spain with respect to obtaining approval of its mine plan

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and is also engaged in active discussions with several insurance brokers to renew the insurance policy to cover the life of mine. The Company had posted an insurance policy to cover the anticipated reclamation costs when it originally filed its updated mine plan in February 2015. This policy expired in July 2016 and will be renewed upon final approval of the mine plan as filed. The relevant Spanish authorities are aware of the lapse in insurance coverage and are continuing their review of the mine plan as filed.

Banco Popular has posted a bank warranty of €180 (\$255) 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 \$2,191 as at December 31, 2016 (September 30, 2016 - \$2,269) 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 2023 after the mine ceases production based on the current reserve and resource estimate. 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<sub>3</sub> concentrate.

As at December 31, 2016, Almonty had \$1,290 (September 30, 2016 - \$1,336) 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, 2015.

There is a restoration provision of \$254 (September 30, 2016-\$272) with respect to the Sangdong Mine based on the amount assessed by the relevant local government authorities.

Almonty assumed, on the acquisition, a restoration provision of \$34,910, which as at December 31, 2016 has a balance of \$40,260 (September 30, 2016 - \$41,860) with respect to the Panasqueira Mine's future obligation to restore and reclaim the mine once it has ceased to mine ore. The restoration provision represents the present value of rehabilitation costs relating to the mine site which are expected to be incurred subsequent to 2033 after the mine ceases production. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. Actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect current market conditions at that time. The timing of the rehabilitation is likely to depend on when the mine ceases to produce at economically viable rates. This

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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<sub>3</sub> concentrate.

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

Balance at September 30, 2015	2,987
Revisions in estimated cash flows and changes in assumptions	7,462
Provision assumed on acquisition	34,910
Accretion expense	412
Translation adjustment	(708)
Balance at September 30, 2016	45,063
<b>Revisions in estimated cash flows and changes in assumptions</b>	<b>-</b>
<b>Accretion expense</b>	<b>33</b>
<b>Translation adjustment</b>	<b>(1,748)</b>
<b>Balance at December 31, 2016</b>	<b>43,348</b>

*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 2017 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 2017 Financial Statements fairly present in all material respects the financial



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condition, results of operations and cash flow of the Company, as of and for the three months ended December 31, 2016.

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.

March 1, 2017  
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 <sub>3</sub>
NI 43-101	National Instrument 43-101 – <i>Standards of Disclosure for Mineral Projects</i>
Scheelite	a brown tetragonal mineral, CaWO <sub>4</sub> . 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 <sub>3</sub>
US\$	United States dollars
W	the elemental symbol for tungsten
WO <sub>3</sub>	tungsten tri-oxide, a compound of tungsten and oxygen