



Management's Discussion and Analysis

For the Three and Twelve-Month Periods
Ended September 30, 2017

REPORT DATED: FEBRUARY 1st, 2018



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For the Three and Twelve Months Ended September 30, 2017
Dated February 1st, 2018

1. Introduction

This management's discussion and analysis ("**MD&A**"), dated February 1st, 2018, provides a review of, and discusses the financial position and results of operations of Almonty Industries Inc. (TSX-V: AII) ("**Almonty**" or the "**Company**") for the three and twelve-month periods ended September 30, 2017. It should be read in conjunction with the audited annual consolidated financial statements of the Company and notes thereto for the year ended September 30, 2017 (the "**2017 Annual Financial Statements**").

The Company's management is responsible for the preparation of the Company's consolidated financial statements as well as other information contained in this MD&A. The board of directors of Almonty (the "**Board of Directors**") is required to ensure that management assumes its responsibility in regard to the preparation of the Company's financial statements. To facilitate this process, the Board of Directors has created an audit committee (the "**Audit Committee**"). The Audit Committee meets with members of the management team to discuss the operating results and the financial results of the Company, before making their recommendations and submitting the 2017 Annual Financial Statements and MD&A to the Board of Directors for review and approval. Following the recommendation of the Audit Committee, the Board of Directors approved the 2017 Annual Financial Statements and this MD&A on February 1st, 2018.

The 2017 Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

All currency figures in this MD&A appear in thousands of Canadian dollars, except per share amounts, unless otherwise stated.

Additional information about the Company, including the 2017 Annual Financial Statements, is available on the Company's website at www.almonty.com and on SEDAR (www.sedar.com) under Almonty's profile.

Forward-Looking Information

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

Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors which could cause actual events, results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, but are not limited to, the inability of the Company to maintain its interest in its mineral projects or to obtain or comply with all required permits and licenses, risks normally incidental to exploration and development of mineral properties, uncertainties in the interpretation of drill results, the possibility that future exploration, development or mining results will not be consistent with expectations, changes in governmental regulation adverse to the Company, lack of adequate infrastructure at the mineral properties, economic uncertainties, the inability of the Company to obtain additional financing when and as needed, competition from other mining businesses, the future price of tungsten and other metals and commodities, fluctuation in currency exchange rates, title defects and other related matters. See Section 9, "Risks and Uncertainties", in this MD&A and under the heading "Risk Factors" in the Company's Annual Information Form January 29th, 2018 for a further discussion of factors that could cause the Company's actual results, performance or achievements to be materially different from any anticipated results, performance or achievements expressed or implied by forward-looking statements. The forward-looking statements in this MD&A represent the expectations of management as of the date hereof and accordingly, are subject to change after such date. Readers should not place undue importance on forward-looking statements and should not rely upon these statements as of any other date. The Company does not undertake to update any forward-looking information, except as, and to the extent, required by applicable laws. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

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

2. Overview

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

The Los Santos Mine was acquired by Almonty in September 2011 and is located approximately 50 kilometers from Salamanca in western Spain and produces tungsten concentrate. The Wolfram Camp Mine was acquired by Almonty in September 2014 and is located approximately 130 kilometers west of Cairns in northern Queensland, Australia. The Panasqueira Mine, which has been in production since 1896 and is located approximately 260 kilometers northeast of Lisbon, Portugal, was acquired in January 2016. The Sangdong Mine, which was historically one of the largest tungsten mines in the world and one of the few long-life, high-grade tungsten deposits outside of China, was acquired by Almonty in September 2015. Almonty owns a 100% interest in the Valtreixal Mine in northwestern Spain, having exercised its option to acquire the remaining ownership in the Valtreixal Mine on December 21, 2016.

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Almonty acquired 100% of the share capital of Wolfram Camp Mining Pty Ltd (“**WCM**”) and Tropical Metals Pty Ltd (“**TM**”) (which collectively own a 100% interest in the Wolfram Camp Mine) from Deutsche Rohstoff AG (“**DRAG**”) on September 22, 2014. Production at the Wolfram Camp Mine has been suspended during the period of time that Almonty is refurbishing the mill. The Company estimates that it will be back in production before the end of calendar 2018, pending a sustained increase in the quoted price for an MTU of APT.

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 Woulfe 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 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 in aggregate principal amount of debt owed by Beralt Tin & Wolfram (Portugal), S.A. (“**Beralt**”), a wholly-owned subsidiary of BVI, to Sojitz Corporation of Japan in exchange for a cash payment of €1,000 on closing and a promissory note issued by Almonty in the principal amount of €500, bearing interest at 4% per annum, maturing December 29, 2017 (the “**January 2016 Note**”). BVI, through its wholly-owned subsidiaries, is the 100% owner of the Panasqueira Mine.

On December 21, 2016, Almonty exercised its option to acquire the remaining 49% of the Valtreixal Mine it did not already own for payment of €1.5 million (\$2.2 million). Almonty now owns a 100% interest in the Valtreixal Mine.

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

Market for Tungsten Concentrate

Market demand for tungsten concentrate continued to be stable during the 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. In addition, 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 was 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



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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 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. 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 positively 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 will be 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

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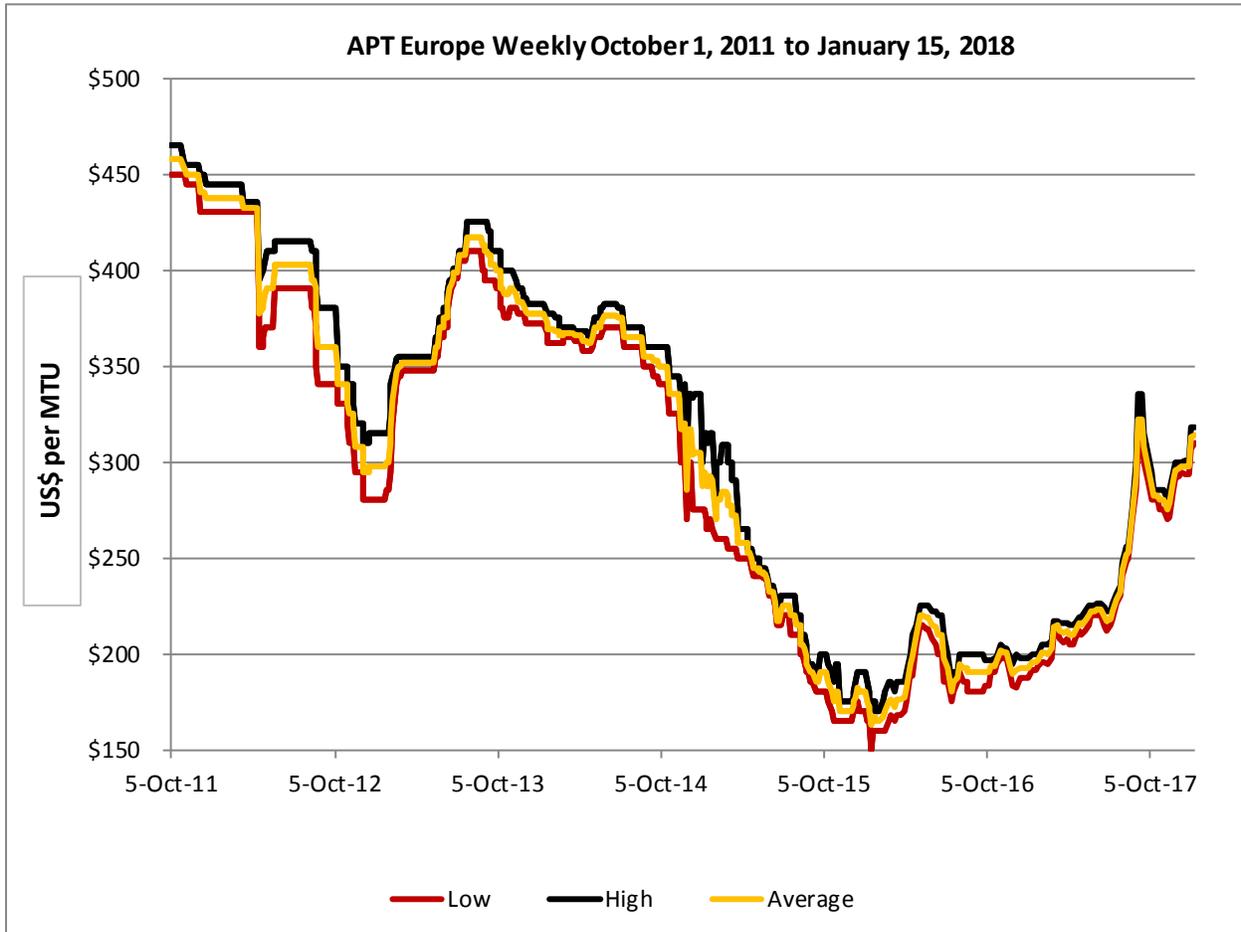
The average of the high and low weekly quoted price for European APT according to the Metal Bulletin (“**MB**”) European weekly quotation for APT (from which Almonty’s concentrate prices are derived by varying formulae under its Supply Agreements) averaged the following:

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

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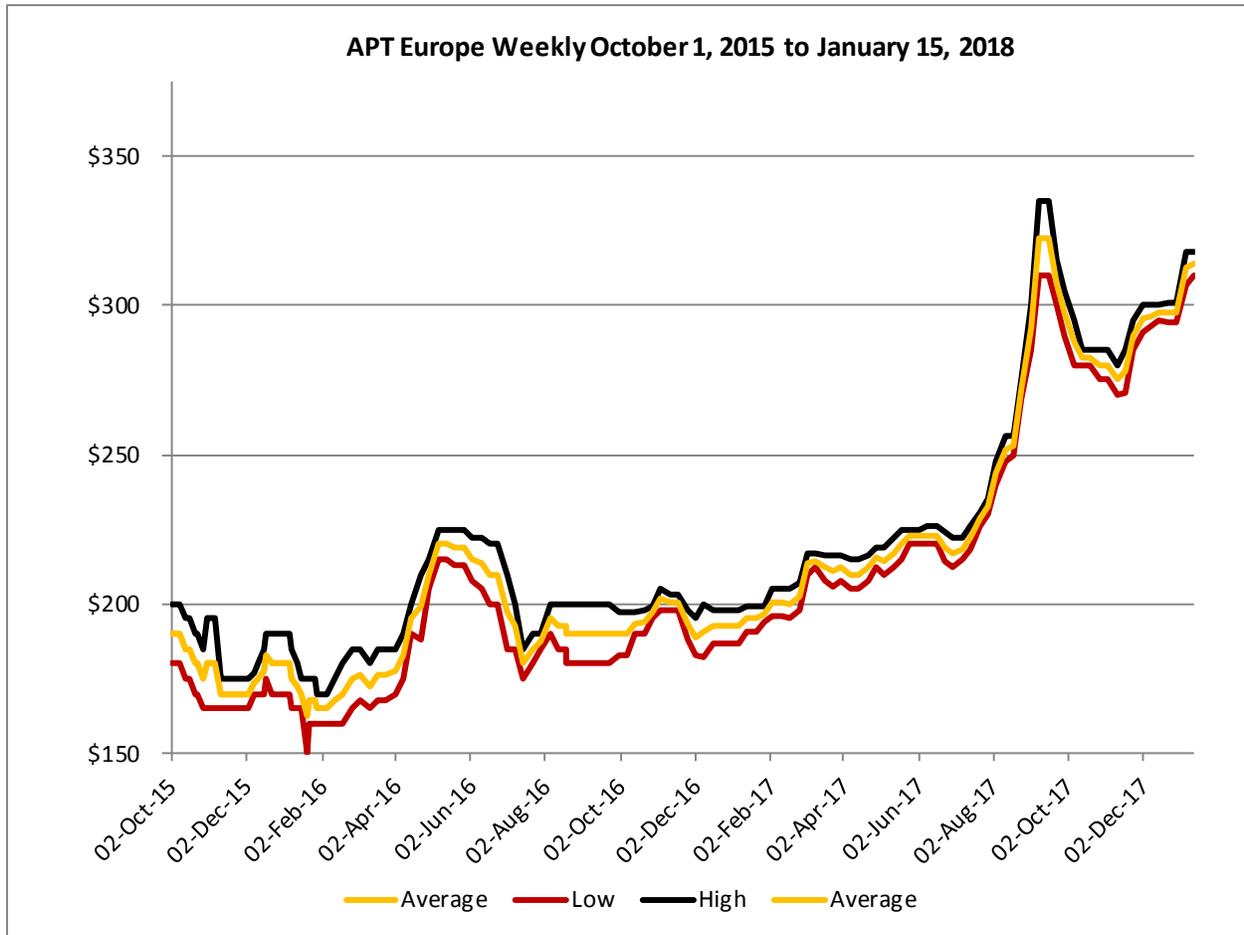
Source: Metal Bulletin, ammonium para tungstate (APT), European (US\$/MTU).

Almonty prices its tungsten concentrate product (on volumes of material that are not subject to a fixed price contract) in relation to the prior month's average weekly quoted price for APT on the MB European quotation service and the Metal Pages pricing service.



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

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

Los Santos Mine

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

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

MTU production during the three months ended September 30, 2017 (“**Q4 2017**”) decreased 22.8% when compared to the three months ended September 30, 2016 (“**Q4 2016**”). The grade of ore milled during Q4 2017 was significantly lower than the grade of ore milled during Q4 2016 because of the Company working through the low grade of ore that was mined during Q4 2017 when compared to the grade of ore mined during Q4 2016. The lower grades of mined ore resulted in a substantial increase in the amount of waste rock moved during Q4 2017 when compared to Q4 2016. The tungsten recovery rate continued to improve during Q4 2017 when compared to Q3 2017 and Q4 2016 and is now in line with the expected average tungsten recovery rate for the life of mine, expected to be maintained in the 60-65% range.

The grade of ore milled has an impact on the tungsten recovery rate, with lower grades typically resulting in lower recovery rates when compared to higher grades. The decrease in MTU production during Q4 2017 when compared to Q4 2016 was directly attributable to the lower grade of ore processed during the quarter. The lower grade ore processed in Q4 2017 led to an increase in unit production costs during Q4 2017 when compared to Q4 2016. Almonty continues to focus on cost control and its cost reduction program. Unit cash operating costs are anticipated to continue a downward trend as the grade of ore processed returns to levels that are within the optimal design specifications of the processing plant. Unit costs are expected to continue their variability over time along with the variability in the grade of ore milled during any give period.

Effective February 1, 2017 the Company entered into a fixed priced contract representing 80% of the output of the Los Santos mine’s tungsten concentrate production. See the discussion above under the section titled Market Demand for Tungsten Concentrate. This fixed price contract had a positive impact on the revenue received from the sale of tungsten concentrate at the Los Santos mine when compared to the prior period.

Wolfram Camp Mine

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 ₃ produced (MTU)	0	0	0	7,327
WO ₃ 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 ₃ mined	0.00%	0.00%	0.00%	0.21%
Average WO ₃ recovery rate	0.0%	0.0%	0.0%	54.70%

Almonty ceased all ore mining towards the end of Q2 2016 as previously reported and suspended all ore mining activity (including mineralized waste mining and processing) during Q3 2016 and shutdown the milling circuit to concentrate on the construction of a new tailings dam and continue with the installation of new equipment and the upgrading of the milling circuit. The shutdown led to several redundancies in the labour force at the mine site and revaluation of the work program at the mine site – leading to a reduction in the planned work week, mining schedule and milling throughput once the operations are brought back on line. Further cost savings initiatives are being implemented and the pace of the optimization of the operations has been reduced significantly due to the current APT pricing environment and the anticipated underlying cost structure of the refurbished operations. The decision to restart the mining and milling process will depend on a sustained improvement in the forecast price of APT.

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. The revamped testing and revised milling circuit has been documented in a revised NI 43-101 Technical Report on the Wolfram Camp Mine dated May 29, 2017 that has been filed on SEDAR and is available on the Company's website.

Valtreixal Mine

During Q1 2017 Almonty exercised its option to acquire the remaining 49% interest in the project for a payment of €1.5 million (\$2.2 million) in December 2016, a reduction of €0.75 million (\$1.1 million) from the previously agreed price, resulting in a much-needed saving of capital on the acquisition. The Company is continuing to carry out work on the project and is working towards a final decision on proceeding with the development of the project. The Company continues to fine tune its planning and budgeting for the potential build-out and commissioning of the Valtreixal Mine.

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Sangdong Mine

On September 15, 2015, Almonty reached an agreement with TaeguTec Ltd. (“**TaeguTec**”) for an extension to March 31, 2016 of the indebtedness of Sangdong Mining Corporation (now renamed Almonty Korea Tungsten Corporation) owed to TaeguTec (in the outstanding principal amount of approximately \$6,330 after deducting the \$5,000 payment that was made to TaeguTec by Almonty as part of the agreement) on similar terms as the original debt previously due on September 15, 2015. On March 31, 2016 Almonty reached an agreement with TaeguTec for a further extension of the indebtedness of Almonty Korea Tungsten to December 31, 2016 on the same terms as the original debt previously due on March 31, 2016. On November 28, 2016, Almonty repaid all principal outstanding and interest owing to TaeguTec totaling \$6,550. The loan was repaid out of funds drawn on the Company’s previously announced working capital loan agreement of US\$7.0 million drawn on November 22, 2016 (refer to the Liquidity and Capital Resources section of this MD&A for additional detail on this facility). 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 August 29, 2016, Almonty completed an updated technical report prepared pursuant to NI 43-101 entitled “Technical Report on the Mineral Resources and Reserves of the Sangdong Project, South Korea” (the “**Sangdong Technical Report**”) that is available under Almonty’s profile on SEDAR (www.sedar.com) and on the Company’s website (www.almonty.com).

Almonty is continuing to work with financial institutions as well as industry participants on financing alternatives, including sufficient funding to replace the previously announced MOU signed with the Korean Development Bank (“**KDB**”) to provide a funding package for the buildout of the Sangdong mine in its entirety. 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 the top tier general contractors in Korea and a subsidiary of the third largest steel company 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.

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Panasqueira Mine

On January 6, 2016, Almonty acquired a 100% ownership interest in Beralt Ventures Inc. (“**BVI**”) from Sojitz Tungsten Resources, Inc. for €1.00 (\$1.50). BVI, through its wholly-owned subsidiaries, is the 100% owner of the various rights and interests comprising the Panasqueira Mine. In connection therewith, Almonty acquired and purchased €2,260 (\$18,390) in aggregate principal amount of debt owed by Beralt, a wholly-owned subsidiary of BVI, to Sojitz Corporation of Japan in exchange for a cash payment of €1,000 (\$1,500) on closing and a promissory note issued by Almonty in the principal amount of €500 (\$750), bearing interest at 4% per annum, maturing December 29, 2017. There is presently *Nil* outstanding on the promissory note. The Panasqueira Mine has been in production since 1896, and is located approximately 260 kilometers northeast of Lisbon, Portugal. The Company has determined that the operations of BVI represent a business, and as such, the acquisition has been accounted for as a business combination.

The following represents the allocation of the purchase price:

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

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

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Summary operating information for the Panasqueira Mine:

	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)	197,095	168,931	733,582	601,596
WO ₃ produced (MTU)	20,905	19,165	80,273	66,164
WO ₃ sold (MTU)	21,770	20,870	80,757	71,787
Sales revenue (US\$ million)	4.7	3.6	15.6	11.3
Cash processing costs (US\$/MTU)	62	63	69	67
Cash mining costs (US\$/MTU)	128	125	121	134
All in cash operating costs (US\$/MTU)	190	188	190	201
Ore mined (tonnes)	198,632	176,049	746,204	611,252
Average grade WO ₃ mined	0.153%	0.10%	0.12%	0.10%
Average WO ₃ recovery rate	80.00%	80.60%	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 dated December 31, 2016 filed on SEDAR under Almonty's profile, also available on the Company's website 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 WO₃, 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 WO₃). 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, 2018. The net price to be received by Almonty under these revised contracts will be \$280 per MTU of contained WO₃, equating to an effective price of US\$358 per MTU of APT. The

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improving grade, coupled with Almonty's continued focus on cost control and the revised fixed price contracts that came into effect on January 1, 2018 have had a significantly positive impact on operating cash flow at the mine.

Almonty continued the metallurgical testing of the metal content of one of the tailings ponds at the Panasqueira Mine. This tailings pond contains more than 40 years of tailings and management believes there is a significant amount of economically recoverable WO₃ contained in the tailings. In addition to the contained tungsten ore, the tailings also contain both copper and tin ore as the tailings in the pond are from a time when the milling circuit was not set up to recover the tin and copper from the ore being processed. Almonty is continuing its analysis of both the grade and economic recoverability of the contained metals in the tailings. On March 2, 2017 Almonty filed an updated NI 43-101 technical report. The updated reserve estimate of 1,951,000 tonnes at a grade of 0.20% WO₃ represents an increase in the reserve base of over 14%, in addition the inferred resources increased by approximately 125%. The updated NI 43-101 Technical Report is available on SEDAR under Almonty's profile and is available on the Company's website (www.almonty.com).

On May 15, 2017, the Company announced that it had entered into an agreement with Crominet Mining Processing SA (PTY) Ltd ("**Crominet**") whereby Crominet will install and operate a series of XRT ore sorting and other ancillary equipment with sufficient capacity to treat all of the tailings generated by Panasqueira's heavy media separation unit. The installation of the XRT ore sorting equipment is expected to increase the overall tungsten recovery rate at the mine by 10%. The XRT ore sorting installation is expected to be operational by the end of April 2018.

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3. Financial Highlights

The following financial information is for the periods from July 1, 2017 to September 30, 2017, from July 1, 2016 to September 30, 2016, from October 1, 2016 to September 30, 2017 and, from October 1, 2015 to September 30, 2016.

	Three Months Ended 30-Sep-17 \$'000	Three Months Ended 30-Sep-16 \$'000	Year Ended 30-Sep-17 \$'000	Year Ended 30-Sep-16 \$'000
Gross Revenue	10,810	10,472	39,018	37,310
Mine production costs	7,935	7,403	32,349	32,969
Inventory write-down	-	5,345	-	5,345
Depreciation and amortization	1,874	2,011	6,400	8,200
Earnings (loss) from mining operations	1,001	(4,287)	269	(9,204)
General and administrative costs	3,323	1,888	9,864	8,792
Non-cash compensation costs	472	-	472	170
Earnings (loss) before the under noted items	(2,794)	(6,175)	(10,067)	(18,166)
Interest expense	502	1,044	2,436	2,709
(Gain) Loss on debt settlement	(3,015)	-	(3,015)	-
Foreign exchange (gain) loss	(1,124)	490	(1,368)	(360)
Tax provision	122	676	122	660
Net income (loss) for the period	721	(8,385)	(8,242)	(21,175)
Income (loss) per share basic	\$0.00	(\$0.08)	(\$0.07)	(\$0.22)
Income (loss) per share diluted	\$0.00	(\$0.08)	(\$0.07)	(\$0.22)
Dividends	-	-	-	-
Cash flows provided by (used in) operating activities	(3,337)	560	(2,888)	(4,219)
Cash flows provided by (used in) investing activities	(1,140)	(3,382)	(10,679)	(13,030)
Cash flows provided by (used in) financing activities	7,632	1,946	13,934	20,579

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

	30-Sep-17 \$'000	30-Sep-16 \$'000
Cash	4,473	4,215
Restricted cash	1,300	1,336
Total assets	160,151	167,766
Bank indebtedness	9,447	4,456
Long-term debt	44,659	56,497
Shareholders' equity	45,625	35,569
<u>Other</u>		
Outstanding shares ('000)	169,752	110,896
Weighted average outstanding shares ('000)		
Basic	121,553	107,871
Fully diluted	121,553	107,871
Closing share price	\$0.630	\$0.27

Three Months Ended September 30, 2017 ("Q4 2017") Compared to the Three Months Ended September 30, 2016, ("Q4 2016")

Number of MTU	Production		Shipments		APT USD/MTU	
	2017	2016	2017	2016	2017	2016
Q4 Septemeber 30						
Los Santos	16,943	21,946	16,920	25,109		
Panasqueira	20,905	19,165	21,770	20,870		
Wolfram Camp	0	0	0	0		
Total	37,848	41,111	38,690	45,979	\$267	\$190
Percentage change	(7.9%)		(15.9%)		40.5%	
Tonnes of Ore treated						
Los Santos	134,795	128,990				
Panasqueira	197,095	168,931				
Wolfram Camp	0	0				
Total	331,890	297,921				
Percentage change	11.4%					

Gross revenue for Q4 2017 was \$10,810 (\$10,472 for Q4 2016). Production volumes were down when compared to Q4 2016. Production decreased by 7.9% overall with the declines in production at Los Santos due to lower grade ore mined and processed being partially offset by increases in production at Panasqueira due to improving grades and higher throughput. Shipment volumes decreased by 15.9% when compared to Q4 2016 due to decreases in shipments at the Los Santos mine only being partially offset by an increase in shipment volume at the Company's Panasqueira mine. Overall revenue increased by \$388 or 3.2% in Q4 2017 when compared to Q4 2016 despite the significant reduction in the units shipped. This increase was a direct result of the fixed price contracts that were in effect during Q4 2017 and also the higher average commodity price experienced during Q4 2017 for material not subject to fixed price contracts when compared to Q4 2016.

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Mine production costs (including direct mining costs, milling costs and waste rock stripping costs associated with current production but excluding any impairment or the revaluation of inventory using the lower of cost and net realizable value because of any decreases in the commodity price) increased by 7.2%, or \$532 when compared to Q4 2016. This increase resulted from an increase of 11.4% in the tonnes of ore processed during Q4 2017 when compared to Q4 2016. The Company did not process any material at its Wolfram Camp mine during either Q4 2017 or Q4 2016. The Company anticipates that the production costs at the Wolfram Camp Mine will decrease significantly once the operations are back on line, currently anticipated to be in calendar 2018. The decision to restart the mining and milling process at the Wolfram Camp Mine will depend on a sustained improvement in the forecast price of APT.

The Company carries out a quarterly revaluation of its ore and in-process ore and finished goods inventory as well as its stockpiles of long-term tailings inventory to ensure that the carrying is recorded at the lower of cost and net realizable value. Any adjustments to the carrying value of ore, in-process ore and finished goods inventory are included in costs of goods sold (mine production costs). Any adjustment to long-term tailings inventory is recognized as an impairment and the amount is expensed through the statement of operations. Changes in inventory values and write downs are recognized as an expense through mine operating costs in the statements of operations and comprehensive income (loss). The impairment charges incurred on the write-down of the long-term tailings stockpile in prior periods may be reversed in future periods in the event that Almonty finalizes the metallurgical testing it is carrying out and commences profitable production of the tailings stockpiles. Based on the preliminary metallurgical test work completed to date, 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.

No write-downs of finished goods inventory were recognized during Q4 2017. The Company recognized a write-down of \$548 on its finished goods inventory at WCM during Q1 2017 that was sold during Q1 2017.

No write-downs of long-term tailings inventory was recognized during Q4 2017. During Q4 2016, the Company incurred a write-down of its long-term tailings inventory of \$1,650.

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

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During fiscal 2016, the Company considered the significant decrease in tungsten prices during the year as an indicator of possible impairment for its mining assets. Accordingly, management performed an impairment assessment for each of its two operating mines, Los Santos and Panasqueira, and for Wolfram Camp, which was on care and maintenance, as at September 30, 2016.

During fiscal 2017, the Company considered the significant turn-around in the tungsten price, the fixed price contracts entered into at the Panasqueira mine at a significant premium to the underlying spot market price, the continued improvement in operating costs at Panasqueira and the state of the refurbishment process at the Company's Wolfram Camp Mine prior to concluding that no indicators of impairment were present at the Panasqueira mine or the Wolfram Camp Mine. The Company concluded that there were indicators of impairment at its Los Santos Mine due to the short mine life, leading it to perform an impairment assessment for the Los Santos Mine.

The VIU was determined for each of the Los Santos Mine and the stock pile of long-term tailings inventory at the mine based on the NPV of future cash flows expected to be generated using the most recent life of mine plans. Future tungsten prices based on observable market or publicly available data was used to estimate future revenues and operating costs estimated based on current costs adjusted for anticipated changes. The future cash flows for each CGU (ore yet to be mined and the stock piles of long-term tailings inventory) were discounted using comparable discount rates for similar companies with the same market risk factors.

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

	Assumptions	
	2017	2016
Future tungsten prices, per MTU	US\$280 - US\$384	US\$248 - US\$350
Discount rate - Daytal, Spain	8%	8%
Discount rate - Panasqueira, Portugal	N/A	11%
Discount rate - Wolfram Camp, Australia	N/A	12%
Life of mine – Daytal, Spain	3 years	4 years
Life of mine – Panasqueira, Portugal	N/A	12 years
Life of mine – Wolfram Camp, Australia	N/A	4 years

The life of mine assumption used for the Los Santos Mine represents the estimated number of years of production left based on the ore reserves identified as at the date indicated. The overall life of mine was nine years as at September 30, 2017 and eight years as at 2016, including the anticipated processing of the long-term tailings inventory.

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

No impairment losses were recorded during Q4 2017 or during Fiscal year ended September 30, 2017.

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

Depreciation and amortization expense for Q4 2017 decreased by 6.8% compared to Q4 2016 due to a decrease in the number of MTU produced during Q4 2017 when compared to Q4 2016. Almonty employs a unit-of-production basis for recording depreciation and amortization. (See Note 3 of the Company's 2017 Annual Financial Statements for additional information.)

Earnings from mining operations, including inventory write-downs and impairment charges, were \$1,001 during Q4 2017, an increase of \$5,288 over the loss from mining operations in Q4 2016 due to the impairment charge taken in Q4 2016 offset by increased revenue in Q4 2017 when compared to Q4 2016. Almonty ceased production at the Wolfram Camp Mine while it continues with the optimization of the milling circuit and revises the mine plan. The Company anticipates that unit production costs will decrease significantly when production restarts once the optimization has been completed.

General and administrative costs increased by \$1,435 or 76.0% during Q4 2017 when compared to Q4 2016 as a result of an increase in corporate activity during the period and the allocation of costs at the Company's Wolfram Camp Mine to G&A during the period compared to Q4 2016. Previously a portion of the costs at Wolfram Camp administrative costs were allocated to production costs when the mine was active. The costs at Wolfram Camp are expected to decrease significantly in future periods due to a significant reduction in activity at the project. General and administrative costs include employee salaries and employment-related expenses of all non-mining/processing personnel as well as corporate overhead costs, business development and corporate development costs, listing and transfer agent fees, accounting, legal and other professional fees and travel.

Non-cash compensation costs of \$472 were incurred during Q4 2017. This compares to a non-cash compensation expense of \$nil during Q4 2016.

Interest expense decreased by 51.9%, or \$542, during Q4 2017 as a direct result of the decrease in long-term debt outstanding when compared to Q4 2016. During Q3 2017 the Company issued 1,490,488 common shares to settle interest payable of \$502 to a related party and issued 27,562,500 common shares for the settlement of \$9,126 in debt owed to a third party.

The Company realized a gain of \$3,015 on the settlement of debt and outstanding payables during Q4 2017 (\$nil Q4 2016). The Company settled a long-term debt facility that had a book value of \$9,374 for the issuance of 27,562,500 common shares and debt values at \$230, resulting in a gain of \$2,273. See note 10(b) of the 2017 Annual Financial Statements. The balance of the gain of \$742 relates to the settlement of outstanding accounts payable amounts at a discount to their carrying value

Foreign exchange gains on the translation of United States dollar revenue into Canadian dollars and the revaluation of interest bearing long-term debt and non-interest-bearing trade payables denominated in United States dollars of \$1,124 were incurred during Q4 2017 due to the depreciation of the United States dollar versus the Canadian dollar. This compared to a foreign exchange loss of \$490 in Q4 2016.



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The Net Income (loss) for Q4 2017 was \$721 or \$0.00 per common share. This compares to a net loss of (\$8,385) or (\$0.08) per common share, for Q4 2016.

Cash provided by (used in) operating activities totaled (\$3,337) and \$560 for Q4 2017 and Q4 2016, respectively.

Cash used in investing activities totaled \$1,140 for Q4 2017 (\$3,382 for Q4 2016). These amounts relate largely to the capitalized stripping costs at the Company's Los Santos Mine and capitalized exploration and evaluation expenditures related to the Company's Sangdong mine project in Korea. The large reduction was mainly due to a reduction in the stripping ratio at the Company's Los Santos operations during Q4 2017 as compared to Q4 2016.

Cash (used in) provided by financing activities totaled \$7,632 during Q4 2017 and comprised principal repayments on existing debt of (\$2,111), proceeds from new borrowings of \$3,392, and proceeds from the issuance of equity of \$6,353. Cash (used in) provided by financing activities during Q4 2016 was \$1,946 consisting of repayment of long-term debt of (\$1,935), proceeds from new borrowings of \$1,999 and \$nil from the issuance of common shares during the period.

Year Ended September 30, 2017 ("Fiscal 2017") Compared to the Year Ended September 30, 2016, ("Fiscal 2016")

Number of MTU Year ended September 30,	Production		Shipments		APT USD/MTU	
	2017	2016	2017	2016	2017	2016
Los Santos	67,211	93,102	66,698	93,102		
Panasqueira	80,273	66,164	80,757	71,787		
Wolfram Camp	0	7,327	0	9,316		
Total	147,484	166,593	147,455	174,205	\$220	\$184
Percentage change	(11.5%)		(15.4%)		19.6%	
Tonnes of Ore treated						
Los Santos	521,827	519,803				
Panasqueira	733,582	601,596				
Wolfram Camp	0	73,897				
Total	1,255,409	1,195,296				
Percentage change	5.0%					

Gross revenue for Fiscal 2017 was \$39,018 (\$37,310 for Fiscal 2016). Production and shipment volumes were down 11.5% and 15.4% during Fiscal 2017 when compared to Fiscal 2016 respectively. Production and shipments from the Company's Panasqueira mine increase 21% and 12% respectively but were not enough to offset the decrease in both production and shipment volumes at the Company's Los Santos Mine and the decrease in production and shipments to nil at the Company's Wolfram Camp mine due to the curtailment of production and mining activities there. The decrease in both production and shipments at Los Santos was largely due to the Company dealing with lower grade ore from a new pit that was opened during Q4 2017. Overall revenue increased 4.6%, or \$1,708, during the Fiscal 2017 when compared to Fiscal 2016 as a direct result of higher net prices received by both the Panasqueira mine and the Los Santos mine under the various fixed price contracts that were in effect during the majority of Fiscal 2017. The Company also benefitted from a US\$36 increase in the underlying commodity price of



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an MTU of APT during Fiscal 2017 when compared to the Fiscal 2016 for all material not subject to higher priced fixed price contracts.

Mine production costs during Fiscal 2017 (including direct mining costs, milling costs and waste rock stripping costs associated with current production but excluding any impairment of inventory using the lower of cost and net realizable value because of any decreases in the commodity price) decreased by 1.9% when compared to the Fiscal 2016. The decrease in production costs resulted from improved cost controls and lower stripping and mining costs experienced during Fiscal 2017 when compared to Fiscal 2016 as well as the benefit of higher processing volumes from the Company's Panasqueira mine that has a significantly lower cost structure than the Company's Wolfram Camp mine that saw processing volumes decrease to nil during Fiscal 2017. The Company anticipates that the production costs at the Wolfram Camp Mine will decrease significantly once the operations are back on line, currently anticipated to be in calendar 2018. The decision to restart the mining and milling process at the Wolfram Camp Mine will depend on a sustained improvement in the forecast price of APT.

No write-downs of long-term tailings inventory was recognized during Fiscal 2017. During Fiscal 2016 the Company incurred a write-down of its long-term tailings inventory of \$1,650. This amount is included in mine production costs.

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

Depreciation and amortization expense for Fiscal 2017 decreased by 22.0% compared to Fiscal 2016 because of lower depreciation and amortization charges as a result of the reduction in the amount of tungsten produced at the Los Santos Mine during Fiscal 2017. Almonty employs a unit-of-production basis for recording depreciation and amortization. (See Note 3 of the Company's Q4 2017 Financial Statements for additional information.)

Income (losses) from mining operations, including inventory write-downs but excluding impairment losses, was \$269 during Fiscal 2017, an improvement of \$4,128 when compared to a loss of (\$3,859) in Fiscal 2016. Almonty ceased production at the Wolfram Camp Mine while it continues with the optimization of the milling circuit and revises the mine plan. The Company anticipates that unit production costs will decrease significantly when production restarts once the optimization has been completed.

General and administrative costs increased \$1,072 or 12.2% in Fiscal 2017 when compared to Fiscal 2016, with the inclusion of WCM site costs in G&A due to the cessation of all mining and processing activities. Previously, a significant portion of these costs from WCM would have been included in Production costs had the Wolfram Camp mine been in production. General and administrative costs include employee salaries and employment-related expenses of all non-mining/processing personnel as well as corporate overhead costs, business development and corporate development costs, listing and transfer agent fees, accounting, legal and other professional fees and travel.

Non-cash compensation costs of \$472 were incurred during Fiscal 2017. This compares to a non-cash compensation expense of \$170 during Fiscal 2016.



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Interest expense decreased by 10.1% during Fiscal 2017 as a direct result of the decrease in long-term debt outstanding under the Company's working capital loan facilities, promissory notes and other credit facilities when compared to Fiscal 2016. Interest expense is expected to further decrease in future periods due to the recent settlement of debt outstanding in exchange for shares that occurred at the end of fiscal 2017 and in Q1 2018.

Foreign exchange losses (gains) on the translation of United States dollar revenue into Euros and Canadian dollars as well as the revaluation of interest bearing long-term debt and non-interest-bearing trade payables denominated in United States dollars of (\$1,368) were incurred during Fiscal 2017. This compared to a foreign exchange (gain) of (\$360) in Fiscal 2016.

The Company realized a gain of \$3,015 on the settlement of debt and outstanding payables during Fiscal 2017 (*nil* Fiscal 2016). The Company settled a long-term debt facility that had a book value of \$9,374 for the issuance of 27,562,500 common shares and debt values at \$230, resulting in a gain of \$2,273. See note 10(b) of the 2017 Annual Financial Statements. The balance of the gain of \$742 relates to the settlement of outstanding accounts payable amounts at a discount to their carrying value.

The Company also recognized a tax provision of \$122 in Fiscal 2017 comprised of a current provision of \$48 and a deferred tax provision of \$74 compared to a deferred tax provision of \$660 in Fiscal 2016.

The Net income (loss) for Fiscal 2017 was (\$8,242) or (\$0.07) per common share. This compares to a net loss of (\$21,175) or (\$0.22) per common share, for Fiscal 2016.

Cash provided by (used in) operating activities totaled (\$2,888) and (\$4,219) for Fiscal 2017 and Fiscal 2016, respectively.

Cash used in investing activities totaled \$10,680 for Fiscal 2017 (\$13,030 for Fiscal 2016). These amounts relate largely to the capitalized stripping costs at the Company's Los Santos Mine and capitalized exploration and evaluation expenditures related to the Company's Sangdong mine project in Korea and the acquisition of the remaining 49% of the Company's Valtreixal mine project in Spain during Fiscal 2017.

Cash (used in) provided by financing activities totaled \$13,934 for Fiscal 2017 and comprised principal repayments on existing debt of (\$12,402) and proceeds from new borrowings of \$15,127, increases in bank indebtedness of \$4,856 and the issuance of common shares of \$6,353. Cash (used in) provided by financing activities during Fiscal 2016 was \$20,579 consisting of repayment of long-term debt of (\$7,766), proceeds from new borrowings of \$18,656, changes in bank indebtedness of \$2,653 and \$7,036 from the issuance of common share and common share purchase warrants during the period.

Liquidity and Capital Resources

As at September 30, 2017 the Company had cash and receivables of \$7,265 and net non-cash working capital of (\$36,024) (Calculated as current assets (excluding cash) less accounts payable and accrued liabilities and deferred revenue, and the current portion of long-term debt, and excluding long-term tailings inventory). The Company believes that, based on the current price of APT, production subject to fixed price contracts, its forecast production schedule for the balance of fiscal 2018 it has the ability to generate sufficient cash flow to meet both its current and long-term obligations at its producing mines.

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Subsequent to September 30, 2017, the Company raised \$3,399 in additional equity capital. These funds will be used for general corporate purposes and to continue the development of the Company's Sangdong mine. The Company will, however, need to raise additional capital to complete the development and build-out of the Sangdong Mine. The current price of APT has reached levels where it is sufficient to cover the Company's cash operating costs on production volumes not subject to fixed price contracts. Should the Company no longer be able to produce tungsten concentrate in sufficient quantity, then the Company may not be able to meet its current and long-term obligations. Outside of abiding by (i) Spanish law requirements on minimum capital adequacy at Valtreixal Resources Spain SL, Daytal Resources Spain SL, (ii) Australian law requirements on minimum capital adequacy at Wolfram Camp Mine Pty Ltd and Tropical Metals Pty Ltd, (iii) Korean law requirements on minimum capital adequacy at Almonty Korea Tungsten, and (iv) Portuguese law requirements on minimum capital adequacy at Beralt Tin and Wolfram (Portugal) SA, there is no legal restriction on Almonty's ability to repatriate capital from its subsidiaries.

The Company had \$44,659 in long-term debt (including convertible debentures and capital leases but excluding operating and bank lines) (\$56,497 as at September 30, 2016), comprised of individual facilities with Spanish domiciled banks, one facility with a US subsidiary of an Austrian bank, promissory notes owed to third parties and promissory notes owed to a shareholder and convertible debentures as at September 30, 2017. See Note 10 in the 2017 Annual Financial Statements for additional detail regarding each component of long-term debt.

Summary of Long-term Debt

	2017	2016
Term and other loans - Euro	8,904	10,345
Term and other loans - US dollar	23,289	23,494
Term and other loans - Canadian dollar	4,588	11,010
Convertible debentures	6,725	10,718
Obligations under capital leases	1,153	930
	<u>44,659</u>	<u>56,497</u>
Less: Current portion	(11,497)	(27,172)
	<u>33,162</u>	<u>29,325</u>

Summary of Gearing Ratio

The primary objective of Almonty's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure (composed of shareholders' equity and net debt) and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, Almonty may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. Almonty monitors capital using a gearing ratio, which is net debt, divided by equity plus net debt. Almonty's policy is to maintain the gearing ratio between 5% and 40%. Net debt for this purpose includes interest-bearing loans and borrowings and trade and other payables, less cash and cash

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equivalents and receivables from government tax authorities. Almonty is not exposed to any externally imposed capital requirements.

	2017	2016
Accounts payable and accrued liabilities	22,479	21,799
Bank indebtedness	9,447	4,456
Long-term debt	44,659	56,497
Less: Cash and receivables	(7,265)	(6,361)
Net debt	69,320	76,391
Shareholders' equity	45,625	35,569
Equity and net debt	114,945	111,960
Gearing ratio	60.3%	68.2%

The gearing ratio exceeded the targeted range as at September 30, 2017 and 2016 due to the deterioration in the commodity price environment in 2015 and 2016 having a negative impact on net income (loss). In 2017, the price environment has improved resulting in an improvement in the gearing ratio. The Company is working to improve its profitability, raise additional equity capital and /or reduce its outstanding debt levels in order to return the gearing ratio to targeted levels.

On November 22, 2016, the Company drew down the full amount of the second tranche of the US\$14.0 million working capital loan in the amount of US\$7.0 million and used a portion of the proceeds to repay principal and interest owed to TaeguTec (refer to the discussion of the Sangdong Mine for additional details) in the amount of \$6,550. The balance of the loan was used for general working capital purposes. On April 21, 2017, the Company agreed with the lender of a \$9,415 (US\$7,043) loan, including accrued interest, to terminate the loan, and as consideration, the Company issued 27,562,500 Common shares at a deemed price of \$0.3325 per share, and issue a US\$173 convertible debenture to the lender, which may be converted by the holder into common shares at \$0.265 per share, the closing price of the Company's shares on the day prior to the agreement. The transactions closed on June 23, 2017.

On January 1, 2016 Almonty issued a secured promissory note to DRAG (the "**DRAG Note**") for gross proceeds of US\$1,000, which will mature on January 1, 2017, and bears interest at a rate of 6% per annum, payable at the maturity date. The DRAG Note is secured by the existing security granted to DRAG in connection with the 2015 DRAG Debenture. On January 26, 2017, the Company and DRAG reached an agreement to extend the term of this promissory note until January 1, 2019.

On January 27, 2017, the Company issued a secured promissory note (the "**2017 Note**") for aggregate gross proceeds of US\$1.0 million (the "**2017 Note Financing**"). The Note was issued to DRAG, an existing shareholder of, and lender to, Almonty, matures on January 1, 2019, and bears interest at a rate of 6% payable semi-annually in arrears on July 1 and January 1 each year, per annum, payable in cash or, subject to approval of the TSX Venture Exchange, shares at the option of Almonty up to the maturity date. To the extent interest is paid in shares, such shares would be issued at the 5-day volume weighted average price on the day prior to the issuance. The 2017 Note Financing closed on January 26, 2017 and was funded in two tranches. The first tranche of US\$500 was received on closing and the second tranche was received on March 3, 2017.

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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 (CAD\$9,415) 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, 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\$502 interest due to DRAG on certain debt instruments owing to DRAG.

On September 6, 2017, Almonty announced that two holders of convertible debentures holding an aggregate principal amount of AUD\$500 (CAD\$494) 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 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.

Subsequent to September 30, 2017, the following transactions were completed:

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 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.

On November 9, 2017, the Company announced its intention to initiate a NCIB, with the intention of purchasing up to 7,331,011 common shares, or 4.3% of the shares outstanding at that time, on the open market at the prevailing market price on the TSX-V, with any shares acquired to be cancelled.

On November 14, 2017, Daytal completed a restructuring of its debt facilities, including its loans and lines of credit, totaling \$15,218, resulting in a weighted average interest rate of 2.43% (\$1,786 of the loans have a fixed interest rate, and the remainder are floating rate), with maturity dates that range from 2018 to 2020. As a result, \$11,380 was reclassified as a long-term debt.



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On February 1, 2018, the Company completed the restructuring of a number of loans, subject to regulatory approval, into a convertible debenture (the "Debenture") in the aggregate principal amount of \$5,937 and having a maturity date of January 30, 2020 (the "Maturity Date"). The Debenture is convertible into common shares of Almonty at \$1.00 per share. The Debentures bear interest at a rate of 6.0% 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. There is no voluntary prepayment allowed by the Company, the debenture is subject to covenants customary for such facilities and the lender will be able to nominate a member of the Board of Directors.

Outstanding Share Data

As of the date hereof (February 1, 2018), there were 175,919,141 common shares outstanding, 5,575,000 options outstanding, with each option entitling the holder thereof to acquire one common share of Almonty, 10,224,989 potential shares to be issued upon the exercise of outstanding warrants and 4,137,931 potential shares to be issued upon conversion of outstanding convertible debentures.

As at September 30, 2017 the Company had the following Common Shares outstanding:

	Number of Shares	Amount \$
Authorized - Unlimited number of common shares		
Issued and outstanding		
Outstanding at September 30, 2015	86,484,919	60,827
Shares issued for cash	24,084,440	6,394
Shares issued on debt settlement	329,250	132
Shares repurchased under NCIB	(2,500)	(2)
Outstanding at September 30, 2016	110,896,109	67,351
Shares issued for cash	21,175,000	6,353
Shares issued on debt settlements (Notes 10(b) and 10(c))	34,209,167	11,077
Shares issued to settle interest (Notes 10(b) and 10(d))	2,573,655	1,055
Shares issued on conversion of debentures (Note 10(c))	897,748	514
Outstanding at September 30, 2017	169,751,679	86,350

On October 9, 2015, the Company completed a non-brokered private placement of 625,000 units (the "Units") at a price of \$0.80 per Unit, for gross proceeds of \$500. Each Unit is comprised of one common share in the capital of the Company and one half of one common share purchase warrant (each whole warrant, a "Warrant"), with each Warrant being exercisable to acquire one common share at a price of \$0.90 for a period of two years following the closing date of the placement. The Company allocated the \$500 proceeds between the shares and the warrants issued based on the relative value of the components. The fair value of the shares was based on the market value of the Company's shares on the closing date of \$0.80, and the fair value for the warrants of \$0.346 per warrant was determined using the Black-Scholes



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pricing model using a share price volatility of 87% based on historical volatility, a risk-free rate of 0.56% and no expected dividend yield over the life of the two-year warrant. As a result, \$411 was allocated to share capital and \$89 to contributed surplus.

On March 9, 2016, the Company completed a non-brokered private placement of 10,396,040 units (the "Units") at a price of \$0.25 per Unit, for gross proceeds of \$2,599. 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 at a price of \$0.30 for a period of two years following the closing date of the placement. The Company allocated the \$2,599 proceeds between the shares and the warrants issued based on the relative fair value of the components. The fair value of the shares was based on the market value of the Company's shares on the closing date of \$0.25 and the fair value for the warrants of \$0.104 per warrant was determined using the Black-Scholes pricing model using a share price volatility of 87% based on historical volatility, a risk-free rate of 0.53%, and with expected dividend yield over the life of the two-year warrant. As a result, \$2,152 was allocated to share capital and \$446 to contributed surplus.

On March 31, 2016, the Company completed a non-brokered private placement of 2,463,400 units (the "Units") at a price of \$0.25 per Unit, for gross proceeds of \$616. 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 at a price of \$0.30 for a period of two years following the closing date of the placement. The Company allocated the \$616 proceeds between the shares and the warrants issued based on the relative value of the components. The fair value of the shares was based on the market value of the Company's shares on the closing date of \$0.25 and the fair value for the warrants of \$0.104 per warrant was determined using the Black-Scholes pricing model using a share price volatility of 87% based on historical volatility, a risk-free rate of 0.53%, and no expected dividend yield over the life of the two-year warrant. As a result, \$509 was allocated to share capital and \$107 to contributed surplus.

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. A commission of \$60 was paid in connection with the placement.

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. A commission of \$78 was paid in connection with the placement.

On August 15, 2017, the Company completed the first tranche of a previously announced non-brokered private placement, issuing 16,000,000 Common shares at \$0.30, for gross proceeds of \$4,800. The shares were purchased by the Chairman, Chief Executive Officer and President of the Company. The shares issued are subject to a four month hold period.

On August 17, 2017, the Company completed the second tranche of the previously announced non-brokered private placement, issuing 5,175,000 Common shares at \$0.30, for gross proceeds of \$1,552. The shares were purchased by the Chairman, Chief Executive Officer and President of the Company. The shares issued are subject to a four month hold period.



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Shares issued on debt settlements -

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

On June 26, 2017, the Company completed an agreement to settle a loan, including interest of \$9,325 (US\$7,043) by issuing 27,562,500 common shares and issuing \$230 (US\$173) convertible debenture to the lender. The value ascribed to the shares issued was \$6,891, based on for \$0.25 per share. See Note 10(b).

On June 26, 2017, the Company completed an agreement to settle \$422 of interest owing on a debenture by issuing 1,206,574 common shares and settled \$79 of unpaid interest on a Promissory note by issuing 283,914 common shares. The value ascribed to the shares issued was \$372, based on \$0.25 per share. See Notes 10(b) and 10(d).

On September 15, 2017, the Company settled its \$4,000 convertible debenture by issuing 6,646,667 common shares and settled \$327 of unpaid interest on the debenture by issuing 1,083,167 common shares. The value ascribed to the shares issued was \$4,187 and \$643 for the debenture and interest, respectfully, based on \$0.63 per share. See Note 10(d).

Shares repurchased under NCIB

The Company commenced a Normal Course Issuer Bid ("NCIB") on December 29, 2014 which terminated on December 28, 2015. During the year ended September 30, 2016, 2,500 shares were purchased for \$2. The purchased shares were cancelled.

The Company announced a NCIB on September 26, 2016, under which it intends 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 with shares purchased to be cancelled. No shares have been purchased under this NCIB. This NCIB expired on X, 2017.

On August 18, 2017, the Company issued 1,675,000 incentive stock options to its directors, officers, employees and/or consultants. The options are exercisable for a period of 10 years and enable the holder to purchase a common share at a price of \$0.33 per share.

Subsequent to September 30, 2017, the following transactions were completed:

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 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.



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On November 9, 2017, the Company announced its intention to initiate a NCIB, with the intention of purchasing up to 7,331,011 common shares, or 4.3% of the shares outstanding at that time, on the open market at the prevailing market price on the TSX-V, with any shares acquired to be cancelled.

On November 14, 2017, Daytal completed a restructuring of its debt facilities, including its loans and lines of credit, totaling \$15,144, with a weighted average interest rate of 2.43% (\$1,786 of the loans have a fixed interest rate, and the remainder are floating rate), with maturity dates that range from 2018 to 2020.

On February 1, 2018, the Company completed the restructuring of a number of loans, subject to regulatory approval, into a convertible debenture (the "Debenture") in the aggregate principal amount of \$5,937 and having a maturity date of January 30, 2020 (the "Maturity Date"). The Debenture is convertible into common shares of Almonty at \$1.00 per share. The Debentures bear interest at a rate of 6.0% 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. There is no voluntary prepayment allowed by the Company, the debenture is subject to covenants customary for such facilities and the lender will be able to nominate a member of the Board of Directors.

Outstanding options as at September 30, 2017:

The Company has established a stock option plan for its directors, officers, employees and technical consultants under which the Company may grant options to acquire a maximum number of common shares equal to 10% of the total issued and outstanding common shares of the Company. As of the date hereof there are 5,575,000 options outstanding, all of which are under this stock option plan, which was last approved by the Company's shareholders at the Company's Annual and Special Meeting of Shareholders held on May 1, 2017. All of the outstanding options are fully vested.

	Number of Share Options
Options outstanding at September 30, 2015	4,443,546
Options expired/forfeited	(125,387)
Options granted	950,000
Options outstanding at September 30, 2016	5,268,159
Options expired/forfeited	(1,468,159)
Options granted	1,775,000
Options outstanding at September 30, 2017	5,575,000

As of September 30, 2017, the outstanding options, all of which are exercisable, are summarized as follows:

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Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
\$0.33 - \$0.75	3,075,000	8.9 years	\$0.465
\$0.76 - \$0.99	1,100,000	7.8 years	\$0.802
\$1.00 - \$1.70	1,400,000	4.3 years	\$1.011
	5,575,000	7.5 years	\$0.670

The Company issued warrants in connection with financing and acquisitions. The outstanding warrants as of September 30, 2017, are summarized as follows:

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

4. Quarterly Earnings and Cash Flow

	1 st Quarter (2017)	2 nd Quarter (2017)	3 rd Quarter (2017)	4 th Quarter (2017)
Period Ended	December 31, 2016	March 31, 2017	June 30, 2017	Sept 30, 2017
	\$'000	\$'000	\$'000	\$'000
Total Revenue	7,060	10,175	10,974	10,810
Net income (loss)	(4,553)	(3,499)	(911)	721
Basic earnings (loss) per share				
Diluted earnings (loss) per share	(\$0.04)	(\$0.03)	(\$0.01)	\$0.00
Total assets	(\$0.04)	(\$0.03)	(\$0.01)	\$0.00
Total long-term debt	59,260	59,327	48,387	44,659
Dividend	-	-	-	-

	1 st Quarter (2016)	2 nd Quarter (2016)	3 rd Quarter (2016)	4 th Quarter (2016)
Period Ended	December 31, 2015	March 31, 2016	June 30, 2016	Sept 30, 2016
	\$'000	\$'000	\$'000	\$'000
Total Revenue	8,181	10,377	8,280	10,472
Net income (loss)	(5,243)	(4,467)	(3,132)	(8,384)



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Basic earnings (loss) per share	(\$0.06)	(\$0.05)	(\$0.03)	(\$0.08)
Diluted earnings (loss) per share	(\$0.06)	(\$0.05)	(\$0.03)	(\$0.08)
Total assets	119,200	163,640	166,358	167,766
Total long-term debt	45,114	49,096	55,737	56,497
Dividend	-	-	-	-

5. Critical Accounting Estimates

The preparation of Almonty's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. In particular, information about significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements is described in more detail in Note 3 and Note 8 of the 2017 Audited Annual Financial Statements.

6. New Accounting Standards and Interpretations

New Accounting Standards and Interpretations Not Yet Adopted

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

Disclosure Initiatives (Amendments to IAS 7)

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are effective for the Company on October 1, 2017.

To satisfy the new disclosure requirements, the Company intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

IFRS 9 - Financial Instruments

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

Most requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. IFRS 9 also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship.

IFRS 9 is effective for the Company on October 1, 2018. The Company does not expect to adopt IFRS 9 prior to its mandatory effective date. The Company is currently evaluating the impact that IFRS 9 will have on the consolidated financial statements.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers was issued by the IASB in May 2014. IFRS 15 supersedes the IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue - Barter Transactions Involving Advertising Services. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

The new standard is effective for the Company on October 1, 2018. The Company does not expect to adopt IFRS prior to its mandatory effective date. The Company is currently evaluating the impact that IFRS 15 will have on the consolidated financial statements.

IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16 – Leases (“IFRS 16”), which replaces IAS 17 – Leases (“IAS 17”) and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12-months or less or the underlying asset has a low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting in IAS 17 with the distinction between operating leases and finance leases being retained while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease.

The new standard is effective for the Company on October 1, 2019. The Company does not expect to adopt IFRS prior to its mandatory effective date. The impact that adoption of IFRS 16 will have on the consolidated financial statements has not yet been determined.

7. Related Party Transactions

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 (2016 - \$561). No amounts are owing to key management personnel. In addition, for the year ended September 30, 2017 \$312 (2016 - \$150) 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. 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.



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The Company has a convertible debenture of \$6,000 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 of interest owing on the debenture was settled by issuing 1,206,574 common shares. During 2017, the Company settled its \$4,000 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 of secured promissory notes to DRAG during fiscal 2016 and 2017 and, during 2017, the Company settled \$79 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) As of September 30, 2017, there is \$268 (2016 - \$621) of unpaid interest on these loans included in accounts payable and accrued liabilities.

8. General

Summary of the Company's Long-Term Supply Agreements

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

The Company entered into Amendment No. 2 of the Los Santos Supply Agreement and Amendment No. 1 of the Wolfram Camp Supply Agreement on April 20, 2015 where by the pricing mechanism was adjusted to reflect the inclusion of a secondary source for pricing of APT as well an adjustment to the timing of the monthly average APT price used in the determining the selling price of concentrate. The revised pricing mechanism does not go into effect until the quoted price for APT shows an increase in the monthly average price when compared to the prior month for a period of three consecutive months. In exchange for agreeing to these amendments, Almonty received prepayment for four containers of concentrate totaling \$1,355. The Company was obligated to deliver these containers prior to the end of March 2016, which was done, with the agreement of the customer, prior to June 30, 2016.

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

The Company entered into Amendment No. 4 of the Los Santos Supply Agreement on April 1, 2016 whereby the Company amended the pricing mechanism under the contract.

The Company entered into Amendment No. 5 of the Los Santos Supply Agreement on February 1, 2017 whereby the Company amended the pricing mechanism under the contract.



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The Company entered into Amendment No. 6 of the Los Santos Supply Agreement on February 22, 2017 whereby the Company amended the contracted volumes deliverable under the contract.

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

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

Issuance of Shares for Settlement of Debt

On June 26, 2017, the Company agreed with the lender of a \$9,415 (US\$7,043) loan, including accrued interest, to terminate the loan, and as consideration, the Company will issue 27,562,500 Common shares at a deemed price of \$0.3325 per share, and issue a US\$173 convertible debenture to the lender, which may be converted by the holder into common shares at \$0.265 per share, the closing price of the Company's shares on the day prior to the agreement.

On June 26, 2017, the Company agreed with DRAG to extend the maturity date of its \$6,000 convertible debenture to March 22, 2019, with all other terms remaining as originally stated. The Company and DRAG also agreed to settle \$422 of unpaid interest on this loan by the Company issuing 1,206,574 common shares, at \$0.35 per share. In addition, the Company and DRAG agreed to settle \$79 of unpaid interest on the US\$1,000 promissory note issued on January 1, 2016 by the Company issuing 283,914 common shares, at \$0.28 per share.

On September 15, 2017, the Company settled its \$4,000 convertible debenture by issuing 6,646,667 common shares and settled \$327 of unpaid interest on the debenture by issuing 1,083,167 common shares. The value ascribed to the shares issued was \$4,187 and \$643 for the debenture and interest, respectfully, based on \$0.63 per share.

Risks and Uncertainties

The Company operates in the mining industry, which is subject to numerous significant risks that can influence profitability. The Company has disclosed several risks below which it believes to be the most significant and that could have a material impact on its current and future operations. Other risks may exist or may arise at a future date. For additional, and more detailed, risk factors, please see the Company's Annual Information Form dated February 1, 2018, under the heading "Risk Factors".

Financial Risks

Financial Risk Management Objectives and Policies

Almonty's principal financial instruments comprise cash deposits, bank indebtedness and long-term debt. The main purpose of these instruments is to provide cash flow funding for the operations of Almonty and its subsidiaries. Almonty has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from operations.

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

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Interest rate risk

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

Of the bank indebtedness and long-term debt totaling \$44,659, \$33,533 is subject to floating interest rates and \$20,573 is subject to fixed interest rates. A portion of the floating rate debt totaling \$12,740 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 change in annual interest costs. The remaining floating rate debt of \$20,793 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 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.

Foreign currency risk

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:

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

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

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	Currency	Carrying Value (\$)
Trade receivables	US\$	1,419
Accounts payable and accrued liabilities	£	111
Accounts payable and accrued liabilities	US\$	51
Deferred revenue	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.

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

	Currency	Carrying Value (\$)
Accounts payable and accrued liabilities	US\$	389

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

Commodity price risk

Almonty's policy is to maintain exposure to commodity price movements at its mining operations. However, from time to time, the Company may enter into contracts to fix the price of the product it sells for periods of time it deems appropriate. The timing and amounts of payments of interest and principal under one of the Company's credit facilities is based on APT pricing levels (Note 10(b) in the Q4 2017 Financial Statements).

Credit risk

The carrying value of the cash and cash equivalents, trade receivables and restricted cash totaling \$7.6 million represents Almonty's maximum exposure to credit risk. .

Liquidity risk

The Company's objective is to use cash and cash equivalents, finance leases, and third party short and long-term loans (see Notes 5 and 10 for debt maturities) and equity in order to maintain liquidity. Almonty's policy is to maximize liquidity in order to enable the continued development of the mines and operations of the plants and to enable the development of its projects. All financial liabilities with a contractual term of 12 months or less are classified as current. The Company is currently pursuing debt and equity financing opportunities to increase its liquidity.

Economic Dependency

Daytal, Beralt and together with Almonty, are parties to the Supply Agreements with one customer. Currently greater than 40% of all the revenue earned by the Company's operations was sold to the customer. Almonty is economically dependent on the revenue received from the customer in order to be able to meet its current obligations and is subject to the pricing terms set out in the Supply Agreements. There is no guarantee that Almonty would be able to find an alternative customer or customers on terms

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similar to its existing Supply Agreements should the customer cease operations or become unable to pay Almonty under the Supply Agreements. See Section 8, "Objectives and Outlook – Summary of the Company's Long-Term Supply Agreements", in this MD&A for further details.

Tungsten Market

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

Operational Risks

Production

Daytal's contract with Movimentos de Tierras Y Excavaciones, S.L.U. ("MOVITEX"), under which MOVITEX carries out contract mining activities for Daytal at the Los Santos Mine, was entered into for the life of the Los Santos Mine with an effective date of January 15, 2014. Daytal currently does not have any mining capabilities of its own and relies on MOVITEX for all mining activity, including waste rock removal, pit development and delivery of ore to Daytal's crushing and processing plant. There is no guarantee that Daytal would be able to replace MOVITEX with another contract mining firm if MOVITEX were no longer able to provide contract mining services to Daytal. Any disruption in the contract mining services 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.

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Laws and Regulations

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

Licenses and Permits

There can be no guarantees that the Company will be able to obtain or maintain all the necessary licenses and permits to extract and process minerals, explore, develop, or maintain its continued operations, or that the Company will be able to comply with all the conditions imposed. The current operating permits and plant capacity limitations at the Los Santos Mine allows Almonty to process up to 500,000 tonnes of ore per annum. The current operating permits and plant capacity limitations at the Wolfram Camp Mine allow Almonty to process between 400,000 and 540,000 tonnes of ore per annum. Any increase in available ore or significant increase in the concentration of tungsten contained in the ore may require the Company to expand its production and processing capabilities. The current operating permits and plant capacity limitations at the Panasqueira Mine allow Almonty to process up to 865,000 tonnes of ore per annum. Almonty completed an engineering study at the Sangdong Mine and was granted all the necessary surface permits enabling the Company to begin building the Sangdong Mine. The Company is working with POSCO as its EPC contractor for the construction of the mine and anticipates beginning the buildout of the mine once funding for the project has been secured. There is no guarantee that Almonty will be able to raise sufficient capital to fund the construction of the Sangdong Mine.

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

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

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

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



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Year ending September 30:

2018	489
2019	357
2020	49
	<hr/>
	895
	<hr/>

The Company files applications in the ordinary course to renew the permits associated with its mining license that it deems necessary and/or advisable for the continued operation of its business. Certain of the Company's permits to operate that are associated with the mining license are currently under application for renewal. There is no guarantee that Almonty will be able to renew the necessary permits in order to continue operating.

For Fiscal 2017, Almonty has recognized a restoration provision of \$697 (September 30, 2016 - \$662) with respect to Daytal's future obligation to restore and reclaim the mine once it has ceased to mine tungsten ore from the Los Santos Mine. The restoration provision represents the present value of rehabilitation costs relating to the mine site which are expected to be incurred in 2021 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 WO₃ 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 2018 (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

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mine plan in February 2015. This policy was renewed in July 2017 and will be renewed again upon final approval of the mine plan as filed.

Banco Popular has posted a bank warranty of €180 (\$265) 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 as at September 30, 2017 (September 30, 2016 - \$2,269) with respect to WCM's future obligation to restore and reclaim the mine once it has ceased to mine tungsten and molybdenum ore from Wolfram Camp Mine. The restoration provision represents the present value of rehabilitation costs relating to the mine site which are expected to be incurred subsequent to 2023 after the mine ceases production based on the current reserve and resource estimate. This provision has been created based on Almonty's internal estimates. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. Actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect current market conditions at that time. The timing of the rehabilitation is likely to depend on when the Wolfram Camp Mine ceases to produce at economically viable rates. This in turn will depend on Almonty's ability to extend the mine life years through additional exploration and also on the future price of WO₃ concentrate.

As at September 30, 2017, Almonty had \$1,300 (September 30, 2016 - \$1,336) in restricted cash on deposit with the Queensland Government, Department of Natural Resources and Mines as required by the Department of Environment and Heritage Protection, based on the mine plan in effect as at September 30, 2015.

There is a restoration provision of \$247 (September 30, 2016-\$272) with respect to the Sangdong Mine based on the amount assessed by the relevant local government authorities.

Almonty assumed, on the acquisition of the Panasqueira mine, a restoration provision of \$34,910, which as at September 30, 2017 has a balance of \$29,184 (September 30, 2016 - \$41,860) with respect to the Panasqueira Mine's future obligation to restore and reclaim the mine once it has ceased to mine ore. The restoration provision represents the present value of rehabilitation costs relating to the mine site which are expected to be incurred subsequent to 2033 after the mine ceases production. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. Actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect current market conditions at that time. The timing of the rehabilitation is likely to depend on when the mine ceases to produce at economically viable rates. This in turn will depend on Almonty's ability to extend the mine life years through additional exploration and also on the future price of WO₃ concentrate.

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

Balance at September 30, 2015	2,987
Revisions in estimated cash flows and changes in assumptions	7,462
Provision assumed on acquisition	34,910
Accretion expense	412
Translation adjustment	(708)
Balance at September 30, 2016	45,063
Revisions in estimated cash flows and changes in assumptions	(12,763)
Accretion expense	133
Translation adjustment	(98)
Balance at September 30, 2017	32,335

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.

9. Disclosure of Internal Controls

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the Q4 2017 Financial Statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited interim condensed consolidated financial statements, and (ii) the Q4 2017 Financial Statements fairly present in all material respects the financial

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condition, results of operations and cash flow of the Company, as of and for the three and twelve months ended September 30, 2017.

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

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's generally accepted accounting principles.

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

10. Management's Responsibility for Financial Statements

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

February 1, 2018
On behalf of Management and the Board of Directors,

“Lewis Black”

Chairman, President and Chief Executive Officer

Glossary of Terms

APT	ammonium para tungstate is an intermediate product which is one of the principal chemical forms in which tungsten is traded
Concentrates	the valuable fraction of an ore that is left after waste material is removed in processing
€	Euros
MB	Metal Bulletin of London
MTU	metric tonne unit, equal to 1 percent of a metric tonne or 10 kg (22.046 pounds) of contained WO ₃
NI 43-101	National Instrument 43-101 – <i>Standards of Disclosure for Mineral Projects</i>
Scheelite	a brown tetragonal mineral, CaWO ₄ . It is found in pneumatolytic veins associated with quartz, and fluoresces to show a blue color. Scheelite is a mineral of tungsten
Tonne	a metric unit equal to 1,000kg (2,204.6 pounds)
Tungsten concentrates	concentrates generally containing between 40 and 75 percent WO ₃
US\$	United States dollars
W	the elemental symbol for tungsten
WO ₃	tungsten tri-oxide, a compound of tungsten and oxygen