



**ANNUAL INFORMATION FORM**

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**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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## **PRESENTATION OF INFORMATION AND FORWARD-LOOKING STATEMENTS**

*Except where the context otherwise requires, all references in this Annual Information Form (“AIF”) to the “Company”, “Almonty”, “we”, “us”, “our” or similar are to Almonty Industries Inc. and its subsidiaries, taken together.*

*Unless otherwise indicated, all dollar amounts are expressed in Canadian dollars.*

*This AIF 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 costs, improvements in efficiencies or reduction in dilution, future remediation and reclamation activities, future mineral exploration, the estimation of mineral reserves and mineral resources, the realization of mineral reserve and mineral resource estimates, the timing of activities and the amount of estimated revenues and expenses, the success of exploration activities, permitting time lines, the success of mine development and construction activities, the success of future mine operations, the success of other future business operations, requirements for additional capital and sources and uses of funds. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as “expects”, “anticipates”, “plans”, “estimates”, “intends”, “strategy”, “goals”, “objectives” or stating that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be “forward-looking statements”.*

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

## **CORPORATE STRUCTURE**

*Almonty is a corporation continued under the Canada Business Corporation Act (the “CBCA”).*

Almonty was incorporated on September 28, 2009 under the *Business Corporations Act* (British Columbia) under the name RCG Capital Inc. as a Capital Pool Company. 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.”.

On March 27, 2012 Almonty filed articles of continuance and was continued from British Columbia to the CBCA. Almonty’s shares trade on the TSX Venture Exchange (the “**TSXV**”) under the symbol “**AII**”. Almonty’s head and registered office is 100 King Street West, Suite 5700, Toronto Ontario, M5X 1C7.

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. Daytal is the owner of a 100% interest in the Los Santos tungsten project located near Salamanca, Spain (the “**Los Santos Mine**”).

Valtreixal Resources Spain S.L. (“**Valtreixal Resources**”), an indirect wholly-owned subsidiary of the Company, owns a 100% interest in the Valtreixal tin and tungsten mine project located in Western Spain (the “**Valtreixal Mine**”). The principal business of Valtreixal Resources is the exploration of the Valtreixal Mine.

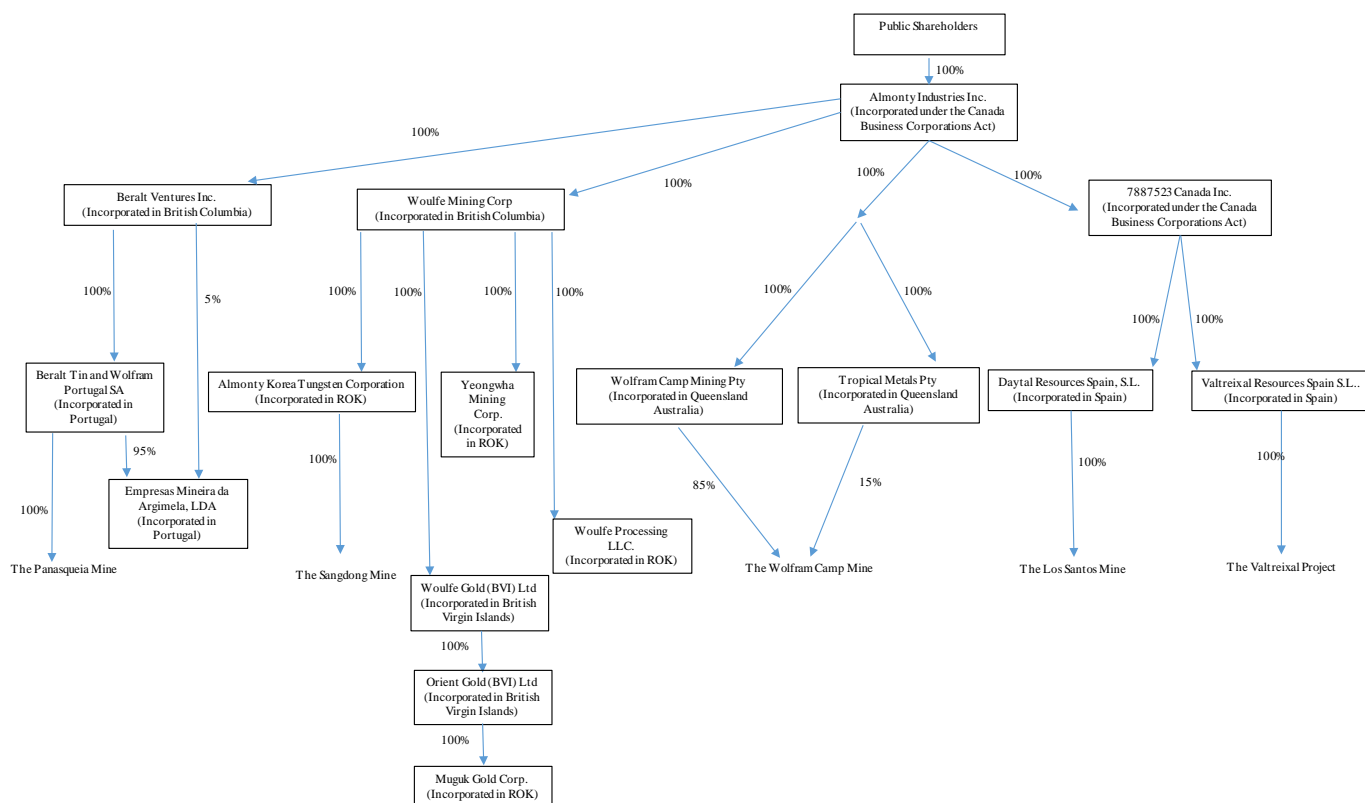
On September 22, 2014, Almonty acquired 100% of the share capital of Wolfram Camp Mining Pty Ltd. (“**WCM**”) and Tropical Metals Pty Ltd. (“**TM**”) (which collectively own a 100% interest in the Wolfram Camp tungsten, wolframite and molybdenum mine located about 130 km from Cairns, Queensland, Australia, near the town of Dimbulah (the “**Wolfram Camp Mine**”)) from Deutsche Rohstoff AG (“**DRAG**”). The principal business of each of WCM and TM is the advancement of exploration, development and production activities at the Wolfram Camp Mine.

On June 4, 2015, Almonty acquired an 8% interest in Woulfe Mining Corp. (“**Woulfe**”) and through the acquisition of convertible debentures in Woulfe gained control over the Woulfe board of directors with the ability to nominate a majority of the board members. On July 7, 2015 Almonty and Woulfe entered into an arrangement agreement (the “**Arrangement Agreement**”) in respect of the acquisition by Almonty of all of the issued and outstanding shares of Woulfe that it did not already own by way of a plan of arrangement under the *Business Corporations Act* (British Columbia) (the “**Plan of Arrangement**”). On August 21, 2015 Woulfe shareholders approved the Plan of Arrangement. On September 10, 2015 Almonty closed the Plan of Arrangement and acquired all of the shares of Woulfe that it did not already own, leading to Almonty having a 100% ownership interest in Woulfe. The principal asset of Woulfe is the Sangdong tungsten mine project located in Gangwon Province, Republic of Korea (the “**Sangdong Mine**”).

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 €12,260,000 in aggregate principal amount of debt that was owed by Beralt Tin & Wolfram (Portugal), S.A (“**BTW**”), a wholly-owned subsidiary of BVI, to Sojitz Corporation of Japan in exchange for a cash payment of €1,000,000 on closing and a promissory note issued by Almonty in the principal amount of €500,000, 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 various rights and interests comprising the Panasqueira tungsten mine in Covilha, Castelo Branco, Portugal (the “**Panasqueira Mine**”). The Panasqueira Mine has been in production since 1896, and is located approximately 260 kilometres northeast of Lisbon, Portugal.

## Inter-corporate Relationships

The following illustrates the inter-corporate relationships between the Company and its subsidiaries and sets out the respective jurisdictions of existence of such subsidiaries and the percentage of their voting securities owned, controlled or directed, directly or indirectly, by the Company as at the date hereof.



## GENERAL DEVELOPMENT OF THE BUSINESS

### Three Year History

The principal business of Toronto, Canada-based Almonty Industries Inc. is the mining, processing and shipping of tungsten concentrate from its Los Santos Mine in western Spain and its Panasqueira Mine in Portugal as well as the refurbishment of its Wolfram Camp Mine in north Queensland, Australia, the development of its Sangdong Mine in Gangwon Province, South Korea and the development of its Valtreixal Mine (tin/tungsten project) in north western Spain. The Los Santos Mine was acquired by Almonty in September 2011 and is located approximately 50 kilometres from Salamanca in western Spain and produces tungsten concentrate. The Wolfram Camp Mine was acquired by Almonty in September 2014 and is located approximately 130 kilometres west of Cairns in northern Queensland, Australia and has produced tungsten and molybdenum concentrate, although the Wolfram Camp Mine is not currently in production. The Panasqueira Mine, which has been in production since 1896, is located approximately 260 km northeast of Lisbon, Portugal, was acquired in January 2016 and produces tungsten concentrate. 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 in September 2015 through the acquisition of a 100% interest in Woulfe Mining Corp. Almonty owns 100% of the Valtreixal tin-tungsten project

in north-western Spain. Additional discussion of Almonty's activities may be found at [www.almonty.com](http://www.almonty.com) and under Almonty's profile at [www.sedar.com](http://www.sedar.com).

### ***The Los Santos Mine***

The Los Santos Mine has been in production since 2008 and produces tungsten concentrate products. The mine was opened in June 2008 and commissioned in July 2010 by its former owner.

The 2015 exploration campaign at the Los Santos Mine was completed in June 2015 and resulted in an updated technical report being completed as at October 31, 2015 prepared pursuant to National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* (“**NI 43-101**”) entitled “Technical Report on the Mineral Resources and Reserves of the Los Santos Mine Project, Spain” (the “**Los Santos Technical Report**”), which is available for review under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com) and is incorporated by reference herein.

Almonty continued its work with third party consultants in evaluating its tailings reprocessing methodology, running bulk samples through the existing plant as well as continued sampling through a testing circuit. Results to date have reaffirmed management's belief that the planned 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), and, in the event that Almonty finalizes the metallurgical testing it is carrying out on the tailings at Los Santos and commences profitable production of the tailings stockpiles. Almonty anticipates that it will be able to achieve a tungsten recovery rate on the tailings in excess of the 46% tungsten recovery rate disclosed in the NI 43-101 technical report. Modifications to the processing plant to facilitate tailings reprocessing are expected to be implemented in the latter half of fiscal 2020 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.

Almonty completed the extension of the main plant and processing circuit in order to remove the final bottleneck from the milling process for scheelite ore. The plant extension has enabled a doubling of the throughput on the finishing circuit and production has been increased and maintained at 5.75 tonnes per day up from the average of 5.0 tonnes per day as forecast when the extension was commissioned. The extension has also had the expected result in enhancing the tungsten recovery rate.

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

	Three Months Ended Sept 30, 2017	Three Months Ended Sept 30, 2016	Three Months Ended June 30, 2017	Year Ended Sept 30, 2017	Year Ended Sept 30, 2016
Ore treated (tonnes)	134,795	128,990	141,957	521,827	519,803
WO <sub>3</sub> produced (MTU)	16,943	21,946	18,328	67,211	93,102
WO <sub>3</sub> sold (MTU)	16,920	25,109	16,916	66,698	94,201
Sales revenue (US\$ million)	3.3	4.1	3.4	12.1	15
Cash operating costs (US\$/MTU)	106	92	105	90	91
Waste rock and ore mining costs, including deferred stripping costs (US\$/MTU)	135	67	106	136	68
All in cash operating costs (US\$/MTU)	241	159	211	226	159
Ore mined (tonnes)	102,847	110,190	159,315	455,968	522,782
Average grade WO <sub>3</sub> mined	0.20%	0.39%	0.22%	0.23%	0.35%
Average WO <sub>3</sub> recovery rate	69.7%	58.9%	63.4%	59.7%	60.2%

### *The Wolfram Camp Mine*

The Wolfram Camp Mine is an open pit operation producing principally tungsten concentrate. After a very brief period of production in 2008 under former owners, the mine restarted open pit production during the latter months of 2011, and the mill was commissioned during the beginning of 2012. It has operated continuously until mid-2017 at which time it has been put in to care and maintenance status (see below).

Almonty acquired 100% of the share capital of WCM and TM (which collectively own a 100% interest in the Wolfram Camp Mine) from DRAG on September 22, 2014.

The 2015 exploration campaign at the Wolfram Camp Mine was completed in June 2015 and resulted in an updated technical report being completed as at October 31, 2015 prepared pursuant to NI 43-101 entitled “Technical Report on the Mineral Resources and Reserves of the Wolfram Camp Mine Project, Australia” (the “**Wolfram Technical Report**”). The Wolfram Technical Report is available for review under the Company’s SEDAR profile at [www.sedar.com](http://www.sedar.com) and is incorporated by reference herein.

Almonty subsequently embarked on a full refurbishment of the milling operations at the Wolfram Camp Mine (including the addition of x-ray ore sorting equipment, a new jaw crusher, screens and equipment targeting finer material, plant extension to accommodate additional spirals and shaker tables, the addition of a hydrosizer, pumps and water control equipment and upgrades to the tailings dam). These upgrades are still in process.

Almonty ceased all fresh ore mining towards the end of Q2 2016 as previously reported. Almonty suspended all ore mining activity 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 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 ammonium para tungstate (“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 Sept 30, 2017	Three Months Ended Sept 30, 2016	Year Ended Sept 30, 2017	Year Ended Sept 30, 2016
Ore treated (tonnes)	0	0	0	73,897
WO <sub>3</sub> produced (MTU)	0	0	0	7,327
WO <sub>3</sub> sold (MTU)	0	0	0	9,316
Sales revenue (US\$ million)	0	0.0	0.0	1.4
Cash processing costs (US\$/MTU)	0	0	0	386
Cash mining costs (US\$/MTU)	0	0	0	108
All in cash operating costs (US\$/MTU)	0	0	0	494
Ore mined (tonnes)	0	0	0	24,006
Average grade WO <sub>3</sub> mined	0.00%	0.00%	0.00%	0.21%
Average WO <sub>3</sub> recovery rate	0.0%	0.0%	0.0%	54.70%



## *The Valtreixal Project*

The Valtreixal Mine is a potential open pit operation and is located in the northwest part of the Zamora province, in the Castilla de Leon region of Spain. The principal potential products are tungsten and tin.

On March 21, 2013, the Company announced that it had entered into an option agreement to acquire a 51% interest in, and be the project operator of, the Valtreixal Mine in Northwestern Spain (approximately 250km from the Los Santos Mine) for total consideration of €1,400,000. Almonty made the first installment payment of €100,000 in June 2013. The second installment of €300,000 was originally due in June 2014 but was rescheduled to December 2014 so that Almonty could finish its current evaluation of the project during the fourth quarter of fiscal 2014. The balance of funds originally due in June 2015 were also rescheduled to December 2015. Almonty has begun its evaluation of the historical data and has carried out exploration drilling on the site.

On January 5, 2015, Almonty announced that it made the third installment payment of €300,000 on the Valtreixal Mine (bringing instalment payments to date to €700,000), which resulted in Almonty owning a 25% interest in the Valtreixal Mine and having an option to acquire the remaining 75% ownership interest for €1,700,000 in additional installment payments over the subsequent 18 months.

During the fourth quarter of fiscal 2015, Almonty finalized its negotiations with Sociedad de Inversion y Exploracion Minera de Castilla y Leon, S.A. (“**SIEMCALSA**”) for payment of €700,000 that would take the Company’s ownership in the Valtreixal Mine to 51%, pursuant to which Almonty and SIEMCALSA agreed to a €100,000 payment on December 19, 2015 (which was paid on that date), a further €50,000 per month starting January 2016 and ending in May 2016 followed by a final payment of €350,000 in June 2016. These payments were made as scheduled and Almonty owned a 51% interest in the Valtreixal Mine as of June 30, 2016.

On December 21, 2016 Almonty exercised its option to acquire the remaining 49% interest in the project for a payment of €1.5 million, a reduction of €750,000 from the previously agreed installment payment plan resulting in a much-needed savings of capital on the acquisition of the remaining 49% interest in the project. 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 intends to decide on filing for the necessary permits and is fine tuning its planning and budgeting for the potential build-out and commissioning of the Valtreixal Mine.

Almonty also completed its analysis of the exploration campaign of the Valtreixal Mine that was completed in Q3 2015. This led to Almonty filing an updated technical report on the Valtreixal Mine as at October 31, 2015 prepared pursuant to NI 43-101 entitled “Technical Report on the Mineral Resources and Reserves of the Valtreixal Project, Spain” (the “**Valtreixal Technical Report**”). The Valtreixal Technical Report is available for review under the Company’s SEDAR profile at [www.sedar.com](http://www.sedar.com) and is incorporated by reference herein.

The Company is continuing to evaluate the Valtreixal Mine with a view to making a decision on filing for the necessary permits and is fine tuning its planning and budgeting for the potential build-out and commissioning of the Valtreixal Mine

## *The Sangdong Mine*

The Sangdong Mine is an underground past producing mine located in Gangwon Province, South Korea, approximately 200km south east of Seoul. The mine was formerly owned by Korea Tungsten Co. and was closed in 1990. The property was then acquired by Woulfe in 2006 and Almonty is in the process of carrying out planning and engineering work with the goal of bringing the mine back into production in the near-term.

On September 10, 2015, Almonty completed the acquisition of all of the outstanding shares of Woulfe that it did not already own pursuant to the Plan of Arrangement, pursuant to which each issued and outstanding Woulfe common share (except for those Woulfe shares owned by Almonty) was exchanged for 0.1029 of one Almonty common share. Almonty issued an aggregate of 34,806,205 Almonty common shares in connection with the Plan of Arrangement.

On September 15, 2015, Almonty reached an agreement with TaeguTec Ltd. (“**TaeguTec**”) for an extension to March 31, 2016 of the indebtedness of Sangdong Mining Corporation (now renamed Almonty Korea Tungsten Corporation) to TaeguTec (in the outstanding principal amount of approximately \$6,330,000 after deducting the \$5,000,000 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 \$6,550,000. 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 January 29, 2016 Almonty completed an update to the feasibility study of the Sangdong Mine that resulted from information gathered during Almonty’s due diligence associated with the acquisition of Woulfe Mining Corp. The analysis of additional exploration data that was not previously considered as part of the old feasibility study that was filed on June 5, 2015, led to the updated National Instrument 43-101 technical report on Sangdong that was filed by Almonty on Jan. 6, 2016. This in turn led to a review of the mining methods and mine development plan, which have now been adapted to Almonty’s overall vision for the long-term potential of the project. A copy of the feasibility study is available on the Company’s website ([www.almonty.com](http://www.almonty.com)).

During Fiscal 2016 Almonty continued to carry out additional drilling and exploration work on the Sangdong Mine that was completed on July 31, 2016 and resulted in the Company filing an updated technical report as at August 29, 2016 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**”). The Sangdong Technical Report is available for review under the Company’s SEDAR profile at [www.sedar.com](http://www.sedar.com) and is incorporated by reference herein.

Almonty is continuing to work with financial institutions as well as industry participants on financing alternatives to fund the build out of the Sangdong Mine. The Company is continuing with the development and permitting required to commence construction once the appropriate funding package has been put in place.

On December 28, 2017, Almonty entered into an engineering, procurement and construction (“**EPC**”) contract with POSCO E&C for the development work at the Sangdong Mine. POSCO E&C, is one of top tier general contractors in Korea and a subsidiary of the third largest steel mill in the world.

The EPC contract is a turnkey based contract for the development and construction of primary facilities for processing tungsten ore mined out of the Sangdong Mine. Under the EPC contract, POSCO E&C is responsible for not only engineering, civil & architectural, machinery & electrical works of processing plant and auxiliary facilities, but also commissioning of such facilities. The EPC contract has a net contract price of KRW40.3 billion (approx. US\$37.3 million) and, including the value of primary equipment which will be erected and installed by POSCO E&C, the EPC price reaches KRW54.0 billion (approx. US\$50.0 million) which accounts for 65% of the total capital expenditure budgeted for the Sangdong Project. The remaining 35% will be spent for the development of underground transportation galleries and accesses to tungsten veins, mine infrastructure, backfill plant, owner's cost, and other expenses. The primary facilities of the processing plant will be built for 900,000 to 1.2 million tonnes per annum capacity while the initial years of operation targets 640,000 tonnes per annum. The EPC contract stipulates a construction period of 18 months and commissioning period of 6 months. Following general rules of EPC contracts, cost overrun, and project delay will be the responsibility of the EPC Contractor.

### *The Panasqueira Mine*

The Panasqueira Mine is an underground operation and has been in operation since 1896 and, apart from a brief period at the end of World War II, the mine has more or less been in continuous operation.

On January 6, 2016 Almonty acquired a 100% ownership interest in BVI from Sojitz Tungsten Resources, Inc. BVI, through its wholly-owned subsidiaries, is the 100% owner of the various rights and interests comprising the Panasqueira Mine. Almonty acquired 100% of the shares of BVI from Sojitz Tungsten Resources, Inc. for €1.00. In connection therewith, Almonty acquired and purchased €12,260,000 in aggregate principal amount of debt owed by BTW, a wholly-owned subsidiary of BVI, to Sojitz Corporation of Japan in exchange for a cash payment of €1,000,000 on closing and a promissory note issued by Almonty in the principal amount of €500,000, bearing interest at 4% per annum, maturing December 29, 2017. Almonty paid the first installment of €25,000 on December 23, 2016 with the remaining €375,000 due in three installments on March 31, 2017, June 30, 2017 and December 29, 2017.

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

Almonty carried out an analysis of historical drilling and exploration data as part of its acquisition due diligence. This analysis was completed on November 15, 2015 and resulted in the Company filing a technical report on February 23, 2016 prepared pursuant to NI 43-101 entitled "Technical Report on the mineral reserves and resources of the Panasqueira Mine, Portugal" on SEDAR (the "**Panasqueira Technical Report**"). The Panasqueira Technical Report is available for review under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com) and is incorporated by reference herein.

Summary operating information for the Panasqueira mine:

	Three Months Ended Sept 30, 2017	Three Months Ended Sept 30, 2016	Three Months Ended June 30, 2017	Year Ended Sept 30, 2017	Year Ended Sept 30, 2016
Ore treated (tonnes)	197,095	168,931	188,588	733,582	601,596
WO <sub>3</sub> produced (MTU)	20,905	19,165	21,563	80,273	66,164
WO <sub>3</sub> sold (MTU)	21,770	20,870	20,958	80,757	71,787
Sales revenue (US\$ million)	4.7	3.6	4.2	15.6	11.3
Cash processing costs (US\$/MTU)	62	63	66	69	67
Cash mining costs (US\$/MTU)	128	125	114	121	134
All in cash operating costs (US\$/MTU)	190	188	180	190	201
Ore mined (tonnes)	198,632	176,049	192,060	746,204	611,252
Average grade WO <sub>3</sub> mined	0.153%	0.10%	0.116%	0.12%	0.10%
Average WO <sub>3</sub> recovery rate	80.00%	80.60%	79.90%	80.00%	80.20%

Almonty acquired the Panasqueira Mine on January 6, 2016. Data for the year ended September 30, 2016 includes 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 Fiscal 2017 as expected under the revised mine plan implemented by Almonty since its acquisition in January 2016. Mined grades in Fiscal 2017 continued to show improvement in the content of by-product payable metals as well (copper and tin) which are improving the overall cash flow profile of the mining operation. Overall production volumes of tungsten concentrate in Q4 2017 were up 9.1% over 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, consistently averaging 80%.

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 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 currently being experienced and the increase in contained tungsten is also having a positive impact on unit costs as at the date of this MD&A. During fiscal 2017 Almonty entered into several one-year fixed price off-take agreements with its existing customers at the Panasqueira Mine. The net price received by Almonty under these contracts was 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>). These contracts covered the period of January 1, 2017 to December 31, 2017. Almonty has entered into a series of revised fixed price contracts with the same customer group that are effective as of January 1, 2018 to December 31. The net price received under these contracts is US\$280 per MTU of contained WO<sub>3</sub>, equating to an effective price of US\$358 per MTU of APT (assuming an industry standard discount of 22% to the price of APT when pricing MTUs of WO<sub>3</sub>). The improving grade, coupled with Almonty's continued focus on cost control and the fixed price contracts that came into effect on January 1, 2018 are expected to have a significantly positive impact on operating cash flow at the mine.

## *Other Developments*

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

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

On December 31, 2015, Almonty reached an agreement with respect to an expansion of its existing guaranteed loan agreement by up to US\$14.0 million (the “**Support Agreement**”). The Company entered into a long-term US\$7.0 million working capital loan agreement (the “**Working Capital Loan**”) with UniCredit Bank AG (“**UniCredit**”), representing the first tranche of funds under the Support Agreement whereby Almonty will be able to draw down on the facility based on production and granting security over certain assets of the Company. The second tranche is expected to be available in March 2016 on similar terms. Principal and interest under the Working Capital Loan is due to UniCredit under a revolving facility based on production and APT pricing levels. Repayment of the Working Capital Loan will only begin when the price of APT exceeds US\$254 per MTU and accelerating in repayment at \$320 MTU. The Working Capital Loan carries an interest rate of the London interbank offered rate (“**LIBOR**”) plus 1.5%. On January 6, 2016 Almonty made the first draw down under the Working Capital Loan in the amount of US\$1,658,484.

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

On March 9, 2016 Almonty closed the first tranche of a non-brokered private placement issuing 10,396,040 units at a price of \$0.25 per unit for aggregate gross proceeds of \$2,599,000. Each unit consisted of one common share and one half of a common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of Almonty for \$0.30 for a period of up to two years.

On March 31, 2016 Almonty closed the second tranche of a non- brokered private placement and issued 2,463,400 units on the same terms as the first tranche for aggregate gross proceeds of \$616,000. In aggregate 12,859,440 units were issued as part of the first and second closings raising aggregate gross proceeds of \$3,215,000.

On May 30, 2016 Almonty and ATC Alloys announced that Almonty and ATC Alloys had entered into a binding heads-of-agreement (“**HOA**”) whereby Almonty announced it would launch a take-over offer to acquire ATC Alloys via a recommended off-market takeover bid. ATC Alloys shareholders were to have been offered to exchange all their shares in ATC Alloys for shares of Almonty on a 10.38:1 basis, with the Almonty shares being issued in the form CHESSE Depository Interests to be listed on the Australian Securities Exchange (“**ASX**”). On July 26, 2016 Almonty and ATC Alloys announced that the transaction terms had changed and that Almonty and ATC Alloys had entered into a revised binding heads of agreement (“**RHOA**”). The main change to the RHOA was to remove the condition precedent that required Almonty to commit to issuing CHESSE Depository Interests to be listed on the ASX to ATC Alloys shareholders in exchange for all of their shares in

ATC Alloys. The RHOA contemplated Almonty issuing shares in Almonty that are listed on the TSXV.

The RHOA provided for the Offer to be subject to various conditions precedent, including (among other conditions):

- (Materially Adverse Change): no event, matter or circumstance occurs which individually, or when aggregated with all such other events, matters or circumstances results in or could reasonably be expected to result in a materially adverse change to the assets, liabilities, financial position, performance, profitability or prospects of ATC Alloys.
- (No Prescribed Occurrence): during the period from the date of the Public Announcement to the end of the Offer Period (inclusive), no Prescribed Occurrence (as defined in Annexure A of the HOA) occurs in respect of ATC Alloys.

On September 22, 2016 Almonty exercised its termination rights under the RHOA and did not proceed with the Offer.

Transaction costs including legal, accounting, tax and other advisory services of \$1,255,000 related to the ATC Alloys transaction have been expensed in general and administrative costs in Q4 2016.

On June 3, 2016, the Company completed a brokered private placement of 5,000,000 common shares at \$0.30 per share, for gross proceeds of \$1,500,000. A commission of \$60,000 was paid in connection with the placement.

On July 29, 2016, the Company completed a private placement of convertible debentures, for AUS\$500,000. The unsecured debentures will mature two years from the issue date, bear interest at 5% per annum, paid semi-annually. The debentures, including accrued interest thereon, are convertible at \$0.55 per common share.

On July 29, 2016, the Company agreed to settle \$132,000 of liabilities with a creditor by issuing 329,250 common shares, at a deemed price of \$0.40 per share.

On August 17, 2016, the Company completed a brokered private placement, issuing 5,600,000 common shares at \$0.35 per share for gross proceeds of \$1,960,000.

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 \$6,550,000. The balance of the loan was used for general working capital purposes.

On November 29, 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 was 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<sup>st</sup>, 2017.

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.

On January 25, 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 TSXV, 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 25, 2017 and was funded in two tranches. The first tranche of US\$500,000 was received on closing and the second tranche closed on March 15, 2017.

On March 2, 2017, the Company announced that it had entered into an additional 1-year fixed price off-take agreement for the majority of the production at its Los Santos mine. The net price to be received under the contract was US\$192.50 per MTU of contained tungsten, equating to an effective APT price of US\$240 per MTU (assuming an industry average discount factor of 20% to the quoted price of an MTU of APT). The then-current average spot market price of APT was approximately US\$200 per MTU. This contract was effective for all material shipped after February 1, 2017 and has been extended through to December 31, 2018.

On March 14, 2017, the Company announced the appointment of Mark Gelmon as the Chief Financial Officer of Almonty, effective immediately. Mr. Gelmon also was appointed to the Board of Directors and as a member of the Audit Committee. Mr. Gelmon replaced Dennis Logan, who resigned from the CFO position and as a director of Almonty to pursue other interests. Almonty is also announced the appointment of Marion McGrath as Corporate Secretary.

On May 15, 2017, Almonty announced that its subsidiary, Beralt Tin and Wolfram (Portugal) SA, which operates the Panasqueira Tungsten Mine in Portugal, reached a comprehensive agreement with Crominet Mining Processing SA (Pty) Ltd. which is expected to result in an increase to its overall tungsten recovery at the mine. The implementation of upgrades at the plant have yet to commence.

On June 26, 2017, Almonty announced that it completed its agreement with Global Tungsten & Powders Corp. (“GTP”) to terminate a loan agreement pursuant to which Almonty was indebted to GTP in the amount of USD\$7,043,128 (CAD\$9,415,183) of principal and accrued interest. In consideration for the termination of the loan agreement, Almonty issued to GTP 27,562,500 common shares at a deemed price equal to CAD\$0.3325 per share and a convertible debenture in the principal amount of USD\$172,772, convertible into common shares of Almonty at a price per common share equal to CAD\$0.265.

On June 26, 2017, Almonty also announced that it had issued 1,490,488 common shares to Deutsche Rohstoff AG (“DRAG”) in satisfaction of CAD\$501,797 interest due to DRAG on certain debt instruments owing to DRAG.

On August 15, 2017, Almonty announced the completion of the first tranche of a non-brokered private placement of 16,000,000 common shares at a price of \$0.30 per share for aggregate gross proceeds of \$4,800,000 pursuant to a subscription agreement between Almonty and its CEO, Lewis Black.

On August 17, 2017, Almonty announced that it closed the second tranche of a non-brokered private placement of 5,175,000 common shares at a price of \$0.30 per share for aggregate gross proceeds of \$1,552,500 pursuant to a subscription agreement between Almonty and its CEO, Lewis Black.



On August 18, 2017, the Company granted 1,775,000 incentive stock options to its directors, officers, consultants and/or employees, which options are exercisable for a period of ten years at a price of \$0.33 per share.

On September 6, 2017, Almonty announced that two holders of convertible debentures holding an aggregate principal amount of AUD\$500,000 (CAD\$493,761) have exercised their rights under such convertible debentures to convert the principal thereof into common shares of Almonty at a price of \$0.55 per common share. The conversion resulted in the issuance of 897,748 common shares.

On September 15, 2017, Almonty announced that it had completed a transaction with Deutsche Rohstoff AG (“DRAG”) whereby DRAG converted its secured convertible debenture of Almonty in the principal of CAD\$4,000,000 into 6,646,667 common shares of Almonty at a deemed price of \$0.60 per share. In addition, under the conversion, Almonty issued 1,083,167 common shares at a deemed price of \$0.3015 to DRAG in satisfaction of \$326,575 of accrued and unpaid interest owed to DRAG under the Debenture.

On October 19, 2017, Almonty announced that it had closed a non-brokered private placement of 5,000,000 common shares at a price of \$0.54 per common share for gross proceeds of \$2,700,000 with JP Morgan Asset Management (UK) Ltd. (“JPAM”). The private placement was to maintain JPAM’s ownership of Almonty’s issued and outstanding common shares between 9% and 10% following various issuances of its common shares to other parties since JPAM last subscribed for Almonty common shares in August 2016.

On October 25, 2017, Almonty announced that it closed a non-brokered private placement pursuant to which Almonty issued 1,294,462 common shares at a price of \$0.54 per share for gross proceeds of \$699,009.

On November 9, 2017, Almonty announced that it initiated a Normal Course Issuer Bid (“NCIB”) whereby the Company intends to purchase from time to time, as it considers advisable, up to 7,331,011 common shares on the open market through the facilities of the TSX Venture Exchange (“TSXV”) or any other means that may be approved by the TSXV. The price that Almonty will pay for any common shares purchased under the NCIB will be the prevailing market price on the TSXV at the time of purchase. Common shares acquired under the NCIB will be subsequently cancelled. The Company has appointed Integral Wealth Securities Limited to act as its broker through which the NCIB will be conducted. The NCIB commenced on November 15, 2017 and will terminate on November 14, 2018 or such earlier time as the NCIB is completed or terminated by Almonty.

On February 1, 2018, Almonty announced that it has restructured the number of promissory notes issued to Dundee Resources Ltd. into a convertible debenture in the aggregate principal amount of \$5.93-million and having a maturity date of January 31, 2020. Subject to the approval of the TSX Venture Exchange, the debenture is convertible into common shares of Almonty at a price of \$1.00 per common share. The debenture bears interest at a rate of 6% per annum, which shall accrue monthly and compound quarterly and shall be paid in kind on the earlier of the maturity date and the date of conversion at a price per common share of \$1.00. The convertible debenture and the common shares issuable upon the conversion thereof are subject to resale restrictions for a period of four months and a day until May 31, 2018, as prescribed by the TSX-V and applicable securities laws.



## DESCRIPTION OF BUSINESS

### GENERAL

The Company is a natural resource company engaged in the acquisition, exploration, development, mining, and milling of tungsten ores and related minerals. The Company's business is presently focused in the Iberian Peninsula, Australia and South Korea.

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 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 Valtreixal tin and tungsten project located in Western Spain in the province of Zamora (the "**Valtreixal Mine**").

### Production, Principal Markets and Distribution Methods

Almonty refines tungsten ore in its milling circuits using a combination of gravity separation (spiral banks, shaking tables etc.) after the ore is crushed in a primary crusher. The milling circuit refines the tungsten ore into a primary grade product of 65% or greater  $WO_3$  concentrate or higher and also a secondary product with a grade of  $WO_3$  concentrate between 45% and 65%. In addition to tungsten concentrate, WCM also produces a by-product of molybdenum ore that is sold in the spot market.

The principal markets for the Company's tungsten concentrates are the United States of America, Western Europe and Japan. Currently the majority (greater than 40%) of the revenue earned by the Company's operations is sold to one customer (the "**Customer**") in accordance with the Supply Agreements (as defined below). The Customer is located in the United States of America. Contract terms for Almonty's sale of  $WO_3$  in concentrate ( $WO_3$  concentrate) allow for a price adjustment based on final assay results of the  $WO_3$  concentrate by the Customer to determine the final content. Recognition of sales revenue for  $WO_3$  concentrate is based on the most recently determined estimate of  $WO_3$  concentrate (based on initial assay results carried out by Almonty) and the contract price at the date of shipment, with a subsequent adjustment made upon final determination between Almonty and the Customer after receipt of the  $WO_3$  concentrate. If the Customer disputes the invoiced amount based on a difference of assayed values of  $WO_3$  concentrate, then the dispute is settled by an independent third-party assaying service whose findings are binding on both parties.

The terms of  $WO_3$  concentrate sales contracts with third parties contain provisional pricing arrangements for all material not subject to a fixed price contract, whereby the selling price for  $WO_3$  concentrate is calculated based on the adjusted prevailing monthly average price per MTU of APT as published by London Metal Bulletin on the date of shipment to the Customer.

All  $WO_3$  concentrate produced by the Los Santos Mine is loaded into one-tonne bags and stored on site until a minimum of twenty (20) bags has been accumulated. For sales under the Supply Agreements, once twenty (20) bags have accumulated on site, Almonty then arranges for an independent logistics company to procure a twenty (20) tonne shipping container to site where twenty (20) one-tonne bags are then immediately loaded into the container and the container is sealed by logistics company personnel and transported by truck to the nearest port. The container is held in a bonded location in the port while awaiting shipping via ocean freighter to the port of New York,

USA, where the Customer takes possession of the container. Shipping and delivery are carried out under CIF INCOTERMS 2010 as per the Supply Agreements.

All WO<sub>3</sub> concentrate produced by the Panasqueira Mine is loaded into one-tonne bags and stored on site until a minimum of twenty (20) bags has been accumulated. Once twenty (20) bags have accumulated on site, Almonty then arranges for an independent logistics company to procure a twenty (20) tonne shipping container to site where twenty (20) one-tonne bags are then immediately loaded into the container and the container is sealed by logistics company personnel and transported by truck to the nearest port. The container is held in a bonded location in the port while awaiting shipping via ocean freighter to the destination port of the Customer. Almonty is in the process of establishing a long-term supply agreement for the Panasqueira Mine for a majority of the material produced at the mine. Almonty has a distribution agreement in place with Sojitz Corporation of Japan, the former owner of the Panasqueira Mine, whereby Almonty ships material to customers designated by Sojitz Corporation and are paid by Sojitz Corporation within 5 days of shipping. Almonty pays Sojitz Corporation a 2.5% commission on sales of material under the distribution agreement.

## **Revenues**

Gross revenue for the year ended September 30, 2017 totalled \$39,018,000 (\$37,310,000 for the year ended September 30, 2016).

Daytal and BTW are parties to a Supply Agreements with a Customer who participates in the global tungsten business. Currently 40% of the revenue earned by the Company's operations is sold to this 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. See *Description of the Business - General – Contracts* below.

## **Competitive Conditions**

The Company sells tungsten concentrates and upgraded tungsten products at prices determined by world markets over which the Company has no influence or control. These markets are cyclical. The Company's competitive position is determined by its costs compared to those of other producers throughout the world and by the Company's ability to maintain financial strength through the tungsten concentrate price cycle despite currency fluctuations. Costs are governed principally by the location, grade and nature of the ore bodies and mineral deposits, and the Company's cost of labour, power and supplies, and, as well, by operating and management skill. Over the long term, the Company's competitive position is determined by its ability to develop economic ore bodies and replace current production. In this regard, the Company also competes with other mining companies for mineral properties.

At present, there are a limited number of competitors producing tungsten concentrates in the Western world. The world's largest producer of tungsten concentrates is China, which is now an importer of tungsten concentrates. The Company competes specifically with other mining and industrial operations located in the Iberian Peninsula, and the European Union in general, in obtaining skilled labour and mining supplies.

Market demand for tungsten concentrate continued to be stable during the fourth quarter of fiscal 2017, and the pricing environment began to improve. During Q2 2017 the Company entered in to several 12-month fixed price contracts for the supply of tungsten concentrate. Effective January 1, 2017 100% of the production of the Panasqueira mine for calendar 2017 was at a fixed price of

US\$210/MTU, the equivalent price of US\$269/MTU of APT assuming an industry standard 22% discount for an MTU of WO3 tungsten concentrate.

Effective February 1, 2017, the Company entered into a one-year fixed price contract at its Los Santos mine where by approximately 80% of the production of the mine is subject to a fixed price of US\$192.50 for an MTU of WO3 tungsten concentrate. This implies a price of US\$247 per MTU of APT assuming an industry standard discount factor of 22% for tungsten concentrate. The spot-market price of an MTU of APT averaged US\$267 for European APT during Q4 2017, an increase of US\$50 over the pricing level experienced in Q3 2017. The balance of production at the Company's Los Santos mine is subject to market pricing. The average market price was US\$220/MTU of APT for the year ended September 30, 2017. The 2017 fixed price contracts represented premiums of 22.3% and 12.3% respectively for production from Panasqueira and Los Santos when compared to the average spot market price during the fiscal year ended September 30, 2017. Current Spot market prices have continued to improve and averaged US\$296 per MTU of APT during the month of December 2017. 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 2018) with several forecasting services projecting prices to exceed US\$300 per MTU of APT by December 31, 2018. This improving pricing environment is evidenced by renewed fixed price contracts signed at the Company's Panasqueira mine. The Company's primary customers continued purchasing 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 September 30, 2017. The fixed price contracts continued to have a positive impact the cash flow of the Company's Panasqueira Mine and Los Santos Mine during Q4 2017 and the 12 months ended September 30, 2017.

Effective January 1, 2018 100% of the production of the Panasqueira mine for calendar 2018 was at a fixed price of US\$280/MTU, the equivalent price of US\$358/MTU of APT assuming an industry standard 22% discount for an MTU of WO3 tungsten concentrate.

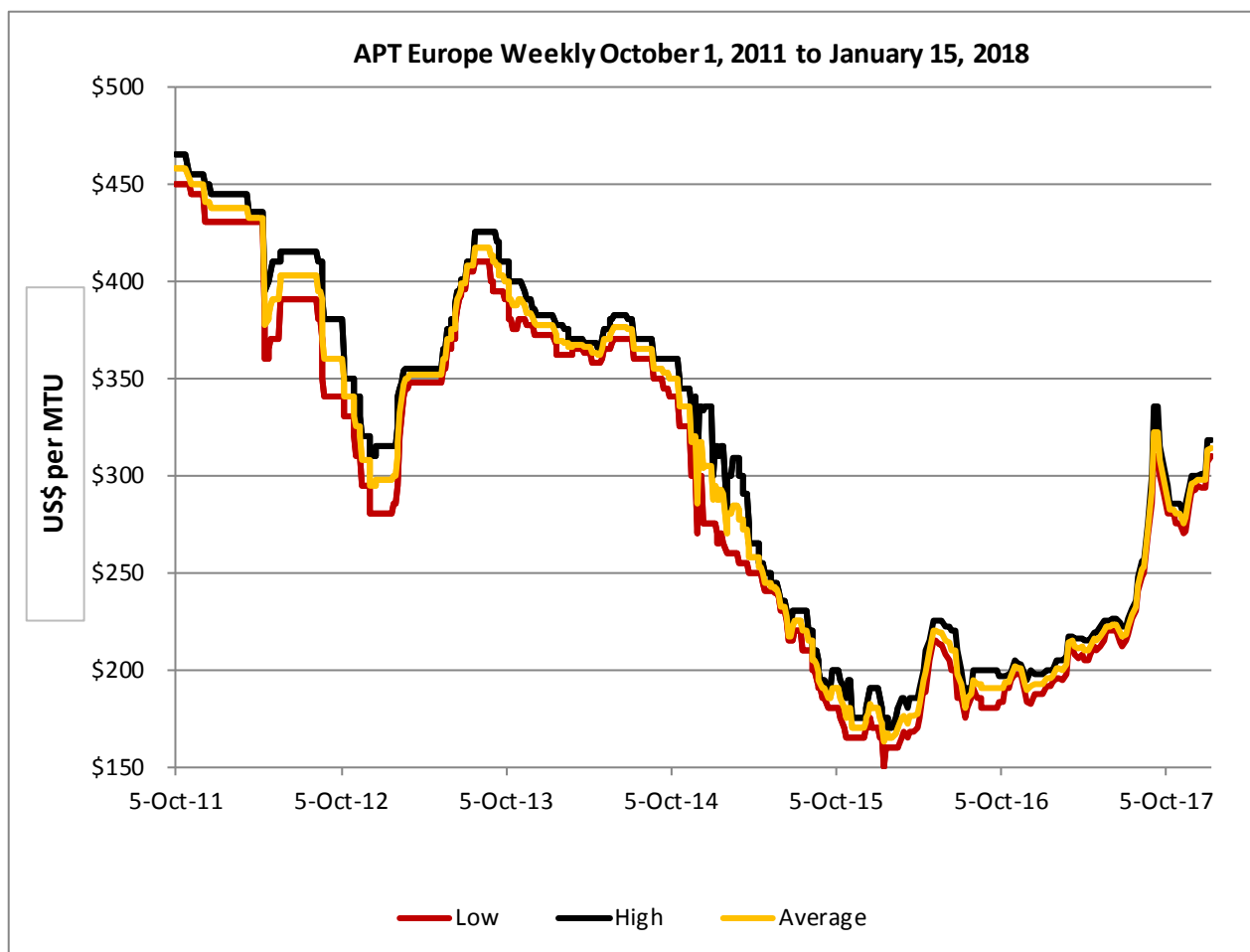
The average of the high and low weekly quoted price for European APT according to the Metal Bulletin ("MB") European weekly quotation for APT (from which Almonty's concentrate prices are derived by varying formulae under its Supply Agreements) averaged the following:

Three Months ended	Tungsten APT European Weekly Average High -Low US\$/MTU	Year ended	Tungsten APT European Weekly 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		
31-Mar-17	\$204		
30-Jun-17	\$217		
30-Sep-17	\$267	30-Sep-17	\$220

Almonty prices all of the tungsten concentrate that it produces that is not subject to fixed price contracts in relation to the prior month's average quoted weekly average of the High-Low price quotation for an MTU of APT on the MB European quotation service.

In the short-term, the Company anticipates that prices will continue to remain at current levels, with limited downside to the current price, in the near-term before rebounding in the medium term to the US\$350/MTU level.



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

## Growth Strategy

Management has identified several opportunities to expand the Los Santos Mine's potential. Almonty is in the process of extending the life of the Los Santos Mine and optimizing the milling circuit to increase production at the operation as well as finalize any adjustments to the milling circuit that may be necessary once the Company begins to process its stockpile of long-term tailings inventory after it ceases ore mining, currently estimated to be in 2020.

In addition, Almonty has engaged POSCO as its EPC contractor responsible for the buildout of the Sangdong Mine in order to bring the mine back into production in 2019. The timing of the buildout is subject to Almonty finalizing its negotiations with various third parties in order to finance the buildout of the mine.

Following the acquisitions of the Sangdong Mine, the Panasqueira Mine and the balance of the Valtreixal Mine project, Almonty is now focused on optimizing its current portfolio of tungsten mines and bringing its development projects on-line with a view to having five operating mines under its control. In addition, the Company routinely considers opportunities to acquire other tungsten projects.

## Seasonality

There is no seasonality to the Company's mining operations. The Company sells tungsten concentrates and upgraded tungsten products at prices determined by world markets over which the Company has no influence or control. These markets are cyclical. See *Competitive Conditions* for additional information on the cyclical nature of the APT commodity price.

## Contracts

Almonty, along with Daytal, Beralt and WCM, are parties to long term supply agreements dated September 23, 2011 and September 22, 2014, respectively, with the Customer (together, 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. The Supply Agreements run for a term of five years with 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 tungsten concentrate that meets the Customer's specifications produced by the Company above the minimum amount required to be shipped under the terms of the Supply Agreement.

Almonty, along with its wholly-owned indirect subsidiary, BTW, is party to a distribution agreement (the "**Distribution Agreement**") for a portion of the tungsten concentrate produced at the Panasqueira Mine. This agreement covers sales to Japanese based customers. Almonty negotiated a new long-term supply agreement, commencing January 1, 2018, for the 100% of tungsten concentrate produced at the Panasqueira Mine. In the meantime, all production not sold under the Distribution Agreement is sold to customers in Europe and North America.

Redacted copies of the Supply Agreements are filed under Almonty's SEDAR profile at [www.sedar.com](http://www.sedar.com).

Almonty has a contract with Movimentos de Tierras Y Excavaciones, S.L.U. ("**MOVITEX**") for contract mining services at the Los Santos Mine effective since January 15, 2014.

## Employees

As at September 30, 2017, the Company had 62 non-unionized full-time employees and 4 unionized full-time employees at the Los Santos Mine; 138 unionized full-time employees and 141 non-unionized full time employees at the Panasqueira Mine; 1 full-time, non-unionized employee and 6 full-time consultants and 1 part-time consultant working at the corporate office (1 consultant in Vancouver, 1 employee in Paris, 2 consultant in Portugal, 3 consultants in Spain and 1 consultant in Korea); approximately 4 non-unionized full-time employees and 2 non-unionized part-time employees and 2 full-time consultants at WCM; 15 non-unionized full-time employees at the Sangdong Mine in Korea; and 1 non-unionized part-time consultant at the Valtreixal Mine in Spain .

## Foreign Operations

Almonty's wholly-owned subsidiaries, Daytal and BTW, operate in Spain and Portugal, respectively, both of which use Euros(€)as their functional currency. Almonty's wholly-owned subsidiary, WCM, operates in Australia and uses the Australian dollar (AUD\$) as its functional currency. Their output is a commodity that is primarily priced in United States dollars (US\$) which is different than the functional currency of the Company and its subsidiaries and the Company and its subsidiaries may also incur costs or obtain indebtedness in a currency that is different from their functional currency.

Almonty's functional currency is the Canadian dollars (CAD\$) but it advances funds to subsidiaries in the functional currency of the subsidiary to which funds are advanced. As such, Almonty's consolidated balance sheet and profit or loss can be significantly affected by movements in various currencies (CAD\$, US\$, AUD\$ and €).

The Company's Canadian dollar functional currency businesses have the following financial instruments denominated in foreign currencies, in 000's:

	Currency	Carrying Value (\$)
<b>Cash and cash equivalents</b>	US\$	2,493
<b>Other assets</b>	AUS\$	410
<b>Accounts payable and accrued liabilities</b>	US\$	852
<b>Accounts payable and accrued liabilities</b>	AUS\$	324
<b>Accounts payable and accrued liabilities</b>	KW	685
<b>Long-term debt</b>	US\$	23,504
<b>Long-term debt</b>	€	184

A 5% change in the value of the CAD\$ relative to the above currencies would have an impact on net loss for the year ended September 30, 2017 of approximately \$1,132,000.

The Company's Euro functional currency businesses have the following financial instruments denominated in foreign currencies, in 000's:

	Currency	Carrying Value (\$)
<b>Trade receivables</b>	US\$	1,419
<b>Accounts payable and accrued liabilities</b>	£	111
<b>Accounts payable and accrued liabilities</b>	US\$	51
<b>Deferred revenue</b>	US\$	4,463

A 5% change in the value of the Euro relative to the above currencies would have an impact on net loss for the year ended September 30, 2017 of approximately \$160,000.

The Company's AUS\$ functional currency business has the following financial instruments denominated in foreign currencies, in 000's:

	Currency	Carrying Value (\$)
<b>Accounts payable and accrued liabilities</b>	US\$	389

A 5% change in the value of the US\$ relative to the above currencies would have an impact on net loss for the year ended September 30, 2017 of approximately \$19,000.

## Social or Environmental Policies

The Company is committed to maintaining high standards of environmental protection and care in the conduct of all aspects of its business. The Company's mining, exploration and development activities are subject to various levels of Spanish and Australian federal, provincial and territorial

laws and regulations relating to the protection of the environment, including requirements for closure and reclamation of mining properties

The Company's approach to environmental management includes maintaining compliance with all applicable legislation, regulations and authorizations, implementing proactive strategies for environmental protection, achieving continuous improvement in performance and encouraging open communications with governments, the general public and stakeholders. See disclosure regarding environmental matters under the respective descriptions of the Company's mineral projects herein for further details.

Almonty is committed to the promotion of environmental awareness and stewardship amongst employees and contractors at its mining and exploration sites by providing accurate information and responsible environmental management that ensures safety, due diligence and compliance.

Responsible environmental management is key to Almonty's success. The Company ensures that cost-effective, best management practices are utilized in assessing, planning, constructing and operating its facilities in compliance with all applicable legislation and regulations. The Company works together with various government agencies and the public to enhance communications and understanding of Almonty's operations and its environmental stewardship.

Almonty's guiding environmental principles are built into the management of its daily activities and its philosophy is included in all work procedures and protocols.

Every employee is committed to, and responsible for, the integrity of Almonty's environmental management.

## **RISK FACTORS**

*The Company operates in the mining industry, which is subject to numerous significant risks that can influence profitability. In addition to all of the other information set out in this AIF, potential investors and readers should carefully consider the risk factors set out below which the Company 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.*

*The risks and uncertainties set out below or elsewhere in this AIF are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company or that the Company currently considers immaterial may also impair its business operations and cause the price of its common shares to decline. If any of the following risks actually occur, the Company's business may be harmed and its financial condition and results of operations may suffer significantly. In that event, the trading price of its common shares could decline, and an investor may lose all or part of his, her or its investment.*

### **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 fall below the Company's cash operating costs, Almonty would cease to generate positive 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) of the Q4 2017 Financial Statements). 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.

### ***Fluctuation in Interest Rates***

Almonty's exposure to the risk of changes in market interest rates relates to cash at banks, bank indebtedness and long-term debt with a floating interest rates.

Of the bank indebtedness and long-term debt totaling \$54,106,000, \$33,533,000 is subject to floating interest rates and \$20,573,000 is subject to fixed interest rates. A portion of the floating rate debt totaling \$12,740,000 is subject to a fixed spread over the 6 and 12-month Euro Interbank Offered Rate ("Euribor") rates. A change of 100 basis points (1%) in the rates would result in a \$127,000 change in annual interest costs. The remaining floating rate debt of \$20,793,000 is based on a fixed spread over the 3-month Libor rate. A change of 100 basis point (1.0%) in the 3-month Libor rate would result in a \$208,000 change in annual interest costs.

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.

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### ***Pledge of Assets as Security***

As of the date of this AIF 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 and WCM, together with Almonty, are parties to the Supply Agreements with the Customer. Currently 40% of the revenue earned by the Company's operations is sold to the Customer. Almonty is economically dependent on the revenue received from the Customer in order to be able to meet its current obligations and is subject to the pricing terms set out in the Supply Agreements. There is no guarantee that Almonty would be able to find an alternative customer or customers on terms similar to its existing Supply Agreements should the Customer cease operations or become unable to pay Almonty under the Supply Agreements.

### ***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 MOVITEX, under which MOVITEX carries out contract mining activities for Daytal at the Los Santos Mine, was entered into for the life of the Los Santos Mine with an effective date of January 15, 2014. Daytal currently does not have any mining capabilities of its own and relies on MOVITEX for all mining activity, including waste rock removal, pit development and delivery of ore to Daytal's crushing and processing plant. There is no guarantee that Daytal would be able to replace MOVITEX with another contract mining firm if MOVITEX were no longer able to provide contract mining services to Daytal. Any disruption in the contract mining services provide by MOVITEX would have a negative impact on Daytal's short-term economic viability.

### ***Competition***

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

### ***Risks Related to Property Title***

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

### ***Dependence on Key Personnel***

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

### ***Laws and Regulations***

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

### ***Licenses and Permits***

There can be no guarantees that the Company will be able to obtain or maintain all the necessary licenses and permits to extract and process minerals, explore, develop, or maintain its continued operations, or that the Company will be able to comply with all the conditions imposed. The current operating permits and plant capacity limitations at the Los Santos Mine allows Almonty to process up to 500,000 tonnes of ore per annum. The current operating permits and plant capacity limitations at the Wolfram Camp Mine allow Almonty to process between 400,000 and 540,000 tonnes of ore per annum. Any increase in available ore or significant increase in the concentration of tungsten contained in the ore may require the Company to expand its production and processing capabilities.

The current operating permits and plant capacity limitations at the Panasqueira Mine allow Almonty to process up to 865,000 tonnes of ore per annum. Almonty is in the process of completing an engineering study at the Sangdong Mine and expects to be in a position to apply for a surface permit in April 2016. The surface permit is required before Almonty can begin the necessary work to bring the Sangdong Mine back into production. There is no guarantee that Almonty will be able to obtain the necessary permits in order to expand its production footprint.

The mining license for the Los Santos Mine was granted in September 2002, for a period of 30 years and is extendable for 90 years. Daytal has to pay annual land taxes (approximately €2,000 per year) to the Spanish government. This amount is related to the surface covered and not to the production of minerals. There are no other royalty payments.

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

<b>Year ending September 30:</b>	
2018	489
2019	357
2020	49
	<hr/>
	895

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 Fiscal 2017, Almonty recognized a restoration provision of \$697,000 (September 30, 2016 - \$662,000) 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 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 €180,000 (\$265,000) 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 \$2,208,000 as at September 30, 2017 (September 30, 2016 - \$2,269,000) 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 September 30, 2017 Almonty had \$1,300,000 (September 30, 2016 - \$1,336,000) 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 \$247,000 (September 30, 2016 - \$272,000) 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 \$34,910,000, which as at September 30, 2017 has a balance of \$29,184,000 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 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 in CAD\$000's:

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>(12,763)</b>
<b>Accretion expense</b>	<b>133</b>
<b>Translation adjustment</b>	<b>(98)</b>
<b>Balance at September 30, 2017</b>	<b>32,335</b>

*The Company may not consummate or integrate acquisitions successfully, which could adversely affect its financial condition and future performance*

The Company is always actively pursuing the acquisition of exploration, development and production assets consistent with its acquisition and growth strategy. From time to time, it may also acquire securities of, or other interests in, companies with respect to which it may enter into acquisitions or other transactions. Acquisition transactions involve inherent risks, including:

- accurately assessing the value, strengths, weaknesses, contingent and other liabilities and potential profitability of acquisition candidates;
- ability to achieve identified and anticipated operating and financial synergies;
- unanticipated costs;
- diversion of management attention from existing business;
- potential loss of its key employees or the key employees of any business that the Company acquires;
- unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying the acquisition; and
- decline in the value of acquired properties, companies or securities.

Any one or more of these factors or other risks could cause the Company not to realize the benefits anticipated to result from the acquisition of properties or companies and could have a material adverse effect on its ability to grow and on its financial condition.

Acquisitions by the Company, such as the acquisitions of Woulfe and BVI, involve the integration of companies that previously operated independently. An important factor in the success of an acquisition is the ability of the acquirer's management in managing the Company's business and that of the acquired company and, if appropriate, integrating all or part of that company's business with that of the acquirer. The integration of two businesses can result in unanticipated operational problems and interruptions, expenses and liabilities, the diversion of management attention and the loss of key employees and their knowledge.

There can be no assurance that a business integration will be successful or that it will not adversely affect the business, results of operations, financial condition or operating results of the acquirer and, as a result, the price of the Company's publicly traded securities. In addition, the Company may incur charges related to the acquisition of the acquired company and related to integrating the two companies. There can be no assurance that the Company, in the case of its recent acquisitions, will not incur additional material charges in the future to reflect additional costs associated with the acquisition or that all of the benefits expected from the acquisitions will be realized.

While the Company continues to seek acquisition opportunities consistent with its acquisition and growth strategy, it cannot be certain that it will be able to identify additional suitable acquisition candidates available for sale at reasonable prices, to consummate any acquisition or to integrate any acquired business into its operations successfully. Acquisitions may involve a number of special risks, circumstances or legal liabilities. These and other risks related to acquiring and to operating acquired properties and companies could have a material adverse effect on results of operations and financial condition. In addition, to acquire properties and companies, the Company may need to use available cash, incur debt, and issue common shares or other securities, or a combination of any one or more of these. This could limit its flexibility to raise capital, to operate, explore and develop its properties and to make additional acquisitions, and could further dilute and decrease the trading price of the common shares. When evaluating an acquisition opportunity, the Company cannot be certain that it will have correctly identified and managed the risks and costs inherent in the business that it is acquiring.

While at the present time the Company has no binding agreements, it is always actively pursuing potential acquisitions. The Company can provide no assurance that any potential transaction will be successfully completed, and, if completed, that the business acquired will be successfully integrated into its operations. The Company also cannot provide any assurance that if it issues shares in connection with an acquisition, such share issuance will not be dilutive. If the Company fails to manage its acquisition and growth strategy successfully, it could have a material adverse effect on its business, results of operations and financial condition.

### ***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.

### ***Regulatory***

Mining operations, development and exploration activities are subject to extensive laws and regulations governing prospecting, development, production, exports, taxes, labour standards, occupational health, waste disposal, environmental protection and remediation, protection of endangered and protected species, mine safety, toxic substances and other matters. Changes in these regulations or in their application are beyond the control of Almonty and could adversely affect its operations, business and results of operations.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may be liable for civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permitting requirements, or more stringent application of existing laws, could have a material adverse effect on Almonty and cause increases in capital expenditures or production costs or reductions in levels of production at producing properties or require abandonment or delays in development of properties.

Almonty may also acquire properties located in other countries where mineral exploration activities may be affected by varying degrees of political and haphazard changes in government regulations. There can be no assurance that Almonty will be able to obtain all of the licenses and permits that may be required to conduct the operations that it may wish to undertake. Any changes in regulations or shifts in political conditions would be beyond the control of Almonty and may adversely affect its business.

The implementation of new regulations or the modification of existing regulations affecting the tungsten and the mining industry more generally could reduce demand for tungsten and other minerals and increase Almonty's costs, any of which may have a material adverse effect on Almonty's business, financial condition and results of operations.



### ***Permits and Permitting Process***

Mining companies must obtain numerous permits, licenses and approvals that strictly regulate environmental, health, safety, access and other matters in connection with mining. Regulatory authorities exercise considerable discretion in whether or not to issue permits, licenses and approvals and the timing of such issuances.

Also, private individuals and the public at large often possess rights to comment on and otherwise engage in the permitting, licensing and approval processes, including through intervention in the courts. Accordingly, new permits, licenses and approvals required by Almonty to fully exploit its properties may not be issued, or if issued, may not be issued in a timely fashion, or may contain requirements which restrict Almonty's ability to conduct its mining operations or to do so in a profitable manner.

In addition to authorizations required in connection with its mineral properties, other mines that may be acquired by Almonty will require governmental authorizations and permits before these properties can be developed and brought into production. Access to such lands for mining purposes may be restricted by present or future legislation. Accordingly, there can be no assurance that Almonty will be able to obtain the necessary authorizations to further develop its mineral properties or other resource properties that it may acquire in the future. To the extent such authorizations are required and not obtained, Almonty may be restricted or prohibited from proceeding with planned exploration, development and production activities.

Almonty believes it (or its subsidiaries) presently holds all necessary licenses and permits to carry on the activities at its mineral properties, and that it is presently complying in all material respects with the terms of such licenses and permits. There can be no guarantee, however, that Almonty or its subsidiaries will be able to obtain and maintain, at all times, all necessary licences and permits required in connection with its mineral properties or any exploration or development activity or to place its properties into commercial production and to operate mining facilities thereon.

### ***Disruptions in Production***

Factors affecting the production and sale of minerals that could result in decreases in profitability include:

- expiration or termination of, or sales price re-determinations or suspension of deliveries under, mineral supply agreements;
- future litigation;
- the timing and amount of insurance recoveries; work stoppages or other labour difficulties;
- mine worker vacation schedules;
- mining and processing equipment failures and unexpected maintenance problems;
- a disruption in the supply of commodities used in mining, such as steel, copper, rubber products, ammonium nitrate/fuel oil, and liquid fuels; and
- changes in the market for certain mineral and general economic conditions.

Adverse weather conditions such as heavy rain and flooding, equipment replacement or repair, fires, amounts of rock and other natural materials and other geological conditions can also have a significant impact on operating results of Almonty.

### ***Raw Materials Cost***

Unexpected increases in raw material costs could significantly impair Almonty's profitability. Almonty's mining operations use significant amounts of steel, petroleum products and other raw materials in various pieces of mining equipment, supplies and materials. If the price of steel, petroleum products or other input materials increase, Almonty's operational expenses will increase, which could have a significant negative impact on its profitability.

### ***Mining Risks and Insurance***

Almonty's exploration, development and mining operations are subject to significant risks beyond the control of management that can delay tungsten mining or delivery, or increase the cost of mining. Such risks include natural disasters, unexpected equipment repairs or replacements, environmental hazards, industrial accidents, and inclement or hazardous weather conditions. Such risks could result in damage to, or destruction of, mineral properties or production facilities, personal injury or death, environmental damage, delays in mining, monetary losses and legal liability. In this regard, insurance is maintained to protect against risks that are typical in the mining industry. However, there is no guarantee that such insurance coverage will be adequate in all cases.

In the course of exploration, development and production of mineral properties, several risks may be encountered; in particular, risks involving unexpected or unusual geological or operating conditions. It is not always possible to fully insure against such risks, and Almonty may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise they could reduce or eliminate any future profitability and result in an increase in costs and a decline in value of the securities of Almonty.

Insurance against certain risks may not be available to Almonty at reasonable economic rates or at all. To the extent that Almonty is subject to liabilities that are not economically or otherwise insurable, the payment of such liabilities would reduce the funds available to Almonty.

### ***Expiration of Licences and Leases***

Almonty's properties may be held in the form of permits, licences and leases and working interests in permits, licences and leases. If Almonty or the holder of any such permit, licence or lease fails to meet the specific requirement of such permit, licence or lease, the permit, licence or lease, as applicable, may terminate or expire. There can be no assurance that any of the obligations required to maintain each permit, licence or lease will be met. The termination or expiration of such permits, licences or leases or the working interests relating to a permit, licence or lease may have a material adverse effect on Almonty's results of operations and business.

### ***Management of Growth***

Almonty may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of Almonty to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of Almonty to deal with this growth could have a material adverse effect on its business, operations and prospects.

### ***Environmental Matters***

All of Almonty's operations are subject to environmental regulations, which can make operations expensive or prohibit them altogether. If Almonty violates any of the laws and regulations relating to the protection of the environment, Almonty may be subject to substantial fines, criminal sanctions

and/or third-party lawsuits and may be required to install costly pollution control equipment or, in some extreme cases, curtail operations. Almonty will generally be required to obtain permits under applicable environmental laws and regulations. Compliance with environmental laws and regulations, as well as with any requisite environmental permits, may increase costs. Almonty may also face exposure to actual or potential claims and lawsuits involving environmental matters.

Changes in environmental laws and regulations occur frequently, and any changes may have a material adverse effect on Almonty's results of operations, financial condition and/or competitive position. New legislation or regulatory programs could have an adverse effect on Almonty's operations.

### ***Opposition to Mining***

Almonty's business may be affected by environmental activists who engage in activities intended to disrupt Almonty's business operations. As a result, there could be delays or losses in transportation and deliveries of minerals to Almonty's customers, decreased sales of Almonty's minerals and extension of time for payment of accounts receivable from Almonty's customers, which could have a material adverse effect on Almonty's business, financial condition and results of operations.

### ***Increased Costs and Compliance Risks as a Result of Being a Public Company***

Legal, accounting and other expenses associated with public company reporting requirements have increased significantly in the past few years. Almonty anticipates that general and administrative costs associated with regulatory compliance will continue to increase with recently adopted or amended corporate governance requirements.

### ***Legal Systems***

As civil law jurisdictions, Spain, Portugal and South Korea have legal systems which are different from the common law jurisdictions of Canada and Australia. There can be no assurance that joint ventures, licenses, license applications or other legal arrangements will not be adversely affected by changes in governments, the actions of government authorities or others, or the effectiveness and enforcement of such arrangements.

### ***Enforcement of Civil Liabilities***

Certain of the directors of Almonty reside outside of Canada. It may not be possible for investors to effect service of process within Canada upon the directors not residing in Canada. It may also not be possible to enforce against Almonty and certain of its directors named herein judgements obtained in Canadian courts predicated upon the civil liability provisions of applicable securities laws in Canada.

## **MINING PROJECTS**

The following summary information regarding the Los Santos Mine, the Wolfram Camp Mine, the Valtreixal Mine and the Sangdong Mine are taken from and based entirely on the Technical Reports as filed under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com). The Technical Reports are incorporated by reference into this AIF.

The Technical Reports were each prepared by Adam Wheeler, a Qualified Person in accordance with NI 43-101.

## **LOS SANTOS MINE SUMMARY**

### **Introduction and Overview**

The Los Santos Technical Report was prepared to provide a technical report compliant with the provisions of NI 43-101 by way of a review and summary of resource and reserve estimations for the Los Santos Mine, up to the end of June 2015. This current estimate was completed during August-October, 2015. The Los Santos Mine is currently an open pit operation, and is located in the Province of Salamanca in Spain. The principal product of the Los Santos Mine is a tungsten concentrate. The Los Santos Mine started open pit ore production during 2008, and the mill was commissioned during the same year.

The Los Santos Technical Report was prepared by Adam Wheeler, Mining Consultant (an independent Qualified Person (“QP”) for the purposes of National Instrument 43-101), at the request of Mr. N. Alves, Director of Mine Development, for Almonty. Assistance and technical detail were supplied by the technical personnel at Los Santos. Mr. Wheeler has been involved with resource and reserve estimation at the Los Santos Mine since 2006, and has visited the Los Santos Mine many times. In connection with the latest resource and reserve estimate, and with the preparation of the Los Santos Technical Report, Mr. Wheeler visited the site from September 21-24, 2015.

The following is a direct reproduction of the summary section of the Los Santos Technical Report. Notwithstanding how certain terms have otherwise been defined in this AIF, terms defined in this Section have the meanings ascribed thereto in the Los Santos Technical Report. This Section is qualified in its entirety by the full text of the Los Santos Technical Report.

### **Ownership**

Daytal is a wholly owned Spanish subsidiary of Almonty, a corporation governed by the CBCA. Almonty trades on the TSXV under the symbol “AII”. The Los Santos mine is 100% owned by Daytal.

### **Geology and Mineralization**

Los Santos lies within Lower Palaeozoic sediments in the Central Iberian Tectonic Zone, which forms part of a Europe-wide, Variscan age orogenic belt. The stratigraphy comprises a thick sequence of clastic metasediments, ortho- and para-gneisses, with volcanic and carbonate formations.

This stratigraphy was intruded by Hercynian (274 Ma old) granitoids in a series of plutons, with numerous, crosscutting granite and aplite dykes, sills and irregular pods intruding the metasediments up to 0.5km from the regional granite contact.

The Los Santos deposit is a typical skarn-hosted scheelite deposit, where intrusion of granitoids into carbonate-rich sedimentary rocks has resulted in their replacement by calc-silicate or siliceous minerals, together with mineralisation. It forms from impure Fe-rich carbonates and contains pyroxene, scheelite, plagioclase and locally magnetite. The scheelite is generally fine grained, minus 1mm in size, but individual crystals may exceed 1cm.

In particular areas sulphide-rich skarns also occur. They are up to 5m thick and several metres in strike length, and comprise massive or semi-massive sulphide horizons with scheelite mineralisation. Sulphides comprise pyrite, arsenopyrite (lollingite), pyrrhotite and chalcopyrite as principal minerals.

The four main rock types present at Los Santos are skarn, granite, calc-silicates and corneanas, a word applied to mean all other metamorphic rocks (mostly hornfels) at the site.

The tungsten occurs mainly as scheelite within massive pyroxene skarn. The skarn bodies are generally narrow steeply dipping structures. The deposit is made up of a number of discrete zones, six of which have been modelled for the current resource estimate. The strike length varies for each zone, but zone dips are fairly uniform across the deposit, varying between 60° to 90°. Within each zone, the skarn mineralisation is located within a number of individual beds, separated by barren lithologies. The major skarn beds vary between 2m and 20m in width; there are, however, numerous thinner bands measuring tens of centimetres.

### **Database and Resource Estimation**

Subsequent to the original discovery in 1980, Billiton completed an exploration campaign which included 249 trenches and 231 diamond drillholes. In addition, in one of the zones, Los Santos Sur, an underground ramp and level access at the 945m elevation was developed, which totalled 825m of development. The level development provided bulk samples as well as underground drilling access.

Since start-up of the mine in 2006, Daytal have also done some additional diamond drilling and reverse-circulation drilling. The current combined sample database used for resource modelling contains data for 495 drillholes and 255 trenches, for a total of 6,779 samples. The total drilled length is 41,924m.

The resource estimation has been completed using a computerised three-dimensional block modelling approach, using the Datamine mining software system. For each of the zones being evaluated, skarn bed interpretations have been built up into wireframe models. Other wireframe models have been defined for the boundaries of the principal lithologies. Volumetric block models were then built up to reflect the lithologies and skarn beds. The principal parent block size used was 10m x 10m x 10m, but with sub-blocks within the skarn beds measuring 5m along-strike and down-dip, and 2.5m across-strike. The model structure was also rotated at an angle of approximately 22°, so that blocks were more logically oriented with the majority of skarn structures.

The skarn bed wireframe models were used to select separate sample sets within each bed. These selected samples were then converted into approximately 2.5m composites. The composite WO<sub>3</sub> grade values were used to interpolate grades into the block model, according to the parent skarn beds to which they belonged. Geostatistical analysis was used to assist in the selection of interpolation parameters, as well with subsequent resource classification. An oxidised layer has also been defined down to 10m underneath the topography.

The final block models were used as the basis of resource estimation, pit optimisation, pit planning and subsequent reserve estimation. The block models contain fields which include the lithology, skarn bed identification, rock density and WO<sub>3</sub> grade.

### **Mine Planning**

The resource block models for each zone have been used for pit optimisation. The pit slope parameters were derived from the geotechnical studies. Overall slope angles, allowing for road intersections and bench configurations, of approximately of 55° (North) and 48° (South) have been applied. For the top 10m of superficial material, a lower overall slope of 45° was applied.

The resultant optimised pit models were used as the basis for final pit designs. Since mine start-up in 2006 open pit mining has started in five zones – Los Santos Sur, Las Cortinas, Sector Central, Capa Este, and Los Santos Sur SW. The pits have 10m benches, although within the skarn ore zones this is reduced to 5m sub-benches. All material is drilled and blasted, using Tamrock CHA1100 drills making 3.5in diameter blastholes. Pre-split lines are used for final pit walls. The haul roads are 10m

wide with a 10% gradient, and Komatsu HD465 trucks are used, which carry approximately 55 tonnes.

In or near ore, all blasthole cuttings are sampled. This data is used to build up short-term planning block models, from which all ore and waste outlines are blocked out. As well as demarcating the ore boundaries in the pit with ribbons, a geological technician is present at all times during production in the pits, to assist with ore/waste definition during mucking. Komatsu and Cat crawler-excavators are used for both ore and waste excavation.

All mining work is carried out using Spanish mining contractors, Movitex and Perforaciones Noroeste. There are two main separate waste dumping areas, and waste used where possible to backfill mined-out pits. Ore is split into different grade categories, and deposited in separate areas on the run-of-mine (“**ROM**”) pad or on a separate low grade stockpile.

In the reserve estimation, a small amount of underground ore has also been blocked out from small narrow bed extensions beneath the ‘Day 1’ pit to the west of Los Santos Sur. These parts can be reached by adit access from the pit or by access from the existing underground ramp. A 3m minimum mining width has been used blocking out these underground reserves, and assumes an overhand cut-and-fill stoping method.

Recent planning work has now also added pit reserves from the Capa 4 and Capa G pit areas, which lie to the west of the current Los Santos Sur-SW pit area.

## **Mineral Processing**

The process plant is primarily based on gravimetric separation, aimed at recovering a high grade scheelite concentrate.

The primary crushing circuit employs a jaw crusher, with a nominal 100tph capacity, followed by two cone crushers, generating a minus 12 mm size material in a conical open stockpile ahead of the main process plant. A conveyor feeds this material at 65 tph rate into a rod mill which produces a ground product. This ground ore is then wet-screened at 1000  $\mu\text{m}$ , with the oversize being reground in a regrind ball mill and the minus 1,000  $\mu\text{m}$  undersize product being the raw feed to the gravity circuits.

Two banks of hydrocyclones then split the gravity circuit feed material into 1,000/150  $\mu\text{m}$  and 150/30  $\mu\text{m}$  size fractions. Both size fractions go through low intensity magnetic separation to remove mill steel and pyrrhotite ahead of gravity separation.

The non-magnetics streams from the two size fractions then go to their respective banks of rougher spirals. Middlings are recycled via middlings-cleaners spirals, and the rough spiral tails exit as waste. In both circuits, rougher concentrates are cleaned in a bank of cleaner spirals before going forward to shaking tables. Concentrates from the coarse and fines spirals are fed to a hydrosizer which feeds four separate tabling circuits. Tailings from the cleaner step of all tabling circuits are recycled back to the hydrosizer,

The coarse tailings are dewatered by thickening cyclones and a high frequency screen. Fine tailings are dewatered in a thickener and filter press. In both cases, the final tailings product is dry enough to be trucked and disposed of on the mine waste dump. The thickener overflow is recycled as process water and the plant operates with a zero discharge.

The combined gravity concentrates are batch-processed through two 3m<sup>3</sup> flotation cells to float off sulphides. The non-floating material, principally scheelite, is discharged into a dewatering cone, and then goes through a rotary kiln dryer, followed by three-stage high intensity magnetic separation, to

remove any remaining mill steel and pyrrhotite and any para-magnetics (mainly pyroxene). A final high grade scheelite concentrate constitutes the final saleable product, and typically has a grade of approximately 65% WO<sub>3</sub>.

The currently predicted overall recovery of WO<sub>3</sub> for the reprocessing of tailings is 46%. Raising this tailings recovery to 50-55% levels is one of the targets of on-going metallurgical test work.

### Mineral Resource and Reserve Estimates

The evaluation work was carried out and prepared in compliance with Canadian National Instrument 43-101, and the mineral resources in this estimate were calculated using the Canadian Institute of Mining, Metallurgy and Petroleum (“CIM”), CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by the CIM in May, 2014. The current resource estimation is shown in Table 1 and Table 2.

**Table 1- Los Santos – Measured and Indicated Mineral Resources**  
At June 30, 2015

Resource Category	Tonnes Kt	WO <sub>3</sub> %	WO <sub>3</sub> t
<i>Measured</i>	75	0.41	304
<i>Indicated</i>	2,133	0.28	6,012
<b>Total</b>	<b>2,208</b>	<b>0.29</b>	<b>6,316</b>

#### Notes

- . Cut-Off Grade = 0.05%WO<sub>3</sub>
- . Minimum width = 2.5m
- . Resources shown are inclusive of reserves
- . Sector Central and Las Cortinas East removed, as pits have been completed
- . All other resources shown are total in-situ

**Table 2 - Los Santos – Inferred Mineral Resources**  
At June 30, 2015

	Tonnes Kt	WO <sub>3</sub> %	WO <sub>3</sub> t
<i>Inferred</i>	1,878	0.25	4,663

#### Notes

- . Cut-Off Grade = 0.05%WO<sub>3</sub>
- . Minimum width = 2.5m

The current reserve estimation, stemming from the mine plan developed from this resource base, is shown in Table 3. The estimated processing cost for re-processed tailing is 9.52/t leading to a breakeven cut-off grade 0.07% WO<sub>3</sub>. This implies that all of the identified tailings material is economically viable to process, and so is included in the reserve inventory.

**Table 3 - Los Santos – Proven and Probable Mineral Reserves**  
At June 30, 2015

Reserve Category	Mine Reserves		
	Tonnes t ('000)	WO <sub>3</sub> %	WO <sub>3</sub> Tonnes
<i>Proven</i>	57	0.44	251
<i>Probable</i>	1,408	0.33	4,700
<b><i>Proven + Probable</i></b>	<b>1,465</b>	<b>0.34</b>	<b>4,951</b>

Tailings	Tonnes t ('000)	WO <sub>3</sub> %	WO <sub>3</sub> Tonnes
Coarse rejects (Arenas)	1,564	0.13	2,107
Fine rejects (Tortas)	498	0.22	1,084
	<b>2,062</b>	<b>0.15</b>	<b>3,191</b>

Stockpiles	Tonnes t	WO <sub>3</sub> %	WO <sub>3</sub> Tonnes
Ore A stockpile	6,717	0.41	28
Ore B stockpile	8,130	0.19	15
Oversize stockpile	21,885	0.43	94
Oxide stockpile	18,455	0.15	28
High Grade Conc. Stock	5	64.9	3.2
Low Grade Conc. Stock	22	38.0	8.4
Intermediate Grade Conc. Stock	76	17.1	6.5
<b>Total</b>	<b>55,289</b>	<b>0.33</b>	<b>183</b>

<b>Grand</b>
<b>Total</b>
<b>WO<sub>3</sub></b>
<b>Tonnes</b>
<b>8,325</b>

**Notes**

- . Ore cut-offs used :
  - . Open pits 0.07%WO<sub>3</sub>
  - . Los Santos Sur underground 0.3% WO<sub>3</sub>
  - . Re-Processed Tailings 0.07% WO<sub>3</sub>
- . Cut-offs derived from a long term planning price of \$37,000/t WO<sub>3</sub> APT

The principal operating costs used in connection with this reserve calculation were \$12.63/t ore for processing and administration, \$2.03/t ore for open pit waste mining, and \$30.42/t ore for underground mining. Of the total 1,465 Kt of mining reserves, 1,434 Kt of ore comes from 5 separate open pits and 31 Kt of ore comes from underground workings.

The pits encompassing the reserves shown in Table 3 also contain 292 Kt of inferred resources at economic grades. At an annual ore production rate of 500 ktpa, and this reserve base, including approximately 2.06 Mt of tailings that can be re-processed, a mine life of approximately 6 years is suggested.



## **Conclusions**

1. The Los Santos Mine has now been producing for 7 years. The open pit mining practices have been progressively improved, along with the planning and grade control systems.
2. Daytal has all permits and licenses to operate and remain in compliance with appropriate regulations. It has no restrictions with respect to waste dumping capacity, including dry tailings, and it has been possible to backfill some of the excavated pits with waste.
3. The diamond drilling campaigns completed by Daytal over the last 7 years have in general confirmed the overall quantities and grades of the scheelite ore which were originally delineated by Billiton in the 1980s.
4. The recent drilling campaigns have also identified some potential mineralized extensions beyond the currently modelled zones. These positive results, along with predicted high metal prices, suggest that the mine life derived from the current reserve base is conservative. Exploration drilling planned since 2014 has helped delineate additional open pit and underground reserves to the west of Los Santos Sur.
5. Significant improvements have been made to the plant since mine start-up.

## **PANASQUEIRA MINE SUMMARY**

### **Introduction and Overview**

This report was prepared to provide a Technical Report compliant with the provisions of National Instrument 43-101 - Standards of Disclosure for Mineral Projects, (“NI 43-101”), and comprises a Resource and Reserve Estimation for the Panasqueira Mine, as of the end of September 2016. The Panasqueira mine is located in central Portugal, in the Distrito de Castelo Branco, on the southern edge of the Serra da Estrela, a Portuguese mountain range approximately 300 km north-east of the Portuguese capital city of Lisbon and 200 km southeast of the port city of Porto.

The first prospecting licence at Panasqueira was granted in 1886 and the first reference to wolframite was two years later. A mining company was founded in 1896 to mine tungsten at Panasqueira, and the underground mine has been operating more or less continuously since that time, except for a brief period at the end of World War II and a second closure in the mid-1990s.

During the period 1937-2016, a total of approximately 40 million tonnes of rock has been mined which has produced approximately 128,000 tonnes of tungsten concentrate, 6,600 tonnes of tin concentrate and 32,000 tonnes of copper concentrate.

This report was prepared by Adam Wheeler, at the request of Almonty Industries Inc. (“Almonty”). Assistance and technical detail were supplied by the technical personnel of Beralt Tin and Wolfram (Portugal), S.A., (“BTW”), a company incorporated and existing under the laws of Portugal. In connection with the preparation of this report, Adam Wheeler visited the Panasqueira site from November 23rd - 25th, 2016.

The following is a direct reproduction of the summary section of the Panasqueira Mine Technical Report. Notwithstanding how certain terms have otherwise been defined in this AIF, terms defined in

this Section have the meanings ascribed thereto in the Panasqueira Mine Technical Report. This Section is qualified in its entirety by the full text of the Panasqueira Mine Technical Report.

### **Ownership**

Almonty currently owns 100% of BVI, a body corporate pursuant to the laws of British Columbia, Canada. BVI owns 100% of BTW, which in turn is the 100% owner of the various rights and interests comprising the Panasqueira Mine in Covilhã, Castelo Branco, Portugal.

### **Geology and Mineralisation**

Panasqueira is a vein type deposit located in the Center Iberian Zone of Portugal, where several tungsten mines have been worked during the 20th century. These are generally accompanied by granite outcrops intruding schist and slates. There are different kind of tungsten-host structures, but the more frequent are sub-vertical quartz veins close the contacts with granites, or even inside them. At the current time, the Panasqueira mine is the only active tungsten mine in Portugal. There are however, several active Sn and WO<sub>3</sub> exploration licenses (DGEG internet site: [www.dgeg.pt](http://www.dgeg.pt)).

The Panasqueira deposit consists of a series of stacked, sub-horizontal, hydrothermal quartz veins intruding into the Beira schists containing wolframite mineralisation, which occurs as very large nugget-like crystals of large crystal aggregates, usually concentrated towards the margins of the quartz veins or, occasionally, closer to the central portion of the veins. The overall mineralized zone has dimensions of approximately 2,500m in length; 400m to 2,200m in width and at least 500 m in depth.

Historically, mining has progressed from the upper levels to lower levels, which are spaced 60 – 90m apart. Typically seven or eight flat dipping veins occur from one level to the next, with an average thickness of 0.3 m (range 0.1-1.0m). These host the economic mineralization over continuous strike lengths of 40 - 100 m. These mineralized quartz veins located throughout all mine levels, typically pinch out and later re-occur. Resources occur over five levels – Level 0 to Level 4.

Even though the mine has been in operation for more than 100 years, very little primary exploration has been done outside the active or past mine workings. The hills surrounding the mine contain many old pits and shafts left from old small tungsten vein hand mining operations. A regional stream sediment geochemical survey carried out between 1982-1984, some exploration drillholes and a litho-geochemical survey over selected areas in and adjacent to the Panasqueira returned areas of tin and tungsten anomalies.

Exploration drilling for additional resources and reserves, in advance of production, continues as the normal course of mine activities. To date, more than 80 diamond drillholes have been completed from surface, but these holes commonly flatten considerably as they deepen and are therefore limited for assistance with vein location. Underground drilling has now covered over 4,000 drillholes, mostly of 46mm diameter. A combination of a historic fire and core dumping has left the operation with a relatively small collection of core available for review. The company, through its past experience, considers quartz veins exceeding 18cm in width to be significant and so future underground development is generally based on those intercepts.

### **Database and Resource Estimation**

Two main types of samples are taken for resource and reserve estimation purposes: diamond drillhole samples and face mapping of wolframite crystals. Diamond drillhole core is left intact, but is logged by a geologist and all quartz vein intersections have a width measurement and a qualitative index

recorded for up to 24 different minerals. An internally developed empirical (D9) formula is also used to convert the measured quartz vein thickness into a %WO<sub>3</sub> grade figure. These data are used for the estimation of indicated resources, which stem from at least two drillhole intersections, and inferred resources if there are isolated individual drillhole intersections. This resource estimation involves blocking out plan areas around drillhole quartz intersections, greater than 18cm thickness, and utilises mining recovery factors and confidence factors that have been developed at the mine over many years. This 18cm thickness criteria, based on the mine's empirical factors, is equivalent to a resource cut-off of 10.8kg/m<sup>2</sup> or 0.13% WO<sub>3</sub>.

The current drillhole database contains data from 3,870 diamond drillholes, over a total drilled length of approximately 156,900 m. The majority of the data for resource estimation comes from underground drillhole data, which are generally either level to level vertical holes, 120m holes drilled down from the deepest available levels, or much shorter 13m holes drilled vertically up and down from current stope workings. These underground holes generally produce 47.6mm (NQ) core.

Face sampling involves measuring the area of wolframite crystals exposed on quartz veins. The areas of wolframite are accumulated for a specific length of exposed vein. Another internally developed empirical (Pintas) formula is then used to convert these crystal areas into wolframite grades in units of kg/m<sup>2</sup>. Another formula is then applied to convert these grades into %WO<sub>3</sub> grades, which are effectively diluted according to the minimum stope height of 2.2m. These data are plotted on Autocad plans for each identified vein. Measured resources are then blocked out according to these measurements, using prescribed extension distances and aligned with the mine's planning grid system (80m x 100m on Level 3 and 100m x 100m on Level 0 to Level 2) and the mine's room and pillar block system (11m x 11m). The current cut-off applied in these resource calculations is 10kg/m<sup>2</sup>, which is equivalent to approximately 0.12 %WO<sub>3</sub>. These resources are calculated from these block definitions, along with an 84% mining recovery, representing the end of exploitation with remnant 3m x 3m stope pillars to support the roof. The resources assigned as either 'Pillar' resources if they have been developed, and therefore sampled, on at least three or four sides, or 'Virgin' resources, if they are extrapolated from one or two sets of face samples, and not yet developed into 11m x 11m pillars. All of the 'measured resources' blocked out at the mine are converted into reserves. There are no measured resources which are external to the reported reserves.

With 100 years of operating experience in a statistically difficult orebody, Beralt has derived a method of resource and reserves estimation that appears to be effective.

## **Mine Planning**

Mining at the Panasqueira mine has evolved from labour intensive hand operations in the early 1900's through mechanized longwall methods to the mechanized room and pillar operation currently used. This mining method is possible in part due to the very competent host rock, and underground rock support is rare.

Blocks of ore are laid out initially in 100m by 100m sections by driving 5 m wide galleries, 2.2 m in height. The planned height of the stopes is nominally 2.2m, but increased slightly in areas where ore bearing veins are more variable in their dip, strike or thickness. A major emphasis in the stoping operation is to strive towards the 2.2m mining height in all working areas.

Indicated and inferred resources are initially picked up from drillhole intersections. Potential ore/vein intersections are categories according to approximately 10m vertical slices between each main level. Stope development ramps are then driven from level to level, and approximately horizontal sub-development is used to access the highest ore intersection. When the ore intersections have been found by lateral development, and verified by face samples, 5m wide galleries are driven to create

roughly 11m by 11m pillars. This development is laterally aligned to the mine grid system, but vertically the development is inclined up or down so as to follow changes in ore dip. Faults, divisions and other string variations in the ore intersections sometimes necessitate additional in-stope diamond drilling. Following yet more face samples, further ore extraction is achieved with more development, to ultimately leave 3m by 3m pillars, which corresponds to an overall extraction rate of 84%.

Between each main level, within large overall mining blocks, veins are stope out from top to bottom. A minimum of 3m is also required for the sub-horizontal pillars which are left between stope excavations vertically. The room and pillar grid system is regular over the whole mine, so all ultimate 3m x 3m pillars precisely line up vertically. Additional barrier pillars are left to preserve the main drives and panels on each main level.

The final 3m x 3m pillars generally collapse approximately 4-5 months after stope completion. Control points in each stoping area are monitored once a month. This monitoring data, together with observations of pillar conditions, are used in demarcating locally bad ground areas, so as to stop further stoping in these regions.

The mine has two main haulage levels (Level 2 at 560 mRL and Level 3 at 470 mRL) currently in use, with rail haulage of ore from 1.8 m diameter bored raises in the stopes to either the vertical rock hoisting shaft, connecting Level 3 to Level 2 and designed to transport the 6-ton wagons (4 t net weight) , or the orepass where all ore from the mine is stored prior to being crushed and transported along the 1,203m long ,17% inclination, Santa Barbara conveyor belt. . This belt discharges into 4 large coarse ore bins, 3 located under the main office and another in front of the office. In 2014 the mine produced 775 kt of underground ore (ROM) plus waste.

## **Mineral Processing**

The underground jaw crusher delivers minus 100mm Run-of-Mine (ROM), to the conveyor to the crushing, washing and screening (CWS) plant at a rate of about 160 tph. Plus 0.8mm material is fed to the Heavy Media Separation (HMS) section, which generally accounts for approximately 80% of the original ore feed. The fines material (approximately 20% of the original ore feed) from the CWS plant passes on to the sand and slimes shaking tables. The reject material is conveyed out to the waste dump area, where it is either dumped or sold as gravel.

The HMS concentrate, is crushed in twin roll crushers. One of the roll crushers is dedicated to +3 –5 mm material from the HMS concentrate and this material is re-circulated to the HMS plant. The minus 3mm material is hydrosized prior to concentration by gravity shaking tables. The table concentration eliminates all the gangue minerals, particularly quartz and silicates. The sand tables' concentrate, referred to as Pre- Concentrate, contains all the dense minerals, which besides wolframite, includes sulphides, cassiterite and siderite.

The pre-concentrate produced by the sand tables is then screened and the two different fractions are passed over individual shaking tables, where sulphides are removed - assisted by flotation. These table tailings then become feed for a copper circuit. The table concentrates, without sulphides, are dried and screened to prepare three sized fractions for dry high-intensity cross-belt magnetic separators. This produces a high grade wolframite concentrate, and a non-magnetic cassiterite concentrate, which goes onto a tin circuit.

The overall WO<sub>3</sub> plant recovery averages 81%, producing over 90% of the recovered MTUs in a high grade concentrate averaging over 75% WO<sub>3</sub>, and the remainder in another high grade concentrate of

74% WO<sub>3</sub>. In 2016, approximately 69,000 MTUs of WO<sub>3</sub> were produced, along with 384 tonnes of copper concentrates and 69 tonnes of tin concentrates.

The mine is in the process of currently planning two metallurgical pilot studies for re-processing purposes:

- Using an XRF ore sorter for the processing of HMS rejects. It is anticipated that the sortable material will represent approximately 40% of the ROM feeding the HMS (size 10-25mm), with an average grade of approximately 0.025% WO<sub>3</sub>.
- Re-processing of tailings material. The resources associated with accumulated tailings material have been estimated in the current report.

### Mineral Resource and Reserve Estimates

The evaluation work was carried out and prepared in compliance with Canadian National Instrument 43-101, and the mineral resources in this estimate were calculated using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council May 2014. The current in-situ resource estimation for measured and indicated resources is shown in Table 1-1, and inferred resources are shown in Table 1-2 and Table 1-3. These resources are inclusive of the reported reserves. There are no measured resources external to reserves, as all resources classified as measured have been converted into proven or probable reserves. There has also been an evaluation of inferred resources within two tailings areas, as there is a potential for re-processing this material.

**Table 0-1. Panasqueira Mine –Measured and Indicated Mineral Resources  
As of 30<sup>th</sup> September 2016  
(INCLUSIVE OF RESERVES)**

LEVEL	<i>Measured</i>			<i>Indicated</i>			<i>Measured + Indicated</i>		
	Tonnes Kt	WO <sub>3</sub> %	WO <sub>3</sub> MTU x1000	Tonnes Kt	WO <sub>3</sub> %	WO <sub>3</sub> MTU x1000	Tonnes Kt	WO <sub>3</sub> %	WO <sub>3</sub> MTU x1000
<b>L0</b>	51	0.18	9	1,038	0.23	236	1,089	0.22	245
<b>L1</b>	706	0.20	139	1,314	0.21	272	2,020	0.20	411
<b>L2</b>	468	0.20	92	2,984	0.24	726	3,452	0.24	818
<b>L3</b>	727	0.21	153	2,396	0.25	610	3,123	0.24	763
<b>L4</b>	-	-	-	343	0.22	76	343	0.22	76
<b>Total</b>	<b>1,951</b>	<b>0.20</b>	<b>393</b>	<b>8,076</b>	<b>0.24</b>	<b>1,920</b>	<b>10,027</b>	<b>0.23</b>	<b>2,313</b>

**Notes**

- . Resources shown are inclusive of reserves
- . Minimum thickness = 2.2m
- . Mining recovery = 84%

**Measured Resources**

- . Cut-off = 0.12% WO<sub>3</sub> (Equivalent to 10 kg/m<sup>2</sup>)
- . Evaluation based on:
  - Face mapping of wolframite exposed areas
  - Areas converted to grade using Pinta's formula
  - Blocks laid out on mine planning grid system

**Indicated Resources**

- . Cut-off = 0.13% WO<sub>3</sub> (Equivalent to 10.8 kg/m<sup>2</sup>)
- . Evaluation based on:
  - Drillhole quartz intersections
  - Conversion to grade using D9 formula
  - Blocks based on at least 2 drillhole intersections
- . Additional factor applied:
  - Confidence factor = 60%

**Table 0-2. Panasqueira Mine – Inferred Mineral Resources  
As of 30<sup>th</sup> September, 2016**

Mine Region	Tonnes Mt	WO <sub>3</sub> %
Panasqueira Deep	0.18	0.22
North	2.73	0.23
South	2.25	0.20
<b>Total</b>	<b>5.16</b>	<b>0.22</b>

**Notes**

- . Resources shown are exclusive of reserves
- . Cut-off = 0.13% WO<sub>3</sub>(Equivalent to 10.8 kg/m<sup>2</sup>)
- . Evaluation based on:
  - Drillhole quartz intersections
  - Conversion to grade using D9 formula
  - Blocks can be based on single drillhole intersections
- . Additional factors applied:
  - Minimum thickness = 2.2m
  - Mining recovery = 84%
  - Confidence factor = 40%

**Table 1-3. Overall Property – Inferred Mineral Resources As  
of 30<sup>th</sup> September, 2016**

CATEGORY		Tonnes <i>Kt</i>	WO <sub>3</sub> %	WO <sub>3</sub> <i>MTU x1000</i>	Cu %	Sn %
<b>Mine</b>		5,158	0.22	1,110		
<b>Tailings</b>	BL1 *	1,817	0.29	521	0.30	0.027
<b>Areas</b>	BL2A *	3,347	0.24	802	0.21	0.022
<b>Total</b>		<b>10,322</b>	<b>0.24</b>	<b>2,433</b>		

**Notes**

- . Inferred Mine resources based on a cut-off of 0.13% WO<sub>3</sub>
- \* Tailings resources have no cut-off applied
- . Resources shown are exclusive of reserves

Mineral Reserves have been determined. These reserves are part of the reported Mineral Resources. The reserves are based on face samples, and have been blocked out as part of the mine's on-going stope planning process. The areas blocked out as 'Pillar resources' have been sampled on all four sides, and have been classified by CIM guidelines as Proven Reserves. The areas blocked out as 'Virgin resources' have been extrapolated from one to three sets of face samples, and have been classified by CIM guidelines as Probable Reserves. These reserves are summarised in Table 1-

**Table 1-4. Panasqueira Mine–Mineral Reserves  
As of 30<sup>th</sup> September, 2016**

Level	Proven Reserves		Probable Reserves		Total Reserves	
	Tonnes Kt	WO <sub>3</sub> %	Tonnes Kt	WO <sub>3</sub> %	Tonnes Kt	WO <sub>3</sub> %
0	25	0.19	26	0.17	51	0.18
1	238	0.22	468	0.18	706	0.20
2	216	0.21	251	0.19	468	0.20
3	297	0.24	431	0.19	727	0.21
<b>Total</b>	<b>775</b>	<b>0.22</b>	<b>1,176</b>	<b>0.19</b>	<b>1,951</b>	<b>0.20</b>

**Notes**

- . Cut-off = 0.12% WO<sub>3</sub> (Equivalent to 10kg/m<sup>2</sup>)
- . Evaluation based on:
  - Face mapping of wolframite exposed areas
  - Areas converted to grade using Pinta's formula
  - Blocks laid out with stope planning process
- . Additional factors applied:
  - Minimum thickness = 2.2m

	Virgin	11mx11m	11mx3m
<b>Mining Recoveries</b>	<b>Areas</b>	<b>Pillars</b>	<b>Pillars</b>
	<b>84%</b>	<b>67.3%</b>	<b>45%</b>

- . Proven reserves are within (11 or 3m) pillars which have been sampled on at least 3 sides
- . Probable reserves are within virgin areas which have been sampled on 1-2 sides

**Conclusions**

In the opinion of the QP, the following conclusions have been reached:

1. The empirical formulae developed at the mine, for evaluation purposes, have been used for decades and are supported by a very large amount of reconciliation data. The QP considers that these formulae, along with the other parameters and guidelines applied, do provide reliable methods of resource and reserve estimation.



2. The current resource and reserve estimations shown in this report have been reviewed by the QP. In the opinion of the QP, this review supports the estimation results presented.
3. The same resource/reserve cut-off grades have been in use since 2011. Since that time, the total reserve quantity has been maintained, although the overall total resource base has generally declined. This means that the mine's on-going stope development has elevated resource categories as planned, although drilling levels have declined, which has led to a reduction in overall resources.
4. The most important areas of the mine which offer the most scope for overall resource expansion are the Panasqueira deep area and Level 4 (below 470mRL).
5. The tailings dump BL2A resources have currently been classified with an Inferred resource category. The principal reason for this classification is chiefly the lack of assay data covering a major part of the area. But when the remaining assay data from all of the 2016 tailings-drilling samples becomes available, some areas within the BL2A should be able to be classified as Indicated resources.
6. The use of an XRF ore sorter on the HMS reject material presents an opportunity to recover additional amount of WO<sub>3</sub> product that is currently being rejected.

Similarly, re-processing of tailings presents another important opportunity for potential recovery of WO<sub>3</sub> product, as well as some copper and tin. Testwork connected with tailings re-processing is currently being done in both Spain (at the National Energy and Geology Laboratory in Porto) as well as CRONMET in South Africa.

## **WOLFRAM CAMP MINE SUMMARY**

### **Introduction and Overview**

This report was prepared to provide a Technical Report compliant with the provisions of National Instrument 43-101 - Standards of Disclosure for Mineral Projects, ("NI 43-101"), and comprises a review and summary of Resource and Reserve Estimations for the Wolfram Camp Mine project, as of the end of March 2017. The project is located in the state of Queensland in Australia. These current estimates were completed during October, 2015. The mine is an open pit operation, although it has not been in production since March 2015. The principal mine product is currently a tungsten concentrate. From 2012-2013 the mine also produced a molybdenum concentrate.

This report was prepared by Adam Wheeler, at the request of Almonty Industries ("Almonty"). Assistance and technical detail were supplied by the technical personnel at Wolfram Camp. Adam Wheeler visited the mine site from June 18th-21st, 2014 and from October 28th – November 1st, 2014.

The Wolfram Camp mineralisation was discovered in 1894 and previous mining operations have been based either on surface eluvial mining of residual wolframite grains or on the underground extraction of high-grade pipes of erratic shape and lateral dimensions. The hard rock mines of the Wolfram Camp mineral field have recorded combined production of at least 10,000t of wolframite,

molybdenite, bismuth and mixed concentrates. Eluvial and early hard rock production is poorly recorded. The main periods of hard rock mining were 1908-1920, 1967-1972 and 1978-1982.

After a very brief period of production in 2008 under former owners, the mine restarted open pit ore production during the latter months of 2011, and the mill was commissioned during the beginning of 2012. Production continued until March 2015, after mine production was stopped, so as to allow a number of improvements to be made to the processing facilities. It is intended to restart the mine in 2018.

## **Ownership**

Almonty is a corporation governed by the CBCA. Almonty trades on the TSXV under the symbol "AII". Almonty owns a 100% interest of each of Wolfram Camp Mining Pty and Tropical Metals Pty, who collectively own 100% of the Wolfram Camp tungsten and molybdenum mine.

## **Geology and Mineralisation**

The Wolfram Camp Mineral Field is dominated by the Ootann Supersuite granite intrusives and related greisen alteration and mineralisation. Hodgkinson Formation sediments occur to the north-east of the mineralised contact with the Permian-Carboniferous granite. Minor sulphide mineralisation has been seen in veinlets with quartz and minor calcite up to a few hundred metres from the contact.

The granite which hosts the mineralisation at Wolfram Camp is the James Creek Granite. This granite has been extensively altered over approximately 3km of the contact with the sediments and volcanics. The contact appears to dip at 40° - 60° to the north around the arcuate northern edge of the granite, but there is significant evidence to suggest that the current surface of the granite to the south of the exposed contact is close to the original intrusive contact.

Alteration and mineralisation occur near the contact and are considered to be related to post-intrusion hydrothermal activity. The quartz pipes and sheets formed in cooling fractures parallel to the contact and in vertical to sub-vertical tension joints. These fractures and joints were best developed in the vicinity of rolls and flexures in the contact.

There are three principal types of mineralisation. The first, quartz pipes, comprise white to clear or smoky quartz, commonly containing vugs and with lumps of wolframite, molybdenite, native bismuth (often coated with bismuthinite), scheelite, pyrite, arsenopyrite, pyrrhotite and minor calcite, siderite, chalcopyrite, fluorite, sphalerite, galena and cassiterite. The lumps of wolframite can be over 1m in diameter and molybdenite lumps can reach 0.5m in diameter. Grades vary between pipes but grades in individual pipes tend to be consistent. Some pipes are wolframite rich, while others are molybdenite rich. Pipes can vary in shape from cylindrical to sheets or elongated veins.

The second type of mineralisation occurs within quartz greisen zones, and consists of vuggy crystalline quartz with variable, and sometimes rich, disseminated wolframite, molybdenite, bismuth, scheelite, pyrite, arsenopyrite and other minor minerals including mica. Mineral grains of wolframite and molybdenite vary commonly between 0.5mm to 1cm, although finer and coarser grains do occur. Mineralised greisen is generally present around most pipes, and in some areas

forms more or less continuous zones between the pipes. The third type of mineralisation occurs within mica greisen zones, with increasing amounts of muscovite and decreasing quartz; with only minor disseminated wolframite and molybdenite and other sulphide minerals. No relict granitic texture is visible. Grain sizes of the target minerals are similar to those in the quartz greisen.

Adjacent properties where historically mining and production have occurred, and that are at present the subject of ongoing exploration programmes, include Bamford Hill and Mount Carbine, 25km to the south and 65km to the NNE of Wolfram Camp respectively.

### **Database and Resource Estimation**

A limited amount of drilling may have been carried out before the 1970s and although data exists for surface and underground drilling completed in the 1970s, there are no detailed records of this work. The various drilling programmes completed at Wolfram Camp since the 1970s are summarised below; in terms of diamond drillholes (DD) and reverse circulation (RC) drillholes, stemming from exploration work done by previous owners between 1995-2010, as well as blasthole exploration samples (BEX) completed by Almonty since 2014:

- 1981-82, Tenneco Oil and Minerals (Tenneco) – 12 DD holes.
- 1994-96, Allegiance Mining NL (Allegiance) – 37 RC holes.
- 2005-06, Queensland Ore Limited (QOL) – 163 holes, mostly RC.
- 2010, Planet Metals Limited (PML) - 200 holes, mostly RC.
- 2014-15, Almonty – 1,417 BEX holes.

The final data from these drilling programmes, after rejection of suspect/abandoned holes, consists of data from 351 reverse circulation holes covering 14,586m of drilling, data from 68 diamond drillholes covering 3,916m of drilling and data from 1,417 BEX holes covering 36,092m. These data contain assays for W, Mo and As. There are also assays for Bi and Sn in the diamond drillhole data.

Since restart of the mine in 2012 by Wolfram Camp Mining (WCM), grade control (GC) drilling results have been accumulated from open pit blasthole samples. This database now consists of data from 55,195 GC holes, covering over 321km of drilling. These data contains assays for W, Mo, Bi, As and Fe. Both databases exist in Excel form.

On the mine site the combined sources of drilling are used for the creation of a short-term planning resource block model, using Datamine software, which is regularly updated with more GC data. This block model covers the main upper part of the Wolfram Camp orebody underlying the current pit, as well as the adjoining Parrotts orebody to the north-west. It contains parent blocks sized as 5m x 5m x 5m, with sub-blocks down to a size of 1m x 1m x 2.5m, with W (and derived WO<sub>3</sub>) grades, estimated using inverse-distance weighting. In this estimation the model has been divided into 4 four different zones, in which quite different search orientations have been defined. These orientations have been derived from geological interpretation as well as observation of old mined workings.

An updated resource estimation has been developed by Adam Wheeler, using the application of CAE Datamine software. All available GC, DD, RC and BEX data have been used. In this

methodology, 2.5m composites have been generated, and the mineralised zones have been demarcated based on 0.09% and 0.3% WO<sub>3</sub> grade thresholds. These zones have then been extrapolated into the resource model. Grades of WO<sub>3</sub> and MoS<sub>2</sub> have ultimately been estimated using ordinary kriging, with parameters tested against reconciliation block models from previous production.

## **Mine Planning**

The current open cut is approximately 800m along strike. In general the pit is advanced with benches extended out to the design pit shell on the north-south sides, and is deepened in 3-4 sectors along strike.

Drilling and blasting will be carried out by a specialist D&B contractor. Blasts are planned over 5m bench heights, with combined ore and waste partitions. The individual models determined from GC drilling are used to delineate different categories of material for mining, based on cut-off levels of 0.07, 0.12 and 0.3% WO<sub>3</sub>. Separate models for each blast area also built up.

Blastholes, 89mm in diameter, are drilled on 2.7 x 2.4 m pattern. Plastic hoses are placed in high grade holes, which are not blasted. This helps against excessive fragmentation of wolframite, and the hoses provide an estimate of blast displacement. All blasting generally uses ANFO. Subsequent to blasting, the positions of the plastic hoses are re-surveyed, and the original ore/waste delineations are modified according to the measured displacements, as well as by visual assessment by geologists. Different colour ribbons are used to demarcate the different ore/waste categories.

Digging of material is done with a backhoe excavator, sitting on top of the broken muckpile, loading 40t trucks. Digging is done in 3 vertical passes: the first for the heave above the original bench floor, the second for the 0- 2.5m depth cut and the third for the 2.5-5m depth cut. Ribbons are marked up individually for each cut prior to mining, based on the blast displacements at the top of each cut. Any additional high grade material spotted visually by geologists is also mined and stockpiled separately.

Clay and topsoil overburden from the mine is stockpiled separate from other waste dumps, for use on closure for rehabilitation. Waste and mineralised waste loads are hauled to stockpiles, and ore is trucked to the ROM pad adjacent the processing facilities. Mineralised waste is either stockpiled or sent to the ROM pad and crushed. The mineralised waste stockpile is then screened, with <15mm material being sent to the mill, 15-50mm material is sent to the ore sorter, and >50mm material is sent to the crusher as required. Mined tonnages are reconciled against monthly stockpile surveys and these in turn are used to reconcile against the short-term planning block model.

A current pit design has been based on an updated pit optimisation completed on the updated resource block model, and this is the physical limit applied to the current reserve estimate.

## **Environmental Studies**

The Environmental Management Plan, produced in 2007, covered the tenements ML20486 and ML20534, and dealt with the potential environmental impacts from mining and associated activities, including:

- Pit excavation
- Product and topsoil/overburden stockpiling
- On-site processing
- Sediment control works
- Limited fuel, diesel and explosive storage
- Access tracks
- Air quality
- Water management
- Noise and vibration
- Waste management
- Land and management
- Community, social and cultural issues
- Monitoring

WCM produces a Plan of Operations biennially and is prepared consistent with the following:

- Schedule of Conditions\* of Environmental Authority No. MIN102648011 (EA), dated 7 August 2012
- Section 234(3) of the Environmental Protection Act 1994
- Department of Environment and Heritage Protection (DEHP) guidelines
- Calculating Financial Assurance for Mining Projects (DERM 2011)
- Preparing a plan of operations and audit statement for level 1 mining projects (DEHP 2012b)
- DEHP information sheet Plan of operations (DEHP 2012a)

Each Plan of Operations is accompanied by an Environmental Audit Statement produced by independent consultants which highlights shortcomings and non-compliance.

WCM produces weekly, monthly and annual reports which monitor all aspects of the mining operation, including environmental matters.

### **Mineral Processing**

The process plant is primarily based on gravimetric separation, aimed at recovering a high grade wolframite concentrate. During 2013, it was able to crush 369kt of material and (after ore-sorting) process 259kt of ore, with an average feed grade of 0.25% WO<sub>3</sub>. During 2014 the plant processed

345 kt of ore, with an average feed grade of 0.22% WO<sub>3</sub>. The currently planned processing plant recovery is 71%; with upgrades to the crushing, ore sorting, spiral separators and shaking tables. The overall mill capacity has also been increased to 518 ktpa. The planned milling improvements are going to be implemented during 2017.

The primary crushing circuit employs a 90mm jaw crusher, with a nominal 51tph capacity, followed by a 25mm cone crushers. Crushed ore is passed through two double-deck dry screens, from which +30mm coarse material is fed to XRF ore sorters. Ore sorter rejects are sent for waste disposal. Material selected by the ore sorted is then passed onto fine cavity cone crushers. Finally accepted -2mm material will then be passed onto the spirals.

The fine and coarse fractions pass onto two parallel banks of triple start spiral classifiers and from there onto Wilfley shaking tables. Recoveries from the tables have been recently further improved with the use of flotation frames, with Xanthate to assist in sulphide removal.

The concentrate from the shaking tables is subjected to batch flotation to reduce the fine sulfide content. The sulfide reduced concentrate is dried and cooled. The accepted material is then transferred to the dressing plant. Here the material goes through a rotary diesel dryer, and from there onto a rare earth roll (RER) magnetic separator. The material is passed through the RER three times. The rejects from the RER, containing scheelite, are currently stored, but will be processed in the future with regrinding and flotation. The RER accepts are split into 3 streams. One stream with relatively high iron is passed through an electromagnetic (EM) unit at low magnetic settings. Low Fe material from the EM is blended back with the accepts from the RER. The high Fe material is retained and blended back when possible. The other 2 streams from the RER are bagged and assayed. Any material with high uranium and thorium (U+Th) is separated, and blended to allow the sale of acceptable concentrates.

Concentrate grades are typically 63% WO<sub>3</sub>. The final saleable concentrate is bagged (weighed and sampled) and transported by semi-trailer to Brisbane.

### **Mineral Resource and Reserve Estimates**

The evaluation work was carried out and prepared in compliance with Canadian National Instrument 43-101, and the mineral resources in this estimate were calculated using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council in May, 2014. The current resource estimation is shown in Table 1-1 and Table 1-2. The resources shown are pit-constrained resources, based on an updated pit optimisation. There are no measured resources.

**Table 1.1 - Wolfram Camp – Indicated Mineral Resources**  
Pit-constrained resource, as of August 31, 2015

Resource Category	Tonnes kt	WO <sub>3</sub> %	MoS <sub>2</sub> %
<i>Indicated</i>	514	0.23	0.07

**Notes:**

- . Cut-off = 0.10% WO<sub>3</sub>
- . Historic underground mined material removed
- . Prices used in optimisation:
 

US \$/mtu WO <sub>3</sub>	400
US \$/t MoS <sub>2</sub>	25,000
- . Minimum width = 1m
- . Resources shown are inclusive of reserves

**Table 1.2 - Wolfram Camp – Inferred Mineral Resources**  
Pit-constrained resource, as of August 31, 2015

Resource Category	Tonnes kt	WO <sub>3</sub> %	MoS <sub>2</sub> %
<i>Inferred</i>	1,879	0.31	0.08

**Notes:**

- . Same cut-off and controls as above

The current reserve estimation, for an open pit mine plan developed from this resource base, is shown in Table 1.3.

**Table 1.3 - Wolfram Camp – Probable Mineral Reserves**  
At August 31, 2015

<b>Reserve</b>	<b>Tonnes</b>	<b>WO<sub>3</sub></b>				
<b>Category</b>	<b>kt</b>	<b>%</b>				
<b>Probable Reserves</b>	375	0.22				
<b>Notes</b>						
	. Cut-off = 0.08% WO <sub>3</sub>					
	. Mining factors of applied of					
		Dilution = 10%				
		Losses = 10%				
	. Pit design also contain 187kt of inferred resources					
	at economic grades					

The pit design containing this reserve stems from an updated pit optimisation. The principal operating costs for future operation have been updated to US\$14.08/t ore for processing and administration and US\$3.69/t rock for open pit mining. The open pit design also contains 1,556 Kt of waste, which gives a strip ratio (waste:ore) of 4.2. The cut-off grade of 0.08% WO<sub>3</sub> stems from the breakeven cut-off grade calculated with an APT WO<sub>3</sub> price of US\$364/mtu. Corresponding with this pit reserve and assumed metal price, a total operating margin of US\$5.1M has been determined.

### Conclusions

1. The Wolfram Camp open pit mine was producing for over 4 years, from 2012 - 2015. The open pit mining practices were progressively improved during this period, along with the planning and grade control systems.
2. Wolfram Camp has all permits and licenses to operate and remain in compliance with appropriate regulations. It has no restrictions with respect to waste dumping or tailings capacity.
3. Grade control (GC) samples from blasthole drilling in the open pit mining operations have in general corresponded fairly well with previous exploration diamond drilling (DD) and reverse circulation (RC) drilling results for the mined areas. This has supported the use of GC samples in resource estimation, and together with reconciliation information, has provided a very important assistance in the development of parameters for updated resource modelling.



4. In the author's opinion, the current resource and reserves estimates for Wolfram Camp are conservative, because of reasons which include:
  - a. Areas within only relatively widely spaced exploration data, where some mineralised intersections will have been missed.
  - b. The currently orebody model has been limited to a depth of 490m, which represents the approximate base of drilling information, not the geological base of the deposit.
  - c. There are known mineralised extensions, both along-strike in both directions as well as at depth, where historical underground workings demonstrate mineralisation. At current metal price levels, these areas offer potential for future underground reserves.
  - d. The very erratic distribution quartz pipes and mineralised greisens is unique to the Wolfram Camp area, and means that even with BEX drilling on a 10m x 10m grid, there will still be a high proportion of inferred resources as the pit deepens and advances.
  
5. Owing to the very erratic nature of mineralisation, and the relatively wide spacing of available exploration drilling, compared to the scale of mineralised structures, the proportion of Inferred to Indicated resources is high. As the pit advances with more blasthole sampling, progressively more reserves can be determined, approximately 25m beneath the base of the open pit at any time. Based on the optimisation results, where Inferred resources have been enabled, an open pit life of 4 years is suggested, before the additional contribution of potential extension zones.
  
6. Significant improvements are being made to the plant during the shutdown. These changes have affected the crushing, ore sorting, spiral separators and shaking tables, and should enable improved metallurgical recoveries, reduced processing costs, an increased mill capacity. There are also improvements to assist tailings disposal.

## **VALTREIXAL MINE SUMMARY**

### **Introduction and Overview**

The Valtreixal Technical Report was prepared to provide a technical report compliant with the provisions of NI 43-101, and comprises a resource and reserve estimation for the Valtreixal Mine as of the end of October 2015. The Valtreixal Mine is a potential open pit operation, and is located in the Northwest part of the Zamora province, in the Castilla de Leon region of Spain. The Valtreixal Mine has been explored with underground development since the late 1800s, and limited tin exploitation occurred sporadically in the late 1900s. The principal potential products are tungsten and tin.

The Valtreixal Technical Report was prepared by Adam Wheeler, at the request of Mr. N. Alves, Director of Mine Development, for Almonty. Assistance and technical detail were supplied by the technical personnel of Daytal. Adam Wheeler visited the Valtreixal Mine most recently on June 15 and 16, 2015.

The following is a direct reproduction of the summary section of the Valtreixal Technical Report. Notwithstanding how certain terms have otherwise been defined in this AIF, terms defined in this

Section have the meanings ascribed thereto in the Valtreixal Technical Report. This Section is qualified in its entirety by the full text of the Valtreixal Technical Report.

## **Ownership**

Almonty, is a corporation governed by CBCA. Almonty trades on the TSXV under the symbol "AII". In March 2013, Almonty announced the acquiring of an option for 51% interest in the Valtreixal tin-tungsten project for 1.4M Euros, plus an option to acquire the balance for after 24 months for 2M Euros. Almonty have also created a wholly owned Spanish subsidiary Valtreixal Resources Spain S.L. ("**Valtreixal Resources**").

Valtreixal Resources have obtained investigation and exploitation permits for the area called C.E. (Concesion de Explotacion) No. 1352, Alto de Repilados, which is an old but valid exploitation licence. Valtreixal Resources have also obtained an exploration licence for P.I. (Permiso de Investigacion) No.1906 Valtreixal. These two licence areas cover the whole project area and known resources. Ongoing studies of the Valtreixal deposit have now been presented to the authorities (el Director Facultativo), in order for both areas to get C.E. (Concesion de Explotacion) status.

## **Geology and Mineralisation**

Tangential movement along the regional Vilariça fault may have assisted in creating dilation zones in the Ordovician lithology. The Calabor River now follows the general direction of this fault. These dilation zones, along a north-east trend, appear to be associated with the development of quartz veins and later tin/tungsten mineralisation in shale. It is considered that a mineralising hydrothermal system of Hercynian age (330 Ma to 280 Ma) was powered by a hypothetical underlying cooling granite in the Valtreixal area.

It is generally considered that the northward movement of the ancient continent Gondwana, and its collision with Laurentia to form the super-continent Pangea, resulted in the Hercynian orogeny. This orogeny was pivotal in the formation of tin/tungsten deposits in this type of setting. As Gondwana advanced, overriding and pushing down, subducting the thin oceanic basaltic crust, there developed a geo-shear zone which dipped back under the continental frontal mountains. This geo-shear would have penetrated through the oceanic crust into the upper mantle where serpentinisation takes place. Serpentine development is highly exothermic and may circulate accessory calcium and additional heat into the hydrothermal system. At greater depths the geo-shear may penetrate continental, denser cratonic rocks with entrained primordial undifferentiated crust having higher amounts of heavy elements.

The mineralisation at Valtreixal can be classified as a complex vein deposit. Much of the mineralisation, especially scheelite, is situated away from the quartz veins and appears to be stratabound in origin. Tin, in the form of cassiterite, occurs in and around the quartz veins. The linear mineralised zones appear, in a general sense, to be confined to specific stratigraphic intervals and there appears to be a degree of separation into tin and tungsten zones. Although a sedimentary, syngenetic origin for the tungsten mineralisation has been considered, it is unlikely to have eventuated at Valtreixal, because the scheelite hosting shale is of Ordovician age, 488 Ma to 444 Ma, and thus predates by a considerable margin the Hercynian, at 330 Ma to 230 Ma, tin/tungsten mineralisation episodes, with hydrothermal remobilisation and alteration of the mineralised schists.

The local Valtreixal stratigraphy in the Valtreixal area is dominated by 3 main formations, all of which broadly strike SW-NE, and dip at approximately 80° to the south-east:

1. Schists - Capas de los Montes. Cambrian/ordovician. Very stratified and transformed by regional metamorphism, with intercalated quartzites, and marked at the base by conglomerates. Thickness approximately 1,000m.
2. Quartzites - Peña Goda/Culebra. Ordovician. Alternating with a variety of types and colours of intercalated schists. Thickness approximately 50-70m.
3. Slates – Pizarras de Luarca. Ordovician. Pelitic series of siliceous slates, phyllites and schists. This formation hosts most of the mineralisation at Valtreixal. High frequency of segregated quartz veins and schist bands sometimes rich in sulphur. Overall thickness approximately 300-600m.

### **Database and Resource Estimation**

Three types of samples are available for resource estimation: underground channel samples, surface trench samples and diamond drillhole samples. Underground channel samples have been taken in old underground galleries, either by ENADIMSA (pre-1986) or SIEMCALSA in the period from 2008-2011. For the current work, only samples from two galleries have been included, owing to the status of survey data. ENADIMSA also completed 10 trench lines over 850m, producing 170 samples. They also drilled 3 diamond drillholes.

Data from 26 surface trenches, covering 3.7 km, have been included from SIEMCALSA's 2008-2011 exploration campaigns. Data from 18 surface trenches, covering 2.7 km, have been generated during Daytal's 2013 exploration campaign. One additional surface trench was also taken in an old surface stockpile.

SIEMCALSA 2008-11 exploration campaigns included 6 diamond drillholes, with a total length of 1,227m. Daytal's 2013-15 exploration campaign completed 59 diamond drillholes, with a total length of 10,716 m.

All of the data described above were collated by Daytal in an Excel database, and from there were imported into the CAE Datamine mining software system, for subsequent use in resource estimation. This resource estimation work stemmed from updated interpretation of mineralised structures by Daytal geologists. As well as logged lithological differences, cut-off grades of 0.07% Sn and 0.07% WO<sub>3</sub> were used in the interpretation process. There are 4 main mineralised structures, extending over a strike length of 1.5 km.

These interpretations were used to create a 3D block model, based on a parent block size of 10m x 10m x 10m, with sub-blocks generated down to a resolution of 1m. In addition, sub-blocks were extrapolated a maximum distance of 50m from all selected samples, from mineralized intersections, so vein material could also be modelled outside the structurally modelled zones. Dynamic anisotropy was also applied, to allow for varying dip and strike orientations.

The samples selected inside the interpretations were converted into 2m composites, to which top-cut levels of 1.27% Sn and 1.1% WO<sub>3</sub> were applied. These composited grades were used to estimate Sn and WO<sub>3</sub> grades into the volumetric block model, primarily using an ordinary kriging (“OK”)

method of interpolation. For validation purposes, alternative grades were also estimated using a nearest neighbour method. Density values were estimated from core density measurements.

The western part of the deposit, which has now been drilled off with a 30m drilling grid, has generally classified as indicated resources; the remainder of the deposit being classified as inferred.

## **Mine Planning**

The current study is at a pre-feasibility (“PFS”) level. The resource block model has been used as the basis for an open pit optimisation. Optimisation parameters were derived by reference to the Los Santos open pit operating parameters, which is also owned by Almonty, and operating with mining contractors. The parameters were modified to reflect that mining at the Valtreixal Mine will not require drilling and blasting. Processing parameters were derived from metallurgical test work on Valtreixal material. No physical constraints were applied during the optimisation process. Slope angles applied were derived from measured face angles measured in cuttings in and around the deposit area. Following on from the base case optimisation, additional optimisation runs with inferred material enabled demonstrate that additional exploration work will justify a much bigger open pit, advanced over a much longer strike direction.

The pit shell produced by the base case optimisation was used as a reference for the generation of a detailed pit design, which is cut into the west sloping existing hillside. A 10m wide haul road was put into the design, with the exit point at the extreme west end, at an elevation of approximately 870m. Access to the eastern, and higher, part of the pit will be gained from temporary access roads from the existing surface on higher benches. Berms of 4m have been incorporated into the design every 20m vertically. For the extended highwall of the pit up to 1015mRL on the southern and eastern sides of the pit, additional 14m safety berms were put in every 60m vertically.

The overall pit design is approximately 700m in length along strike, and 300m wide at its widest point. Grades of WO<sub>3</sub> and Sn were used to create an WO<sub>3</sub>-equivalent grade, which was referenced against the breakeven cut-off grade of 0.08% WO<sub>3</sub> to indicate ore or waste. For the pit design this gave approximately 2.5Mt of probable ore, with an overall strip ratio of 8.3:1. This pit envelope also contained 2.2Mt of inferred resources at economic grades.

Based on the reserves defined within the pit design, a life-of-mine plan was developed, aimed at producing 500Ktpa of ore, thus producing approximately a 5-year mine life. For scheduling purposes, the pit was divided into two principal pushbacks, approximately dividing the pit into western and eastern halves. Mining will start in the western (lower) pushback, and then as mining progresses deeper in this pushback, mining will also start on the upper benches of the eastern pushback. The general sequencing strategy is to excavate the pit areas from west to east, with dumping of mine waste from the active east advancing benches into the previously excavated western pit areas.

## **Mineral Processing**

A review and conceptual study, for the Valtreixal deposit, was completed by Saint Barbara LLP (“StB”), in May 2014. This study included a review of mineralogical studies by SIEMCALSA, petrological studies from samples taken from 2013 diamond drill intersections and trenches, heavy liquid separation and QEMSCAN testing completed during 2012 by Wardell-Armstrong, as well as

scheelite flotation testing by AGQ Labs during 2013. The AGQ testing was done on a sample of schist taken for the ENADIMSA gallery.

Based on the mineralogical and metallurgical information reviewed by StB, a conceptual plant design was developed to encompass crushing, grinding and gravity separation of scheelite and cassiterite into a bulk concentrate; removal of sulphides from the bulk concentrate by flotation; and drying and electrostatic separation of the bulk concentrate into separate scheelite and cassiterite concentrates. A metallurgical performance was estimated of 65% tin recovery, allowing a 50% Sn concentrate, and a 55% tungsten recovery, allowing a 65% WO<sub>3</sub> concentrate,

Pilot plant studies have also been completed by the company ADVANCED MINERAL PROCESSING, SL (“AMP”) and concentration tests were performed by the technical personnel working in mine-Fuenterroble Los Santos (Salamanca) laboratory. All of this testwork has been used by Daytal in the design of an ore beneficiation process for Valtreixal.

StB considered that the likely pit geometries, along with the natural topography, lend to an eventual dry disposal of tailings in initial mined out pits. A dry tailings treatment plant has therefore been incorporated into the overall mill design. Initial tailings disposal and waste rock dumps would take place, subject to negotiation, in the government owned forestry area immediately to the south of the open pits. Thereafter, StB propose the backfilling of worked out sections of the open pits. Future mining schedules will take this pit-backfilling requirement into account.

### **Mineral Resource and Reserve Estimates**

The evaluation work was carried out and prepared in compliance with Canadian National Instrument 43-101, and the mineral resources in this estimate were calculated using CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council May, 2014. The current in-situ resource estimation for indicated resources is shown in Table 7. There are no measured resources. Inferred resources are shown in Table 8.

**Table 7 - Valtreixal – Indicated Mineral Resources**  
As of October 31, 2015  
**In-Situ Resource Estimation**

CLASS	Tonnes Kt	Sn %	WO <sub>3</sub> %	WO <sub>3</sub> _Eq %
<i>Indicated</i>	2,828	0.13	0.25	0.34

**Notes**

- . Cut-off applied of 0.05% WO<sub>3</sub>\_Eq
- . WO<sub>3</sub>\_Eq = WO<sub>3</sub> + (Sn x 0.74), based on:

	<u>Price</u>	<u>Recovery</u>
WO <sub>3</sub>	\$37,000/t	55%
Sn	\$23,150/t	65%

- . Maximum extrapolation = 50m
- . Density values estimated from measurements
- . Resources shown are inclusive of reserves

**Table 8 - Valtreixal – Inferred Mineral Resources**  
As of October 31, 2015

CLASS	Tonnes Kt	Sn %	WO <sub>3</sub> %	WO <sub>3</sub> _Eq %
<i>Inferred</i>	15,419	0.12	0.08	0.17

**Notes**

- . Cut-off applied of 0.05% WO<sub>3</sub>\_Eq

Mineral Reserves have been determined, as part of the PFS study described in this report. These reserves are those indicated resources which are inside the current final pit design. These reserves are summarised in Table 9.

**Table 9 - Valtreixal – Mineral Reserves**  
As of October 31, 2015

Reserve Category	Tonnes	Sn	WO <sub>3</sub>	WO <sub>3</sub> _Equiv
	Kt	%	%	%
<b>Probable Reserves</b>	<b>2,549</b>	<b>0.12</b>	<b>0.25</b>	<b>0.34</b>

**Notes**

. WO<sub>3</sub>\_Eq = WO<sub>3</sub> + (Sn x 0.74), based on:

	<u>Price</u>	<u>Recovery</u>
WO <sub>3</sub>	\$37,000/t	55%
Sn	\$23,150/t	65%

. Cut-off applied to WO<sub>3</sub>\_Equiv

Breakeven Cut-off = 0.08 WO<sub>3</sub>

. Mining factors applied:

Dilution = 5%

Losses = 5%

. Pit design also contains 2.2 Mt of inferred resources at economic grades

**Conclusions**

In the opinion of the QP, the following conclusions have been reached:

1. The Valtreixal Mine is a viable open project. An open pit has been designed with 2.5Mt of ore, which suggest a 5-year mine life, based on a mill throughput of 500Ktpa. An economic analysis indicates an NPV (at a 10% discount rate) of \$12.5M, and an internal rate of return of 21%.
2. There are significant amounts of inferred resources, which suggest significant pit expansion both with depth and laterally along strike. Pit optimisations, with inferred resources also activated, suggest over 10Mt of potential ore.
3. Exploration drilling completed by Daytal over the last 3 years have confirmed and extended the originally previously delineated resource base. In particular, the occurrence of scheelite mineralisation outside of quartz veins, has provided much wider mineralised zones than were previously interpreted.
4. The current open pit design is one coherent excavation. It appears that with more drilling to enhance the resource category of current inferred resources, the resultant pit elongation along strike will offer a very good opportunity for sequential pit extraction from west to east, with concurrent backfilling of excavated volumes with mined waste.

## **SANGDONG SUMMARY**

### **Introduction and Overview**

The Sangdong Technical Report was prepared to provide a technical report compliant with the provisions of NI 43-101 and comprises a review and summary of a resource and reserve estimation for the Sangdong Mine as of the end of July 2016. The Sangdong Mine is considered as a potential underground operation, and is located in the Gangwon Region of South Korea. Previous underground mining at the Sangdong Mine place at various times since the original discovery in 1916. The last main operation of the Sangdong Mine was from 1952 to closure in 1992. The principal potential products are tungsten and molybdenum.

The Sangdong Technical Report was prepared by Adam Wheeler, at the request of Mr. N. Alves, Director of Mine Development, for Almonty. Assistance and technical detail were supplied by the technical personnel of Sangdong Mining Corp. Adam Wheeler visited the Sangdong Mine on August 24- 26, 2015 along with other Almonty technical personnel.

A Feasibility Study was completed for the Sangdong Mine by Adam Wheeler and Andrew Wells, Partner, Saint Barbara LLP. In January 2016

The following is a direct reproduction of the summary section of the Sangdong Technical Report. Notwithstanding how certain terms have otherwise been defined in this AIF, terms defined in this Section have the meanings ascribed thereto in the Sangdong Technical Report. This Section is qualified in its entirety by the full text of the Sangdong Technical Report

### **Ownership**

Almonty is a corporation governed by the CBCA. Almonty trades on the TSXV under the symbol "AIF". Almonty acquired a 100% ownership interest in Woulfe Mining Corp. on September 10, 2015 by way of a Plan of Arrangement. Woulfe Mining Corp., through its wholly owned subsidiary, Almonty Korea Tungsten Corporation ("AKT") (formerly Sangdong Mining Corporation), owns a 100% interest in the Sangdong mine.

### **Geology and Mineralisation**

The Korean Peninsula is situated on the eastern margin of the North China– Korea Platform, a craton composed of three blocks of Archean age, the Nangrim- Pyeongnam Block and the Gyeonggi and Yeongnam Massifs that are separated by the northeast-trending Imjingang and Okcheon mobile belts of Phanerozoic age. The Property is located within the Okcheon Belt.

The Sangdong Mine is situated on the southern limb of the east-west orientated Triassic age Hambaek Syncline. Cambro-Ordovician limestone, shale, and quartzite of the Chosun System unconformably overlie the Pre-Cambrian Taebaeksan schist and gneiss.

The tungsten mineralisation of the Sangdong deposit is contained in several tabular, bedding-conformable skarns in the Myobong Shale; these skarns have been interpreted as comprising carbonate-bearing horizons that were altered and mineralised by fluids ascending from the underlying Sangdong Granite. From uppermost to lowermost, these horizons are termed the



Hangingwall, Main, and Footwall horizons. Calc-silicate layers from 0.50-1.0m in thickness have developed on the upper and lower contacts of the Main and Footwall horizons.

The Hangingwall horizon is located near the upper contact of the Myobong shale and varies in thickness from approximately 5.0-30.0m because of the irregular boundary of the shale with the overlying Pungchon Limestone. This zone has a strike length of about 600m and a down-dip extent of about 800m. Above the most highly-altered portion of the Main horizon, the Hangingwall horizon is not tabular, but extends steeply and irregularly into the overlying limestone. The base of the Hangingwall horizon is approximately 14m above the upper contact of the Main horizon.

The Main horizon strikes about 100° and dips northerly between 15° and 30°. The strike length is in excess of 1,300m and thickness varies from 5.0 – 6.0m. Alteration (skarnification) within the Main horizon forms three concentric, roughly circular zones.

The Footwall horizons comprise multiple layers: Footwall Zone 1 (“F1”) normally occurs 1m below the Main horizon and is approximately 2m thick; Footwall Zones 2 and 3 (“F2”, “F3”) are situated approximately 35.0 to 40.0m below the Main horizon and are less than 1m thick. Further Footwall Zones have been identified beyond F3 and are collectively referred to as F4.

The Oriental Minerals ownership period started in 2006. The total number of drillholes (surface and underground) and total metres drilled at Sangdong before and after 2006 comprise 870/84,014m and 507/42,730m respectively.

## **Database and Resource Estimation**

The sample database, in the form of an Excel spreadsheet, is comprised of data from all available surface and underground drillholes, over recent and historical drilling campaigns. This database has separate tables for drillhole collars, survey data, assay data, RQD, lithology data, drillhole recovery, geotechnical logging, density measurements, structural orientation and mineralised intersections.

The resultant spacing of samples with these different historical campaigns has ended up being fairly sporadic, with sections spaced at distances from 30m-100m. Most of the surface holes are vertical, as are the very deep underground holes. Most of the underground holes are angled up or down so as to give good intersections with the overall mineralised structures, which generally dip at approximately 25°.

The database also included physical string and wireframe data, for previous interpretations, mined-out limits, surface and underground topography. This data was also augmented by information from the different resource estimation studies over the last four years: primarily from the Tetra-Tech and AMC consultancy companies.

An updated mineral resource estimation was completed, during August-December 2015, by the Qualified Person. This estimation employed a three-dimensional block modelling approach, using CAE Datamine software. Two main resource blocks models were developed. The relatively thick hanging wall (“HW”) zone was modelled using a conventional block model structure. All of the other skarn zones were modelled using the initial generation of 3D digital terrain models (“DTMs”) for the zone centre-points, onto which thicknesses and grade-accumulations were estimated, using

ordinary kriging. This enabled a 3D block model of all these zones to be developed – with columnar sub-blocks representing the vertical in-situ thickness of the mineralised skarn bodies. Density values were also estimated from sample measurements.

The models generated were derived from the interpretation of skarn zones, as generated by SMC geologists, with additional intersection checks and refinements by the QP. The defined skarn intersections have been based on a lithological skarn identification, as well as 0.1% WO<sub>3</sub> cut-off grade. Additional mined-out limits for the principal skarn structures were applied, as well as a 50m remnant surface pillar below the surface topography.

In the resource estimation, a minimum thickness of 2.2m was applied, such that thinner blocks were diluted to 2.2m.

Resource class categories were set, such that indicated resources only used assay data from drillholes after 2006, along with drilling grid criteria.

### **Mine Planning**

The majority of the ore zones to be mined are relatively shallow dipping, with dips between 20° and 30°, so ore will not naturally flow by gravity on the footwall. In the A-Z Feasibility Study, the methods proposed were inclined panel (“**IP**”) mining, to be applied in thick orebody areas, with panels that would be mined in different sections; and up-dip panel mining (“**UP**”), which would be applied in narrow areas with slushers and hand-held drilling equipment.

For this present study, it was decided not to rely on hand-held drilling equipment and slushers. Instead, methods applied would be planned for the use of mechanized mobile diesel powered mining equipment in all areas. Based on this requirement and the latest understanding of the orebody geometry and mining areas, and evaluation of the resources, including in-situ thickness variations, it was decided to apply two proposed mining methods, as summarised below:

- Mechanized Inclined Panel mining (“**MIP**”) – areas where the thickness less than 3 metres.
- Cut-and-Fill (“**CAF**”) – for areas where the thickness is greater than 3 metres.

A mine plan was developed, based on the application of these stoping methods. Stope blocks were laid out as plan perimeters, bounded by horizontal parts on each level, where the footwall contact of each zone cut through level's reference elevation. In general, most stope blocks were limited to a maximum of 100m along strike. Stope blocks were only laid out in those parts of each zone predominantly demarcated as containing indicated resources. Any inferred resource blocks within stope outlines were treated as planned dilution with mineralized waste, with any grades greater than 0.2% WO<sub>3</sub> set to 0.2%.

Mining will use almost exclusively mobile diesel-powered equipment. All newly stoped areas will be backfilled with paste backfill.

In the evaluation of stope blocks, additional unplanned mining factors of 5% dilution and 5% losses were also applied. Maps of maximum span distances have previously been prepared in a

geotechnical study by Turner Mining and Geotechnical Pty Ltd (“**TMG**”) in 2014. These maximum span properties were superimposed onto the laid-out stopes in each skarn zone, so that higher cut-offs were applied to those zones requiring higher support costs. The applicable cut-offs varied from 0.23% - 0.36% WO<sub>3</sub>.

Additional level development has been laid out so as to enable access to the identified reserve areas, and to allow truck haulage from these new stoping areas. Main access to the underground mine will use the old entry portals on the Sangdong and Taebak levels as well as a new portal on the -1 level, that will enable ore haulage out from the mine directly into the valley, on approximately the same elevation as the intended mill position.

## **Mineral Processing**

Processing will utilize crushing, grinding (rod and ball mills) and flotation for scheelite concentration. The processing plant will treat the ROM ore from underground at a nominal feed rate of 1,920 tpd. A new processing plant will be constructed, based on the valley, to the south of the Sangdong adit entrance.

A marketable tungsten concentrate grade of 65% WO<sub>3</sub> will be produced. Processing plant recoveries, based on metallurgical testwork, are estimated to average 81%. The main process steps for treating the Sangdong ore are primary, secondary and tertiary crushing and stockpiling; grinding; flotation divided into two (2) sub-circuits (sulphide flotation and tungsten flotation); thickening; filtration and packaging section; a waste water treatment facility; and services section

The processing plant will require a manpower complement of 36 personnel of which 8 are management, technical staff and supervision.

The plant design will encompass crushing, grinding and flotation for scheelite concentration. In the future, test work will also investigate the recovery of molybdenum into a sulphide flotation concentrate, ahead of the scheelite flotation circuit.

## **Infrastructure**

Existing infrastructure to be used includes the access road to site; site roads; powerline and stepdown substation, potable water supply and communications and internet service. It also includes some old KTMC buildings that will be reused and the KTMC slope support at the zone of the plant and water treatment plant.

To return the mine to operation the existing Sangdong infrastructure will be reconfigured and supplemented by new facilities as required. To accommodate the new waste storage facility, the existing buildings at the Sangdong portal level will be demolished to allow for placement of waste from mine development. New site infrastructure will be built in the valley, on the footprint of old KTMC installations. It will include a new mine/administration building, assay laboratory, warehouse, maintenance shop, recreational facilities for employees, fuel storage, potable and process water supply and water and sewage treatment facilities. The mine backfill plant will be placed at Sangdong Terrace.

The surface services and general administration manpower complement will total 27 personnel.

## Mineral Resource and Reserve Estimates

The evaluation work was carried out and prepared in compliance with Canadian National Instrument 43-101, and the mineral resources in this estimate were calculated using CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council May, 2014. The current in-situ resource estimation is shown in Table 1-1.

**Table 0-3. Sangdong – Mineral Resources  
As of 31<sup>st</sup> July, 2016**

<b>WO<sub>3</sub> Cut-Off</b>	<b>Resource Class</b>	<b>Tonnes Kt</b>	<b>WO<sub>3</sub> %</b>	<b>MoS<sub>2</sub> %</b>
<b>0.15%</b>	<b>Indicated</b>	8,029	0.51	0.06
	<b>Inferred</b>	50,686	0.43	0.05
<b>0.20%</b>	<b>Indicated</b>	7,864	0.51	0.06
	<b>Inferred</b>	47,630	0.44	0.05
<b>0.30%</b>	<b>Indicated</b>	7,316	0.53	0.06
	<b>Inferred</b>	36,466	0.50	0.06

### Notes

- . Bed models diluted to a minimum thickness of 2.2m
- . Resources shown are inclusive of reserves
- . 50m surface pillar material removed
- . Indicated HW material based on all samples,  
with a maximum search of 35m x 50m (along-strike x down-dip)
- . Indicated material in all other beds are based on only PO-P6 samples,  
with a maximum search of 50m, and sample grid required
- . Inferred material based on all samples, up to a maximum search of :  
105m x 150m in HW  
100m x 100m in all other beds

These resources have been used in the development of a mine plan. To start the mine operations, the blocked-out stopes have enabled a reserve evaluation to be made, as summarised in the table below.

**Table 0-4. Sangdong – Mineral Reserves  
As of 31<sup>st</sup> July, 2016**

	<b>Probable Reserves</b>	
	<b>Tonnes Kt</b>	<b>WO<sub>3</sub> %</b>
<b>HW</b>	3,759	0.47
<b>MAIN/F1</b>	1,328	0.34
<b>F2</b>	1,495	0.48
<b>F3</b>	1,249	0.46
<b>F4</b>	65	0.33
<b>TOTAL</b>	<b>7,896</b>	<b>0.45</b>

**Notes**

- . All reserves have a probable category
- . WO<sub>3</sub> Cut-offs applied:
  - 0.36% Max Spans <=3m
  - 0.28% Max Spans >3m <=6m
  - 0.23% Max Spans +6m
- . Level restrictions:
  - . Down to -1 level (633m) for the non-HW zones
- . Mining Factors applied
  - . Minimum thickness = 2.2m
  - . Unplanned dilution = 5%
  - . Unplanned losses = 5%

**Conclusions**

The following conclusions have been reached:

1. The Phase 7 drilling completed in 2016, which was focussed on the HW zone, has helped to verify the old KTMC data available in the HW zone. This has helped to support the use of both KTMC and Phase 0 – Phase 7 drillhole data for the estimation of indicated HW resources.
2. The updated Feasibility Study calculations have identified Probable Reserves of 7.9 Mt, which with an assumed mill capacity of 640 ktpa, will sustain a mining operation for approximately 12 years.
3. Based on the forecast operating parameters and capital and operating costs estimates for the Sangdong project, the returns from the project are very positive and the project economics are extremely robust to potential reasonably expected variances from the base case assumptions. The mine will employ 170 people, including mine contractors.

4. The very large inferred resource base represents a very large source of potential future reserves, as more exploration drilling can be completed.
5. There are more areas of the deposit down-dip and north-east which have not been currently evaluated.
6. Most of the deposit has not yet been delineated off at depth.

## **DIVIDENDS**

The Company currently does not pay dividends on its shares. The Company paid a special dividend of \$0.0272 per common share in September 2014. Any future determination to pay dividends will be at the discretion of the Board and will depend upon the Company's results of operations, capital requirements and other relevant factors.

## **DESCRIPTION OF SHARE CAPITAL**

### **Authorized and Issued Share Capital**

Almonty is authorized to issue an unlimited number of common shares without par value. Holders of the common shares are entitled to receive notice of and to attend all meetings of the shareholders of the Company. Each common share carries one vote. In the event of the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or any other distribution of its assets among its shareholders for the purpose of winding up its affairs, the holders of the common shares of the Company are entitled to receive the remaining property and assets of the Company on a pro rata basis.

As of the date of this AIF, the Company had 175,587,767 common shares issued and outstanding.

In addition to the common shares outstanding, the Company has 5,575,000 incentive stock options outstanding and 9,912,489 share purchase warrants outstanding, and 4,137,931 shares issuable on the conversion of a \$6.0 million convertible debenture at \$1.45 per share.

## MARKET FOR SECURITIES

Almonty's common shares are publicly traded on the TSXV under the symbol "AII". Trading of Almonty's common shares on the TSXV commenced on June 30, 2010. The following table sets forth the high and low sale prices and volumes traded on the TSXV as reported by such exchange for the fiscal year ended September 30, 2017.

Month	High	Low	Volume
October 2016	0.29	0.20	920,168
November 2016	0.345	0.22	527,228
December 2016	0.30	0.24	270,356
January 2017	0.31	0.27	802,740
February 2017	0.35	0.255	1,470,281
March 2017	0.325	0.25	702,797
April 2017	0.285	0.25	400,850
May 2017	0.27	0.24	509,927
June 2017	0.27	0.22	529,060
July 2017	0.25	0.195	295,780
August 2017	0.445	0.22	889,074
September 2017	0.69	0.42	1,981,928

### Normal Course Issuer Bid ("NCIB")

The Company announced a NCIB on September 26, 2016, pursuant to which it intended to purchase, from time to time, as it considers advisable, up to 7,331,011 (6.6% of the shares outstanding at that time) on the open market at the prevailing market price on the TSXV, with shares purchased to be cancelled. The NCIB terminated on September 29, 2017 and no shares were purchased pursuant to the NCIB.

### Prior Sales

The following table summarizes details of the securities issued by the Company during the year ended September 30, 2017.

Date	Description of Transaction	Price per Security	Number and Type of Securities Issued
October 5, 2016			5,000,000 Common Shares
December 19, 2016			5,600,000 Common Shares

January 1, 2017			988,000 Common shares
June 23, 2017	Shares Issued for Debt	\$0.28	283,914 Common Shares
June 23, 2017	Shares Issued for Debt	\$0.35	1,206,574 Common Shares
June 23, 2017	Shares Issued for Debt	\$0.3325	27,562,500 Common Shares
August 11, 2017	Private Placement	\$0.30	16,000,000 Common Shares
August 17, 2017	Private Placement	\$0.30	5,175,000 Common Shares
August 18, 2017	Grant of Stock Options	\$0.33	1,775,000 Stock Options
September 6, 2017	Convertible Debenture	\$0.55	448,874 Common Shares
September 12, 2017	Convertible Debenture	\$0.60	6,646,667 Common Shares
September 12, 2017	Shares Issued for Debt	\$0.3015	1,083,167 Common Shares

## **DIRECTORS AND OFFICERS**

### **Name, Occupation and Security Holdings**

The directors and executive officers of Almonty as at September 30, 2017 were as set out in the table below. The number of shares beneficially owned, controlled or directed, directly or indirectly, by each director or executive officer is based on information furnished by the directors and executive officers and from insider reports available under the Company's SEDI profile at [www.sedi.com](http://www.sedi.com).



Name, residence, office(s) held and date first became a director	Current Principal occupation, business or employment and for last five years, and education	Shares beneficially owned, or controlled or directed, directly or indirectly
<p><b>Lewis Black</b> Paris, France</p> <p>Chairman, President, Chief Executive Officer and Director</p> <p>Director since September 23, 2011</p>	<p>Mr. Black is currently the Chairman, President and Chief Executive Officer of the Company. He is also currently a Partner of Almonty Partners LLC, a privately held company specializing in tungsten mining investments.</p> <p>Mr. Black previously served as Chairman and Chief Executive Officer of Primary Metals Inc., a tungsten mining company formerly listed on the Exchange, from 2005 to 2007. Prior to that he was head of sales and marketing for SC Mining Tungsten Thailand. Mr. Black holds a B.A. (Honours) from Manchester University and is a former Vice President of the International Tungsten Industry Association.</p>	<p>35,764,920<sup>(1)(2)</sup></p>
<p><b>Daniel D'Amato</b> Paris, France</p> <p>Director</p> <p>Compensation and Corporate Governance Committee</p> <p>Director since September 23, 2011</p>	<p>Mr. D'Amato is currently a Partner of Almonty Partners LLC, a privately-held company specializing in tungsten mining investments. He has held this position since 2005.</p> <p>Mr. D'Amato previously served on the board of directors of Primary Metals Inc., a tungsten mining company formerly listed on the Exchange, from 2005 to 2007. He began his career on Wall Street with Bear Stearns where over nearly a decade he became Managing Director. Mr. D'Amato holds a B.Sc. from Siena College and holds several securities and insurance licenses.</p>	<p>15,722,270<sup>(1)(2)</sup></p>

Name, residence, office(s) held and date first became a director	Current Principal occupation, business or employment and for last five years, and education	Shares beneficially owned, or controlled or directed, directly or indirectly
<p><b>Mark Trachuk</b> Toronto, Ontario, Canada Director</p> <p>Audit Committee (Chair) Compensation and Corporate Governance Committee (Chair)</p> <p>Director since September 23, 2011</p>	<p>Mr. Trachuk is a lawyer and is currently a Partner in the Business Law Group at Osler, Hoskin &amp; Harcourt LLP in Toronto. He practices in the area of corporate and securities law with an emphasis on mergers, acquisitions and strategic alliances. Mr. Trachuk has chaired Osler's International Practice Group, Corporate Practice Group and Corporate Finance Practice Group.</p> <p>Mr. Trachuk holds a B.A. in Economics from Carleton University, an LL.B. from the University of Ottawa and an LL.M. from the London School of Economics. He also holds the ICD.D designation from the Institute of Corporate Directors. Mr. Trachuk is called to the bar in Ontario and British Columbia and is a solicitor in England and Wales.</p>	<p>500,000</p>
<p><b>Dr. Thomas Gutschlag</b> Heidelberg, Germany Director</p> <p>Director since September 15, 2015</p>	<p>Dr. Gutschlag is currently the Chairman and Chief Executive Officer of DRAG, a public company listed on the Frankfurt Stock Exchange which identifies, develops and divests attractive resource projects in North America, Australia and Europe, with a focus is on the development of oil and gas opportunities within the United States, as well as metals such as gold, copper, rare earth elements, tungsten and tin. Dr. Gutschlag co-founded DRAG in 2006 and has been its Chief Executive Officer since January 1, 2015 and, prior thereto, its Chief Financial Officer.</p> <p>Dr. Gutschlag is a qualified economist with a degree in economics from the University of Heidelberg and a doctorate from the University of Mannheim.</p>	<p>22,983,624<sup>(3)</sup></p>

Name, residence, office(s) held and date first became a director	Current Principal occupation, business or employment and for last five years, and education	Shares beneficially owned, or controlled or directed, directly or indirectly
<p><b>Mark Gelmon</b> Vancouver, BC Canada</p> <p>Director and Chief Financial Officer</p> <p>Director since March 14, 2017</p>	<p>Mr. Gelmon is the Chief Financial Officer of the Company. Prior to that, he was the Chief Financial Officer of the Company's subsidiary, Woulfe Mining Corp. from early 2010 until September 2015. Mr. Gelmon is a partner of iO Corporate Services Ltd, a company which provides corporate and accounting services to various publicly-traded Canadian companies.</p> <p>Mr. Gelmon obtained his Bachelor of Arts degree at the University of British Columbia and subsequently attained his CPA, CA designation in 1995 and is a member of the Chartered Professional Accountants of B.C.</p>	<p>Nil</p>

Notes:

- (1) Almonty Partners LLC, a privately-held company specializing in tungsten mining investments, holds 13,893,920 common shares or approximately 7.91% of the issued and outstanding common shares as of the date hereof. Lewis Black and Daniel D'Amato are each partners of Almonty Partners LLC.
- (2) Daniel D'Amato individually owns an additional 1,828,350 common shares, and Lewis Black individually owns 21,871,000 shares
- (3) Dr. Gutschlag is the CEO of DRAG. DRAG owns 22,983,624 common shares of Almonty and holds convertible debentures in Almonty that, if converted, would result in an additional 4,137,931 common shares of Almonty being issued to DRAG. Dr. Gutschlag also owns 400,000 shares directly

Each of Almonty's directors hold office until the end of the next annual meeting of shareholders or until his successor is duly elected or appointed, unless his office earlier becomes vacant by resignation, death, removal or other cause.

### **Board and Executive Officer Aggregate Ownership of Common Shares**

Our directors and executive officers, as a group, beneficially own, or control or direct, directly or indirectly, a total of common shares, representing 33.74% of the total outstanding common shares as of February 2<sup>nd</sup>, 2018.

## **CORPORATE GOVERNANCE**

The following discussion of the Company's corporate governance policies and practices is provided pursuant to the disclosure requirements applicable to it as set out in applicable securities laws and the policies of the TSXV. The Company is a "venture issuer" for purposes of these laws and policies and it is required to provide this disclosure relating to its corporate governance policies and practices annually.

The CSA has adopted National Policy 58-201 – *Corporate Governance Guidelines* (“NP 58-201”), which provides non-prescriptive guidelines on corporate governance practices for reporting issuers such as the Company. The Board continues to regard good corporate governance practices as being central to the effective and efficient operation of the Company. However, the Board considers that certain of the guidelines set out in NP 58-201 are not suitable for the Company given its status as a venture issuer, current circumstances and stage of development and, as such, certain of these guidelines have not been adopted. An overview of the Company’s current policies and practices, as required by applicable securities laws, is set out below.

In addition, the CSA has implemented National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“NI 58-101”), which prescribes certain disclosure by the Company of its corporate governance practices. This section also sets out the Company’s approach to corporate governance and addresses the Company’s compliance with Form 58-101F2 – *Corporate Governance Disclosure (Venture Issuers)*.

## **BOARD OF DIRECTORS**

### ***Mandate of the Board of Directors***

The Board has a written Mandate of the Board to assist it in the better execution of its responsibilities. The mandate provides certain guidelines for Board composition and conduct, and highlights particular areas of the conduct of the Company’s affairs for which the Board assumes specific responsibility.

### ***Composition and Independence***

The Board facilitates its exercise of independent supervision over management by ensuring representation on the Board by directors who are independent of management and by promoting frequent interaction and feedback.

Applicable securities laws, including NP 58-201, recommend, but do not mandate, that boards of directors of venture issuers such as the Company be comprised of a majority of independent directors, as that term is defined under applicable securities laws. Directors are considered to be independent if they have no direct or indirect material relationship with the Company. A “material relationship” is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a director’s independent judgment.

The Board has reviewed the relationship between each current director and the Company with a view to determining independence. Based on that review, four of the Company’s six current directors are independent.

The independent directors are Daniel D’Amato, Dr. Thomas Gutschlag and Mark Trachuk. The non-independent directors are Lewis Black and Mark Gelmon. Mr. Black and Mr. Gelmon are not independent of the Company by virtue of their respective roles as Chief Executive Officer and Chief Financial Officer, respectively, of the Company.

The Board has overall responsibility for the governance of the Company, including the exercise of independent supervision of the Company’s management. The Board considers that management is,

and has been, effectively supervised by the independent directors on an informal basis, as these independent directors are, and have been, actively and regularly engaged in reviewing the operations and activities of the Company, and have full and regular access to management of the Company.

### ***Directorships of Other Reporting Issuers***

None of the current directors of the Company presently serve on the board of directors of any other reporting issuers (or the equivalent) in a Canadian jurisdiction or a foreign jurisdiction, other than as set out below.

Name of Director	Name of Reporting Issuer (or the Equivalent)	Name of Exchange
Dr. Thomas Gutschlag	Deutsche Rohstoff AG	Frankfurt Stock Exchange

## **AUDIT COMMITTEE**

### ***Audit Committee Charter***

The audit committee of the Board (the “**Audit Committee**”) operates under a written charter that outlines its role and objectives, composition, meeting requirements, and duties and responsibilities. The full text of the charter is set out in Schedule A of this AIF.

### ***Composition of the Audit Committee***

The Audit Committee is currently comprised of Mark Gelmon, Dr. Thomas Gutschlag and Mark Trachuk (Chair). Dr. Gutschlag is considered independent as such term is defined in National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”). Mr. Trachuk, although considered independent under NI 58-101, is not considered independent under NI 52-110 by virtue of being a partner of an entity that provides legal services to the Company. Mr. Gelmon is not independent for the reasons stated above. The TSXV Corporate Finance Manual requires that audit committees must be comprised of at least three directors, the majority of whom are not Officers, employees or Control Persons of the issuer of any of its Associates or Affiliates (as such terms are defined in the TSXV Corporate Finance Manual). The Audit Committee meets this requirement as neither Mr. Gutschlag nor Mr. Trachuk is an Officer, employee or Control Persons of the Company or any of its Associates or Affiliates, as defined by the TSXV.

All three current members of the Audit Committee are “financially literate”, as that term is defined in NI 52-110. Each has the ability to read and understand financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company’s financial statements.

### ***Relevant Education and Experience***

All three current members of the Audit Committee are “financially literate”, as that term is defined in NI 52-110. Each has the ability to read and understand financial statements that present a breadth

and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements.

For a description regarding the relevant education and experience of Mr. Gelmon, Mr. Trachuk and Dr. Gutschlag, see the table under "*Directors and Officers – Name, Occupation and Security Holdings*", above.

As a result of their education and experience, each current member of the Audit Committee has the education or experience necessary to provide each with:

- an understanding of the accounting principles used by the Company to prepare its financial statements;
- the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves;
- experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more individuals engaged in such activities; and
- an understanding of internal controls and procedures for financial reporting.

### ***Pre-Approval Policies and Procedures***

The Audit Committee's charter requires it to pre-approve all non-audit services to be provided to the Company by its external auditors. However, the Audit Committee has not adopted any specific procedures for assessing whether or not such pre-approval should be granted in any particular case. The Audit Committee does, however, consider on an *ad hoc* basis the potential impact of any such non-audit services on the independence of the Company's external auditors in light of the circumstances as they exist at that time.

### ***External Auditor's Fees***

As set out in the Audit Committee's charter (attached as Schedule A to this AIF), the Audit Committee is responsible for pre-approving all non-audit services to be provided to the Company by its external auditor and has pre-approved the non-audit services as set out below.

The table below sets out the aggregate fees billed by Collins Barrow LLP, the Company's external auditors for the financial years ended September 30, 2016 and 2015. On March 30, 2017, the Board appointed KPMG LLP as auditors for the financial year ended September 30, 2017:

	Year ended September 30, 2017 (\$)	Year ended September 30, 2016 (\$)	Year ended September 30, 2015 (\$)
Audit Fees <sup>(1)</sup>	444,000	365,000	268,000
Audit-Related Fees <sup>(2)</sup>	-	Nil	Nil
Tax Fees <sup>(3)</sup>	-	-	-
All Other Fees <sup>(4)</sup>	-	-	-
<b>Total</b>	<b>444,000</b>	<b>365,000</b>	<b>268,000</b>

- (1) “Audit Fees” include fees necessary to perform the annual audit and quarterly reviews of the Company’s financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
- (2) “Audit-Related Fees” include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (3) “Tax Fees” include fees for all tax services other than those included in “Audit Fees” and “Audit-Related Fees”. This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.
- (4) “All Other Fees” includes all other non-audit services.

### ***Exemption***

The Company relies on the exemption in section 6.1 of NI 52-110.

## **COMPENSATION AND CORPORATE GOVERNANCE COMMITTEE**

The Compensation and Corporate Governance Committee of the Company (the “**CCG Committee**”) is comprised of Daniel D’Amato, Dr. Thomas Gutschlag and Mark Trachuk (Chair), all of whom have been determined by the Board to be independent under NI 58-101. The CCG Committee assists the Board in fulfilling its oversight responsibilities with respect to each of the areas discussed below.

### ***Compensation***

As discussed above, responsibility for matters relating to the overall compensation philosophy and guidelines for the directors and officers of the Company lies with the CCG Committee. The CCG Committee annually reviews and recommends to the Board, the adequacy and form of compensation of the directors of the Company in light of the responsibilities and risks involved in being such a director. The CCG Committee is also responsible for annually evaluating the performance of the Chief Executive Officer of the Company and recommending to the Board his or her annual compensation package.

### ***Nomination of Directors***

In addition to its oversight mandate with respect to compensation matters, responsibility for matters relating to the identification and nomination of directors lies with the CCG Committee. The CCG Committee is responsible for reviewing and reporting to the Board on matters relating to the identification, nomination and review of directors, including:

- (a) developing criteria for selection of directors and procedures to identify possible nominees;
- (b) reviewing and assessing qualifications of director nominees including potential conflicts of interest;
- (c) submitting to the Board for consideration and decision, names of the nominees to be brought forward to the next annual meeting of Shareholders or to be appointed to fill vacancies between such meetings; and
- (d) determining if any Board member's qualifications or credentials since appointment have changed, or other circumstances arisen, so as to warrant a recommendation that such member resigns.

The CCG Committee does not currently have a written procedure for identifying new candidates for Board membership. In the normal course, the CCG Committee makes use of the formal and informal networks of the members of the Board and carries out formal searches for candidates when so directed by the Board.

### ***Orientation and Continuing Education***

Responsibility for orientation and continuing education of the Company's directors lies with the CCG Committee. The CCG Committee's charter provides it with a specific mandate to develop and review annually programs for the orientation of new directors and the ongoing education of existing directors. With respect to orientation, the CCG Committee relies on informal orientation programs that are tailored to the particular needs and experience of the new director in question and to the needs of the Board at that time. The CCG Committee will provide such information to new members of the Board so as to ensure that such directors are familiar with the Company's business and procedures of the Board. Information may include the Company's corporate and organizational structure, recent filings and financial information, governance documents and important policies and procedures. The CCG Committee also ensures that every director possesses the capabilities, expertise, availability and knowledge required to fill his or her position adequately. With respect to ongoing education, the CCG Committee relies on its professional advisors to provide updates to the various members of the Board regarding changes in relevant policies, laws or regulations, and on a cultural expectation that directors communicate with the Company's management and professional advisors, as well as attend relevant industry conferences, in order to remain abreast of developments in the Company's industry and legal and regulatory environment. From time to time, the CCG Committee may arrange on-site tours of the Company's operations.



## *Assessments*

Primary responsibility for assessing the performance of the Board, its committees and individual members lies with the CCG Committee. Pursuant to the CCG Committee's charter, the committee's responsibilities in this regard include the conduct of annual reviews of various aspects of the Company's corporate governance policies and practices, and in particular to conduct an annual review, together with the Chairman of the Board, of the effectiveness of the Board as a whole, the committees of the Board, and the contribution of each individual director, and to make periodic reports to the Board on these matters. The CCG Committee is also responsible for reviewing and making recommendations to the Board with respect to the establishment or abolition of committees of the Board, their respective terms of reference, and the size and composition of the various committees of the Board.

## **ETHICAL BUSINESS CONDUCT**

As a responsible corporate citizen, the Company is committed to conducting its affairs with integrity, honesty, fairness and professionalism. On January 23, 2012, the Board approved a series of formal, written policies intended in part to promote ethical business conduct by the Company and its directors, executive officers and employees. In addition to the Board being subject to its written mandate, as discussed above, and to the general requirement that the Company and its directors, executive officers, employees and consultants act in accordance with all applicable laws, these formal policies include:

- (a) *Code of Business Conduct*: Intended to promote the fundamental values of integrity, honesty, fair dealing and transparency, the code imposes certain and specific obligations on the directors, executive officers and employees of the Company to achieve this objective and provides for certain sanctions in the event of non-compliance. Responsibility for conducting periodic reviews of the Company's Code of Business Conduct and overseeing management's monitoring of compliance with the Code of Business Conduct lies with the CCG Committee.
- (b) *Whistleblower Policy*: This policy imposes a general obligation on the Company's directors, executive officers, employees, consultants and contractors to submit all good faith concerns and complaints in respect of any matter that may constitute a breach of the Company's Code of Business Conduct, and in particular with respect to concerns about the Company's accounting, internal control or auditing procedures, to the Chair of the Audit Committee. Responsibility for administering this policy lies with the Audit Committee.
- (c) *Insider Trading Policy*: Intended to ensure compliance with applicable securities laws relating to insider trading and tipping, as well as avoiding the occurrence or appearance of improper trading or tipping and assisting the Company's directors, officers and employees to comply with their obligations under such laws. This policy outlines certain general obligations and provides for certain sanctions in the event of non-compliance with its terms by any of the Company's directors, executive officers, employees or consultants.

Further information and complete copies of the Company's codes and policies are available on the Company's website at [www.almonty.com](http://www.almonty.com).

## **OTHER COMMITTEES**

As of the date of this AIF, there are no additional committees of the Board.

## **CONFLICTS OF INTEREST**

Certain directors and officers of the Company are, and may continue to be, involved in the mining and mineral business through their direct and indirect participation in corporations, partnerships, or joint ventures, which are potential competitors of the Company. Situations may arise in connection with potential acquisitions in investments where the other interests of these directors and officers may conflict with the interests of the Company. Directors and officers of the Company with conflicts of interest will be subject to and will follow the procedures set out in applicable corporate and securities legislation, regulations, rules and policies.

## **LEGAL PROCEEDINGS**

The Company is involved in certain claims and litigation arising out of the ordinary course and conduct of business. Management assesses such claims and, if considered likely to result in a loss and, when the amount of the loss is quantifiable, provisions for loss are made, based on management's assessment of the most likely outcome. Management does not provide claims for which the outcome is not determinable or claims where the amount of the loss cannot be reasonably estimated. Any settlements or awards under such claims are provided for when reasonably determinable. The Company is not currently a party to, or has any of its property as the subject of, legal proceedings which would be material to the Company's financial condition or results of operations.

## **INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

No director or executive officer other than Mr. Lewis Black as indicated below, or, to the knowledge of the Company, any person or company that beneficially owns or controls or directs, directly or indirectly, more than 10% of the common shares of the Company had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Company other than the following:

During the year ended September 30, 2017, the Company paid or accrued compensation to key management personnel, which includes officers and directors, in accordance with the terms of their compensation arrangements of \$1,048,000 (2016 - \$561,000). No amounts are owing to key management personnel. In addition, for the year ended September 30, 2017 \$312,000 (2016 - \$150,000) of share-based compensation expense was attributable to officers and directors.

In August 2017, the Company completed non-brokered private placement, by issuing 21,175,000 common shares to its Chairman, Chief Executive Officer and President for \$0.30 per share for total

proceeds of \$6,353,000. On completion of the placement, Mr. Black owned or controlled, or directed the voting rights in respect of approximately 22.6% of the Company's common shares.

The Company has a convertible debenture of \$6,000,000 owing to DRAG, a company that is an existing shareholder of Almonty, and whose CEO is a member of the Board of Directors of the Company. During 2017, the maturity date of the debenture, which was originally due in March 2017, was extended to March 2019 and \$422,000 of interest owing on the debenture was settled by issuing 1,206,574 common shares. During 2017, the Company settled its \$4,000,000 convertible debenture with DRAG by issuing 6,646,667 common shares and settled \$327 of unpaid interest on the debenture by issuing 1,083,167 common shares. The Company has also issued US\$2,000,000 of secured promissory notes to DRAG during fiscal 2016 and 2017 and, during 2017, the Company settled \$79,000 of unpaid interest on one of the notes by issuing 283,914 common shares. For the year ended September 30, 2017, interest of \$484 was accrued on the DRAG loans (2016 - \$497,000) As of September 30, 2017, there is \$103,000 (2016 - \$621,000) of unpaid interest on these loans included in accounts payable and accrued liabilities.

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### **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar for the Company's common shares in Canada is Computershare Investor Services Inc. at its principal offices at 3<sup>rd</sup> Floor – 510 Burrard Street, Vancouver, BC V6C 3B9.

### **MATERIAL CONTRACTS**

Other than contracts entered into in the normal course of business, the Corporation has not entered into any material contracts during the year ended September 30, 2017, or before such year but which remain in effect, except as set forth below:

- the Arrangement Agreement;
- Loan Agreement and various amendments thereto between the Company and UniCredit Bank AG, New York Branch dated September 22, 2014;
- the Supply Agreements and the amendments thereto; and,
- the Distribution Agreement
- The EPC contract agreement with POSCO

All material contracts of the Company have been filed on SEDAR and are available at [www.sedar.com](http://www.sedar.com). Certain contracts which have been entered into in the ordinary course of business and which relate to the operations of the Company are described earlier in this AIF.

### **INTERESTS OF EXPERTS**

The consolidated financial statements of the Company for the year ended September 30, 2017 filed under National Instrument 51-102—*Continuous Disclosure Obligations* have been audited by KPMG LLP and can be found under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

The auditors of the Company, KPMG LLP, report that they are independent of the Company in accordance with the rules of professional conduct under the professional standards of the Institute of Chartered Professional Accountants of British Columbia.

The Technical Reports were prepared by Adam Wheeler, a Qualified Person in accordance with NI 43-101. The Technical Reports can be found under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com). Mr. Wheeler does not own any securities of the Company nor does he otherwise have any interest in the Company.

### **ADDITIONAL INFORMATION**

Copies of this AIF and such other information and documentation relating to the Company that we make available via SEDAR can be found at [www.sedar.com](http://www.sedar.com). Additional financial information is available in the Company's audited consolidated financial statements for the fiscal year ended September 30, 2017.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the securities of the Company and securities authorized for issuance under equity compensation plans of the Company is contained in the Company's management information circular dated March 30, 2017 prepared and filed in connection with the annual and special meeting of shareholders of the Company held on May 1, 2017.

The information referred to in this AIF may also be obtained from [www.almonty.com](http://www.almonty.com) or as follows:

Almonty Industries Inc.  
100 King Street West, Suite 5700  
Toronto, Ontario  
M5X 1C7  
Phone: (647) 438-9766

**SCHEDULE A**

**CHARTER FOR THE AUDIT COMMITTEE**

**ALMONTY INDUSTRIES INC.**  
**AUDIT COMMITTEE CHARTER**  
**JANUARY 23, 2012**

**Policy Statement**

It is the policy of Almonty Industries Inc. (the “Corporation”) to establish and maintain an Audit Committee to assist the Board of Directors of the Corporation (the “Board”) in carrying out their oversight responsibility for the Corporation’s internal controls, financial reporting and risk management processes. The Audit Committee will be provided with resources commensurate with the duties and responsibilities assigned to it by the Board including administrative support. If determined necessary by the Audit Committee, it will have the discretion to institute investigations of improprieties, or suspected improprieties, within the scope of its responsibilities, including the standing authority to retain special counsel or experts.

**Composition of the Audit Committee**

1. The Audit Committee shall consist of at least three directors, the majority of whom are not officers, employees or control persons of the Corporation or any of its associates or affiliates (as such terms are defined from time to time under the requirements or guidelines for audit committee service under the applicable rules of any stock exchange on which the Corporation’s securities are listed for trading). The Board shall appoint the members of the Audit Committee annually and each member of the Committee shall remain on the Committee until the next annual meeting of shareholders of the Corporation after his or her appointment or until his or her successor shall be duly appointed and qualified. The Board shall appoint one member of the Audit Committee to be the Chair of the Audit Committee.
2. Each member of the Audit Committee shall be “financially literate”. In order to be financially literate, a director must have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can be reasonably expected to be raised by the Corporation’s financial statements.
3. A director appointed by the Board to the Audit Committee shall be a member of the Audit Committee until replaced by the Board at any time or until his or her resignation. A member of the Committee shall automatically cease to be a member of the Committee upon ceasing to be a director.
4. The Board may fill vacancies on the Audit Committee by appointing another director to the Audit Committee. The Board shall fill any vacancy if the membership of the Audit Committee is less than three directors. Whenever there is a vacancy on the Audit Committee, the remaining members may exercise all of the Audit Committee’s powers as long as a quorum remains in office.

**Meetings of the Audit Committee**

5. The Audit Committee shall convene a minimum of four times each year at such times and places as may be designated by the Chair of the Audit Committee and whenever a meeting is requested by the Board, a member of the Audit Committee, the external auditors, or a senior officer of the Corporation. Meetings of the Audit Committee shall correspond with the review of the quarterly financial statements of the Corporation and management’s discussion and analysis thereon.
6. Notice of each meeting of the Audit Committee shall be given to each member of the Audit Committee and to the external auditors of the Corporation, who shall be entitled to attend each meeting of the Audit Committee and shall attend whenever requested to do so by a member of the Audit Committee.
7. Notice of a meeting of the Audit Committee shall:

- (a) be in writing;
  - (b) state the nature of the business to be transacted at the meeting in reasonable detail;
  - (c) to the extent practicable, be accompanied by copies of the documentation to be considered at the meeting; and
  - (d) be given at least two business days prior to the time stipulated for the meeting or such shorter period as the members of the Audit Committee may permit.
8. A quorum for the transaction of business at a meeting of the Audit Committee shall be the majority of the members of the Audit Committee. However, it shall be the practice of the Audit Committee to require review, and, if necessary, approval of certain important matters by all members of the Audit Committee.
9. A member or members of the Audit Committee may participate in a meeting of the Audit Committee by means of such telephonic, electronic or other communication facilities as permits all persons participating in the meeting to communicate adequately with each other. A member participating in such a meeting by any such means is deemed to be present at the meeting.
10. In the absence of the Chair of the Audit Committee, the members of the Audit Committee shall choose one of the members present to be Chair of the meeting. In addition, the members of the Audit Committee shall choose one of the persons present to be the Secretary of the meeting.
11. The Chair of the Board, senior management of the Corporation and other parties may attend meetings of the Audit Committee; however the Audit Committee (i) shall meet with the external auditors independent of management as necessary, in the sole discretion of the Audit Committee, and (ii) may meet separately with management.
12. The Audit Committee shall provide the Board with a summary of all meetings together with a copy of the minutes from such meetings. Where minutes have not yet been prepared, the Chair of the Audit Committee shall provide the Board with oral reports on the activities of the Audit Committee. All information reviewed and discussed by the Audit Committee at any meeting shall be retained and made available for examination by the Board upon request to the Chair of the Audit Committee. Minutes of the proceedings of the Audit Committee shall be kept in a minute book provided for that purpose. The minutes of the Audit Committee meetings shall accurately record the discussions of and decisions made by the Audit Committee, including all recommendations to be made by the Audit Committee to the Board and shall be distributed to all Audit Committee members.

### **Duties and Responsibilities of the Audit Committee**

13. The Audit Committee's primary duties and responsibilities are to:
- (a) identify and monitor the management of the principal risks that could impact the financial reporting of the Corporation;
  - (b) monitor the integrity of the Corporation's financial reporting process and system of internal controls regarding financial reporting and accounting compliance;
  - (c) monitor the independence and performance of the Corporation's external auditors;
  - (d) deal directly with the external auditors to approve external audit plans, other services (if any) and fees;
  - (e) directly oversee the external audit process and results and resolve any disagreements between management and the external auditor regarding financial reporting;

- (f) provide an avenue of communication among the external auditors, management and the Board; and
  - (g) establish a Whistleblower Policy for the Corporation to ensure that an effective “whistle blowing” procedure exists to permit stakeholders to express any concerns regarding accounting or financial matters to an appropriately independent individual.
14. The Audit Committee shall have the authority to:
- (a) inspect any and all of the books and records of the Corporation, its subsidiaries and affiliates;
  - (b) discuss with the management and senior staff of the Corporation, its subsidiaries and affiliates, any affected party and the external auditors, such accounts, records and other matters as any member of the Audit Committee considers necessary and appropriate;
  - (c) engage independent counsel and other advisors as it determines necessary to carry out its duties; and
  - (d) set and pay the compensation for any advisors employed by the Audit Committee.
15. The Audit Committee shall, at the earliest opportunity after each meeting, report to the Board the results of its activities and any reviews undertaken and make recommendations to the Board as deemed appropriate.
16. The Audit Committee shall:
- (a) evaluate the independence and performance of the external auditors and annually recommend to the Board the appointment of the external auditor and the compensation of the external auditors;
  - (b) consider the recommendations of management in respect of the appointment of the external auditors;
  - (c) review the audit plan with the Corporation’s external auditors and with management;
  - (d) discuss with management and the external auditors any proposed changes in major accounting policies or principles, the presentation and impact of significant risks and uncertainties and key estimates and judgments of management that may be material to financial reporting;
  - (e) review with management and with the external auditors significant financial reporting issues arising during the most recent fiscal period and the resolution or proposed resolution of such issues;
  - (f) review and resolve any problems experienced or concerns expressed by the external auditors in performing an audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management;
  - (g) review with senior management the process of identifying, monitoring and reporting the principal risks affecting financial reporting;
  - (h) consider and review with management, the internal control memorandum or management letter containing the recommendations of the external auditors and management’s response, if any, including an evaluation of the adequacy and effectiveness of the internal financial controls of the Corporation and subsequent follow-up to any identified weaknesses;



- (i) review and recommend for approval by the Board, the audited annual financial statements, management's discussion and analysis and related documents in conjunction with the report of the external auditors;
  - (j) review and recommend for approval by the Board, the quarterly unaudited financial statements, management's discussion and analysis and related documents;
  - (k) before release, review and recommend for approval by the Board, all public disclosure documents containing audited or unaudited financial information, including annual and quarterly financial statements, management's discussion and analysis, annual reports, annual information forms and press releases;
  - (l) oversee any of the financial affairs of the Corporation, its subsidiaries and affiliates, and, if deemed appropriate, make recommendations to the Board, external auditors or management;
  - (m) pre-approve all non-audit services to be provided to the Corporation, its subsidiaries and affiliates by the external auditors;
  - (n) approve the engagement letter for non-audit services to be provided by the external auditors or affiliates, together with estimated fees, and considering the potential impact of such services on the independence of the external auditors;
  - (o) when there is to be a change of external auditors, review all issues and provide documentation related to the change, including the information to be included in the Change of Auditors Notice and documentation required pursuant to National Instrument 51-102 – *Continuous Disclosure Obligations* (or any successor legislation) and the planned steps for an orderly transition period;
  - (p) review all reportable events, including disagreements, unresolved issues and consultations, as defined by applicable securities laws, on a routine basis, whether or not there is to be a change of external auditors; and
  - (q) review with management at least annually, the financing strategy and plans of the Corporation.
17. The Audit Committee shall review the amount and terms of any insurance to be obtained or maintained by the Corporation with respect to risks inherent in its operations and potential liabilities incurred by the directors or officers in the discharge of their duties and responsibilities.
  18. The Audit Committee shall review the appointments of the Chief Financial Officer and any key financial managers who are involved in the financial reporting process.
  19. The Audit Committee shall enquire into and determine the appropriate resolution of any conflict of interest in respect of audit or financial matters, which are directed to the Audit Committee by any member of the Board, a securityholder of the Corporation, the external auditors, or senior management.
  20. The Audit Committee shall periodically review with management the need for an internal audit function.
  21. The Audit Committee shall review the Corporation's accounting and reporting of environmental costs, liabilities and contingencies.
  22. The Audit Committee shall establish and maintain procedures for:
    - (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting controls, or auditing matters; and

- (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
- 23. The Audit Committee shall review and approve the Corporation's hiring policies regarding employees and former employees of the present and former external auditors.
- 24. The Audit Committee shall review with the Corporation's legal counsel as required, but at least annually, any legal matter that could have a significant impact on the Corporation's financial statements and any enquiries received from regulators or government agencies.
- 25. The Audit Committee shall assess, on an annual basis, the adequacy of this Charter and the performance of the Audit Committee.