(Formerly RCG Capital Inc.)

# Management Discussion and Analysis

For the period June 9th, 2011 to September 30th, 2011

REPORT DATED: January 26th, 2011

ALMONTY INDUSTRIES

Management Discussion and Analysis
For the period June 9th to September 30th, 2011
Report Dated January 26th, 2012

## 1. Introduction

This management discussion and analysis ("**MD&A**"), dated January 26, 2012 provides a review of the financial position and results of operations of Almonty Industries Inc. (TSX-V: AII) (formerly "RCG Capital Inc.") (the "**Company**" or "**Almonty**"). This MD&A reviews the business of Almonty and discusses the Company's financial results for the period ended September 30, 2011. It should be read in conjunction with the audited consolidated financial statements and notes thereto of the Company for the period ended September 30, 2011.

The Company's management is responsible for the preparation of the consolidated financial statements as well as other information contained in this MD&A. The Board of Directors is required to ensure that management assumes their responsibility in regards 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 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 financial statements to the Board of Directors for review and approval. Following the recommendation of the Audit Committee, the Board of Directors approved the audited consolidated financial statement on January **[26]**, 2012.

The consolidated financial statements of the Company for the period ended September 30, 2011 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.

On September 23, 2011 the Company completed its qualifying transaction (the "**Qualifying Transaction**"), whereby all of the issued and outstanding securities of 7887523 Canada Inc. ("**Almonty Sub**") were acquired in exchange for securities of the Company on a one-for-one basis and the Company changed its name to "Almonty Industries Inc." and its stock symbol to "AII". The Qualifying Transaction was a reverse take-over with the former shareholders of Almonty Sub holding approximately 98% of the outstanding shares of the Company immediately following its completion. In connection with the Qualifying Transaction and immediately prior to its completion, Almonty Sub acquired all of the issued and outstanding shares of Daytal Resources Spain, S.L. ("**Daytal**") from Heemskirk Europe PLC and Heemskirk Consolidated Limited (collectively, "**Heemskirk**"). Daytal is the owner of a 100% interest in the Los Santos tungsten project located near Salamanca, Spain (the "**Los Santos Project**"). Immediately prior to the completion of the Qualifying Transaction the outstanding securities of the Company (then RCG Capital Inc.) were consolidated on the basis of one post consolidation security for each of the previously outstanding 6.67 securities of the Company effective September 23, 2011.

In accordance with IFRS 3, *Business Combinations*, the Qualifying Transaction constituted a reverse acquisition of a non-operating company. The Qualifying Transaction does not constitute a business combination as, prior to the completion of the Qualifying Transaction, the Company (then RCG Capital Inc.) did not meet the definition of a business under the standard. As a result, the Qualifying Transaction is accounted for as a capital transaction with Almonty Sub being identified as the accounting acquirer and the equity consideration being measured at fair value. The resulting statement of financial position is presented as a continuance of Almonty Sub. As Almonty Sub was incorporated on June 9, 2011 for the express and sole purpose of completing the acquisition Daytal, there are no comparative year figures available.

IFRS 2, *Share Based Payments*, applies to transactions where an entity grants equity instruments and cannot identify specifically some or all of the goods or service received in return. Because the Company has issued shares with a value in excess of the assets received, IFRS 2 would indicate that the difference is recognized in comprehensive loss as a reverse acquisition transaction cost. The amount assigned to the reverse acquisition transaction cost of $698 is the difference between the fair value of the consideration and the net identifiable assets of the Company acquired by Almonty Sub and included in the consolidated statement of comprehensive loss for the period ended September 30, 2011.

The fair value of the consideration was determined based on the percentage of ownership the legal parent's shareholders have in the combined entity after the reverse acquisition transaction. This represents the fair value of the common shares that Almonty Sub would have had to issue for the ratio of ownership interest in the combined entity to be the same, if the transaction had taken the legal form of Almonty Sub acquiring 100% of the common shares in the Company. The percentage of ownership the legal parent's shareholders had in the combined entity is 1.7% after the issuance of 36,734,260 shares of the Company to shareholders of Almonty Sub. As the options and warrants of the Company granted prior to the completion of the reverse take-over remain exercisable following completion of the reverse take-over, the fair value of the options and warrants as at the date of the reverse take-over are also included as part of the consideration transferred. See Section 5, "Reverse Acquisition", in this MD&A.

Additional information about the Company, along with a copy of the filing statement dated September 14, 2011 filed in connection with the Qualifying Transaction (the "**Filing Statement**"), the results of the Los Santos Project for the nine months ended June 30, 2011 and the results of RCG Capital Inc. for the three and six month periods ended August 31, 2011 are available on SEDAR (www.sedar.com) under Almonty's profile.

**Forward-Looking Information**

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

Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors which could cause actual events, results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, but are not limited to, the inability of the Company to maintain its interest in its mineral projects or to obtain or comply with all required permits and licences, 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 11, "Risks and Uncertainties", in this MD&A 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.

## 2. Overview

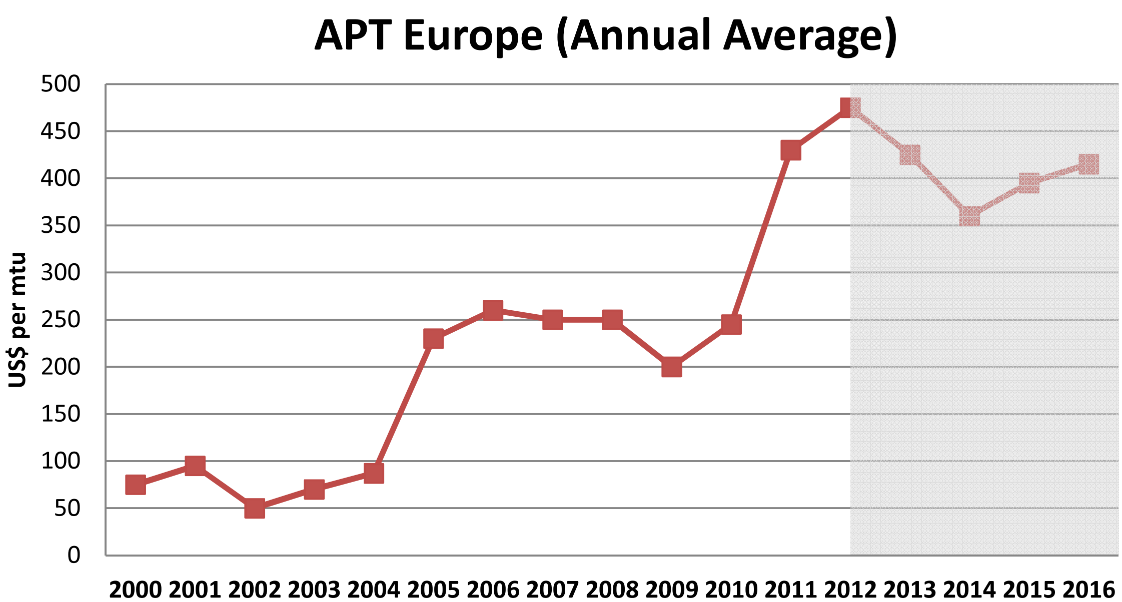
Almonty is a publicly traded company listed on the TSX Venture Exchange (the "**TSX-V**") under the symbol "AII". The principal business of Almonty is the advancement of the exploration, development and production activities at the Los Santos Project. The Los Santos Project is a tungsten mine located approximately 50 kilometres from Salamanca, in western Spain. The mine has been in production since 2008 and produces tungsten product which is currently sold under an off-take agreement. The mine was opened in June 2008 and commissioned in July 2010 by its former owner.

Almonty, through its wholly-owned subsidiary Almonty Sub, acquired the Los Santos Project on September 23, 2011 in connection with its Qualifying Transaction. Immediately prior to the completion of the Qualifying Transaction, Almonty Sub acquired all of the issued and outstanding shares of Daytal, the owner of 100% of the Los Santos Project, for $14.4 million in cash, 5.56 million common shares of Almonty Sub and 3.7 million warrants to purchase common shares of Almonty Sub on a one-for-one basis. Following the closing of the acquisition of Daytal, the Company, then a Canadian capital pool company, acquired all of the issued and outstanding securities of Almonty Sub in exchange for securities of the Company on a one-for-one basis and changed its name from RCG Capital Inc. ("**RCG**") to "Almonty Industries Inc." and the ticker symbol for its common shares to "AII".

In connection with the Qualifying Transaction, Almonty Sub raised approximately $17 million through a brokered equity private placement financing that closed on September 23, 2011(the "**Financing**") in order to fund the cash portion of the acquisition of Daytal as well as to fund working capital and planned capital expenditures. Full details of the Financing, the acquisition of Daytal and the Qualifying Transaction can be found in the Filing Statement filed on SEDAR (www.sedar.com) under Almonty's profile.

The tungsten business outlook has improved considerably since Almonty first entered into negotiations to acquire Daytal, in April 2011. A continued global supply shortfall for tungsten concentrates coupled with increasing demand has led to record high prices. Additional planned global mine output will be required in order to meet forecasted demand increases.

Tungsten prices according to the Metal Bulletin European quotation for APT (from which Almonty's concentrate prices are derived by varying formulae under its off-take agreement) continue to remain strong. Pricing forecasts, based on Roskill Information Services "Tungsten: Market Outlook to 2016, 10th edition 2011", take into account both growing demand and anticipated new sources of supply coming to market.




Source: Metal Bulletin, ammonium para tungstate, European (US$/MTU), Forecast Roskill Information Services

The Los Santos Project opened in June 2008 at a capitalized cost of approximately $70 million Australian Dollars and was commissioned by Heemskirk in July 2010.

Almonty has identified areas of operational improvement and has embarked on a plan to increase the recovery of tungsten concentrate from the Los Santos Project to industry standard through operational changes and enhancements to the milling circuit and improvements to the way in which ore is fed into the processing circuits. Results to date have been promising and the improvement in recoveries is on target.

Management has also identified several opportunities to expand the project's potential and has begun an exploration campaign with the intent of converting measured and indicated mineral resources to proven and probable mineral reserves. The exploration campaign is targeting over 7,000 metres of drilling and Almonty will work with third party mining consultants to optimize the pit design based on the results of the drilling campaign. Almonty intends to perform sufficient drilling in order to support the completion of an updated National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("**NI 43-101**") compliant technical report prior to the end of calendar 2012. Almonty will provide updates on this and other initiatives as they progress.

Existing resource estimates, taken from the Los Santos Project Technical Report as at March 31, 2011, available on SEDAR (www.sedar.com) under Almonty's profile, are summarized below:

| **$WO3 >= 0.05\%$** | **Measured** | | **Indicated** | | **Measured & Indicated** | | **Inferred** | |
|---|---|---|---|---|---|---|---|---|
| **Zone** | **Tonnes Kt** | **$WO_3$ %** | **Tonnes Kt** | **$WO_3$ %** | **Tonnes Kt** | **$WO_3$ %** | **Tonnes Kt** | **$WO_3$ %** |
| Las Cortinas East | 80 | 0.26 | 147 | 0.61 | 227 | 0.49 | 47 | 0.20 |
| Las Cortinas West | 2 | 0.08 | 337 | 0.26 | 339 | 0.26 | 285 | 0.24 |
| Sector Central | 10 | 0.23 | 84 | 0.22 | 94 | 0.22 | 78 | 0.27 |
| Los Santos Sur | 424 | 0.38 | 1,153 | 0.25 | 1,577 | 0.28 | 1,013 | 0.24 |
| Capa Este | 131 | 0.16 | 182 | 0.13 | 313 | 0.14 | 26 | 0.12 |
| Capa 4 | - | - | - | - | - | - | 215 | 0.21 |
| | - | - | - | - | - | - | 213 | 0.14 |
| **Total** | **647** | **0.32** | **1,903** | **0.27** | **2,550** | **0.28** | **1,877** | **0.22** |

1. Measured, indicated and inferred cut-off grade = 0.05% $WO_3$.
2. Minimum width = 2.5 metres.
3. Measured and indicated resources are inclusive of reserves.
4. Mineral resources that are not mineral reserves do not have demonstrated economic viability.
5. 1 tonne = 100 MTU

Almonty acquired the Los Santos Project on September 23, 2011 and owned the mine for approximately one week during the period ended September 30, 2011. Prior to its acquisition by Almonty, the Los Santos Project mined 431,435 tonnes of ore at an average grade of 0.27% producing approximately 60,081 MTU of $WO_3$ for an average tungsten recovery of 52.3% for the period from October 1, 2010 to September 30, 2011.

Summary operating information for Daytal[1]:

| | Quarter Ended Sept 30, 2011 | Quarter Ended June 30, 2011 | Year Ended Sept 30, 2011 | Year Ended Sept 30, 2010 |
|---|---|---|---|---|
| Ore treated (tonnes) | 115,689 | 124,143 | 441,976 | 268,634 |
| $WO_3$ concentrate produced (MTU) | 14,320 | 16,063 | 61,598 | 22,398 |
| $WO_3$ concentrate sold (MTU) | 13,436 | 14,393 | 52,807 | 20,752 |
| Sales revenue (US$ million) | 4.7 | 4.6 | 15.0 | 3.5 |
| Cash operating costs (US$/MTU) | 183 | 187 | 223 | 473 |

[1] Information for Daytal is based on the operating results of Daytal under its previous owner, Heemskirk, prior to Daytal being acquired by Almonty. See Heemskirk's Fourth Quarter Activities Report which can be found on Heemskirk's website: www.heemskirk.com/public_reports/Quarterly_Reports/Fourth%20Quarter%20Activities%20Report.pdf

## 3. 2011 Financial Highlights

The following financial information is for the period from June 9, 2011 to September 30, 2011:

| | $ |
|---|---|
| Revenue | - |
| Cost of sales | - |
| Gross profit | - |
| Bargain purchase gain | 68 |
| SG&A costs | (326) |
| Transaction costs | (786) |
| Listing expense | (698) |
| Non-cash compensation costs (options issued to directors, officers and key management) | (363) |
| Net loss for the period | (2,105) |
| Loss per share basic and diluted | ($0.06) |
| Dividends | - |
| | |
| Cash flows used in operating activities | (593) |
| Cash flows used in investing activities | (14,152) |
| Cash flows provided by financing activities | 15,901 |
| | |
| | **At September 30, 2011** |
| Cash | 1,156 |
| Total assets | 31,315 |
| Long-term debts | 503 |
| Capital lease obligations | 50 |
| Shareholders' equity | 21,177 |
| | |
| Other | |
| Outstanding shares ('000) | 37,011 |
| Weighted average outstanding shares ('000) | |
| Basic | 37,011 |
| Fully diluted | 42,702 |
| Closing share price | $1.00 |

Almonty took ownership of the Los Santos Project on September 23, 2011. During the final week of the fiscal period ended September 30, 2011 the Company did not ship any tungsten concentrate and therefore did not recognize any revenue for the period. In connection with the completion of the Qualifying Transaction, Almonty entered into a new multi-year off-take agreement to supply tungsten concentrate from the Los Santos Project to a global purchaser in the tungsten concentrate market. Under the terms of the contract, Almonty is required to supply a minimum number of MTU's of $WO_3$ concentrate and receives a price per MTU calculated based on the adjusted prevailing monthly average price per MTU of

APT as published by the MB on the date of shipment to the customer (the "invoiced amount"). See Section 11 "Risks and Uncertainties - Financial Risks - *Economic Dependency"*

Daytal has a long-term contract with Sanchez y Lago ("**SYL**") under which SYL carries out contract mining activities for Daytal on the Los Santos Project. Daytal currently does not have any mining capabilities of its own and relies on SYL for all mining activity, including waste rock removal, pit development and delivery of ore to Daytal's crushing and processing plant. See Section 11 "Risks and Uncertainties – Operational Risks – *Production"*.

Almonty recorded the fair market value of the assets and liabilities acquired on the acquisition of Daytal. The result lead to the recognition of a bargain purchase gain, the amount of the excess fair market value of the assets acquired compared to the consideration (cash shares and warrants) paid on closing of the acquisitions, in the amount of $68. The value of the bargain purchase gain has been recognized as income and had the effect of reducing the loss for the period June 9 to September 30, 2011.

All directly attributable operating and processing costs incurred during the one week period from closing of the acquisition of Daytal on September 23, 2011 to Almonty's fiscal year end on September 30, 2011 were capitalized to inventory. SG&A costs incurred relate to administrative and transaction costs associated with the acquisition, severance payments related to employment contracts at Daytal as a result of Almonty's acquisition of Daytal and the Los Santos Project.

The Company recorded a listing expense in conjunction with the completion of its Qualifying Transaction in the amount of $698. See Section 5, "Reverse Acquisition", in this MD&A.

The Company recorded non-cash compensation expenses of $363 relating to the granting of options to directors, officers and key employees of Almonty on September 26, 2011.

Transaction costs of $786 represents legal, accounting and other professional fees incurred as part of the acquisitions of Daytal and in connection with the reverse take-over involving Almonty Sub during the period from June 8 to September 30, 2011.

Overall net loss for the period was ($2,105) or ($0.06) per share.

Cash flow used in operating activities of ($593) represents changes in non-cash working capital as well as the payment of fees and expenses associated with the acquisitions of Daytal and in connection with the reverse take-over involving Almonty Sub during the period.

Cash flow used in investing activities of ($14,152) represents the net cash used (net of $281 in cash acquired as part of the acquisition of Daytal) in the acquisition of Daytal and RCG during the period.
Cash flow provided by financing activities of $15,901 represents the net cash, after deducting cash costs associated with the financing of $1,526, from issuing 16,963,840 common shares of Almonty for gross cash proceeds of $17,427. As of the date hereof there were 37,011,441 common shares outstanding, 1,332,455 options and 4,357,794 warrants outstanding to acquire one common share each.

The Company had no interest bearing debt as at September 30, 2011 other than a capital lease obligation relating to several pieces of industrial machinery (front end loader, fork lifts etc.) of $50 that bears an annual interest rate of 4.5%. Long-term debt of $503 relates to a non interest bearing trade payable that matures in November 2013 and requires Almonty to make monthly installments of $43 beginning in October 2012.

Almonty has already begun to implement operational improvement s at the Los Santos Project as well as accelerating the development and exploration of the Los Santos Project as described in the Filing Statement. Refer to Section 10, "2012 Objectives and Outlook" in this MD&A for additional details and analysis.

As at September 30, 2011 the Company had sufficient cash resources and liquidity to meet its current obligations and to fund working capital requirements and planed capital expenditures in 2012 (see Section 10, "2012 Objectives and Outlook", in this MD&A for planned drilling and exploration activities). The Company had cash and receivables of $2,180 and working capital of $550 as at September 30, 2011. Subsequent to September 30, 2011, Almonty began shipping tungsten concentrate under its off-take agreement and to date has received payment for all invoices submitted to its customer. The Company believes that, based on the current price of APT and its forecast production schedule for the remainder of fiscal 2012, that it has the ability to generate sufficient cash flow to meet both its current and long-term obligations. Should the price of APT fall below the Company's cash operating costs or 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 Spanish law requirements on minimum capital adequacy at Daytal, there is no legal restriction on Almonty's ability to repatriate capital from Daytal.

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 in light of changes in economic conditions. To maintain or adjust its capital structure, Almonty may make a dividend payment to shareholders, return capital to shareholders or issue new shares. Almonty monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. Almonty's policy is to maintain the gearing ratio between 5% and 40%, which is consistent with industry standards. Almonty includes within net debt, interest-bearing loans and borrowings, trade and other payables, less cash and short term deposits and receivables from government tax authorities. Almonty is not exposed to any externally imposed capital requirements.

| | **$** |
|---|---|
| | **September 30, 2011** |
| Capital leases | 50 |
| Accounts payable and accrued liabilities | 4,408 |
| Long-term non-interest bearing trade payables | 520 |
| Less cash and short-term deposits | (2,180) |
| Net debt | 2,798 |
| | |
| Shareholders' equity | 21,178 |

| | |
|---|---|
| Equity and net debt | 23,976 |
| **Gearing ratio** | **11.7%** |

The Company's approach to capital management did not change during the period.

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 were 1,309,967 options outstanding under the option plan.

## 4. Acquisitions

**Daytal Resources Spain, S.L.**

Almonty acquired all of the issued and outstanding shares in the capital of Daytal, a company holding a 100% interest in the Los Santos Project, on September 23, 2011. The principal business of Daytal is the advancement of exploration, development and production activities at the Los Santos Project. The Los Santos Project is a sheelite mineral deposit consisting of the tungstate of calcium that is an ore of tungsten. The mine is located approximately 50 kilometres from Salamanca, in western Spain. The mine has been in production since 2008 and produces a tungsten concentrate product which is currently sold under an off-take agreement. The mine was opened in June 2008 and commissioned in July 2010 by its former owner. The following sets forth the fair values of the net assets acquired in the acquisition of Daytal:

| | **Fair Value at acquisition date** |
|---|---|
| | **$** |
| **Assets** | |
| Property, Plant and Equipment | 10,563 |
| Mine Development | 9,332 |
| Deferred tax asset | 5,690 |
| Other non-current assets | 638 |
| Inventories | 2,257 |
| Other current assets | 1,033 |
| Cash and cash equivalents | 281 |
| | $29,794 |
| **Liabilities** | |
| Trade and other payables | 3,364 |
| Capital lease | 50 |
| Other liabilities and accruals | 17 |
| Long-term non-interest bearing trade payables | 500 |
| Deferred tax liability | 4,685 |

| | |
|---|---|
| Restoration provision | 449 |
| | 9,065 |
| **Total Identifiable Net Assets** | **$20,729** |
| | |
| Cash Paid | $14,427 |
| Shares and warrants transferred at fair value | 6,234 |
| **Total Consideration transferred** | **$20,661** |
| | |
| Bargain purchase gain taken to income | $68 |
| | |
| Direct costs attributable to the acquisition | $786 |
| | |
| Net cash acquired with Daytal | $281 |
| Cash paid | (14,427) |
| Transaction expenses incurred | (786) |
| **Net consolidated cash outflow** | **($14,932)** |

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

The bargain purchase gain is a result of the excess of the fair market value of the net assets acquired over the purchase consideration. Mine development and property, plant & equipment will be amortized over the useful life of the mine based on a unit of production. From the date of acquisition, Daytal contributed $nil to consolidated revenue and $145 to consolidated loss.

Direct transaction costs of $786 have been expensed and are included in transaction expenses on the statement of comprehensive loss.

## 5. Reverse Acquisition

On September 23, 2011, the Company completed its Qualifying Transaction pursuant to the terms of a share purchase agreement dated June 10, 2011, as amended, between the Company (then RCG), Almonty Sub and Almonty Partners LLC. As a result of the Qualifying Transaction, the former shareholders of Almonty Sub owned approximately 98% of the share capital of the Company immediately after the completion of the Qualifying Transaction. The balance of the Company's share capital, approximately 2%, was retained by the existing shareholders of the Company who owned 100% of the share capital of the Company (then RCG) immediately prior to the closing of the Qualifying Transaction. Prior to the Qualifying Transaction, the Company (then RCG) did not carry on an operating business and its net assets consisted of cash, harmonized sales tax receivables and transaction liabilities. The acquisition of Almonty Sub by the Company is considered a "reverse take-over" within the meaning of National Instrument 51-102 – *Continuous Disclosure Obligations.*

In accordance with IFRS 3, the substance of the transaction is a reverse acquisition of a non-operating company. The transaction does not constitute a business combination as the Company (then RCG) did not meet the definition of a business under IFRS 3. As a result, the transaction was accounted for as a capital transaction with Almonty Sub being identified as the accounting acquirer and the equity consideration being measured at fair value.

The consideration was comprised of 637,181 common shares of Almonty Sub issued to the shareholders of the Company (then RCG) at a price of $1.00 per share and issuance of 82,455 options to the Company's former agents and directors for a total consideration of $677.

In accordance with IFRS 2, any excess of the fair value of the shares issued by Almonty Sub over the value of the net monetary assets of RCG is recognized in the consolidated statement of operations and comprehensive loss.

Based on the statement of financial position of the Company at the time of the transaction, the net liabilities at estimated fair values that were acquired by Almonty Sub resulted in a charge to the consolidated statement of comprehensive loss as follows:

| | **$** |
|---|---|
| Net liabilities acquired | 21 |
| Consideration of common shares deemed to be issued and options | 677 |
| Listing Expense | **698** |

## 6. Quarterly Earnings and Cash Flow

| | 4th Quarter | 3rd Quarter |
|---|---|---|
| Three Months Ended | September 30, 2011<br>$ | June 9 to June 30, 2011<br>$ |
| Total Revenue | - | - |
| Net Loss | (2,105) | - |
| Basic and diluted earnings (loss) per share | (0.06) | - |
| Total assets | 31,315 | - |
| Total long term debt | - | - |
| Dividend | - | - |

Almonty owned Daytal for seven days during the period ended September 30, 2011. Prior to the closing of the Financing, the acquisition of Daytal and the Qualifying Transaction, the Company (then RCG) did not carry on a business and therefore did not have any revenue. Almonty Sub (the accounting acquirer) was incorporated June 9, 2011 and also did not carry on a business prior to the closing of the Financing and acquisition of Daytal and therefore also did not record any revenue for the period ended September 30, 2011. During the one week period following the closing of the Financing, the acquisition of Daytal and the Qualifying Transaction, the Company did not ship any tungsten concentrate and as such did not record or recognize any revenue for the period.

Net loss for the period relates to SG&A costs that occurred after the closing of the Financing, the acquisition of Daytal and the Qualifying Transaction in the amount of ($326).

Transaction costs associated with the acquisition of Daytal and Qualifying Transaction, but excluding the Financing, totaled ($786), non-cash charges relating to the expense of the previously recognized intangible asset on closing of the Qualifying Transaction (see Section 5, "Reverse Acquisition", of this MD&A), totaled ($698) and non-cash compensation expense relating to options granted to directors, officers and key employees totaled ($363). The Company recognized a non-cash gain of $68 on the closing of the acquisition of Daytal (see Section 4, "Acquisitions - Daytal resources Spain, S.L.", in this MD&A).

Non-cash compensation expenses relate to the granting of stock options to directors, officers and key employees during the period (see the Company's press release dated September 27, 2011, available on SEDAR at www.sedar.com under Almonty's profile).

This resulted in a net loss for the quarter ended September 30, 2011 of ($2,105) or ($0.06) per share and $nil for the quarter ended June 30, 2011.

During the period Almonty raised net proceeds of $15,901 through the Financing on September 23, 2011. A portion of the capital raised was used to fund the cash portion of the acquisition of Daytal in the amount of $14,152. Cash used in operations represents cash used to pay for transaction expenses and other SG&A costs.

## 7. 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 of the audited financial statements of Almonty as at September 30, 2011 and for the period from June 9 to September 30, 2011.

## 8. New Accounting Standards and Interpretations

**New accounting standards and interpretations not yet adopted**

The following standards, amendments to standards and interpretations have been identified as those which may impact the consolidated financial statements of Almonty. Such standards and interpretations have been issued but were not yet effective and are available for early adoption as of September 30, 2011. Accordingly, they have not been applied in preparing the Company's consolidated financial statements.

| Reference | Title | Application date for Almonty |
|---|---|---|
| IAS 1 | Presentation of Financial Statements (revised) | October 1, 2012 |
| IAS 12 | Income Taxes (amended) | October 1, 2012 |
| IFRS 9 | Financial Instruments | October 1, 2013 |
| IFRS 10 | Consolidated Financial Statements | October 1, 2013 |
| IFRS 11 | Joint Arrangements | October 1, 2013 |
| IFRS 12 | Disclosure of Interests in Other Entities | October 1, 2013 |
| IFRS 13 | Fair Value Measurement | October 1, 2013 |
| IAS 19 | Employee Benefits (revised) | October 1, 2013 |

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

## 9. Related Party Transactions

As part of the acquisition of Daytal, Almonty reimbursed Almonty Partners LLC, a shareholder of Almonty controlling approximately 37% of its outstanding common shares, $336 in transaction and financing related expenses that were incurred by Almonty Partners LLC on behalf of Almonty prior to the closing of the Financing, acquisition of Daytal and the reverse take-over involving RCG and Almonty Sub on September 23, 2011.

## 10. 2012 Objectives and Outlook

**Targeted Improvements in the Company's Tungsten Recovery Rates**

Since September 30, 2011, the Company has begun to implement operational improvements at the mill operations with the stated goal of increasing tungsten recovery rates to a minimum of 65%, considered to be industry standard. The improvements are being implemented in stages and the Company anticipates having all improvements installed and operational during the fourth quarter of its fiscal 2012 (July 1- September 30, 2012). The Company has a target completion date of December 31, 2012 to improve tungsten recovery to industry standard. Under the previous owner the tungsten recovery rate at the Los Santos Project was estimated to be between 50-52%. The Company to date has achieved tungsten recovery rates of approximately 57% and is on track to meet its milestone by the target date. The Company is optimizing its processing facility with the addition of new processing circuits and equipment. The Company budgeted US$1,690 to complete the targeted improvements (see page 89 of the Filing Statement). As of the date hereof, the Company has spent approximately US$236 and believes it will be able to meet the milestone within the budgeted amount by the milestone date.

**Accelerate the development and exploration of the mine in order to extend the mine life**

Almonty began a 7,000 metre drilling program on the Los Santos Project, the aim of which is to convert inferred resources into measure and indicated reserves. The exploration program is ongoing. The Company has completed several drill holes and has begun to analyze the results of the drilling completed to date. Almonty intends to continue the exploration campaign and conduct further analysis of the results with the intention of issuing a revised NI 43-101 compliant technical report once it has collected sufficient data to do so. Almonty intends to release the results of its exploration campaign in due course. The Company intends to complete the exploration program by December 31, 2012 (11 months in total, consisting of eight months of drilling plus two months to complete the last laboratory analysis and one additional month to model the information). The total amount budgeted to meet the milestone was set at US$1,800 (see page 89 of the Filing Statement). The Company commenced drilling in November 2011 and is on track to meet the budgeted time line. To date the Company has spent US$135 on its drilling program and completed approximately 1,700 metres of drilling. Laboratory analysis of the core samples drilled to date is ongoing.

**Focus on cost control and reducing the cost/per MTU of the final products**

Almonty will continue to focus on reducing its overall cash costs per MTU produced in order to remain competitive and to enable the Company to continue being profitable should the price that the Company is paid for its tungsten concentrate fall as a result of a deterioration in the quoted price for APT.

**Operational review and continued investment in the Los Santos Project**

Subsequent to September 30, 2011, Almonty engaged a third party mining consultant to review the status of Daytal's operations from a compliance perspective with respect to its mining permits and environmental permits. Daytal continues to be in compliance with all of its permits and has begun to implement improvements suggested by the mining consultant.

Under the terms of Almonty's off-take agreement it was required to engage the services of a second mining consultant to review the status of the Los Santos Project. The mining consultant has provided recommendations with respect to areas of improvement and investment that may be required by Almonty in order to provide a level of comfort that Almonty's optimization plans, mining development and exploration programs will be sufficient in order for Daytal to perform its obligations throughout the term of the contract and thereby provide assurance that the customer will have access to a steady supply of tungsten concentrate over the life of the contract. Almonty has complied with this provision of the off-take agreement and is in the process of reviewing the findings of the mining consultant with its customer. Future capital spending plans may be increased or otherwise altered as a result of this review.

**Economic outlook and commodity price forecast**

The International Monetary Fund (IMF) is expecting global growth of 3.1% in 2012 (IMF Economic Outlook January 24, 2012), down from its previous estimates of 4.1% in September 2011 as a result of the continued European economic crisis. While growth has been forecasted to slow, the overall demand for tungsten is expected to remain robust. Roskill Information Services is forecasting the APT price per MTU to remain near record highs of US$475 per MTU (Roskill Information Services “Tungsten: Market Outlook to 2016, 10th edition 2011”) even after taking into account additional supply from new sources of supply that are forecast to come into production during the year.

## 11. Risks and Uncertainties

**Risk Factors**

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 that are not indicated below and which may currently exist or arise at a future date regarding the Company and its operations. For additional and more detailed risk factors, please see the Filing Statement under the heading “Risk Factors – Risks Relating to the Resulting Issuer’s Business and Industry”.

**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. The price of tungsten varies considerably and is based on factors outside the control of the Company. In addition, tungsten is quoted on the market in United States dollars and the fluctuation of the United States dollar to the Canadian dollar and the European Euro will have an impact on the future earnings of Almonty. The majority of Almonty’s activities take place outside of Canada. Therefore the Company is subject to the risk of fluctuation in the foreign exchange rate of the Canadian dollar vis-a-vis the other foreign currencies.

*Fluctuation in Interest Rates*

Although the Company does not currently have any interest bearing debt, it may in the future become a borrower of funds. If and when Almonty becomes a borrower of funds, the Company will be subject to risks associated with fluctuations in interest rates. The Company’s primary operations are located in Spain and the current European financial crisis that is causing borrowing costs in several European countries to increase may have a negative impact on both the Company’s future borrowing costs and its ability to obtain debt financing. As at September 30, 2011, Almonty did not have any interest bearing long-term debt outside of a $50 capital lease obligation that carries an interest rate of 4.5% with a term to maturity of less than 2 years.

*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 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 of capital by using working capital, by arranging partnerships 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 credit worthiness of its customers that are operating as counterparty to Almonty's supplier financing program. All invoices submitted to its major customer under the off-take agreement are subject to a supplier finance program. Almonty assigns all trade receivables that are subject to the supplier finance program to a third party bank and receives prepayment from the bank on the invoices assigned. The availability of this program rests solely on the ability of Almonty's customer to continually pay down the supplier financing facility as it comes due in order to ensure Almonty has access to draw on the facility when it ships tungsten concentrate to its customer under the agreement. If Almonty were to no longer have access to the supplier financing program it would revert to normal trade terms with its customer.

*Economic Dependency*
Almonty's wholly owned subsidiary, Daytal has a long-term supply agreement with one customer who participates in the global tungsten business. Currently 100% of the output of Daytal's operations is sold to this customer. Almonty is economically dependent on the revenue received from this customer in order to be able to meet its current obligations. There is no guarantee that Almonty would be able to find an alternative customer or customers on terms similar to its existing supply agreement should the current customer cease operations or become unable to pay Almonty under the current contract.

**Operational Risks**
*Production*
Daytal has a long-term contract with SYL under which SYL carries out contract mining activities for Daytal on the Los Santos Project. Daytal currently does not have any mining capabilities of its own and relies on SYL for all mining activity, including waste rock removal, pit development and delivery of ore to Daytal's crushing and processing plant. The current SYL contract expires in April 2012. Daytal intends to renew its contract with SYL when the current contract expires. There is no guarantee that Daytal will be able to negotiate a new contract with SYL and, in the event that a new contract is entered into, there is no guarantee that it will be on terms favourable to Daytal. Should Daytal be unable to renew its contract with SYL there is no guarantee that Daytal will be able to replace SYL with another contract mining firm. Any disruption in the contract mining services provide by SYL would have 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. 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 at reasonable conditions.

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

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

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

*Licenses and Permits*
There can be no guarantees that the Company will be able to obtain or maintain all the necessary licenses and permits to explore, develop, or maintain its continued operations, or that the Company will be able to comply with all the conditions imposed. The current operating permit and plant capacity limitations allows Almonty to process up to 500,000 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. There is no guarantee that Almonty would be able to obtain the necessary permits in order to increase production.

*Political Risk*
The Spanish government currently supports 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 may in the future be involved in various legal proceedings. While the Company believes it is unlikely that the final outcome of any possible future legal proceedings will have a material adverse effect on the financial position or results of operations, defense costs will be incurred, even with respect to

claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material adverse effect on the Company's future cash flow, results of operations or financial position.

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

## 12. Disclosure of Internal Controls

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the audited annual consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the audited annual consolidated financial statements, and (ii) the audited annual consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flow of the Company, as of September 30, 2011 and for the period from June 9, 2011 to September 30, 2011.

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) 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.

## 13. 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.

January 26, 2012

On behalf of Management and the Board of Directors,

"Lewis Black"

Director, 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 |
| MTU or mtu | metric tonne unit equal to 1 percent of a metric tonne, 10kg (22.046 pounds) of contained WO3 |
| Scheelite | a brown tetragonal mineral, CaWO4. It is found in pneumatolytic veins associated with quartz, and fluoresces to show a blue color. Scheelite is a mineral of tungsten |
| Tonne | a metric unit equal to 1,000kg (2,204.6 pounds) |
| Tungsten concentrates | concentrates generally containing between 40 and 75 percent $WO_3$ |
| W | the elemental symbol for tungsten |
| $WO_3$ | tungsten tri-oxide, a compound of tungsten and oxygen |
| MB | Metal Bulletin of London |