RCG CAPITAL INC.

FILING STATEMENT

September 14, 2011

Neither the TSX Venture Exchange Inc. nor any securities regulatory authority has in any way passed upon the merits of the Qualifying Transaction described in this Filing Statement.

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GLOSSARY

The following is a glossary of certain terms used in this Filing Statement. Terms and abbreviations used in the financial statements of RCG and Daytal and the pro-forma consolidated balance sheet of the Resulting Issuer in the schedules to this Filing Statement are defined separately and the terms and abbreviations defined below are not used therein, except where otherwise indicated. Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders. All capitalized terms not otherwise defined herein have the meanings ascribed to them in the policies of the Exchange.

"**Acquisition**" means the acquisition of all of the issued and outstanding shares in the capital of Daytal by Almonty Sub, as contemplated by the Daytal Acquisition Agreement and the Assignment Notice.

"**Affiliate**" means a Company that is affiliated with another Company as described below.

A Company is an "Affiliate" of another Company if:

(a) one of them is the subsidiary of the other; or

(b) each of them is controlled by the same Person.

A Company is "controlled" by a Person if:

(a) voting securities of the Company are held, other than by way of security only, by or for the benefit of that Person; and

(b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the Company.

A Person beneficially owns securities that are beneficially owned by:

(a) a Company controlled by that Person; or

(b) an Affiliate of that Person or an Affiliate of any Company controlled by that Person.

"**Agency Agreement**" means the agency agreement dated August 26, 2011, between the Agents, Almonty Sub, Almonty and RCG in respect of the Financing.

"**Agents**" has the meaning specified in "*Information Concerning the Acquisition, the Financing and the Transaction – The Financing*".

"**Alex Stewart**" has the meaning specified in "*Information Concerning Daytal – The Los Santos Project – Sample Preparation, Analyses and Security – Laboratory Sample Analysis*".

"**Almonty**" means Almonty Partners LLC, a limited liability company existing under the laws of the State of Delaware.

"**Almonty Numberco**" means 1127607 Almonty Inc., a corporation existing under the laws of the State of Delaware.

"**Almonty Sub**" means 7887523 Canada Inc., a corporation existing under the federal laws of Canada, and a wholly-owned subsidiary of Almonty.

"**Almonty Sub Agents Warrants**" means the warrants of Almonty Sub exercisable to purchase common shares of Almonty Sub granted to the Agents in connection with the Financing.

"**Almonty Sub Shares**" means all issued and outstanding securities of Almonty Sub at the closing of the Transaction, representing a 100% interest in Almonty Sub (except for the Heemskirk Warrants and the Almonty Sub Agents Warrants), including: (i) the 13,850,420 common shares of Almonty Sub outstanding at the date of this Filing Statement, (ii) the common shares issued by Almonty Sub in connection with the Financing and the Acquisition, (iii) any shares or securities into which common shares of Almonty Sub may be converted, reclassified, redesigned, subdivided, consolidated or otherwise changed, and (iv) any shares or securities received as a result of any merger, amalgamation, reorganization, arrangement or other similar transaction involving Almonty Sub.

"**Almonty Sub Warrants**" means the Heemskirk Warrants and the Almonty Sub Agents Warrants.

"**APT**" has the meaning specified in "*Information Concerning Daytal – Narrative Description of the Business – The Tungsten Market – Background*".

"**Assignment Notice**" means the notice dated June 10, 2011, delivered by Almonty Numberco and Almonty Sub, pursuant to which Almonty Numberco assigned all its rights to Almonty Sub and Almonty Sub agreed to perform all obligations of Almonty Numberco under the Daytal Acquisition Agreement.

"**Associate**" when used to indicate a relationship with a person or company, means:

(a) an issuer of which the person or company beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer;

(b) any partner of the person or company;

(c) any trust or estate in which the person or company has a substantial beneficial interest or in respect of which a person or company serves as trustee or in a similar capacity;

(d) in the case of a person, a relative of that person, including:

(i) that person's spouse or child; or

(ii) any relative of the person or of his spouse who has the same residence as that person;

but

(e) where the Exchange determines that two persons shall, or shall not, be deemed to be associates with respect to a Member firm, Member corporation or holding company of a Member corporation, then such determination shall be determinative of their relationships in the application of Rule D.1.00 of the TSX Venture Exchange Rule Book and Policies with respect to that Member firm, Member corporation or holding company.

"**BCBCA**" means the *Business Corporations Act* (British Columbia) S.B.C. 2002 c.57, as amended, including the regulations promulgated thereunder.

"**Billiton**" means Billiton Española, S.A.

"**Bolder**" means Bolder Investment Partners, Ltd., the agent in connection with RCG's initial public offering.

"**Company**" unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.

"**Completion of the Qualifying Transaction**" means the date the Final Exchange Bulletin is issued by the Exchange.

"**Consolidation**" means the consolidation of all of the issued and outstanding RCG Shares on a basis determined by the Exchange Ratio.

"**Control Person**" means any person or company that holds or is one of a combination of persons or companies that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer.

"**Cormark**" means Cormark Securities Inc.

"**CPC**" means a corporation:

(a) that has been incorporated or organized in a jurisdiction in Canada;

(b) that has filed and obtained a receipt for a preliminary CPC Prospectus from one or more of the securities regulatory authorities in compliance with the CPC Policy; and

(c) in regard to which the Completion of the Qualifying Transaction has not yet occurred.

"**CPC Escrowed Shares**" means the RCG Shares issued to non-arm's length parties of RCG that are held in escrow pursuant to the Escrow Agreement.

"**CPC Policy**" means Exchange Policy 2.4 – *Capital Pool Companies*.

"**Daytal**" means Daytal Resources Spain, S.L., a corporation existing under the laws of Spain, and the direct owner of the Los Santos Project.

"**Daytal Acquisition Agreement**" means the agreement made April 1, 2011, between Heemskirk, HSK Europe, Daytal, Almonty Numberco and Almonty, which sets out the terms of the Acquisition and contemplates the Financing and the Transaction, and was subsequently assigned by Almonty Numberco to Almonty Sub pursuant to the Assignment Notice.

"**Daytal Share**" means a common share in the capital of Daytal.

"**Escrow Agent**" means Computershare Trust Company of Canada.

"**Escrow Agreement**" means the Exchange Form 2F CPC Escrow Agreement dated February 10, 2010, among RCG, the Transfer Agent as escrow agent and certain security holders of RCG.

"**Escrow Release Conditions**" has the meaning specified in "*Information Concerning the Acquisition, the Financing and the Transaction – The Financing – Subscription Receipts*".

"**Exchange**" means the TSX Venture Exchange Inc.

"**Exchange Acceptance**" means the conditional acceptance by the Exchange of the transactions contemplated under the Share Purchase Agreement and any applicable related transaction agreements.

"**Exchange Ratio**" equals 6.67, being the basis upon which the RCG Shares will be consolidated, and is calculated as follows:

Exchange Ratio = A ÷ B, where

A = $1.00, being the price paid per security of Almonty Sub by the Other Shareholders in connection with the Financing; and

B = $0.15, being the value ascribed to each RCG Share.

"**Filing Statement**" means this filing statement of RCG prepared and filed in accordance with the CPC Policy as it may be amended, restated or supplement from time to time and includes all schedules attached hereto.

"**Final Exchange Bulletin**" means the Exchange Bulletin which is issued following closing of the Qualifying Transaction and the submission of all required documentation that evidences the final Exchange acceptance of the Qualifying Transaction.

"**Financing**" has the meaning specified in "*Summary – Financing*".

"**GAAP**" means Generally Accepted Accounting Principles.

"**GTP**" means Global Tungsten and Powders Corp.

"**Heemskirk**" means Heemskirk Consolidated Limited, a corporation existing under the laws of Australia.

"**Heemskirk Almonty Sub Shares**" means the Almonty Sub Shares owned legally and beneficially by Heemskirk immediately prior to the closing of the Transaction.

"**Heemskirk Warrants**" means the warrants owned by Heemskirk immediately prior to the closing of the Transaction that may be exercised to purchase Almonty Sub Shares, issued to Heemskirk by Almonty Sub in connection with the Acquisition, as contemplated in the Daytal Acquisition Agreement.

"**HSK Europe**" means Heemskirk Europe PLC, a corporation existing under the laws of the United Kingdom.

"**HSK TSP**" has the meaning specified in "*Information Concerning Daytal – Management Contracts*".

"**HSK TSP Management Services Agreement**" has the meaning specified in "*Information Concerning Daytal – Management Contracts*".

"**IFRS**" means International Financial Reporting Standards.

"**Initial Listing Requirements**" has the meaning specified in Exchange Policy 2.1 – *Initial Listing Requirements*.

"**Insider**" if used in relation to an issuer, means:

(a) a director or senior officer of the issuer;

(b) a director or senior officer of the Company that is an Insider or subsidiary of the issuer;

(c) a Person that beneficially owns or controls, directly or indirectly, Voting Shares carrying more than 10% of the voting rights attached to all outstanding Voting Shares of the issuer; or

(d) the issuer itself if it holds any of its own securities.

"**Issuer**" means a Company and its subsidiaries which have any of its securities listed for trading on the Exchange and, as the context requires any applicant Company seeking a listing of its securities on the Exchange.

"**Los Santos Project**" means the tungsten mining project located near Salamanca, Spain which is directly owned by Daytal.

"**Los Santos Technical Report**" has the meaning specified in "*Information Concerning Daytal – The Los Santos Project – General*".

"**Management Services Agreement**" has the meaning specified in "*Information Concerning Daytal – Management Contracts*".

"**MD&A**" means management's discussion and analysis.

"**Member**" means a member of the Exchange as defined in the TSX Venture Exchange Rule Book and Policies.

"**Name Change**" means the change of name of RCG immediately prior to the closing of the Transaction to "Almonty Industries Inc." or such other name determined by Almonty Sub and acceptable to the Exchange.

"**Named Executive Officers**" has the meaning specified in "*Information Concerning Daytal – Executive Compensation – Summary Compensation Table*".

"**NI 43-101**" means National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*, as may be amended from time to time.

"**Non Arm's Length Party**" means in relation to a Company, a Promoter, officer, director, other Insider or Control Person of that Company (including an Issuer) and any Associates or Affiliates of any of such Persons. In relation to an individual, Non Arm's Length Party means any Associate of the individual or any Company of which the individual is a Promoter, officer, director, Insider or Control Person.

"**Non Arm's Length Qualifying Transaction**" means a proposed Qualifying Transaction where the same party or parties or their respective Associates or Affiliates are Control Persons in both the CPC and in relation to the Significant Assets which are to be the subject of the proposed Qualifying Transaction.

"**Other Shareholders**" means the Persons participating in the Financing who will become holders of Subscription Receipts upon completion of the Financing that will be automatically exchangeable into Other Shareholders Shares immediately prior to the closing of the Transaction in the event that certain specified conditions required in connection with the Financing are satisfied.

"**Other Shareholders Shares**" means the Almonty Sub Shares owned by the Other Shareholders immediately prior to the closing of the Transaction.

"**Outside Date**" means September 30, 2011.

"**Payment Shares**" means that number of fully paid and non-assessable RCG Shares equal to the number of issued and outstanding Almonty Sub Shares immediately prior to the closing of the Transaction, to be issued to shareholders of Almonty Sub in exchange for all of the issued and outstanding Almonty Sub Shares pursuant to the Share Purchase Agreement.

"**Person**" means a Company or individual.

"**Promoter**" has the meaning specified in the *Securities Act* (British Columbia).

"**Prospectus**" means a disclosure document required to be prepared in connection with a public offering of securities and which complies with the form and content requirements of a prospectus as described in applicable Securities Laws.

"**Purchase Price**" means the price per Almonty Sub Share that is equal to the price paid per Subscription Receipt by the Other Shareholders in connection with the Financing.

"**Qualifying Transaction**" means a transaction where a CPC acquires Significant Assets other than cash, by way of purchase, amalgamation, merger or arrangement with another company or by other means, and in this Filing Statement means the Transaction.

"**RCG**" means RCG Capital Inc., a CPC pursuant to the CPC Policy, existing under the laws of British Columbia.

"**RCG Agents Warrants**" means warrants exercisable to purchase RCG Shares, to be issued in exchange for the Almonty Sub Agents Warrants at the closing of the Transaction.

"**RCG Brokers Options**" means the 150,000 remaining agent's options granted to Bolder in connection with RCG's initial public offering.

"**RCG Heemskirk Warrants**" means warrants exercisable to purchase RCG Shares, to be issued in exchange for the Heemskirk Warrants at the closing of the Transaction.

"**RCG Options**" means the currently outstanding options to purchase RCG Shares previously granted under the Stock Option Plan.

"**RCG Principals**" means George Brazier, Robert Lipsett, Foo Chan, Carl Pescio, Greg Hryhorchuk and Yewbrook Capital Inc.

"**RCG Resulting Issuer Options**" means the RCG Options, upon completion of the Transaction and after adjustment to reflect the Consolidation and the Transaction.

"**RCG Share**" means a common share in the capital of RCG.

"**RCG Warrants**" means the RCG Agents Warrants and the RCG Heemskirk Warrants.

"**Resulting Issuer**" means the issuer that was formerly a CPC that exists upon issuance of the Final Exchange Bulletin and in this Filing Statement means RCG following completion of the Transaction and issuance of the Final Exchange Bulletin.

"**Resulting Issuer Shares**" means the common shares in the capital of the Resulting Issuer upon completion of the Transaction.

"**Securities Laws**" means securities legislation, securities regulation and securities rules, as amended, and the policies, notices, instruments, and blanket orders enforced from time to time that are applicable to an Issuer.

"**Services**" has the meaning specified in "*Information Concerning Daytal – Material Contracts*".

"**Share Purchase Agreement**" means the agreement dated June 10, 2011, between RCG, Almonty and Almonty Sub, pursuant to which RCG will acquire all of the issued and outstanding securities of Almonty Sub in exchange for the issuance of RCG Shares and RCG Warrants, which was filed on SEDAR by RCG on June 10, 2011, and is available under RCG's publicly filed documents at www.sedar.com.

"**Significant Assets**" means one or more assets or businesses which, when purchased, optioned or otherwise acquired by the CPC, together with any other concurrent transactions, would result in the CPC meeting the initial listing requirements of the Exchange, and in this Filing Statement means the Almonty Sub Shares.

"**Sponsor**" has the meaning specified in the Sponsorship Policy.

"**Sponsorship Policy**" means Exchange Policy 2.2 – *Sponsorship and Sponsorship Requirements.*

"**Stock Option Plan**" means the 10% rolling stock option plan adopted by RCG, as described at *"Information Concerning RCG – Stock Option Plan".*

"**Subscription Receipts**" means the subscription receipts issued pursuant to the Financing and convertible into Almonty Sub Shares immediately prior to the closing of the Transaction.

"**Supply Agreement**" means the supply agreement between Heemskirk and GTP dated May 10, 2007, as amended on November 27, 2008 and as further amended on May 26, 2010.

"**SyL**" has the meaning specified in "*Information Concerning Daytal – Material Contracts*".

"**SyL Agreement**" has the meaning specified in "*Information Concerning Daytal – Material Contracts*".

"**Target Company**" means a Company to be acquired by the CPC as its Significant Asset pursuant to a Qualifying Transaction, and for the purposes of this Filing Statement means Daytal.

"**Transaction**" means the acquisition of all of the issued and outstanding securities of Almonty Sub by RCG, as contemplated by the Share Purchase Agreement.

"**Transfer Agent**" means Computershare Investor Services Inc.

"**Undertakings**" has the meaning specified in "*Information Concerning the Acquisition, the Financing and the Transaction – The Financing*".

"**Value Security Escrow Agreements**" means the Value Security Escrow Agreements on Exchange Form 5D to be entered into among the Resulting Issuer, the Transfer Agent and each of Heemskirk and Almonty.

"**Value Security Escrowed Shares**" means the Resulting Issuer Shares to be issued to Heemskirk and Almonty that will be held in escrow pursuant to the Value Security Escrow Agreements.

"**Vendors**" means one or all of the beneficial owners of the Significant Assets (other than the Target Company), and for the purposes of this Filing Statement means, collectively, Heemskirk, HSK Europe and Daytal.

"**XRF**" has the meaning specified in "*Information Concerning Daytal – The Los Santos Project – Sample Preparation, Analyses and Security – Laboratory Sample Analysis*".

FORWARD-LOOKING STATEMENTS

This Filing Statement contains "forward-looking information" within the meaning of applicable Canadian Securities Laws and which is prospective in nature. Forward-looking information by its nature requires an issuer to make assumptions and is subject to inherent risks and uncertainties. Generally, but not always, forward-looking information is identifiable by the use of the words "continue", "expect", "anticipate", "estimate", "forecast", "believe", "intend", "schedule", "budget", "plan" or "project", or the negative or other variations of these words or comparable terminology, or states that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. In this Filing Statement, forward-looking information includes, but is not limited to, statements about future financial and operating performance, strategic plans, future operations, cost estimates, realization of mineral resources, results of exploration, future work programs, capital expenditures and objectives, evolution and economic performance of development projects, timing of exploration and development projects, costs, timing and location of future drilling, timing exploration budgets and targets, continuity of a favourable tungsten market, contractual commitments, environmental and reclamation expenses, continuous availability of required manpower, continuous access to capital markets, the anticipated use of funds by the Resulting Issuer, and the expected closing date of the transactions described herein. Certain information concerning RCG, Almonty Sub and Daytal, including completion of the Acquisition, the Financing and the Transaction, may constitute forward-looking statements under applicable Securities Laws and necessarily involve known and unknown risk factors. Readers are cautioned not to place undue reliance on forward-looking statements.

In connection with such forward-looking information, RCG, Almonty Sub and Daytal have made certain assumptions about the Resulting Issuer's business, the economy and the mineral exploration industry in general and have also assumed that contracted parties provide goods and services on agreed timeframes, plant and equipment work as anticipated, required regulatory approvals, including of the Exchange, are received, no unusual geological or technical problems occur, no material adverse change in the price of tungsten occurs and no significant events occur outside of the normal course of business for RCG, Almonty Sub or Daytal.

Readers are cautioned not to place undue reliance on the forward-looking information in this Filing Statement, because a number of factors, known and unknown, could cause actual results to differ materially from a conclusion, forecast or projection contained in the forward-looking information. There can be no assurance that forward-looking information will prove to be accurate. The following, among other things, are material factors that could cause actual results to differ materially from a conclusion, forecast or projection contained in the forward-looking information in this Filing Statement: the inability of the Resulting Issuer to maintain its interest in its mineral projects or to obtain or comply with all required permits and licences, risks normally incidental to exploration and development of mineral properties, uncertainties in the interpretation of drill results, the possibility that future exploration, development or mining results will not be consistent with expectations, changes in governmental regulation adverse to the Resulting Issuer, lack of adequate infrastructure at the mineral properties, environmental risks, economic uncertainties, the inability of the Resulting Issuer 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. Although RCG, Almonty Sub and Daytal have attempted to identify material factors that could cause actual results to differ materially from a conclusion, forecast or projection contained in the forward-looking information, there may be other factors that could cause results to differ from what is anticipated, estimated or intended. Those factors are described or referred to below in this Filing Statement under the heading "*Risk Factors*" and elsewhere herein.

All forward-looking information contained in this Filing Statement is given as of the date of the Filing Statement unless indicated otherwise. Except as required under applicable laws, neither RCG, Almonty Sub nor Daytal undertakes any obligation to update or revise forward-looking information, whether as a result of new information, future events or otherwise.

PRESENTATION OF MINERAL RESERVES AND PRODUCTION INFORMATION

All mineral information contained herein has been prepared and presented in accordance with NI 43-101. The mineral reserves and future production may be greater than or less than the estimates provided herein. The estimated future net revenue from the production of the disclosed mineral reserves does not represent the fair market value of these reserves.

INFORMATION CONCERNING DAYTAL

The information contained or referred to in this Filing Statement with respect to Daytal (and any information with respect to the Resulting Issuer that is dependent upon information with respect to Daytal) has been furnished by Daytal. In preparing this Filing Statement, RCG and Almonty Sub and their respective directors and officers have relied upon Daytal to provide such information without having made any independent inquiry as to the accuracy thereof. RCG and Almonty Sub assume no responsibility for the accuracy or completeness of such information, nor any omission on the part of Daytal to disclose facts or events which may affect the accuracy of any such information.

INFORMATION CONCERNING ALMONTY SUB

The information contained or referred to in this Filing Statement with respect to Almonty Sub (and any information with respect to the Resulting Issuer that is dependent upon information with respect to Almonty Sub) has been furnished by Almonty Sub. In preparing this Filing Statement, RCG and Daytal and their respective directors and officers have relied upon Almonty Sub to provide such information without having made any independent inquiry as to the accuracy thereof. RCG and Daytal assume no responsibility for the accuracy or completeness of such information, nor any omission on the part of Almonty Sub to disclose facts or events which may affect the accuracy of any such information.

EXCHANGE RATE INFORMATION

In this Filing Statement, all references to "$" refer to Canadian dollars, all references to "US$" refer to U.S. dollars, all references to "€" refer to Euros and all references to "AUD$" refer to Australian dollars.

The nominal noon exchange rate on September 13, 2011 as reported by the Bank of Canada for the conversion of U.S. dollars into Canadian dollars was US$1.00 equals $0.9902. The nominal noon exchange rate on September 13, 2011 as reported by the Bank of Canada for the conversion of Canadian dollars into U.S. dollars was $1.00 equals US$1.0099.

The nominal noon exchange rate on September 13, 2011 as reported by the Bank of Canada for the conversion of Euros into Canadian dollars was €1.00 equals $1.3545. The nominal noon exchange rate on September 13, 2011 as reported by the Bank of Canada for the conversion of Canadian dollars into Euros was $1.00 equals €0.7383.

The nominal noon exchange rate on September 13, 2011 as reported by the Bank of Canada for the conversion of Australian dollars into Canadian dollars was AUD$1.00 equals $1.0218. The nominal noon exchange rate on September 13, 2011 as reported by the Bank of Canada for the conversion of Canadian dollars into Australian dollars was $1.00 equals AUD$0.9787.

DATE OF INFORMATION

Except as otherwise indicated in this Filing Statement, all information disclosed in this Filing Statement is as of September 14, 2011 and the phrase "as of the date hereof" and equivalent phrases refer to September 14, 2011.

SUMMARY

The following is a summary of information related to RCG, Almonty Sub, Daytal and the Resulting Issuer (assuming completion of the Transaction) and should be read together with the more detailed information and financial data and statements contained elsewhere in this Filing Statement.

This Filing Statement is being prepared and filed on SEDAR in accordance with the CPC Policy and Exchange Form 3B2 – *Information Required in a Filing Statement for a Qualifying Transaction* in connection with RCG's Qualifying Transaction.

The Transaction

As announced in a press release dated June 10, 2011, RCG, a CPC listed on the Exchange, has entered into the Share Purchase Agreement pursuant to which RCG will acquire all the issued and outstanding securities of Almonty Sub. As a result of the Consolidation, each Almonty Sub Share will be exchanged for one Payment Share (some of which may be subject to escrow restrictions pursuant to the policies of the Exchange and/or an Undertaking). In addition, each RCG Warrant will be exchanged for one Almonty Sub Warrant and will entitle the holders of such warrants to purchase that number of RCG Shares equal to the number of Almonty Sub Shares that would otherwise have been issuable on exercise of such warrants immediately prior to closing of the Transaction.

The Transaction will constitute RCG's Qualifying Transaction under the CPC Policy. Following the Transaction, RCG will continue its existence as the Resulting Issuer under new management and it is expected that the Resulting Issuer will be listed on the Exchange as a Tier 1 mining issuer. On closing of the Transaction, the Resulting Issuer will change its name to "Almonty Industries Inc." and will change its ticker symbol to "AII".

The Transaction is subject to certain conditions, including obtaining all necessary regulatory approvals (including the approval of the Exchange), the satisfaction of the Escrow Release Conditions in connection with the Financing, the completion of the Acquisition, and the Exchange being satisfied that, after the completion of the Transaction, the Resulting Issuer will satisfy the Initial Listing Requirements for at least a Tier 2 mining issuer.

Please see "*Information Concerning the Acquisition, the Financing and the Transaction – The Transaction*" for further particulars.

The Acquisition

Immediately prior to the closing of the Transaction, pursuant to the Daytal Acquisition Agreement, Almonty Sub will complete the Acquisition and will acquire Daytal through the purchase of all the issued and outstanding Daytal Shares. Daytal is a wholly-owned subsidiary of HSK Europe, which is a wholly-owned subsidiary of Heemskirk, an Australian Stock Exchange listed mining company with the Australian Securities Exchange Code "HSK". Daytal is the direct owner of the Los Santos Project.

The Los Santos Project is an operating tungsten mine located approximately 50 km from Salamanca, in western Spain. The mine has been in production since 2008 and produces tungsten that is currently sold under the Supply Agreement, which expires on December 31, 2013. In 2010, the mine had an annual output of approximately 225,000 tonnes of ore (at 0.25% WO_3). Tungsten is a unique metal due to its high temperature properties and exceptionally high density, and has widespread use in alloys, steels and chemicals.

Please see "*Information Concerning the Acquisition, the Financing and the Transaction – The Acquisition*" for further particulars.

The Financing

Almonty, Almonty Sub, RCG and the Agents entered into the Agency Agreement in connection with a private placement of 16,963,840 subscription receipts at an offering price of $1.00 per Subscription Receipt for gross proceeds of $16,963,840 (the "**Financing**").

It is intended that the net proceeds from the Financing will be used to satisfy the cash consideration payable to Heemskirk in connection with the Acquisition, for capital expenditures relating to the Los Santos Project, to satisfy the costs incurred in connection with the Financing, the Acquisition and the Transaction and for general working capital purposes. Please see "*Information Concerning the Resulting Issuer – Available Funds and Principal Purposes*" for further particulars.

Each Subscription Receipt will be automatically exchanged, without payment of any additional consideration, for one Almonty Sub Share and the net proceeds of the Financing released to Almonty Sub upon the satisfaction of the Escrow Release Conditions.

The gross proceeds of the Financing have been deposited in escrow on behalf of the holders of the Subscription Receipts. In the event that the Escrow Release Conditions are not satisfied on or before 5:00 p.m. (Toronto time) on September 30, 2011, the proceeds from the Financing plus accrued interest will be returned to the holders of the Subscription Receipts and the Subscription Receipts will be cancelled without any further action.

Upon conversion of the Subscription Receipts, the Agents will receive a cash fee equal to $656,650 and will also receive non-transferable Almonty Sub Agents Warrants to purchase 656,650 Almonty Sub Shares (which warrants will become RCG Warrants pursuant to the terms of the Transaction), exercisable for a period of 24 months following issuance. The payment of the Agents' fee and the issuance of the Almonty Sub Agents Warrants are each subject to satisfaction of the Escrow Release Conditions. In addition, regardless of whether the Financing is completed or the Subscription Receipts converted, the Agents will be entitled to reimbursement for expenses incurred up to $250,000 plus applicable taxes in connection with the Financing.

The completion of the Financing will entitle RCG to an exemption from the requirement to engage a Sponsor pursuant to the Sponsorship Policy.

Please see "*Information Concerning the Acquisition, the Financing and the Transaction – The Financing*" for further particulars.

Interest of Insiders, Promoters or Control Persons

Following completion of the Transaction and assuming completion of the Financing and the Acquisition as described above and after giving effect to the Consolidation:

- The original board of directors of RCG, namely Robert Lipsett, Greg Hryhorchuk, George Brazier and Carl Pescio, will have resigned.
- The board of directors of the Resulting Issuer will consist of Lewis Black, Daniel D'Amato, Andrew McIlwain, Mark Trachuk and Dennis Logan.
- The original officers of RCG, namely Robert Lipsett as President and Chief Executive Officer and Foo Chan as Chief Financial Officer and Corporate Secretary, will have resigned.
- The officers of the Resulting Issuer will consist of Lewis Black, as President and Chief Executive Officer, and Dennis Logan, as Chief Financial Officer and Corporate Secretary.
- Almonty is expected to own 13,850,420 Resulting Issuer Shares representing approximately 37.4% of the Resulting Issuer Shares on a non-diluted basis (approximately 33.4% of the Resulting Issuer Shares on a diluted basis).
- Heemskirk is expected to own 5,560,000 Resulting Issuer Shares representing approximately 15% of the Resulting Issuer Shares on a non-diluted basis (approximately 22.3% of the Resulting Issuer Shares on a diluted basis).
- Investors participating in the Financing are expected to own in the aggregate 16,963,840 Resulting Issuer Shares representing approximately 45.8% of the Resulting Issuer Shares on a non-diluted basis (approximately 40.9% of the Resulting Issuer Shares on a diluted basis).

- Original holders of RCG Shares are expected to own 637,181 Resulting Issuer Shares representing approximately 1.7% of the Resulting Issuer Shares on a non-diluted basis (approximately 1.5% of the Resulting Issuer Shares on a diluted basis).

The shareholdings of each current Insider, Promoter and Control Person of RCG and each proposed Insider, Promoter and Control Person of the Resulting Issuer and their respective Associates and Affiliates before and after completion of the Transaction, calculated on a non-diluted basis are set out below:

	RCG Shares Owned Before the Transaction(1)		**Resulting Issuer Shares Owned After Giving Effect to the Transaction(2)**	
Insider, Promoter or Control Person of RCG or the Resulting Issuer	**Number**	**Percentage (%)**	**Number**	**Percentage (%)**
Robert Lipsett(3) (4) (5) Director, President and Chief Executive Officer of RCG	100,000	2.4	14,992	0.04
George Brazier(3) (4) Director of RCG	100,000	2.4	14,992	0.04
Greg Hryhorchuk(3) (4) (5) Director of RCG	100,000	2.4	14,992	0.04
Carl Pescio(3) (4) Director of RCG	–	–	–	–
Foo Chan(3) (4) Chief Financial Officer and Corporate Secretary of RCG	400,000	9.4	59,970	0.16
Yewbrook Capital Inc.(3) (6) Insider and Control Person of RCG	1,500,000	35.3	224,887	0.61
Lewis Black(7) Proposed director, President and Chief Executive Officer of the Resulting Issuer	–	–	See Almonty	See Almonty
Daniel D'Amato(7) (8) (9) Proposed director of the Resulting Issuer	–	–	1,000,000	2.7
Andrew McIlwain Proposed director of the Resulting Issuer	–	–	–	–
Mark Trachuk(9) Proposed director of the Resulting Issuer	–	–	100,000	0.2
Dennis Logan Proposed director and Chief Financial Officer and Corporate Secretary of the Resulting Issuer	–	–	–	–
Almonty(10) Insider and Control Person of the Resulting Issuer	–	–	13,850,420	37.4
Heemskirk(11) Insider and Control Person of the Resulting Issuer	–	–	5,560,000	15.0
Total	2,200,000	51.8	20,840,253	56.3

Notes:

(1) Presented on a non-diluted basis and based on a total number of 4,250,000 RCG Shares prior to giving effect to the Financing, the Acquisition, the Consolidation and the Transaction.

(2) Presented on a non-diluted basis and based on a total number of 37,011,441 Resulting Issuer Shares outstanding after giving effect to the Financing, the Acquisition, the Consolidation and the Transaction.

(3) These Persons are the RCG Principals. They hold an aggregate of 2,200,000 RCG Shares, representing approximately 51.8% of the issued and outstanding RCG Shares prior to completion of the Financing, the Acquisition, the Consolidation and the Transaction and approximately 0.89% of the Resulting Issuer Shares after completion of the Financing, the Acquisition, the Consolidation and the Transaction. Their RCG Shares were issued at a price of $0.05 per RCG Share, and are held in escrow pursuant to the Escrow Agreement. Upon issuance of the Final Exchange Bulletin, if the Resulting Issuer is a Tier 1 mining issuer, 25% of the CPC Escrowed Shares will be immediately released, and the remaining CPC Escrowed Shares will be released in three equal tranches of 25% every six months following the closing of the Transaction. If the Resulting Issuer is a Tier 2 mining issuer, 10% of the CPC Escrowed Shares will be immediately released following the issuance of the Final Exchange Bulletin and the remaining CPC Escrowed Shares will be released in six equal tranches of 15% every six months following the closing of the Transaction.

(4) These Persons together hold RCG Options granted under the Stock Option Plan to purchase up to 400,000 RCG Shares at a price of $0.10 per RCG Share (subject to adjustment in connection with the Consolidation and the Transaction).

(5) Robert Lipsett and Greg Hryhorchuk are considered to be Promoters of RCG in that they took the initiative in founding and organizing RCG.

(6) Yewbrook Capital Inc. is a privately held company wholly-owned by Greg Hryhorchuk, Carl Pescio, Janet Pescio and Robert Lipsett.

(7) These Persons will be considered Promoters of the Resulting Issuer as such persons, through Almonty, will have taken the initiative in substantially reorganizing the business of the Resulting Issuer.

(8) Daniel D'Amato's Resulting Issuer Shares are held as owner of record and are in addition to the Resulting Issuer Shares held by Almonty.

(9) Purchased pursuant to the Financing.

(10) Almonty is a privately held investment company specializing in tungsten mining investments in respect of which Lewis Black and Daniel D'Amato are each partners.

(11) In addition, upon completion of the Acquisition, the Consolidation and the Transaction, Heemskirk will hold the RCG Heemskirk Warrants exercisable to purchase 3,701,144 Resulting Issuer Shares for a period of 36 months following the closing of the Acquisition.

Please see "*Information Concerning the Acquisition, the Financing and the Transaction – The Financing*", "*Information Concerning the Resulting Issuer – Directors, Officers and Promoters*", "*Information Concerning the Resulting Issuer – Escrowed Securities*", "*Information Concerning the Resulting Issuer – Pro-Forma Consolidated Capitalization"* for further particulars.

Arm's Length Transaction

The Transaction is not a Non Arm's Length Qualifying Transaction within the meaning of the CPC Policy.

Available Funds

In addition to RCG's and Daytal's available cash, in the aggregate, Almonty Sub is expected to receive gross proceeds of $16,963,840 in connection with the Financing.

Upon release from escrow of the proceeds from the Financing, it is anticipated that the net proceeds will be approximately $16,024,690 and will be used by the Resulting Issuer for the following purposes:

- $13,749,400 to pay for the Acquisition being equal to US$14,000,000 based on an exchange rate of US$1.00 equals $0.9821;
- $1,566,450 to fund the Los Santos Project plant and lab optimization and exploration program for the 18 months following completion of the Transaction;
- $650,000 to pay for costs associated with the Financing, the Acquisition and the Transaction excluding the Agents' fees and expenses in connection with the Financing; and
- $409,962 for general working capital and corporate purposes.

Please see "*Information Concerning the Resulting Issuer – Available Funds and Principal Purposes*" for further particulars.

Selected Pro-Forma Consolidated Financial Information

The following table sets out certain financial information for each of RCG and Daytal as at the dates indicated below and pro-forma financial information for the Resulting Issuer after giving effect to the Financing, the Acquisition and the Transaction. The following information should be read in conjunction with the unaudited pro-forma balance sheet of the Resulting Issuer, which may be found at Schedule G.

	RCG as at May 31, 2011 ($'000)	**RCG as at February 28, 2011 ($'000)**	**Daytal[(1)] as at March 31, 2011 ($'000)**	**Pro-Forma[(2)] ($'000)**
Cash and Cash Equivalents	173	180	413	2,220
Total Assets	180	186	24,292	24,639
Total Liabilities	102	17	43,052	2,862
Shareholders' Equity	78	169	(18,760)	21,777

Notes:

(1) Based on an exchange rate of €1.00 equals $1.4111.

(2) Based on the unaudited pro-forma balance sheet of the Resulting Issuer, which may be found at Schedule G.

Market for Securities

The RCG Shares are listed on the Exchange under the trading symbol "RCG.P". The price of the RCG Shares on the last day the RCG Shares traded prior to the announcement of the Transaction on June 10, 2011 was $0.12. Trading in the RCG Shares was halted by the Exchange on June 13, 2011. Reinstatement of trading is expected to occur upon issuance of the Final Exchange Bulletin, under the symbol "AII". Please see "*Information Concerning RCG*" for further particulars.

There is no public market for the Almonty Sub Shares or the Daytal Shares.

Risk Factors

An investment in the securities of the Resulting Issuer involves a high degree of risk, should be considered highly speculative and should only be made by investors who can afford to lose their entire investment.

Material risk factors affecting the Resulting Issuer include the following: commodity pricing risks, risks associated with the tungsten market, substantial capital requirements, risks associated with the Supply Agreement, production risks and reliance on the Los Santos Project, regulatory risks, disruptions in production, raw materials costs, mining and insurance risks, dilution to shareholders, fluctuations in the price of the Resulting Issuer Shares and lack of liquidity, risks associated with permits, expiration of licenses and leases, exploration and development risks, risks associated with acquisitions and dispositions, management of growth, Daytal's limited operating history, risk of reliance on key personnel, title matters, environmental matters, risks associated with resource and reserve estimates, shortages of mining equipment and supplies and uncertainty of cost estimates.

Please see "*Risk Factors*" for a comprehensive discussion of the risk factors relating to the Resulting Issuer.

Sponsor

Pursuant to the Sponsorship Policy, sponsorship is required in conjunction with a Qualifying Transaction. RCG has made application to the Exchange for an exemption from the sponsorship requirement on the basis that Almonty Sub completed the sale of the Subscription Receipts with the assistance of the Agents, and that Cormark, on behalf of the Agents, will provide the Exchange with its confirmation that it has completed appropriate due diligence on both the Transaction and this Filing Statement that is generally in compliance with the relevant standards and guidelines applicable in the Sponsorship Policy.

Please see "*General Matters – Sponsorship and Agent Relationship*".

Conflicts of Interest

Conflicts of interest may arise as a result of the proposed directors and officers of the Resulting Issuer also holding positions as directors and officers of other companies. Some of those individuals have been and will continue to be engaged in the identification and evaluation of assets, businesses and companies on their own behalf and on behalf of other companies, and situations may arise where the directors and officers of the Resulting Issuer will be in direct competition with the Resulting Issuer.

Please see "*Information Concerning the Resulting Issuer – Conflicts of Interest*".

For information concerning the director and officer positions held by the proposed directors of the Resulting Issuer, please see "*Information Concerning the Resulting Issuer – Other Reporting Issuer Experience*".

Interests of Experts

To the best of RCG's knowledge, no direct or indirect interest in RCG, Almonty Sub or Daytal is held or will be received by any experts. Please see "*Information Concerning the Resulting Issuer – Experts*" for further particulars.

Conditional Listing Approval

The Exchange has conditionally accepted the Transaction subject to RCG and/or the Resulting Issuer fulfilling all of the requirements of the Exchange on or before September 30, 2011. There is no guarantee that RCG and/or the Resulting Issuer will be able to satisfy the requirements of the Exchange such that the Exchange will issue the Final Exchange Bulletin. Please see "*Risk Factors – Risk Factors Relating to the Completion of the Transaction – Approval of the Exchange*" for further particulars.

RISK FACTORS

Risks Relating to the Completion of the Transaction

There are risks associated with the completion of the Transaction. The following risk factors should be carefully reviewed by shareholders of RCG.

Termination of the Daytal Acquisition Agreement

The Daytal Acquisition Agreement is conditional upon the satisfaction of a number of conditions. Each of the parties has the right, in certain circumstances, in addition to termination rights relating to the failure to satisfy the conditions of closing, to terminate the Daytal Acquisition Agreement. Accordingly, there can be no certainty that the Daytal Acquisition Agreement will not be terminated and that the Acquisition will be completed. Please see "*Information Concerning the Acquisition, the Financing and the Transaction – The Acquisition*" for further particulars.

Completion of the Financing

The Financing must be completed prior to the closing date of the Transaction. There can be no assurance that the Escrow Release Conditions will be satisfied and therefore no assurance that the Financing will be successfully completed or completed on the terms and conditions described in this Filing Statement or otherwise in compliance with the Initial Listing Requirements. Failure to satisfy the Escrow Release Conditions and to complete the Financing may impact RCG's exemption from the sponsorship requirements of the Exchange or the Resulting Issuer's ability to meet the Initial Listing Requirements and the Exchange may not provide its final approval of the Transaction or issue the Final Exchange Bulletin. Please see "*Risk Factors – Risk Factors Relating to the Completion of the Transaction – Approval of the Exchange*" for further particulars.

Please see "*Information Concerning the Acquisition, the Financing and the Transaction – The Financing*" and "*Information Concerning the Resulting Issuer – Available Funds and Principal Purposes*" for further particulars.

Termination of the Share Purchase Agreement

The Share Purchase Agreement is conditional upon the satisfaction of a number of conditions including the completion of the Financing and the Acquisition. Each of RCG, Almonty and Almonty Sub have the right, in certain circumstances, in addition to termination rights relating to the failure to satisfy the conditions of closing, to terminate the Share Purchase Agreement. Accordingly, there can be no certainty, nor can RCG provide any assurance, that the Share Purchase Agreement will not be terminated by either of RCG, Almonty or Almonty Sub prior to the completion of the Transaction. Please see "*Information Concerning the Acquisition, the Financing and the Transaction – The Transaction*" for further particulars.

Approval of the Exchange

Completion of the Transaction is subject to a number of conditions including the approval of the Exchange, which is not guaranteed. In particular, the Exchange has indicated that, in addition to the satisfaction of other conditions, it will not provide its final approval of the Transaction and issue the Final Exchange Bulletin unless the Financing is completed.

Risks Relating to the Resulting Issuer's Business and Industry

An investment in the Resulting Issuer is highly speculative due to, among other things, the nature of Daytal's activities and the present stage of its development. Investors should carefully consider the risk factors set out below and consider all other information contained herein. The risk factors set out below and such other information applicable to Daytal are also applicable to the business of the Resulting Issuer following completion of the Transaction.

Commodity Pricing Risks

The Resulting Issuer's exploration, development and mining activities, the price of the Resulting Issuers Shares and its financial results may in the future be materially adversely affected by declines in the price of tungsten and other minerals. Mineral prices may fluctuate widely and are affected by numerous factors beyond the Resulting Issuer's control. Future material price declines could cause continued development of the Resulting Issuer's properties to be impracticable. Depending on the price of tungsten, cash flow from mining operations may not be sufficient for continued operation of the Resulting Issuer's business and the Resulting Issuer could be forced to discontinue production or may be forced to sell some of its properties. Future production from the Resulting Issuer's mining properties is dependent on tungsten prices that are adequate to make such properties economical.

From time to time the Resulting Issuer may enter into agreements to receive fixed prices on its tungsten production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, the Resulting Issuer will not benefit from such increases. The Resulting Issuer may also use derivative instruments, including futures, forwards, options and swaps, to manage its commodity and financial market risks inherent in its tungsten operations. These activities, although intended to mitigate price volatility, expose the Resulting Issuer to other risks. When the Resulting Issuer sells tungsten or other minerals forward, it gives up the opportunity to sell tungsten at higher prices in the future, which not only may result in lost opportunity costs but also may require the Resulting Issuer to post significant amounts of cash collateral or other credit support to its counterparties. In addition, the Resulting Issuer may purchase and sell commodity-based contracts in the tungsten and minerals market for trading purposes.

In the future, the Resulting Issuer could recognize financial losses on these contracts as a result of volatility in the market values of the underlying commodities or if a counterparty fails to perform under a contract. In the absence of actively quoted market prices and pricing information from external sources, the valuation of these contracts involves judgement and the use of estimates. As a result, changes in the underlying assumptions or use of alternative valuation methods could affect the reported fair value of these contracts.

Tungsten Market

There is no assurance that a profitable market will continue to exist for the sale of the tungsten. Tungsten prices have experienced significant movement over short periods of time, particularly in recent years, and are affected by numerous factors beyond the Resulting Issuer'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 non-market economy countries, notably China, and the release of tungsten concentrate onto the market from the U.S. National Defence Stockpile.

Substantial Capital Requirements and Dilution

The Resulting Issuer anticipates making substantial capital expenditures for the acquisition, exploration, development and production of tungsten deposits in the future. If the Resulting Issuer's revenues decline as a result of lower tungsten prices or otherwise, it may not have the capital necessary to undertake or complete its anticipated plans and may require additional financing in order to carry out its acquisition, exploration, development and production activities. Accordingly, the Resulting Issuer may require additional equity and/or debt financing. However, there can be no assurance that additional debt or equity financing will be available to meet the Resulting Issuer's requirements or, if available, that it will be on terms acceptable to the Resulting Issuer.

The Resulting Issuer's constating documents will not limit the amount of indebtedness that the Resulting Issuer may incur. The level of the Resulting Issuer's indebtedness may from time to time increase above industry standards for mining companies of similar size and could impair the Resulting Issuer's ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise. Additionally, failure to obtain such financing on a timely basis could cause the Resulting Issuer to miss certain acquisition opportunities and reduce or terminate its operations.

The Resulting Issuer's constating documents will allow it to issue an unlimited number of Resulting Issuer Shares for such consideration and on such terms and conditions as may be established by the board of directors of the Resulting Issuer. The Resulting Issuer cannot predict the size of future issuances of Resulting Issuer Shares or securities convertible into Resulting Issuer Shares or the effect, if any, that future issuances of Resulting Issuer Shares will have on the price of such shares. Any transaction involving the issue of previously authorized but unissued Resulting Issuer Shares or securities convertible into Resulting Issuer Shares would result in dilution, possibly substantial, to present and prospective shareholders of the Resulting Issuer.

Supply Agreement

Daytal currently relies on the Supply Agreement as its sole agreement to market and sell its main product, tungsten. The Supply Agreement expires at the end of 2013 and requires the consent of GTP in connection with the completion of the Acquisition. There is no assurance that GTP will consent to the assignment of the Supply Agreement or that the Supply Agreement will be renewed at the current price or at all. The Supply Agreement may also be renegotiated in connection with the Acquisition and there is no assurance such renegotiated agreement will be on terms more favourable to Daytal or comparable to the current Supply Agreement. Please see "*Information Concerning Daytal –Narrative Description of the Business – The Supply Agreement*" for further particulars.

Stage of Production and Number of Projects

There are certain risks related to the nature of the Resulting Issuer's business, the stage of production of the Los Santos Project and the reliance by Daytal on the Los Santos Project for all of its revenue. There are numerous factors which may affect the success of the Resulting Issuer's business and the production at the Los Santos Project which are beyond the Resulting Issuer's control, including local, national and international economic and political conditions. The Resulting Issuer's business and its dependence on the Los Santos Project involves a high degree of risk that a combination of experience, knowledge and careful evaluation may not overcome.

Regulatory

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

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

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

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

Permits and Permitting Process

Mining companies must obtain numerous permits, licenses and approvals that strictly regulate environmental, health, safety, access and other matters in connection with mining. Regulatory authorities exercise considerable discretion in whether or not to issue permits, licenses and approvals and the timing of such issuances. Also, private individuals and the public at large often possess rights to comment on and otherwise engage in the permitting, licensing and approval processes, including through intervention in the courts. Accordingly, new permits, licenses and approvals required by the Resulting Issuer to fully exploit its properties may not be issued, or if issued, may not be issued in a timely fashion, or may contain requirements which restrict the Resulting Issuer's ability to conduct its mining operations or to do so in a profitable manner.

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

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

Title to Properties

The acquisition of title to mineral properties is a very detailed and time-consuming process. Although title reviews may be conducted prior to the purchase of mineral properties, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat any of Daytal's or the Resulting Issuer's claims. RCG, the Agents and Almonty Sub have obtained the usual industry standard title reports with respect to the Los Santos Project, however this should not be construed as a guarantee of title. Mineral properties may be subject to prior interests, unregistered agreements of transfer or local land claims, and title may be affected by undetected defects. There may be valid challenges to title that, if successful, could impair development and/or operations. There can be no guarantee that title to any of the Resulting Issuer's mineral properties will not be challenged or impaired.

Disruptions in Production

Factors affecting the production and sale of minerals that could result in decreases in profitability include: expiration or termination of, or sales price re-determinations or suspension of deliveries under, mineral supply agreements; future litigation; the timing and amount of insurance recoveries; work stoppages or other labour difficulties; mine worker vacation schedules; mining and processing equipment failures and unexpected maintenance problems; a disruption in the supply of commodities used in mining, such as steel, copper, rubber products, ammonium nitrate/fuel oil, and liquid fuels; and changes in the market for certain mineral and general economic conditions. Adverse weather conditions such as heavy rain and flooding, equipment replacement or repair, fires, amounts of rock and other natural materials and other geological conditions can also have a significant impact on operating results of the Resulting Issuer.

Raw Materials Cost

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

Mining Risks and Insurance

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

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

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

Fluctuation of the Resulting Issuer's Share Price and Lack of Liquidity

The market price and trading volume of the Resulting Issuer Shares may be volatile and investors may not be able to resell their Resulting Issuer Shares at or above their acquisition price due to fluctuations in the market price or due to the lack of liquidity of such shares. Specific factors that may have a significant effect on the market price for the Resulting Issuer Shares include:

- the extent of analysts' interest in following the Resulting Issuer;
- changes in stock market analyst recommendations or earnings estimates regarding the Resulting Issuer Shares, other comparable companies or the mining industry generally;
- closely held ownership of the Resulting Issuer Shares including by Almonty and Heemskirk;
- actual or anticipated fluctuations in the Resulting Issuer's operating results or future prospects;
- reaction to public announcements by the Resulting Issuer;
- strategic actions taken by the Resulting Issuer or its competitors, such as acquisitions or restructurings;
- new laws or regulations or new interpretations of existing laws or regulations applicable to the Resulting Issuer's business and operations;
- changes in accounting standards, policies, guidance, interpretations or principles;
- adverse conditions in the financial markets or general economic conditions, including those resulting from environmental disasters, war, incidents of terrorism and responses to such events; and
- sales of Resulting Issuer Shares by the Resulting Issuer, members of the management team or existing shareholders.

Expiration of Licences and Leases

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

Exploration and Development Risks

There are no assurances that ore resources and reserves will be replaced, which is essential in order for mining at Los Santos Project to continue operating past current expectations and for the growth of the Resulting Issuer.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

The Resulting Issuer may make acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as the Resulting Issuer's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Resulting Issuer. The integration of acquired businesses may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. The Resulting Issuer's management intends to continually assess the value and contribution of assets held. In this regard, non-core assets of the Resulting Issuer may be periodically disposed of so that the Resulting Issuer can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain non-core assets of the Resulting Issuer, if disposed of, could be expected to realize less than their carrying value on the financial statements of the Resulting Issuer.

Management of Growth

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

Limited Operating History of the Los Santos Project and Future Profits/Losses

The Los Santos Project has been in production since 2008 and, accordingly, has a limited operating history from which investors can evaluate its operations and prospects. As set out in the "*Information Concerning the Resulting Issuer – Available Funds and Principal Purposes*", the Resulting Issuer expects to incur further costs in connection with the Los Santos Project and there can be no assurance that such costs will generate improved earnings, will cause the Los Santos Project to operate profitably or will provide a positive return on investment in the future. Further, there can be no assurance that the underlying assumed levels of expenses will prove to be accurate and there can be no assurance that significant losses will not occur in the future or that the Los Santos Project will be profitable in the future.

Environmental Matters

All of the Resulting Issuer's operations will be subject to environmental regulations, which can make operations expensive or prohibit them altogether. If the Resulting Issuer violates any of the laws and regulations relating to the protection of the environment, the Resulting Issuer may be subject to substantial fines, criminal sanctions and/or third party lawsuits and may be required to install costly pollution control equipment or, in some extreme cases, curtail operations. The Resulting Issuer will generally be required to obtain permits under applicable environmental laws and regulations. Compliance with environmental laws and regulations, as well as with any requisite environmental permits, may increase costs. The Resulting Issuer may also face exposure to actual or potential claims and lawsuits involving environmental matters.

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

Resource and Reserves Estimates

While the estimates of Daytal's resources and reserves included in this Filing Statement have been prepared in accordance with industry standards and applicable law based on information which Almonty believes to be reliable, there are numerous uncertainties inherent in the estimation of mineral resources and reserves. For example, the estimation of resources in accordance with applicable standards involves a determination of the economic recovery of minerals that are in the ground, which in turn requires that assumptions be made regarding their future price and the cost of recovery, as well as other factors that are beyond the Resulting Issuer's control. Market fluctuations in the price of tungsten, as well as increased production costs or reduced recovery rates, may render a portion or all of the resources and reserves uneconomic and may ultimately result in a restatement of resources and reserves. Moreover, short-term operating factors relating to the resources and reserves may adversely affect the Resulting Issuer's future results of operations and financial condition in any particular accounting period.

The actual tungsten recovered from identified reserve areas, and revenues and expenditures related to the exploitation of the Los Santos Project's deposits, may vary materially from estimates. The estimates of resources and reserves described in this Filing Statement therefore may not accurately reflect Daytal's actual resources and reserves and may need to be restated in the future.

The Resulting Issuer's profitability will depend substantially on the Resulting Issuer's ability to mine tungsten deposits that have the geological characteristics that enable them to be mined at competitive costs. Replacement deposits may not be available when required or may not be capable of being mined at costs comparable to those of the Los Santos Project. The Resulting Issuer may seek to replace its mineral holdings through the acquisition of properties from third parties. However, management may not be able to fully assess the geological characteristics of any properties that it acquires until after the acquisition, which may adversely affect the profitability and financial condition of the Resulting Issuer.

Shortage of Mining Equipment and Supplies

The recent growth in global mining activities has created a demand for mining equipment and related supplies that outpaces supply. As a result, operations could be adversely affected if the Resulting Issuer encounters difficulties obtaining equipment and other supplies on a timely basis. In the event that the Resulting Issuer is unable to secure required mining equipment on a timely basis, expansion activities, production, productivity and costs could be negatively affected, materially reducing the value of the Resulting Issuer's securities.

Uncertainty of Cost Estimates

The Resulting Issuer may be unable to effectively estimate costs, including infrastructure improvement costs and production costs for its development plans relating to the Los Santos Project. The inability of the Resulting Issuer to effectively estimate these costs could affect the commerciality of the resources and reserves, the economic viability of the Resulting Issuer's product and the ability of the Resulting Issuer to transport its product to market.

The Resulting Issuer will be subject to all the risks associated with improving mining operations, including the timing and cost of the construction of infrastructure and facilities, the availability and cost of skilled labour and equipment and the costs and time associated with obtaining the necessary environmental or other governmental approvals and permits.

Reliance on Key Personnel

The Resulting Issuer's success depends in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse affect on the Resulting Issuer. The contributions of the proposed management team and the management of the Los Santos Project to the immediate and near term operations of the Resulting Issuer are likely to be of central importance. In addition, the competition for qualified personnel in the mining industry is intense and there can be no assurance that the Resulting Issuer will be able to attract and retain all personnel necessary for the development and operation of its business.

Challenges Associated with the Integration of Daytal

The success of the Resulting Issuer will depend in large part on the success of management of the Resulting Issuer in integrating the operations, technologies and personnel of Daytal after completion of the Transaction. The failure of the Resulting Issuer to achieve such integration could result in the failure of the Resulting Issuer to realize any of the anticipated benefits of the Transaction and could impair the results of operations, profitability and financial condition of Daytal and the Resulting Issuer. In addition, the overall integration of the operations, technologies and personnel of the Resulting Issuer with those of Daytal may result in unanticipated operational problems, expenses, liabilities and diversion of management's attention.

Foreign Currency Rates

Substantially all of the business and operations of Daytal are conducted in currencies other than Canadian dollars. In addition, many supplies and inputs into the Los Santos Project are priced in currencies other than Canadian dollars. As a result, fluctuations in such foreign currencies against the Canadian dollar could have a material adverse effect on the Resulting Issuer's financial results which will be denominated and reported in Canadian dollars. From time to time the Resulting Issuer may implement active hedging programs in order to offset the risk of losses if the Canadian dollar increases in value compared to foreign currencies. However, to the extent that the Resulting Issuer fails to adequately manage these risks, including if any such hedging arrangements do not effectively or completely hedge against changes in foreign currency rates, the Resulting Issuer's financial results may be negatively impacted.

Dividends

None of RCG, Almonty Sub or Daytal has paid any dividends on their respective shares since incorporation and the Resulting Issuer is not expected to do so in the foreseeable future. Payment of any future dividends will be at the discretion of the Resulting Issuer's board of directors after taking into account many factors, including earnings, capital requirements and the operating and financial condition of the Resulting Issuer.

Third Party Credit Risk

The Resulting Issuer may be exposed to third party credit risk through its contractual arrangements with future joint venture partners and other parties. In the event such entities fail to meet their contractual obligations to the Resulting Issuer, such failures could have a material adverse effect on the Resulting Issuer and its cash flow from operations. In addition, poor credit conditions in the industry and of future joint venture partners may impact a joint venture partner's willingness to participate in the Resulting Issuer's ongoing exploration, development and production program and the results of such program until the Resulting Issuer finds a suitable alternative partner.

Discretion Regarding Use by Resulting Issuer of Available Funds

The Resulting Issuer currently intends to use its funds as described in "*Information Concerning the Resulting Issuer – Available Funds and Principal Purposes*". However, the Resulting Issuer's management will have discretion in the actual application of available funds. The Resulting Issuer may elect to allocate available funds differently than as described herein if the Resulting Issuer believes it would be in the Resulting Issuer's best interests to do so or if it is presented with more pressing requirements. The failure by the Resulting Issuer's management to apply these funds effectively could have a material adverse effect on the Resulting Issuer, its business or its financial performance.

Competition

The resources industry is intensely competitive in all its phases. The Resulting Issuer will compete with numerous other organizations in the search for, and the acquisition of, tungsten and other mineral properties and in the marketing of tungsten and other minerals. The Resulting Issuer's competitors will include tungsten and other mining companies that have substantially greater financial and technical resources, staff and facilities than those of the Resulting Issuer. Competition from these larger, more established companies may prevent the Resulting Issuer from acquiring interests in desired properties, realizing on available technical advances, recruiting or retaining qualified employees or acquiring the capital necessary to fund its operations and develop its properties. Competitive factors in the distribution and marketing of tungsten and other minerals include price and delivery. There is no assurance that the Resulting Issuer will be able to effectively compete with its competitors in the long term and the inability to compete with other mining companies may have a material adverse effect on the Resulting Issuer's results of operation and business.

Conflicts of Interest

The Resulting Issuer's directors and officers may serve as directors or officers of other resource companies or companies providing services to the Resulting Issuer, or they may have significant shareholdings in other resource companies. Situations may arise where the directors and/or officers of the Resulting Issuer may be in competition with the Resulting Issuer. Any conflicts of interest will be subject to and governed by the laws applicable to directors' and officers' conflicts of interest. In the event that such a conflict of interest arises at a meeting of the Resulting Issuer's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Resulting Issuer are required to act honestly, in good faith and in the best interests of the Resulting Issuer.

Opposition to Mining

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

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

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

Legal Systems

As a civil law jurisdiction, Spain has a legal system which is different from the common law jurisdictions of Canada. There can be no assurance that joint ventures, licenses, license applications or other legal arrangements will not be adversely affected by changes in governments, the actions of government authorities or others, or the effectiveness and enforcement of such arrangements.

Enforcement of Civil Liabilities

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

INFORMATION CONCERNING THE ACQUISITION, THE FINANCING AND THE TRANSACTION

The Acquisition

The Vendors, Almonty and Almonty Numberco entered into the Daytal Acquisition Agreement on April 1, 2011, pursuant to which Almonty Numberco agreed to purchase from HSK Europe all of the issued and outstanding Daytal Shares. Daytal is the direct owner of the Los Santos Project. Pursuant to the Assignment Notice dated June 10, 2011, Almonty Numberco assigned all of its rights and obligations under the Acquisition Agreement to Almonty Sub and as a result, Almonty Sub now expects to acquire the issued and outstanding Daytal Shares as contemplated by the Daytal Acquisition Agreement.

Subject to the completion of the Financing and the Transaction, and assuming that the Consolidation takes place, all as described below, the consideration to be paid by Almonty Sub to Heemskirk in connection with the Acquisition will consist of US$14,000,000 in cash (being equal to $13,749,400 based on an exchange rate of US$1.00 equals $0.9821), the issuance of 5,560,000 Almonty Sub Shares and the issuance of 3,701,144 Heemskirk Warrants exercisable for a period of 36 months following the closing of the Acquisition. Under the terms of the Transaction, such Almonty Sub Shares and Heemskirk Warrants will be subsequently exchanged for RCG Shares and RCG Heemskirk Warrants, respectively.

The Daytal Acquisition Agreement also provides for a net working capital adjustment payment based on the financial statements of Daytal as at the closing date of the Acquisition. In the event that the net working capital of Daytal in such financial statements is less than €535,646, Heemskirk and HSK Europe will be required to pay Almonty Sub the amount by which such deficiency is greater than €250,000.

The Daytal Acquisition Agreement contains customary representations, warranties and covenants given by both the Vendors and Almonty Sub and completion of the Acquisition is subject to certain customary conditions of closing in favour of the Vendors and certain customary conditions of closing in favour of Almonty Sub, including delivery of all consents and approvals in favour of Almonty Sub in connection with the Acquisition.

With respect to the Vendors, such representations and warranties include those relating to HSK Europe being the legal owner of all of the issued and outstanding securities of Daytal, Daytal's unencumbered ownership of the mining rights comprising the Los Santos Project, Daytal having possession of the necessary environmental permits to operate the Los Santos Project and Daytal's compliance with applicable environmental laws. The Daytal Acquisition Agreement further requires that the Vendors obtain the consent of GTP in connection with the assignment of the Supply Agreement; discharge all encumbrances relating to Daytal, the outstanding securities of Daytal and the Los Santos Project; deliver resignations and releases for each director and officer of Daytal effective upon closing of the Acquisition; and provide a release and indemnity in respect of claims arising from Heemskirk's and HSK Europe's capacity as the indirect and direct owner, respectively, of Daytal.

With respect to Almonty Sub, it has agreed to provide a release in favour of each of the directors and officers of Daytal and to provide a release in favour of each of Heemskirk and HSK Europe in respect of claims arising from their capacity as the indirect and direct owner, respectively, of Daytal. In addition, for a period of two years following the closing of the Transaction, Almonty Sub has agreed to use reasonable commercial efforts to cause the Resulting Issuer to maintain a listing of the Resulting Issuer Shares on a recognized stock exchange and to maintain status as a reporting issuer in at least one province of Canada, subject to the rights of Almonty Sub to support a going private transaction in certain circumstances.

Almonty Sub, on the one hand, and Heemskirk and HSK Europe, on the other hand, have agreed to indemnify each other with respect to any breach of a representation and warranty made or given by such parties or the failure to observe or perform any covenant or obligation under the Daytal Acquisition Agreement. Further, Almonty Sub has agreed to indemnify Heemskirk and HSK Europe for the failure to duly and validly issue the Almonty Sub Shares and Heemskirk Warrants on closing of the Acquisition and also to indemnify each of Heemskirk and HSK Europe with respect to certain environmental liabilities relating to the activities carried on at, and the ownership of, the Los Santos Project, whether arising before, on or after the closing of the Acquisition, subject to an aggregate limit of US$11,000,000 but not to indemnify Heemskirk or HSK Europe for any liability arising from a breach of representation, warranty or covenant by Heemskirk or HSK Europe under the Daytal Acquisition Agreement.

The Acquisition will be completed following the Financing and immediately before the closing of the Transaction. The Daytal Acquisition Agreement may be terminated (i) by mutual consent of the parties, (ii) at the option of the Vendors at any time prior to closing if Almonty Sub fails to complete the Financing and/or the Transaction on or before the Outside Date or if it becomes apparent that any of the closing conditions in favour of the Vendors cannot be satisfied at the closing time of the Acquisition, or (iii) at the option of Almonty Sub, if it becomes apparent that any of the conditions in favour of Almonty Sub cannot be satisfied at the closing time of the Acquisition.

Should either the Financing or the Transaction not be completed by the Outside Date and subject to the Vendor's right of termination described above, the consideration payable to Heemskirk will consist of US$11,000,000 in cash and Almonty Sub Shares equal to 30% of the aggregate issued and outstanding Almonty Sub Shares.

Shareholders of Heemskirk approved the Acquisition at Heemskirk's general meeting on May 23, 2011. The Share Purchase Agreement is conditional on completion of the Acquisition in accordance with the Daytal Acquisition Agreement.

The Financing

Almonty, Almonty Sub, RCG and a syndicate of agents led by Cormark and including Byron Capital Markets Ltd., Dundee Securities Limited and Macquarie Capital Markets Canada Ltd. (collectively, the "**Agents**") entered into the Agency Agreement in connection with the Financing. The Agency Agreement contains customary representations, warranties and covenants from each of the parties, as well as termination rights, indemnities and other standard provisions. The Financing was effected under exemptions from the prospectus and registration requirements of applicable securities law pursuant to subscription agreements between each participant in the Financing, Almonty Sub and RCG.

It is intended that the net proceeds from the Financing will be used to satisfy the cash consideration payable to Heemskirk in connection with the Acquisition, for capital expenditures relating to the Los Santos Project, to satisfy the costs incurred in connection with the Financing, the Acquisition and the Transaction and for general working capital purposes. Please see "*Information Concerning the Resulting Issuer – Available Funds and Principal Purposes*" for further particulars.

Subscription Receipts

On August 26, 2011, pursuant to the Agency Agreement, Almonty Sub issued 16,963,840 Subscription Receipts. The gross proceeds therefrom were deposited with the Escrow Agent. Each Subscription Receipt will be automatically exchanged, without payment of any additional consideration, for one Almonty Sub Share and the net proceeds of the Financing released to Almonty Sub upon the satisfaction of the following escrow release conditions (the "**Escrow Release Conditions**"):

- all conditions relating to the Acquisition having been satisfied other than the payment of the consideration therefor in accordance with the Daytal Acquisition Agreement;
- all conditions relating to the implementation of the Transaction having been satisfied other than the actual exchange of Almonty Sub Shares for RCG Shares in accordance with the Share Purchase Agreement;
- the receipt of all required approvals (regulatory and otherwise, including without limitation, the conditional approval of the Exchange) for the listing of the Resulting Issuer Shares issuable in exchange for Almonty Sub Shares in accordance with the Share Purchase Agreement;
- there being no less than 16,963,840 Subscription Receipts outstanding; and

- the delivery of a certificate by Almonty Sub and Cormark to the Escrow Agent in accordance with the terms of the Subscription Receipt Agreement.

In the event that the Escrow Release Conditions are not satisfied on or before 5:00 p.m. (Toronto time) on the Outside Date, the proceeds from the Financing plus accrued interest will be returned to the holders of the Subscription Receipts and the Subscription Receipts will be cancelled without any further action.

Agents' Fees and Almonty Sub Agents Warrants

As set out in the Agency Agreement, upon conversion of the Subscription Receipts, the Agents will receive a cash fee equal to $656,650 and will also receive non-transferable Almonty Sub Agents Warrants to purchase 656,650 Almonty Sub Shares (which warrants will become RCG Warrants pursuant to the terms of the Transaction), exercisable for a period of 24 months following issuance. The payment of the Agents' fee and the issuance of the Almonty Sub Agents Warrants are each subject to the satisfaction of the Escrow Release Conditions. In addition, regardless of whether the Financing is completed or the Subscription Receipts converted, the Agents will be entitled to reimbursement for expenses incurred up to $250,000 plus applicable taxes in connection with the Financing.

Pursuant to the Agency Agreement, Heemskirk, Almonty, and each director and officer of the Resulting Issuer executed an undertaking in favour of the Agents not to offer or sell, agree to offer or sell, or enter into an arrangement to offer or sell any Resulting Issuer Shares or other securities of the Resulting Issuer, or securities convertible into, exchangeable for, or otherwise exercisable to acquire any securities of the Resulting Issuer (the "**Undertakings**") unless: (i) such security holder first obtains the written consent of Cormark, such consent not to be unreasonably withheld, or (ii) there occurs a take-over bid or similar transaction involving a change of control of the Resulting Issuer. The Undertakings will expire on the date that is 120 days following the closing of the Financing.

The Exchange has indicated that, in addition to the satisfaction of other conditions, it will not provide its final approval of the Transaction unless the Financing raises sufficient funds to permit the Resulting Issuer to satisfy the Initial Listing Requirements.

The Transaction

Consideration

Following completion of the Financing and the Acquisition, pursuant to the provisions of the Share Purchase Agreement, RCG will acquire the Almonty Sub Shares and in exchange issue RCG Shares to the shareholders of Almonty Sub, who, at that time, will consist of Almonty, Heemskirk and the participants in the Financing. The number of Payment Shares to be issued to Almonty Sub shareholders will be the number of RCG Shares equal to the number of Almonty Sub Shares issued and outstanding immediately prior to the closing of the Transaction. The purchase price per Almonty Sub Share will be equal to the price paid per Subscription Receipt of Almonty Sub by the participants in the Financing. Holders of RCG Shares prior to the Transaction will receive value for their RCG Shares of $0.15 per RCG Share.

Please see "*Information Concerning the Acquisition, the Financing and the Transaction – The Transaction – Consolidation*" for more details with respect to the Consolidation.

In addition, RCG Agents Warrants will be exchanged for the Almonty Sub Agents Warrants and RCG Heemskirk Warrants will be exchanged for the Heemskirk Warrants. The holders of Almonty Sub Warrants will receive RCG Warrants that will entitle the holder to purchase that number of RCG Shares equal to the number of Almonty Sub Shares that would otherwise have been issuable upon exercise of such Almonty Sub Warrant immediately prior to closing of the Transaction, at an exercise price per RCG Share equal to, in the case of the RCG Heemskirk Warrants, (i) the "market price" (as such term is defined in the Exchange Corporate Finance Manual) of an RCG Share on the date of the issuance of the Almonty Sub Warrant, multiplied by (ii) 125%; and in the case of the RCG Agents Warrants, $1.00, being the offering price of the Subscription Receipts. All terms and conditions of the RCG Warrants, including expiry and vesting schedule, will be identical to the terms of the Almonty Sub Warrants for which they are exchanged.

Consolidation

In connection with the Transaction, RCG will adjust its capital structure immediately prior to the closing of the Transaction by way of the Consolidation, such that the number of RCG Shares will be consolidated by dividing the number of RCG Shares then outstanding by the Exchange Ratio.

As a result of the Consolidation, and pursuant to the Share Purchase Agreement, the number of RCG Shares issued as consideration for each Almonty Sub Share will be one and the number of RCG Warrants issued as consideration for each Almonty Sub Warrant will be one.

Adjustments will also be made to the terms of the outstanding RCG Options, including (i) an adjustment to the exercise price of each RCG Option, by an amount equal to the product obtained by multiplying the current exercise price per such RCG Option by the Exchange Ratio, and (ii) a reduction to the number of outstanding RCG Options equal to the amount of the current number of outstanding RCG Options divided by the Exchange Ratio.

For illustrative purposes, if there were 600,000 RCG Options outstanding at an exercise price per option of $0.10 and an Exchange Ratio of 6.67, the above adjustments would result in an increase to the exercise price of the RCG Options from $0.10 to $0.67, and a decrease in the number of outstanding RCG Options from 600,000 to 90,000.

Name and Ticker Symbol Change

In connection with the Transaction, RCG will change its name to "Almonty Industries Inc." and its ticker symbol to "AII". The Name Change and ticker symbol change will take place immediately prior to the completion of the Transaction.

Conditions Precedent to the Closing of the Transaction

The completion of the Transaction is subject to a number of conditions precedent in favour of RCG, including but not limited to the following:

- the Exchange will have conditionally accepted the Transaction, including written notification that the Exchange has accepted the Share Purchase Agreement for filing and has approved the issuance and listing of the Payment Shares and the issuance of the RCG Warrants and the underlying RCG Shares;
- RCG will have received a NI 43-101 compliant technical report with respect to the Los Santos Project;
- on or before closing of the Transaction, the payable owing by Daytal to Heemskirk will be eliminated; and
- other conditions precedent customary for a transaction such as the Transaction.

The completion of the Transaction is also subject to a number of conditions precedent in favour of the shareholders of Almonty Sub immediately prior to the closing, including but not limited to the following:

- the Exchange will have conditionally accepted the Transaction, including written notification that the Exchange has accepted the Share Purchase Agreement for filing and has approved the issuance and listing of the Payment Shares and the issuance of the RCG Warrants and the underlying RCG Shares;
- RCG will be listed on the Exchange and will have received confirmation from the Exchange that upon completion of the Transaction, the Resulting Issuer will be listed, at a minimum, on the Exchange as a Tier 2 issuer;

- the directors of RCG will have obtained a resignation and release of each director and officer of RCG effective upon closing, and will have taken such actions as are necessary to appoint the nominees of Almonty Sub as directors and officers of the Resulting Issuer, effective upon closing;
- RCG will have completed the Consolidation and the Name Change;
- Almonty Sub will have completed the Financing and the Acquisition; and
- other conditions precedent customary for a transaction such as the Transaction.

The conditions precedent in favour of RCG may be waived in whole or in part by RCG and the conditions precedent in favour of the shareholders of Almonty Sub, immediately prior to the closing, may be waived in whole or in part by Almonty Sub.

INFORMATION CONCERNING RCG

Corporate Structure

RCG was incorporated under the BCBCA on September 28, 2009 as "RCG Capital Inc." The head office of RCG is located at 2060 – 777 Hornby Street, Vancouver, British Columbia, V6Z 1T7 and the registered and records office of RCG is located at 1700 – 666 Burrard Street, Vancouver, British Columbia, V6C 2X8. RCG is a reporting issuer in the provinces of British Columbia and Alberta and the RCG Shares are listed for trading on the Exchange. RCG has no subsidiaries.

General Development of the Business

History

RCG is a CPC pursuant to the CPC Policy. The principal business of RCG has been to identify and evaluate assets or businesses with a view to completing a Qualifying Transaction. RCG has not commenced commercial operations and has no assets other than a minimum amount of cash. Except as specifically contemplated in the CPC Policy, until completion of the Transaction, RCG will not carry on any business other than the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction.

On June 30, 2010, RCG completed its initial public offering of 2,000,000 RCG Shares at a price of $0.10 per RCG Share for gross proceeds of $200,000 by way of a final prospectus dated April 28, 2010, which was filed in the provinces of British Columbia and Alberta. The offering was made in such provinces on a best efforts basis by Bolder. The net proceeds of the offering were used to provide RCG with a minimum of funds with which to identify and evaluate assets or businesses for acquisition with a view to completing a Qualifying Transaction.

RCG is currently a reporting issuer in the provinces of British Columbia and Alberta. The RCG Shares began trading on the Exchange effective July 6, 2010 under the symbol "RCG.P".

Since June 30, 2010, RCG has been focused on identifying prospective assets and businesses for acquisition with a view to completing a Qualifying Transaction. RCG has not entered into any agreements for the acquisition of any assets or business other than the Share Purchase Agreement. Please see "*Information Concerning the Acquisition, the Financing and the Transaction – The Transaction*" for a discussion of the terms of the Share Purchase Agreement.

Selected Consolidated Financial Information and Management's Discussion and Analysis

Information from Inception

Since incorporation to May 31, 2011, RCG has incurred the following costs in carrying out its initial public offering, in seeking, evaluating and negotiating potential Qualifying Transactions and in meeting the disclosure obligations required for a reporting issuer listed for trading on the Exchange. The following table sets forth historical financial information for RCG for the three months ended May 31, 2011, for the year ended February 28, 2011 and for the period from incorporation to February 28, 2010. Such information is derived from the financial statements of RCG and should be read in conjunction with such financial statements.

Expenses	**From March 1, 2011 to May 31, 2011 ($)**	**From March 1, 2010 to February 28, 2011 ($)**	**From incorporation to February 28, 2010 ($)**
Accounting and audit	–	15,600	6,000
Filing and transfer agent fees	534	31,119	–
Legal	91,000	19,009	10,000
Office and administration	458	1,757	33
Rent	3,750	11,087	–
Stock-based compensation	–	31,483	–
Telephone	–	2,210	–
Travel and promotion	–	3,336	–
Total	95,742	115,601	16,033

As at May 31, 2011, RCG had deferred acquisition costs relating to the Transaction of $Nil.

Management's Discussion and Analysis

Forward-Looking Statements

This MD&A may contain certain forward-looking statements that involve known and unknown risks, uncertainties and other factors that may cause RCG's actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. These risks, uncertainties and factors may include, but are not limited to: unavailability of financing, changes in government regulation, general economic conditions, general business conditions, limited time being devoted to business by directors, escalating professional fees, escalating transaction costs and the failure to successfully complete the Qualifying Transaction. Readers are cautioned not to place undue reliance on forward-looking statements, which are effective only as of the date of this MD&A or as of the date otherwise specifically indicated herein.

Year Ended February 28, 2011

This MD&A dated June 10, 2011 provides a review of RCG's financial condition for the year ended February 28, 2011 and is based on the audited annual financial statements of RCG for the year ended February 28, 2011. This MD&A should be read in conjunction with RCG's audited financial statements for the year ended February 28, 2011 and the notes thereto. Additional information relevant to RCG's activities can be found under RCG's profile on SEDAR at www.sedar.com.

Results of Operations

During the fiscal year ended February 28, 2011, RCG recorded a net loss of $115,601 compared to $16,033 for the period from incorporation on September 28, 2009 to February 28, 2010. The loss in 2011 was primarily attributable to accounting and audit fees of $15,600 compared to $6,000 in 2010; filing and transfer agent fees of $31,119 (due to RCG completing its initial public offering during the year) compared to $Nil in 2010; legal fees of $19,009 compared to $10,000 in 2010; rent of $11,087 compared to $Nil in 2010; and stock-based compensation of $31,482 compared to $Nil in 2010.

Liquidity and Capital Resources

RCG does not have any operations and does not conduct any business other than the identification and evaluation of businesses and assets for potential acquisition. As at February 28, 2011, RCG had cash and receivables of $186,428 compared with $94,967 at February 28, 2010. The working capital as at February 28, 2011 was $169,132. As at February 28, 2011, the Company had $186,428 in total assets and $17,296 in payables and accruals. RCG has no long term debt.

Since inception, RCG's capital resources have been limited to amounts raised from the private sale of RCG Shares and RCG's initial public offering. RCG has not commenced operations and as at February 28, 2011 had no assets other than cash and HST recoverable.

RCG is not exposed to any externally imposed capital requirement. There were no changes in RCG's approach to capital management during the year.

RCG's issued and outstanding shares were 4,200,000 as at February 28, 2011 and 4,250,000 at June 10, 2011 (due to the issuance of 50,000 RCG Shares to Bolder in connection with the exercise of 50,000 RCG Brokers Options).

RCG has established a Stock Option Plan for its directors, officers and technical consultants under which RCG may grant RCG Options to acquire a maximum number of RCG Shares equal to 10% of the total issued and outstanding RCG Shares. As of June 10, 2011, 400,000 RCG Options are outstanding and 150,000 RCG Agents Options are outstanding.

Off-Balance Sheet Arrangements

RCG did not enter into any off-balance sheet arrangements during the periods.

Financial Summary

The following table sets out selected financial information for and as of the end of the quarterly periods indicated and should be read in conjunction with the financial statements of RCG for the corresponding periods.

	February 28, 2011 ($)	**November 30, 2010 ($)**	**August 31, 2010 ($)**	**May 31, 2010 ($)**
Total revenue (interest)	–	–	–	–
Net Loss	(25,054)	(8,465)	(73,840)	(8,242)
Basic and diluted earnings (loss) per share	(0.01)	(0.00)	(0.06)	(0.00)
Total assets	186,428	195,987	204,452	99,725
Total long term debt	–	–	–	–
Dividend	–	–	–	–

Transactions with Related Parties

During the fiscal year ended February 28, 2011, RCG paid or accrued accounting fees of $7,600 (2010 – $Nil) to an accounting firm of which an officer of RCG is a partner. As of February 28, 2011, $3,000 (2010 – $Nil) in accounts payable accrued liabilities was due to the accounting firm. The transaction was in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Contractual Commitments

There are no contractual commitments, other than the Share Purchase Agreement.

Transition to International Reporting Standards

In February 2008, the Canadian Accounting Standards Board ("**AcSB**") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies have converged with IFRS.

For publicly-listed companies, the changeover to IFRS occurred in respect of interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. In May 2008, the Canadian Securities Administrators issued Staff Notice 52-320, which provided guidance on the disclosure of changes in expected accounting policies related to the changeover to IFRS. In July 2008, AcSB announced that early adoption would be allowed in 2009, subject to seeking exemptive relief. IFRS was first applied by RCG on March 1, 2010. RCG continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

As Daytal and Almonty Sub currently report in accordance with IFRS, RCG anticipates no difficulty with respect to future IFRS requirements.

Description of RCG Securities

RCG Shares

The authorized capital of RCG consists of an unlimited number of common shares without par value. As at the date of this Filing Statement, there are 4,250,000 RCG Shares issued and outstanding as fully paid and non-assessable. Of the total RCG Shares issued and outstanding, 2,200,000 are held in escrow, 400,000 are reserved for issuance pursuant to the RCG Options and 150,000 are reserved for issuance upon the exercise of the RCG Brokers Options.

The holders of the RCG Shares are entitled to vote at all meetings of shareholders of RCG Shares, to receive dividends if, as and when declared by the directors and to participate ratably in any distribution of property or assets upon the liquidation, winding-up or other dissolution of RCG. The RCG Shares carry no pre-emptive rights, conversion or exchange rights, or redemption, retraction, repurchase, sinking fund or purchase fund provisions. There are no provisions requiring the holder of RCG Shares to contribute additional capital and no restrictions on the issuance of additional securities by RCG. There are no restrictions on the repurchase or redemption of RCG Shares by RCG except to the extent that any such repurchase or redemption would render RCG insolvent.

All of the Resulting Issuer Shares that are issued and outstanding after completion of the Transaction will be fully paid and non-assessable.

RCG Warrants

In connection with the Transaction and as set out in the Share Purchase Agreement, RCG will create and issue to Heemskirk the RCG Heemskirk Warrants, to be exchanged for the Heemskirk Warrants at the closing of the Transaction. The terms of the RCG Heemskirk Warrants, including the expiry and vesting schedule, will be identical to the terms of the Heemskirk Warrants for which they are exchanged. RCG will also create and issue to the Agents the RCG Agents Warrants, to be exchanged for the Almonty Sub Agents Warrants at the closing of the Transaction. The terms of the RCG Agents Warrants, including the expiry and vesting schedule, will be identical to the terms of the Almonty Sub Agents Warrants for which they are exchanged.

Stock Option Plan

On February 10, 2010, RCG approved a "rolling" Stock Option Plan which provides that the number of RCG Shares reserved for issuance will not exceed 10% of the issued and outstanding RCG Shares at the time of grant and provided that for so long as RCG remains classified as a CPC the number of RCG Shares reserved for issuance under the Stock Option Plan will not exceed 420,000 RCG Shares. The RCG Options comply with the rules and regulations of the Exchange regarding share incentive arrangements. The purpose of the Stock Option Plan is to attract and retain employees, consultants, officers and directors to RCG and to motivate them to advance the interests of RCG by affording them with the opportunity, through share options, to acquire an equity interest in RCG and benefit from its growth.

The Stock Option Plan authorizes the board of directors to grant, in its absolute discretion, RCG Options to directors, officers, employees or consultants on such terms, limitations, conditions and restrictions as it deems necessary and advisable.

Under the Stock Option Plan, the number of RCG Shares reserved for issuance to any one individual in a 12 month period may not exceed 5% of the issued and outstanding RCG Shares and the number of RCG Shares reserved for issuance to consultants may not exceed 2% of the issued and outstanding RCG Shares. RCG may not grant RCG Options to any person conducting Investor Relations Activities (as defined in the Stock Option Plan), promotional or market-making services. The Stock Option Plan contains no vesting requirements.

RCG Options may be granted for a maximum term of ten years. RCG Options granted to a director, officer, consultant or employee who ceases to be so engaged may be exercised the greater of the 12 months after completion of the Qualifying Transaction and 90 days following cessation of the optionee's position with RCG, provided that if the cessation of office, directorship, consulting arrangement or employment is by reason of death, RCG Option may be exercised within a maximum period of one year after such death, subject to the earlier expiry date of such RCG Option.

The exercise price of any RCG Option will be determined by the board of directors, in its discretion, but will not be less than the closing price of the RCG Shares on the day preceding the date of grant, less any discount permitted by the Exchange. RCG Options will not be subject to any resale restrictions imposed by the Exchange unless granted at the maximum discount permitted by the Exchange.

RCG Options are non-assignable and non-transferable (subject to RCG Options being exercisable by the optionee's heirs or administrator). The number of RCG Shares reserved for RCG Option and the exercise price payable for the RCG Shares subject to such RCG Option will be adjusted appropriately in the event of any consolidation, subdivision, conversion or exchange of the RCG Shares.

Any RCG Shares acquired pursuant to the exercise of RCG Options prior to the Completion of the Qualifying Transaction until the issuance of the Final Exchange Bulletin must be deposited in escrow.

As part of its initial public offering, RCG granted RCG Options to the directors and officers of RCG to purchase 400,000 RCG Shares at $0.10 per RCG Share for a period of ten years, expiring June 30, 2020, all of which remain outstanding as of the date of this Filing Statement.

The following table sets out all RCG Options granted by RCG.

Optionee	**Number of RCG Shares reserved under RCG Option(1)**	**Exercise price per RCG Share(1) ($)**	**Expiry Date**	**Value of unexercised in-the-money RCG Options(2) ($)**
George Brazier	17,991	0.67	June 30, 2020(3)	5,937
Robert Lipsett	10,494	0.67	June 30, 2020(3)	3,463

Foo Chan	10,494	0.67	June 30, 2020[(3)]	3,463
Carl Pescio	10,494	0.67	June 30, 2020[(3)]	3,463
Greg Hyrhorchuk	10,494	0.67	June 30, 2020[(3)]	3,463
Total	59,967			

Notes:

(1) On a post-Consolidation basis.

(2) The value of unexercised "in-the-money RCG Options" is the difference between the option exercise price and the assumed post-Consolidation market value of the underlying stock on the Exchange of $1.00, being the amount that each Subscription Receipt was issued at in connection with the Financing.

(3) Assuming completion of the Transaction, the expiry date will then be 12 months after the date of completion of the Transaction, in accordance with the terms of the Stock Option Plan.

Other Options

As part of its initial public offering, RCG granted to Bolder, its agent in the offering, RCG Brokers Options to purchase up to 200,000 RCG Shares at a price of $0.10 per RCG Share for a period of 24 months from the date the RCG Shares were listed on the Exchange, expiring June 30, 2012. At the date of this Filing Statement, 50,000 of the RCG Brokers Options granted to Bolder have been exercised. Pursuant to the CPC Policy, Bolder may not sell more than 100,000 of the RCG Shares acquired prior to Completion of the Qualifying Transaction until the issuance of the Final Exchange Bulletin.

Optionee	**Number of RCG Shares reserved under RCG Brokers Option[(1)]**	**Exercise price per RCG Share[(1)] ($)**	**Expiry Date**	**Value of unexercised in-the-money RCG Brokers Options[(2)] ($)**
Bolder Investment Partners, Ltd.	22,488	0.67	June 30, 2012	7,421

Notes:

(1) On a post-Consolidation basis.

(2) The value of unexercised "in-the-money RCG Brokers Options" is the difference between the option exercise price and the assumed post-Consolidation market value of the underlying stock on the Exchange of $1.00, being the amount that each Subscription Receipt was issued at in connection with the Financing.

Prior Sales

Since the date of incorporation, 4,250,000 RCG Shares have been issued as follows:

Date	**Number of RCG Shares**	**Issue price per RCG Share ($)**	**Aggregate Issue Price**	**Consideration Received**
September 28, 2009	1[(1)]	$0.05	$0.05	Cash
October 16, 2009	1,999,999[(2)]	$0.05	$99,999.95	Cash
March 25, 2010	200,000[(2)]	$0.05	$10,000	Cash
April 28, 2010	2,000,000	$0.10	$200,000	Cash
April 14, 2011	50,000[(3)]	$0.10	$5,000	Cash

Total	4,250,000

Notes:

(1) Incorporator share issued and then transferred on October 16, 2009 to an RCG Principal.

(2) All of these RCG Shares, including the incorporator share, were issued to certain RCG Principals and placed in escrow pursuant to the Escrow Agreement in accordance with the CPC Policy. See "*Information Concerning the Resulting Issuer – Escrowed Securities*".

(3) RCG Shares issued in connection with the exercise of 50,000 RCG Brokers Options on March 3, 2011.

Stock Exchange Price

The RCG Shares have been listed and posted for trading on the Exchange since June 30, 2010. The following table sets out the high and low closing prices and volume of the trading of the RCG Shares for the periods indicated as reported by the Exchange.

Date	**High ($)**	**Low ($)**	**Volume**
2011			
June 1 – 13(1)	0.12	0.12	1111.11
May	0.12	0.12	476.19
April	0.11	0.11	500.00
March	0.11	0.11	1282.60
Quarter ended February 28	0.12	0.12	1266.66
2010			
Quarter ended November 30	0.12	0.12	1812.50
Quarter ended August 30	0.11	0.11	4538.46

Notes:

(1) The RCG Shares commenced trading on the Exchange on June 30, 2010 and were halted from trading on June 13, 2011, pending the announcement of the Transaction. The price of the RCG Shares on June 10, 2010, the last day of trading prior to the halt was $0.12.

Arm's Length Transaction

The Transaction is not a Non Arm's Length Qualifying Transaction.

Legal Proceedings

RCG is not involved in any legal proceedings and no such proceedings are known to RCG to be contemplated.

Auditor, Transfer Agent and Registrar

The auditor of RCG is Davidson & Company LLP, 1200 – 609 Granville Street, Vancouver, British Columbia, V7Y 1G6. The registrar and transfer agent of the RCG Shares is Computershare Investor Services Inc., 510 Burrard, 3rd Floor, Vancouver, British Columbia, V6C 3B9.

Material Contracts

Since incorporation, other than in the ordinary course of business, RCG has not entered into any contracts material to investors, other than those listed below:

(a) Transfer Agent, Registrar and Dividend Disbursing Agent Agreement dated February 10, 2010, between RCG and the Transfer Agent.

(b) CPC Escrow Agreement dated February 10, 2010, among RCG, the Transfer Agent and the RCG Principals. See "*Information Concerning the Resulting Issuer – Escrowed Securities*" for further particulars.

(c) Stock Option Plan approved on February 10, 2010. See "*Information Concerning RCG – Stock Option Plan*" and "*Information Concerning the Resulting Issuer – Options/Warrants to Purchase Securities*" for further particulars.

(d) Stock Option Agreements between RCG and the directors and officers of RCG. See "*Information Concerning RCG – Stock Option Plan*" for further particulars.

(e) Share Purchase Agreement dated June 10, 2011, among RCG, Almonty and Almonty Sub. See "*Information Concerning the Acquisition, the Financing and the Transaction – The Transaction*" for further particulars.

(f) Agency Agreement entered into as of August 26, 2011, between the Agents, Almonty, Almonty Sub and RCG. See "*Information Concerning the Acquisition, the Financing and the Transaction – The Financing*" for further particulars.

(g) Subscription agreements entered as of August 26, 2011, between each participant in the Financing, Almonty Sub and RCG. See "*Information Concerning the Acquisition, the Financing and the Transaction – The Financing*" for further particulars.

All of the contracts specified above are filed on SEDAR at www.sedar.com and may be inspected at the offices of counsel to RCG, Stikeman Elliott LLP at 1700 – 666 Burrard Street, Vancouver, British Columbia, V6C 2X8 during normal business hours until the date of closing of the Transaction and for a period of 30 days thereafter.

INFORMATION CONCERNING ALMONTY SUB

Corporate Structure

Almonty Sub is a private company incorporated under the *Canada Business Corporations Act* on June 9, 2011 as "7887523 Canada Inc.". The head and registered office of Almonty Sub is located at 100 King Street West, Suite 6100, 1 First Canadian Place, Toronto ON, M5X 1B8.

General Development of the Business

History

Almonty Sub is a wholly-owned subsidiary of Almonty. Almonty Sub has not carried on any business to date and was incorporated to implement the Financing, the Acquisition and the Transaction. Following the Acquisition, it will own 100% of the issued and outstanding Daytal Shares. Almonty Sub will also complete the Financing prior to the closing of the Transaction. Please see "*Information Concerning the Acquisition, the Financing and the Transaction – The Acquisition*" and "*Information Concerning the Acquisition, the Financing and the Transaction – The Financing*" for further particulars.

Description of the Almonty Sub Securities

Almonty Sub Shares

The authorized capital of Almonty Sub consists of an unlimited number of common shares. As at the date of this Filing Statement, there are 13,850,420 Almonty Sub Shares issued and outstanding as fully paid and non-assessable. Other than Almonty and each participant in the Financing, as of the date of this Filing Statement, no other Person holds any securities of Almonty Sub. The number of Almonty Sub Shares was increased from 100 to 13,850,420 pursuant to articles of amendment dated August 25, 2011 in connection with the Financing, the Acquisition and the Transaction resulting in Almonty holding that number of Almonty Sub Shares as is contemplated in "*Summary – Interests of Insiders, Promoters or Control Persons*" following the Financing, the Acquisition and the Transaction.

The holders of the Almonty Sub Shares are entitled to dividends if, as and when declared by the board of directors, to receive notice of and to attend all meetings of shareholders of Almonty Sub, to one vote per share at such meetings and, upon dissolution of Almonty Sub, to share equally in any distribution of property or assets of Almonty Sub as are distributable to the holders of Almonty Sub Shares.

All of the Almonty Sub Shares that are issued and outstanding after completion of the Transaction will be fully paid and non-assessable.

Subscription Receipts

In connection with the Financing, 16,963,840 Subscription Receipts were issued on August 26, 2011. Upon satisfaction of the Escrow Release Conditions, each Subscription Receipt will be automatically exchanged, without payment of any additional consideration, for one Almonty Sub Share. Upon completion of the Transaction, each Almonty Sub Share will immediately thereafter be exchanged for one RCG Share. The Subscription Receipts are governed by the terms of the Subscription Receipt Agreement and have customary rights and privileges, including anti-dilution provisions.

Almonty Sub Warrants

In connection with the Acquisition and conditional on the completion of the Financing and the Transaction by the Outside Date, Almonty Sub will issue to Heemskirk the Heemskirk Warrants as is set out in the Daytal Acquisition Agreement. The number of Heemskirk Warrants to be issued is 3,701,144 being equal to 10% of the aggregate issued and outstanding Almonty Sub Shares calculated immediately prior to the completion of the Transaction. Such Heemskirk Warrants will be exercisable for one Almonty Sub Share for a period of 36 months from the date of issue at an exercise price equal to the product of (i) the "market price" (as such term is defined in the Exchange Corporate Finance Manual) of a RCG Share on the date of the issuance of the Heemskirk Warrants and (ii) 125%.

In connection with the Financing and as set out in the Agency Agreement, Almonty Sub will issue to the Agents the Almonty Sub Agents Warrants. The number of Almonty Sub Agents Warrants to be issued is 656,650. Such Almonty Sub Agents Warrants will be exercisable for one Almonty Sub Share for a period of 24 months following the closing of the Financing at an exercise price equal to $1.00.

Upon completion of the Transaction and pursuant to the Share Purchase Agreement, the Heemskirk Warrants and the Almonty Sub Agents Warrants will convert into RCG Heemskirk Warrants and RCG Agents Warrants, respectively, subject to the terms of the Share Purchase Agreement. Please see "*Information Concerning the Acquisition, the Financing and the Transaction – The Transaction*" for further particulars.

Prior Sales

Since the date of incorporation, Almonty Sub Shares have been issued as follows:

Date	Number of Almonty Sub Shares	Issue price per Almonty Sub Share ($)	Aggregate Issue Price	Consideration Received
June 9, 2011	100[(1) (2)]	1.00	100.00	Cash
Total	100			

Notes:

(1) Issued to Almonty on the date of incorporation of Almonty Sub.

(2) The number of issued and outstanding Almonty Sub Shares was increased to 13,850,420 pursuant to articles of amendment issued on August 25, 2011, resulting in Almonty holding that number of Almonty Sub Shares as is contemplated in "*Summary – Interests of Insiders, Promoters or Control Persons*" following the Financing, the Acquisition and the Transaction.

Legal Proceedings

Almonty Sub is not involved in any legal proceedings and no such proceedings are known to Almonty Sub to be contemplated.

Material Contracts

Since incorporation, Almonty Sub has not entered into any contracts material to investors, other than those listed below:

(a) Assignment Notice dated June 10, 2011, between Almonty Numberco and Almonty Sub. Pursuant to the Assignment Notice, Almonty Numberco assigned all its rights and obligations under the Daytal Acquisition Agreement to Almonty Sub. See "*Information Concerning the Acquisition, the Financing and the Transaction – The Acquisition*" for further particulars.

(b) Share Purchase Agreement dated June 10, 2011, among RCG, Almonty and Almonty Sub. See "*Information Concerning the Acquisition, the Financing and the Transaction – The Transaction*" for further particulars.

(c) Agency Agreement entered into as of August 26, 2011, between the Agents, Almonty, Almonty Sub and RCG. See "*Information Concerning the Acquisition, the Financing and the Transaction – The Financing*" for further particulars.

(d) Subscription agreements entered into as of August 26, 2011, between each participant in the Financing, Almonty Sub and RCG. See "*Information Concerning the Acquisition, the Financing and the Transaction – The Financing*" for further particulars.

(e) Subscription Receipt Agreement made as of August 26, 2011 between Almonty Sub, Cormark on behalf of the Agents and the Escrow Agent. See "*Information Concerning the Acquisition, the Financing and the Transaction – The Financing*" for further particulars.

All of the contracts specified above may be inspected at the offices of Stikeman Elliott LLP at 1700 – 666 Burrard Street, Vancouver, British Columbia, V6C 2X8 during normal business hours until the date of closing of the Transaction and for a period of 30 days thereafter.

INFORMATION CONCERNING DAYTAL

Corporate Structure

Daytal is a private company incorporated under the laws of Spain by means of public deed granted on January 24, 2006. Daytal's registered and principal office is located at Los Santos (Spain), Crta. de Fuenterroble, variante Los Santos C.V. 89K. Since its incorporation, there have been three amendments to Daytal's by-laws:

- October 20, 2006 – Daytal's year-end changed to September 30.
- July 16, 2008 – Daytal's registered address changed to Los Santos (Spain), Crta. de Fuenterroble, variante Los Santos C.V. 89K.
- September 28, 2009 **–** Daytal's authorized capital is increased by 199,601 Daytal Shares.

Pursuant to Article 2 of its by-laws, Daytal's corporate purpose is:

- Drilling, investigation studies, blasting, excavation, demolition, preparation of lands, exhaustion systems, sweeping and investigation, exploitation, transformation and commercialisation of all kinds of minerals.
- All such activities can be developed either directly or through the participation in the share capital of other companies.

Daytal is authorized to issue 199,701 Daytal Shares of which, as at the date hereof, 199,701 shares are issued and outstanding. All of the outstanding Daytal Shares are fully paid with each having identical rights and obligations, including the right of first refusal granted to all the shareholders under applicable laws including the laws of Spain.

Following the completion of the Transaction, the Resulting Issuer will hold 199,701 Daytal Shares, being 100% of the issued and outstanding Daytal Shares, causing Daytal to be a wholly-owned subsidiary of the Resulting Issuer.

Please see "*Information Concerning the Resulting Issuer – Fully Diluted Share Capital*" for further particulars.

Intercorporate Relationships

HSK Europe currently owns all of the issued and outstanding Daytal Shares. HSK Europe is wholly-owned by Heemskirk. Daytal has no subsidiaries or other ownership interests in the securities of any other Person.

General Development of the Business

History

Daytal is the owner of the Los Santos Project, which is a producing tungsten mine located approximately 50 km from Salamanca in western Spain.

The Los Santos Project was first identified as a result of regional geological exploration during the late 1970s by Billiton in association with a local company, Promotura de Recursos Naturales SA. By 1985, Billiton had developed the project to pre-feasibility level, however at prevailing commodity prices the project was deemed not viable at that time. Ownership then passed into the hands of Sociedad de Investigación y Explotación Minera de Castilla y león, S.A. ("**SIEMCALSA**"), a publicly owned company of mining and geological consultants. In 1995, the United Kingdom based company, Navan Resources ("**Navan**"), entered into an agreement with SIEMCALSA with an option to acquire 65% of the project. Navan undertook additional metallurgical testing and mine planning, however, again concluded that at prevailing commodity prices the project remained uneconomic and full ownership reverted to SIEMCALSA. In 2006, Daytal acquired the project from SIEMCALSA. Prior to this acquisition, to the knowledge of Heemskirk and HSK Europe, Daytal had no operating assets.

On August 2, 2006, Heemskirk acquired 100% of the issued and outstanding shares of Daytal for aggregate consideration of approximately US$15,600,000 and 3,000,000 ordinary shares of Heemskirk valued at AUD$0.50 per share. In addition, the parties agreed that additional amounts may become payable based on the performance of the Los Santos tungsten project for the first two years after successful commissioning of the project. Detailed project engineering studies were initiated later in August 2006 and contracts for mine and plant construction were awarded in early May 2007. In May 2007, the Supply Agreement for the first six years of mine production was secured with Osram Sylvania Products Inc. (now GTP) (please see "*Information Concerning Daytal – The Supply Agreement*" for further particulars). Plant commissioning commenced on schedule during the first quarter of 2008. The Los Santos open pit tungsten mine was officially opened in June 2008 and commissioned on July 1, 2010 at a production rate of 400,000 tonnes per annum of ore.

In 2009, the impact of the global financial crisis reduced APT prices to below US$200 per metric tonne unit. Heemskirk concluded that it needed to improve tungsten recovery rates. Consequently, the process plant was improved and expanded with the installation of a secondary ball mill and additional table and spiral capacity.

Currently, the project processes approximately 500,000 tonnes of ore per annum producing approximately 70,000 metric tonne units of tungsten concentrate.

Narrative Description of the Business

Products

The Los Santos Project produces approximately 500,000 tonnes per annum of ore from open pit mining operations located along tungsten bearing skarn deposits between the villages of Los Santos and Fuenterroble approximately 50 km south of the provincial capital of Salamanca in western Spain. Currently, the mine is operating three separate open pits using a well established Spanish mining contractor. Ore from the mining operations is trucked up to three km to a centrally located processing plant for beneficiation. Processing consists of crushing and grinding the ore followed by gravity separation using spirals and shaking tables to separate the heavy scheelite mineral from the lighter mineral components of the ore. Magnetic separation and flotation are used to further clean the final product prior to shipment. The final product is a concentrate of the tungsten mineral, scheelite ($CaWO_4$), 100% of which is shipped to GTP under the Supply Agreement. The tungsten concentrate has a minimum grade of 68% WO_3.

Operations

The Los Santos mine and process plant have been in operation since 2008 and have a full operating team and management structure in place. Mining is undertaken using an established Spanish mining contractor under the supervision of Daytal's management (and also under certain management contracts, please see "*Information Concerning the Daytal – Management Contracts*"). Daytal has its own fully-staffed geological, surveying, grade control, assaying and mineral processing departments as well as established financial and human resources teams. Specialised technical consultants are used for specific projects on an as needed basis. Over the most recently completed financial year there was an average of 58 full-time, direct employees of Daytal. The business is not seasonal and operates ostensibly 24 hours per day, 7 days per week, although operations are very occasionally impacted by adverse weather conditions for a few hours at a time.

The mining and processing operations are located on land owned by the local municipalities of Los Santos and Fuenterroble. All installed facilities are wholly owned by Daytal.

The Los Santos Project mining concessions are:

- mining exploitation concession No. 6.133, named "*Los Santos–Fuenterroble*", regarding resources classified under Section C of the Spanish Mining Act 22/1973, of July 21, Act 54/1980, of

November 5, and the General Mining Rules passed on August 25, 1978, occupying a surface area of 38 mining grids; and

- mining investigation permits 6.606 "*Quién sabe*" and 6.607 "*Por si acaso*" regarding resources classified under Section C of the Spanish Mining Act 22/1973, of July 21, Act 54/1980, of November 5, and the General Mining Rules passed on August 25, 1978, occupying a surface area of 102 mining grids.

Daytal's land lease agreements are:

Land Plot/Area	Location	Owner	Execution Date	Duration (years)
5001/503	Los Santos	Los Santos Town Hall	March 14, 2001	20
5001/504	Fuenterroble	Los Santos Town Hall	March 14, 2001	20
689/509	Los Santos	Fuenterroble Town Hall	March 9, 2007	25
391/503	Los Santos	Private owner – Jesus Morato	June 20, 2007	10
386/503	Los Santos	Private owner – Hermanos Martin Sierra	June 1, 2007	20
390/503	Los Santos	Private owner – Maria L. Yuste	October 21, 2007	10
387/503	Los Santos	Private owner – Isabel Merino	May 1, 2007	10
388/503	Los Santos	Private owner – Gonzalo Martin	January 1, 2009	10
389/503	Los Santos	Private owner Gonzalo Martin	January 1, 2009	10

The risks of extraordinary state actions on Daytal's operations in Spain are considered to be low. Spain is a member of the European Union with established legal and political frameworks and normal business relationships with its European Union partners and other states.

The Tungsten Market

The following information provided in this section has been compiled from a number of third party sources including: The International Tungsten Industry Association; The US Geological Survey, Tungsten 2011; CRU Group, "The Outlook for Tungsten to 2013" and Bloomberg.

Background

Tungsten ore is generally mined by underground methods and then beneficiated at the mine site, using crushing, gravity separation and sometimes flotation, to produce tungsten concentrates. These concentrates are generally shipped from the mine site to intermediate chemical companies are then processed chemically to produce ammonium paratungstate ("**APT**"), the most the most traded and quoted tungsten commodity, and other intermediate tungsten products. Secondary raw materials, including residues and scrap, are alternate sources for tungsten processing. The main intermediate tungsten products are:

- *APT*: The main intermediate tungsten product and also the most commonly traded tungsten raw material.
- *Tungsten metal powder* ("W"): The primary source of tungsten metal products, such as wire, rod, sheet, lighting filaments and electrical contacts and converted to tungsten carbide most frequently.
- *Ferrotungsten* ("FeW").

- *Tungsten carbide* ("WC"): The majority of the tungsten metal powder that is produced is converted into tungsten carbide, the most important tungsten compound in terms of volume, and the main constituent of cemented carbides.

Application

Tungsten is a grey-white metal with exceptionally high density and heat resistance properties. Tungsten's key industrial qualities include:

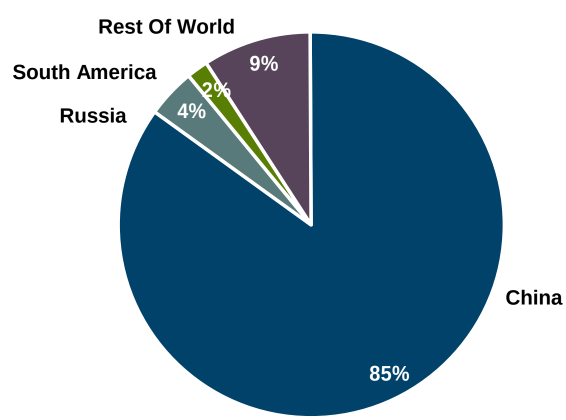
- *Hardness:* Tungsten is the strongest of all metals and second only to diamonds.
- *Heat resistance:* Highest melting point of all the non-alloyed metals (3,422ºC) and lowest coefficient of expansion of all metals.
- *Density:* High density of 19.3 times that of water (comparable to gold and uranium) and much higher (about 1.7 times) than that of lead.
- *Environmentally benign:* Does not break down or decompose.

As a result of the above-noted qualities, tungsten is used in a number of commercial, industrial, and military applications. Such uses include: as tungsten carbide in cemented carbides, which are wear-resistant materials used by the metalworking, mining, and construction industries; metal wires, electrodes, and contacts used in lighting, electronic, electrical, heating, and welding applications; to make heavy metal alloys for armaments, heat sinks, radiation shielding, and weights and counterweights; as superalloys for turbine blades, tool steels, and wear-resistant alloy parts and coatings; and as catalysts, inorganic pigments, high-temperature lubricants, and semiconductors.

Supply

In 2010, there were approximately 61,000 tonnes of tungsten produced globally. This is relative to an estimated global reserve of roughly three million tonnes. Notably, three-quarters of the world production of tungsten comes from China, where the consumption of tungsten has drastically increased. Industry estimates indicate that tungsten consumption in China is now outstripping supply in China.

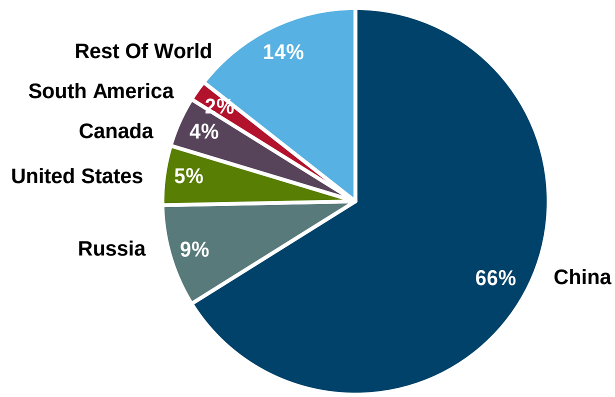
2010 World Tungsten Production – 61,000 t(1)



Source: US Geological Survey, Tungsten 2011

(1) Estimated US withheld by USGS to avoid disclosing company proprietary data

World Tungsten Reserves – 3 MM t



Source: US Geological Survey, Tungsten 2011

There is currently only a small number of producing tungsten mines outside of China, the Los Santos Project being one such mine. There are, however, numerous proposed tungsten projects being developed. As with all new mining projects, however, there are substantial inherent risks with respect to developing a tungsten mine generally including: capital risk, permitting risk, geological risk, metallurgical risk and geopolitical risk. See "*Risk Factors – Risks Relating to the Resulting Issuer's Business and Industry*" for a list of additional risks.

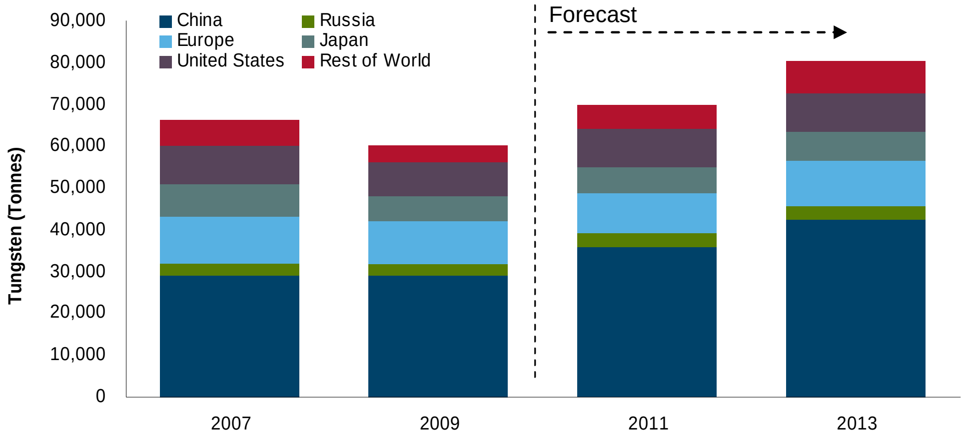
Recently developed tungsten mines and new tungsten projects that are being expanded or considered include:

- Mactung Mine (producing) in Canada by North American Tungsten Corporation Ltd. (TSXV:NTC).
- Pasto Bueno Mine (producing) in Peru by Malaga Inc. (TSX:MLG).
- Barruecopardo Project in Spain by Ormonde Mining Plc (LN:ORM).
- King Island Project in Australia by King Island Scheelite Limited (ASX:KIS).
- Molyhil Project in Australia by Thor Mining PLC (LN:THR).
- Watershed Project in Australia by Vital Metals Ltd. (BE:VJF).
- Tiberon – Nui Phao Project in Vietnam by Tiberon Minerals, Ltd. (private).
- Hemerdon Project in the United Kingdom by Wolf Minerals (ASX:WLF).
- Sangdong Project in South Korea by Woulfe Mining Corp. (CVE:WOF).

Demand

China has been, and is forecast to continue to be, responsible for most of the global demand growth for tungsten with the remainder of the world stable in its tungsten consumption. The demand growth in China coupled with export quotas, however, has resulted in a supply/demand squeeze and as a result, China, the United States, Europe, Japan and Russia have declared tungsten a strategic metal.

Consumption Growth By Region

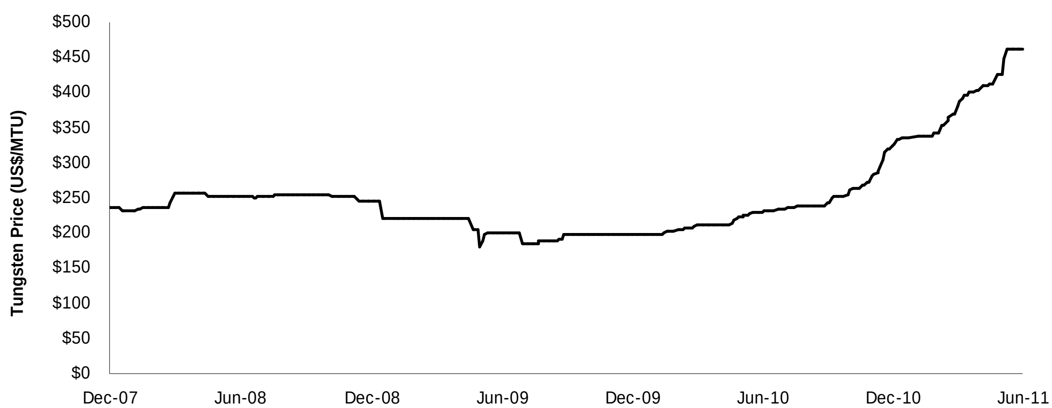


Source: CRU Group, "The Outlook For Tungsten To 2013", 2009

Pricing

As noted above, the most commonly quoted price is the APT price. Tungsten concentrates sold from mine sites are typically on a contract basis and at a price 70% to 80% of the quoted APT price. The increasing demand for tungsten in China and the aforementioned restricted supply have resulted in a 37% gain in the APT price year-to-date in 2011.

Tungsten – APT European Free Market Price



Source: Bloomberg, Ammonium Paratungstate, European (US$/MTU)

The Supply Agreement

Heemskirk entered into the Supply Agreement with Osram Sylvania Products Inc. (now GTP) dated May 10, 2007, as amended on November 27, 2008, and as further amended on May 26, 2010, relating to the supply of tungsten from the Los Santos Project. The Supply Agreement was negotiated at arm's length. It is the exclusive agreement pursuant to which Heemskirk sells all of the tungsten produced at the Los Santos Project and pursuant to which Daytal derives all of its revenue. The Supply Agreement expires on December 31, 2013 and requires Heemskirk to deliver tungsten to GTP at its facility in Towanda, Pennsylvania in accordance with agreed upon specifications, in specific container sizes and monthly quantities, subject to a yearly review of the agreed quantities by the parties. In addition to the agreed monthly quantities to be delivered, GTP is entitled, at its sole discretion from time to time, to purchase any additional amounts of tungsten produced at the Los Santos Project in any particular month on terms and at the pricing established in the Supply Agreement.

Payments under the Supply Agreement are to be made by GTP in U.S. dollars within a specified period based on the London Metal Bulletin Low European APT bench mark. Any disputes relating to weighing, sampling and assaying by GTP may be reviewed by an independent third party at the request of Heemskirk and are subject to cost splitting in the event of variances above agreed upon thresholds. The Supply Agreement also contains a customary force majeure clause and may be terminated by (i) GTP, in circumstances where Heemskirk fails to deliver the agreed upon monthly minimum quantities of tungsten for three consecutive months, and (ii) Heemskirk, in circumstances where GTP fails to take delivery of the agreed upon monthly minimum quantities of tungsten for three consecutive months.

In connection with the Acquisition, the consent of GTP is required to assign the Supply Agreement. The parties to the Daytal Acquisition Agreement are currently negotiating with GTP regarding the requisite GTP consent however, there can be no assurance that such consent will be obtained. The Supply Agreement may also be renegotiated in connection with the Acquisition and there is no assurance such renegotiated agreement will be on terms more favourable to Daytal or comparable to the current Supply Agreement. Please see "*Risk Factors Relating to the Resulting Issuer's Business and Industry – Supply Agreement*" and "*Information Concerning the Acquisition, the Financing and the Transaction – The Acquisition*" for further particulars.

The Los Santos Project

General

The following information, figures and tables have been derived from and are qualified in their entirety by the NI 43-101 technical report entitled "Technical Report on the Mineral Resources and Reserves of the Los Santos Mine Project, Spain" (the "**Los Santos Technical Report**") prepared for RCG by Adam Wheeler, an independent mining consultant and a "qualified person" as defined in NI 43-101. The disclosure in this Filing Statement has been prepared with the consent of the author responsible for the Los Santos Technical Report and in most cases, is a direct extract of the disclosure contained in the Los Santos Technical Report. The Los Santos Technical Report will be filed with certain Canadian securities regulatory authorities pursuant to NI 43-101 and will be available for review on SEDAR at www.sedar.com.

Property Description and Location

The Los Santos Project is located in the western part of the Iberian Peninsula, in the southern part of the province of Salamanca, within the municipalities of Fuenterroble de Salvatierra and Valdelacasa at longitude 5^{o} 46' west and latitude 40^{o} 32' north. It is 180 km west of Madrid, 50 km south of the city of Salamanca and 1 km east of the town of Los Santos.

The position of Los Santos in Spain is shown in Figure 1 in Schedule H and its local position relative to the Los Santos village is shown in Figure 2 in Schedule H.

The Los Santos scheelite deposit in western Spain was originally investigated by Billiton in the 1970s. Ownership passed into the hands of SIEMCALSA, a publicly owned company of mining and geological consultants based in Salamanca, Spain. In 2007 the deposit was purchased by Daytal, which at the time was 100% owned by Heemskirk. Upon completion of the Transaction, RCG, through its wholly-owned subsidiary, 7887523 Canada Inc. will be the sole owner of Daytal and the Los Santos Project.

Daytal is the owner of three tenements in the Los Santos area, one Exploitation License, "Los Santos-Fuenterroble" covering the actual mine, and two Exploration Licenses around the Exploitation Permit. The name and data of the three tenements are as follows:

- Exploitation Permit "Los Santos-Fuenterroble": *Concesión de Explotación* "*Los Santos-Fuenterroble*", No 6.133 of Salamanca province. The area covers a surface of 38 "*Cuadrículas Mineras*", approximately 1,083 hectares. This tenement covers the actual mine property.
- Exploration Permit "Quien Sabe": *Permiso de Investigación* "*Quien sabe*", No 6.606 of Salamanca province. The surface covered by this tenement is of 100 "*Cuadrículas mineras*", approximately 2,850 hectares.
- Exploration Permit "Por Si Acaso": *Permiso de Investigación* "*Por si acaso*", No 6.607 of Salamanca province. The surface covered by this tenement is of 105 "*Cuadrículas mineras*", approximately 2,992 hectares.

The mining license was granted for the exploitation of tungsten over the whole mine property area (1,083 hectares), and to build and operate all the facilities (plant, waste and tailings disposal) needed to recover the tungsten from the ore.

Accordingly with Spanish mining law, the holder of a claim has the right to expropriate the land necessary to set in motion the mining operation since the concession implies that the land has been declared to be of public interest. Nevertheless, Daytal has contracts with the land owners (mostly local authorities) to open and operate the mine. The relationships with local authorities and landowners are excellent.

The obligations that must be met to retain the property, in accordance with Spanish mining law, are:

- To exploit the property with good professional practices (regarding economical, safety and environmental aspects).
- To present an annual report about the works carried out and the works that will be carried out the following year, including reclamation works (if done).
- To pay annual land taxes.

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

Prior to the granting of the mining rights a full environmental impact assessment was carried out, presented to and approved by the environmental authorities.

According with this approval, the company has to do the reclamation of the area affected by the project, for which a bank guarantee was delivered to the mining authorities to guarantee the reclamation.

Daytal has to write and present to the authorities an annual report about the reclamation works carried out.

Daytal has all the permits needed to operate the mine, from central, regional and local authorities.

With respect to other significant factors and risks that may affect access, title, or the right or liability to perform work on the property, there are no risks that should affect the performance of works on the property. However, accordingly with Spanish mining law, any work that has to be carried out needs to be approved by the mining authorities.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

Accessibility

The most direct route to Los Santos is on the A.66 road, part of the national network, from Salamanca to Guijuelo. A site plan is shown in Figure 3 in Schedule H.

The average altitude of the sector where the deposit is located is 1,000 m above sea level, being located in the south slope of a hill, that extends 3 km from west to east, with a maximum altitude of 1,108 m, descending towards the south to 900 m.

Climate

The climate is warm Mediterranean, with cold winters and an annual average rainfall of 900 mm, mainly between November and March, with minimums in June, July and August. The average annual temperature is between 11°C and 14°C, with a maximum registered value of 38°C and a minimum of -14°C. The values for real evapotranspiration is between 40% and 80% of precipitation. The solar evaporation is in the order of 1500 mm/year.

As for rainfall, all meteorological stations show high annual rainfall variability with an average relationship of maximum/minimum rainfall higher than 3.5, average/minimum of 2 and maximum/average less than 1.5. Therefore, mine plans are based on this irregular behaviour, in particular for successive dry periods.

The region located southwest of the studied area shows a higher precipitation pattern, decreasing from north to east. The Los Santos district shows average records of precipitation around 800 mm, or even 900 mm (depending on sources). This is consistent with nearby meteorological stations and with regional patterns such as the influence of the nearby "Sierra de Francia" hills.

The average minimum registered is around 387 mm. The maximums can be inferred, varying between 556.9 mm and 1789 mm, considering a maximum average of 1173 mm/year.

Average annual rainfall is approximately 900 mm. Furthermore, for flood calculations in the Acillero basin, the average of 725 mm registered at Guijuelo is recommended. For Las Navas, the selected station is located at Casafranca, where records show an average of 750 mm per annum. For water availability calculation during dry periods, averages around 350 mm to 400 mm per annum are recommended. The stations that support this assessment are Guijuelo, Casafranca and Monleón, with minimum rainfall registers of around 368 mm, 400 mm and 600 mm per annum, respectively. It is important to note a minimum of 230 mm per annum registered at Miranda del Castañar as the worst-case scenario, and hence is recommended for future calculations.

Daily maximum registers and maximum rainfall within 24 hours registered at nearby stations. From this table it can be observed that the daily maximum rainfall oscillated between 120.4 mm and 50.3 mm. It is important to note that 10% of maximum rainfall in one year or 20% of the average annual rainfall may be registered in one day. From this observation, a proper water management scheme based on dams is envisaged against the alternative of pumping stations.

Vegetation

Existing vegetation units in the area of the project are summarized below.

<u>Oak forests</u>

There is a large extent of mainly sparse oak woodlands, except in local areas of higher rainfall where they form more forested patches with fern undergrowth. Within this hilly domain, sunlight exposure favours the appearance of shady oaks mainly in the crests of drier quartzite skeletal soils, while the Pyrenean oaks do better in the small valleys and shaded areas, descending to relatively low altitudes (800 m) and occupying deeper soils.

<u>Meadows</u>

The meadows correspond to the toothed grass classification Molinio-Arrhenatheretea, especially Cynosurion cristati.

Treed grasslands

These belong to family Fraxino-Querción pyrenaicae. The most common woody vegetation of these places is ash. This tree is characterized by its ability to colonize the stream sides in places well away from the bed of the brook. Its traditional use in the rangelands has been in the form of branches and wood for outbuildings, hence the typical feature of the older ashes in the area is that they are cut off at the top. In addition, ash is an excellent indicator of a fairly constant soil moisture, coinciding approximately to the extent of reed grass.

Hedge plants and Shrubs

By human action, to obtain fuel and encourage grazing, the families Querción pyrenaicae and Fraxino-Querción pyrenaicae appear in the form of thickets that give way to the formation of hedges that because of abandonment are being colonized by scrub. There is a large expanse of vegetation of this kind in the area. These plots were at some time cleared or cultivated and then abandoned to natural regrowth. The process has been slow, due to livestock use and could be considered "hedgerows".

Infrastructure

The surface area covered by the mine property, and all of the actual resources and reserves, facilities, waste disposal (actual or potential), plant (actual or future improvements) are inside the limits of the mining rights, so, all of the area needed for mining operations and related activities are covered by the actual Exploitation License granted by the regional government.

Regarding the power needed by the mining operations, the company is actually using fuel powered generators. The mine is located in an industrial region, so the supplying of fuel is assured.

The company has contracts with local authorities to supply water to the mine from public infrastructures. The project area is located within the Tajo hydrographical region, close to the limit with the Duero hydrographical region which is located between the towns of Los Santos and Fuenterrobles de Salvatierra.

Most of the drainage from the project site reports to the Santa Maria de las Navas stream, with a certain proportion reporting to the south to the Acillero streams. Both streams drain to the main water course in the area, the Alagón river.

The Santa Maria de las Navas stream flows from east to west, with a total catchment area of some 29.6 km^2. Two stream gauging stations were established in the Santa Maria de las Navas. The total yearly flows were calculated over the period of operation of the stations:

- 625,000 m^3 between May 1983 and December 1983.
- 1,700,000 m^3 between January 1984 and December 1984.
- 1,220,000 m^3 between January 1985 and December 1985.
- 1,300,000 m^3 between January 1986 and June 1986.

The Acillero stream has an approximate catchment area (above the project location) of 6.5 km^2. There only exists 14 months of stream gauging, giving an accumulated flow of 2.5 mm^3. The flows in both streams are mainly seasonal (correlating with the precipitation records), with large flows during winter and spring months, with much reduced or no flow during the summer and autumn months.

History

Promotora de Recursos Naturales, S.A. and Billiton formed an exploration joint venture partnership in the second half of 1979 and by March the following year had discovered scheelite in skarn mineralisation near the Village of Los Santos which is situated about 250 km west of Madrid in the Province of Salamanca. Exploration was focussed on skarn mineralisation on the margin between the Bejar granodiorite and the surrounding Cambrian metasediments. The discovery of the Los Santos tungsten bearing skarns was the result of regional geological reconnaissance and the targeted night-time use of ultra-violet lamps to disclose the presence of the tungsten mineral, scheelite ($CaWO_4$) which fluoresces under ultra violet light.

A period of intense exploration activity followed, including diamond drilling and some preliminary engineering, until the 1980s when it was decided to carry out a pre-feasibility study of the prospect. The sampling work that was completed by Billiton included:

- 255 surface trenches (totalling 10,142 m).
- 191 surface diamond drillholes and 37 underground drillholes (totalling 17,967 m).
- Underground access at Los Santos Sur, where an 825 m ramp was constructed down to the 950 m level and a footwall drive with 7 crosscuts and 3 drives in ore completed. From this access, a total of 185 bulk samples (totalling 5,500 tonnes) were collected.

By 1985, however, with a prevailing tungsten price of US$81 per metric tonne unit, the project was not considered viable.

Ownership then passed into the hands of SIEMCALSA. In 1995, Navan entered into an agreement with SIEMCALSA with an option to acquire 65% of the project. Navan undertook additional metallurgical test work, resource modelling and preliminary mine-planning, however, again concluded that at the prevailing commodity prices the project remained uneconomic and it reverted to SIEMCALSA.

A summary of historic resource and reserve estimates up to 2001 is shown in Table 1. All of these estimates were based on the sample data from the Billiton ownership era. It must be stated that the historical results shown in Table 1 do not conform to current CIM reporting standards. It should also be recognised that these estimates used different cut-off grades, minimum mining widths and estimation methodologies. Therefore these results are not directly comparable to the currently revised resource and reserve estimates.

Table 1: Historic Resource and Reserve Estimates Up to 2001

Zone/Region	Total tonnage (t)	Grade % WO_3	Underground Reserves (t)	Grade % WO_3	Open Pit Reserves (t	Grade % WO_3
Billiton Geological Reserve (1986)						
Las Cortinas	491,374	0.83	426,944	0.89	64,430	0.41
Sector Central	256,567	0.42			256,567	0.42
Los Santos South	1,180,284	0.67	923,802	0.67	256,482	0.68
Total	1,928,225	0.67	1,350,746	0.74	577,479	0.53
Pena de Hierro	450,629	0.28			450,629	0.28
Bed 4	176,991	0.32			176,991	0.32
TOTAL (Billiton, 1986)	**2,555,845**	**0.58**	**1,350,746**	**0.74**	**1,205,099**	**0.41**
Navan Resource and Mining Reserves (1996)						
Las Cortinas	490,450	0.82				
Sector Central	244,800	0.52				
Los Santos South	1,441,600	0.71				
TOTAL Resource (Navan, 1996)	**2,176,850**	**0.71**				
TOTAL Mining Reserves (Navan,1996)	**1,425,000**	**0.71**	**1,219,500**	**0.7**	**212,500**	**0.75**
Metales Hispania/SIEMCALSA Geological Reserves (2001)						
Material Superficial	473,671	0.38				
Material Subyacente	733,029	0.42				
Material Interior	1,356,184	0.74				
TOTAL Reserves (Metales Hispania, 2001)	**2,562,884**	**0.58**	**1,206,700**	**0.41**	**1,356,184**	**0.74**
Billiton Final Reserves, 1986: Cut-off grade (COG) 0.1% WO_3 over 1.8m interval (0.2% for underground)						
Navan Geological Resource,1996: COG 0.2% WO_3						

In connection with the results shown in Table 1, it must be stated that:

- A qualified person has not done sufficient work to classify these historical estimates as current mineral resources or reserves.
- These historical estimates are not being treated as current mineral resources or reserves.

In 2005, the joint venture of Cambrian Mining Plc, Tungsten SA Pty Ltd and Prehenita S.L. assessed the Los Santos Project. This culminated in a feasibility study report compiled by Golder Associates in 2006. Start-up was achieved through its full subsidiary Daytal. A summary of the resources and reserves in this feasibility study are shown in Table 2.

Table 2: Historic Resource and Reserve Estimate – 2006 Feasibility Study

Resources

Category	Tonnes kT	WO_3 %
Measured	939	0.37
Indicated	2,558	0.26
Measured + Indicated	**3,498**	**0.29**
Inferred	**1,478**	**0.19**

Reserves

Category	Tonnes kT	WO_3 %
Proven	831	0.39
Probable	1,908	0.27
Proven + Probable	**2,740**	**0.31**

Notes

. Resources shown are inclusive of reserves
. Both resources and reserves are based on a cut-off grade of 0.05% WO_3
. Reserves are contained inside open pit designs
. Open pits also contain 13.7 Mt of waste (5:1 strip ratio)
. Open pits also contain 574Kt of inferred resources for the same cut-off
. These estimations were prepared in accordance with the JORC code, 2004 Edition

In connection with the results shown in Table 2, it must be stated that:

- These historical estimates are not classified as, or are being treated as, current mineral resources or reserves. Since 2006 the mine has started production and more exploration work has been done.

In 2006, Daytal acquired the project and was in turn acquired by Heemskirk. Heemskirk reappraised the earlier technical information and concluded that the prevailing APT commodity price around US$250 per metric tonne unit and underlying supply demand position for tungsten concentrates justified development of the Los Santos deposit. Project development was approved and the mine opened in June 2008. A summary of mine production since mine start-up is shown in Table 3.

Table 3: Mine Production History

	Year	2008	2009	2010	Total
Waste mined	**m3 x 1000**	212	577	599	**1,387**
Ore Feed to Mill	**t x 1000**	165	283	306	**754**
	WO3 Grade (%)	0.26	0.22	0.22	**0.23**
Concentrate Produced	**t**	285	418	399	**1102**
	WO3 Grade (%)	65.7	67.2	74.9	**69.6**

In 2009, the impact of the global financial crisis reduced APT prices to below US$200 per metric tonne unit and Heemskirk concluded that it needed to improve tungsten recovery to maintain viability. As a result, the process plant was improved and expanded with the installation of a secondary ball mill and additional table and spiral capacity.

Geology Setting and Mineralization

The Los Santos tungsten deposit is located within metamorphosed, lower Cambrian age, Lower Tamames limestones within the Spanish Variscan orogenic belt. These rocks occur along the northern margin of the late Devonian/early Permian age Alberca-Bejar intrusion which constitutes the western extremity of the Avila batholith. Contact metamorphism at the junction of the intrusive and limestone horizons within the sub vertical northern limb of the Tamamaes syncline formed skarns which, in the Los Santos area of Salamanca Province, Spain, contain economic tungsten mineralisation.

The Variscan orogeny was the result of the late Proterozoic collision between the supercontinents of Gondwana to the south and Laurentia Baltica to the north. The collision caused the closure of the intervening oceanic areas and intense deformation of the continental boundaries. The Variscan chain now represents the pre Mesozoic basement of most of western Europe and crops out in a number of mountain belts from Armorican Massif and Massif Central in France to the Ardennes and the Bohemian Massifs in Germany and the Czech Republic.

The Variscan orogeny formed the Iberian Massif of western Spain and Portugal. From northeast to southwest, five zones have been recognised:

- the Cantabrian Zone;
- the West Asturian-Leonese Zone;
- the Central Iberian Zone;
- the Ossa Morena Zone; and
- the South Portuguese Zone.

The Los Santos region is located in the autocthanous Central Iberian zone. Emplacement of the Alberca-Bejar granitoids produced a contact metamorphic aureole which extends, in plain view, from 1.5 km up to 8 km from the intrusive contacts. Figure 4 in Schedule H shows a plan of the geology of the northwest corner of the northwest corner of the Iberian Peninsula.

The local stratigraphy is summarised in Table 4 below.

Table 4: Summary of Local Stratigraphy

Geological Age	**Principal Rock Types**
Tertiary & Quaternary	Clay, arkose, alluvials
Silurian	Alternating slates & quartzites plus some volcanic horizons
Lower Ordovician	Basal Conglomerate overlain by slates & quartzites
Lower Cambrian	Sandstones, limestones and slates of the Tamames and Endrinal

	Formations
Pre- Cambrian	Schists & Graywackes of the Monterrubio & Alteatejada Formations

The Silurian lithologies comprise alternating shallow water slates and quartzites with graptolitic slates and some volcanic horizons. The Silurian rocks attain a maximum thickness of 700 m in the core of the Tamames syncline.

The lowermost Ordovician rocks consist of a transgressive basal conglomerate which rests unconformably on the Tamames Limestone to the north of the Tamamaes syncline and on the pre Cambrian Aldeatejada Formation on the southern edge of the syncline. In the southwest around the Pena de Franca, the basal Ordovician conglomerate overlies the pre Cambrian Monterrubio Formation. The basal conglomerate is overlain by alternating slates and quartzites which grade upwards into the more massive Armoricana quartzites.

The lower Cambrian rocks on the northern flank of the Tamames syncline are composed of the Tamames Sandstone (up to 650 m thick), the Tamames Limestone, which reaches a similar thickness and the overlying Endrinal Shale which are believed to represent shallow water, near tidal deposits up to 250 m thick. Metamorphism of the limestone members of the sequence has resulted in the calc-silicate horizons which host the economic mineralisation at Los Santos Project.

The oldest rocks are Pre-Cambrian, in the vicinity of the Los Santos Project comprise the slates, conglomerates and volcanic rocks of the Monterrubio Formation. The overlying slates, dolomite breccias and conglomerates of the Aldeatejada Formation are thought to grade upwards into the Cambrian rocks of the Tamames Formations.

A plan of the local geology and mineralization is shown in Figure 5 in Schedule H. There are several varieties of skarn mineralisation, economically the most important being the fine to medium grained, equigranular pyroxene skarn with scheelite mineralisation. The pyroxene is predominantly a dark green variety of hedenbergite.

Pyroxene skarn occurs in all zones at the Los Santos Project. It forms from impure Fe-rich carbonates and contains pyroxene, scheelite, plagioclase and locally magnetite. The scheelite is generally fine grained, minus 1 mm in size, but individual crystals may exceed 1 cm.

At the eastern margin of Las Cortinas, sulphide-rich skarns occur. They are up to 5 m thick and several metres in strike length, and comprise massive or semi-massive sulphide horizons with scheelite mineralisation. Sulphides comprise pyrite, arsenopyrite (lollingite), pyrrhotite and chalcopyrite as principal minerals and scheelite, sphalerite, native bismuth, bismuthinite and marcasite as accessories. Wolframite also occurs at Las Cortinas.

It has been deduced that the scheelite and pyroxene have crystallized simultaneously, within a high temperature phase. Later, remobilisation has led to amphibole, or apatite as in the talc veins at Las Cortinas. In eastern and western ends of Las Cortinas sector, scheelite and wolframite are associated with massive sulphides, with the following minerals:

- Main minerals: pyrite, arsenopyrite (and/or lollingite), pyrrhotite and chalcopyrite.
- Accessory minerals: scheelite, pseudo galena, bismuth, bismuthinite, and marcasite.

Two metallogenetic stages have been recognized, the first one of As-W in which arsenopyrite, scheelite and pyrite have been deposited. Later, a breccification phase has taken place in which these minerals have been fractured and, through the fissures and hollows, the other minerals of the paragenesis have been introduced: pyrrhotite, chalcopyrite, pseudo galena, bismuth and bismuthinite.

A summary of the principal mineralized zones is shown in Table 5, along with general dimensions of these zones. The Las Cortinas zones have generally been drilled off on sections spaced 30 m apart, and the principal skarn beds have a physically continuity of 300 m or more. The overall length of the mineralized zones at Las Cortinas is approximately 450 m. At depth, intersections are similarly often spaced at 20 to 30 m. The depth of the interpreted Las Cortinas zones is typically around 60 to 100 m. The thickness (width) of the zones generally from 3 to 5 m.

The zones at Sector Central and Los Santos Sur have generally been drilled off on sections spaced 20 m to 30 m apart, and the principal skarn beds have a physically continuity of 100 m to 200 m or more. The overall length of the mineralized zones at Las Sector Central is approximately 250 m, and at Los Santos Sur it is approximately 400 m. At depth, intersections are similarly often spaced at 20 m to 30 m. The depth of the interpreted zones is around 50 m for Sector Central and up to 140 m for Los Santo Sur. The thickness (width) of the zones are generally from 5m to 10m.

Table 5: General Dimensions of Principal Mineralized Zones

			Depth (m)			Thickness (m)	
Zone	**SKARN BED**	**Strike Length**	**Minimum**	**Maximum**	**Average**	**Maximum**	**Average**
LAS CORTINAS	1	300	40	160	110	21	4.4
	3	385	20	130	60	9	2.3
	20	310	60	150	90	25	5.0
	21	260	20	120	70	12	3.5
SECTOR CENTRAL	5	130	40	85	50	36	9.2
LOS SANTOS SUR	6	165	70	140	110	13	5.0
	7	200	40	230	140	29	11.1
	8	170	40	190	90	18	5.6
	9	100	35	80	45	60	13.7
	10	165	50	140	80	33	7.6
CAPA E (Peña de Hierro)	11	120	30	70	45	30	20.6

Notes

. Thickness figures in some cases are the aggregate thicknesses of multiple beds

When considering all of the mineralized zones at Los Santos, the overall strike length of mineralization is approximately 2.5 m, with zones spread over widths from 100 to 500 m.

Deposit Types

The Los Santos deposit is a typical skarn-hosted scheelite deposit, where intrusion of granitoids into carbonate-rich sedimentary rocks has resulted in their replacement by calc-silicate or siliceous minerals, together with mineralisation.

Contact metamorphism is accompanied by strong dehydration of the affected country rocks, which increases the proportion of metasomatic fluid phases. These fluids combine with the carbonate ions released, to provide an effective agent for transportation of the wolfram into zones further from the granite. In contact with the host Tamames Limestone, which outcrops over a distance of more than 2 km in the vicinity of the Los Santos mine, these fluids resulted in the emplacement of scheelite ($CaWO_4$) mineralisation in a series of irregular beds and pods immediately adjacent to the granite contact.

The deposit has been divided into a number of zones, six of which form the basis of the current project. From west to east these are known as Las Cortinas, Sector Central, Capa East and Los Santos Sur. The strike length varies for each zone and zone dips are fairly uniform across the deposit varying between 60^o to 90^o.

Within each zone, the skarn mineralisation is located within a number of individual beds, separated by barren lithologies. The major skarn beds vary between 2 m and 20 m in width; there are, however, numerous thinner bands measuring tens of centimetres. Figure 5 shows a geological plan of the site, with the principal skarn zones.

Exploration

Previous Exploration

Applying a scheelite-in-skarn exploration model to a granite-metasediment contact zone in the Guijuelo concession, the Promotora de Recursos Naturales, S.A./Billiton (PRN/BESA) joint venture discovered mineralisation at the Los Santos Project in March 1980.

The exploration programme included aerial photograph interpretation, geological mapping, stream sediment, soil and rock geochemistry and a variety of geophysical techniques.

The initial discovery was followed up by a combination of trenching and drilling. A total of 249 trenches (totalling 10,142 m) and 231 drillholes (17,874 m) were completed.

3,215 samples were collected over the mineralised intervals and assayed primarily for WO_3. Mineralised intervals were defined by Billiton by lamping the core with an ultraviolet lamp and only those samples fluorescing (indicating the presence of scheelite) were sent for WO_3 analysis.

A limited number of sulphide intervals intersected in drillcore at Las Cortinas were analysed for a broader range of elements; including copper, lead, zinc, arsenic and gold. These additional elements do not form part of this study.

At Los Santos Sur the orebodies were accessed underground in order to obtain bulk samples for metallurgical testwork. An 825 m ramp was constructed down to the 950 m level and a footwall drive with 7 crosscuts and 3 drives in ore completed. A total of 185 bulk samples totalling 5,500 tonnes were collected and stored on surface in individual piles.

When Navan reviewed the project in 1996 their final database comprised 483 drillhole or trench records of which 191 were surface holes, 37 underground drillholes at Los Santos South and 255 surface trenches.

This was the same database that was used for the feasibility study completed in 2006.

Daytal Exploration

To verify and test the extension of certain skarn beds in Los Santos Sur and Las Cortinas, Daytal completed its own exploration drilling campaign in 2009 and 2010. This comprised 24 diamond drillholes and 111 reverse circulation (RC) holes.

In the latest Daytal 2009 drilling campaign, downhole surveys were completed using a Reflex Gyrosmart system. The two diamond drill rigs used were Sandvik DE140.

The drilling operations are completed by the drilling contractor. An extra field geologist has been contracted specifically to supervise the recovery and transport of the drill core to Daytal's sample preparation site in Fuenterroble. At this site the core is logged, split and sampled, assisted with the use of ultra-violet light, as discussed in more detail in "*Sample Preparation, Analyses and Security – Sample Preparation*" below. These preparation facilities are very good and produce high quality samples. There are no particular known factors that would produce sample bias.

In the Billiton drilling campaigns, samples were taken of variable length, depending on lithological boundaries, but were typically between 1 m and 3 m. In the recent Daytal drilling, samples have generally been taken at 1 m intervals, but varied occasionally according to lithological boundaries. Most of the Billiton exploration drilling was based on sections spaced at approximately 30 m. This has generally given rise to intersection with mineralized zones, to give down-dip intersections spaced approximately 20 m to 30 m apart. The recent Daytal drilling has fitted into the same 30 m section spacing system.

As summarised in Table 6, all of the 363 drillholes available to date cover 22,294 m of drilling, with 3,339 samples. The total horizontal area covered by drilling is approximately 75 hectares.

In almost all of the zones which have drilling within current Los Santos area, significant mineralized skarn intersections have been encountered. Interpretation of these intersections has enabled the modelling and subsequent resource estimation of multiple skarn beds in many (greater than 6) different zones within the Los Santos property.

Drilling

A summary of the current drillhole and trench database is shown in Table 6 below.

Table 6: Summary of Drillhole Database

	Types	Number of Holes/Trenches	Length	Number of Samples
Billiton Campaign Pre-2006	Surface Holes	191	15,819	1,490
	Underground Holes	37	2,147	439
	All Drillholes	**228**	**17,967**	**1,929**

	Types	Number of Holes/Trenches	Length	Number of Samples
Daytal Campaign 2009	Diamond Drill Holes	24	2,117	468
	Reverse Circulation (RC) Holes	111	2,210	942
	Total	**135**	**4,327**	**1,410**

	Types	Number of Holes/Trenches	Length	Number of Samples
All Samples Combined	Diamond Drill Holes	252	20,084	2,397
	Reverse Circulation (RC) Holes	111	2,210	942
	Total	**363**	**22,294**	**3,339**

A plan of all the drillholes currently available is shown in Figure 6 in Schedule H. Typical representative drillhole sections are shown in Figure 7 and Figure 8 in Schedule H, for Las Cortinas and Los Santos Sur, respectively.

In the Daytal drilling campaign, 110 mm core has been taken through the superficial altered material, switching to HQ (core diameter of 63.5 mm) in solid rock. The samples taken are generally 0.5 m to 2.5 m in length. As with the earlier Billiton drilling, the procedure involved in drilling surface diamond drillholes involved the following steps:

(a) **Access of drill pads.** The drilling pad may require clearing or creation of access roads, particularly due to the relief or undergrowth.

(b) **Preparation of drill pads.** A small loader/excavator is used to clear the drill pad site.

(c) **Survey.** The precise location of each drillhole collar is then marked, and the holes' direction and dip is continuously surveyed during the drilling of the holes itself. For the recent drilling campaigns, this survey work has been carried out by a Daytal surveyor.

(d) **Water Supply.** Diamond core drilling requires a constant flow of water for cooling the drills and for lubricating the drill bit, as well as flushing out drilling detritus. For the supply of this water, a hired tractor with water cart is used to transport 10,000 litre lots to the tank for each working drill, as required. This water is sourced from the mine water supply system.

The exploration drilling has enabled the interpretation of mineralized skarn beds in 6 different zones. The principal beds interpreted are summarised in Table 8. In the Daytal drilling campaign, 110 mm core has been taken through the superficial altered material, switching to HQ (core diameter of 63.5 mm) in solid rock. The samples taken are generally 0.5 m to 2.5 m in length.

During Daytal's campaign, the drillhole recovery was 97.5% overall, and 96.3% for those portions from which samples were taken. There does not appear to be any relationship between grade and recovery. These core recovery figures are very high, and there are no other known factors that should adversely impact the accuracy and reliability of results.

Sample Preparation, Analyses and Security

Sample Preparation

After logging, all core for sampling was sawn in two pieces, with one piece being sent onto sample preparation. Similar steps were taken with trench samples. In both the Billiton and Daytal campaigns, the sample preparation steps may be summarised as follows:

- The entire half of the core (3.5 kg approximately for 1 m) was put in a laboratory bag (numbered and with description), then sent to the drying oven (aluminium trays).
- Crushing 100% < 50 mm.
- Roll Mill 100% <1.5 mm.
- Homogenizer.
- Splitter.
- Ring Mill. In the Daytal campaign, 1 kg is pulverised in three parts. The reduction was to less than 85 µm in the Billiton campaign, and less than 63 µm in the Daytal campaign, with a ring of chrome-nickel in order to avoid WO_3 contamination. Grind checks were made two to three times a week, to ensure 90% was passing 60 µm.

In the Daytal campaign, 40 g samples were then taken to send to an external laboratory (ALS), and a 4 g sample was taken for the Los Santos laboratory. Internal check samples were taken every 20 to 30 samples.

Laboratory Sample Analysis

During the Billiton campaign, the principal laboratory used was ADARO – Empresa Nacional Adaro de Investigaciones Mineras, S.A. The principal assay method was Fluorescence Spectroscopy ("**XRF**"). This was also employed in the BRA laboratories.

In X-ray XRF, a beam of electrons strikes a target (such as Mo or Au) causing the target to release a primary source of X-rays. These primary X-rays are then used to irradiate a secondary target (the sample), causing the sample to produce fluorescent (secondary) X-rays. These fluorescent X-rays are emitted with characteristic energies that can be used to identify the nucleus (i.e. element) from which they arise. The number of X-rays measured at each characteristic energy can therefore in principle be used to measure the concentration of the element from which it arises.

The fluorescent X-rays are then dispersed and sorted by wavelength using a selection of different diffraction crystals, hence the term wavelength-dispersive X-ray fluorescence. The dispersed X-rays are then detected with a thallium-doped sodium iodide detector or a flow proportional counter. Each X-ray striking the detector causes a small electrical impulse which can be amplified and measured using a computer-controlled multichannel analyzer. Samples of unknown concentration are compared with well-known international standard reference materials in order to define precise concentration levels of the unknown sample.

The advantages of XRF include:

- The technique is ideal for the measurement of major and minor elements and is thus a preferred technique for whole rock characterization.
- The fusion technique minimizes particle size effects that could otherwise cause problems with the measurement process.
- Numerous trace elements can also be determined from the same fused disk, e.g. Y, Nb, Zr. The disks themselves can be stored indefinitely.

Daytal has its own on-site laboratory, equipped with a Spectro XEPOS XRF-ED Spectrometer. The principle of operation of the Daytal spectroscope is the same as outlined above, except that the unit sorts the secondary X-rays according to their energy levels rather than their wavelengths. This is calibrated daily against 3 standard samples for different grade ranges. These sets of standard samples were certified by Alex Stewart Assayers Limited of the United Kingdom ("**Alex Stewart**").

For the Energy Dispersive-type XRF analyzer at Los Santos, it is important that the reference standards have a similar matrix composition as the unknown samples to be determined. This is because the unit's read-out is sensitive to X-Ray back-scatter, which in turn is a function of the "background" composition of the sample (principally, its Fe, Al, Ca, Na and Mg contents). This is why Daytal uses Los Santos materials as standards. The Alex Stewart results of these samples were used as the reference grades.

The methodology to prepare these standards was to use the Los Santos XRF machine to determine the tungsten trioxide and arsenic grades of each of the references samples, in three (3) grade ranges: <1% WO_3, 1%< WO_3<50%, and 50%< WO_3<77%. The three grade ranges selected are somewhat arbitrary, but were selected by the SPECTRO technician to enhance sensitivity by refining the calibration algorithm within each grade range. These results were compared with the Alex Stewart data, and the regression algorithm fine-tuned to make Los Santos measurements compliant with the Alex Stewart figures. As a check, Daytal re-analyzed the standard sample each day to make sure the result is within 0.8% (absolute value) for high grade concentrate samples and 10% (relative) for low grade samples.

The Daytal assay laboratory provides measurements of $WO_{3,}$ $As_2O_{3,}$ SO_3 and CuO. Blank reference samples are also measured for approximately every 50 samples. Since starting up on 2009, 1,565 exploration samples have been assayed in the on-site laboratory facilities.

Data Verification

Billiton Campaign – Quality Control

The steps completed by Billiton, related sample quality control, are summarized below.

<u>Twin Hole Samples (TS)</u>

Although no specific twin drillholes were drilled, eight underground cross-cuts were developed across the principal skarn beds in the Los Santos Sur zone, at an elevation of 950 m, approximately 100 m below surface. Prior to the development of these cross-cuts, drillholes were put in along the line of each cross-cut. During subsequent development of the cross-cuts, detailed bulk samples were taken, particularly through the skarn intersections. On average 270 tonnes of bulk samples were taken in each crosscut, for a total of 2,220 tonnes. These bulk samples (sometimes more than 30 tonnes), were prepared right outside the mine in Los Santos (crushing, classifying, cone crusher), and then sent to ADARO for analysis and treatment of metallurgical tests.

An additional bulk sampling exercise was also undertaken from a surface exposure at the Sector Central. This was in the form a box-cut, measuring approximately 40 m x 20 m.

Pulp Duplicates (PD)

Pulp duplicates were sent to same laboratory approximately every 20 to 30 samples.

Standard Samples (SS)

Standard samples were also sent periodically to the Adaro and BRA laboratories. Results of 218 such measurements, taken between 1981 and 1986, are summarised in the chart in Figure 9 in Schedule H. These cover 3 different WO_3 grade levels.

Check Samples (CS)

Check samples were sent to a BRA laboratory. A further 10% of these were checked again by Alfred H. Knight. These check samples were taken for 40% of all the primary samples. A graph summarising the majority of these check samples is shown below in Figure 10 in Schedule H, and shows a very good correlation.

Daytal Campaign – Quality Control

During the diamond drilling campaign in 2009-10, for almost every sample send to the Los Santos laboratory, a sample was also sent to an external laboratory (ALS). The ALS laboratory also made their own internal duplicates' test assays. In the Los Santos laboratory, internal duplicates were also taken for one for every 20 samples. Duplicates were also sent to the external laboratory for grade control (blasthole) samples, as well for reverse circulation drilling. The results of these summarising the various types of duplicates are shown in Table 7 below.

Table 7: Check Sample Summary Results 2009-2010

	HARD Precision @90% Rank	Number	Correlation Coefficient	Slope of Regression Line	Proportion Misclassified %
Grade control repeats	16.5	411	94.5	1.0062	4.87
DD Los Santos Lab duplicates	8.8 *	30	99.9	1.0099	6.66
DD ALS Lab duplicates	10.8 *	28	99.9	0.9997	3.33
RC ALS v LS	44	24	88.6	0.73	20.8
DD ALS v LS	16 #	467	92.6	0.637	6.00

Notes

. HARD = Half Absolute Relative Difference

. All results refer to assaying in 2009-10

. DD = diamond drilling

. RC = reverse circulation drilling

. ALS = ALS laboratory

. LS = Los Santos laboratory

. 0.07%WO_3 used at cut-off in mis-classification test

*** 0.03%WO_3 used as level of detection**

*** 0.05%WO_3 used as level of detection**

Apart from the reverse-circulation (RC) duplicates, these results generally demonstrate an acceptable level of precision, and a low proportion of mis-classifications. The RC duplicates cover a very small amount of data (24 pairs), compared to the other source of duplicates.

Data Verification - Summary

All available check sample and original sample data available were collated by the author, and a number of data verification procedures were applied, as described in "*Data Verification – Billiton Campaign – Quality Control*" and "*Data Verification – Daytal Campaign – Quality Control*" above. There were no limitations or failures experienced with respect to the availability of data to carry out these verification steps. In the opinion of the author, the data available for verification purposes was adequate for subsequent use of analytical data for the resource and reserve estimation work carried out, as described in this report.

Drillhole Database

Data related to the drill holes are kept in two different formats. Each drill hole has an individual Excel spreadsheet where the collar, surveys, lithology, recovery and the names of the sample are included. The assays of the samples supplied by the laboratories are updated by the Geology Manager. These spreadsheets also contain the intercepts of every drill hole.

This Excel data is imported into Datamine, and subjected to From-To sequence tests as well as range checks. The drillhole data files are all combined together into individual desurveyed drillhole files, in which the three-dimensional position and orientation of each sample has been determined. This combination automatically incorporates various cross-checks between the different original files. Subsequent three-dimensional visualisation and generation of sections and plans also offers a means of validation.

Survey Control

All surface surveying measurements are generated in UTM Coordinates, and are referenced to the UTM30 7P coordinate system. Topographical data is measured using a GPS Leica 1200 system.

All drillhole collars are measured where the rod line intersects the surface. In the latest Daytal drilling campaign, downhole surveys were completed using a Reflex Gyro system.

Security of Samples

The Daytal core shed is a lockable facility on the outskirts of the town of Los Santos. The core shed remains closed and locked when there are not people working there. The on-site laboratory, which is next to the mill, is covered by the mine security system. All check samples were sent by courier to either ALS in Seville or to Alex Stewart in the United Kingdom.

The on-site Daytal laboratory facility has the same address as the mine site:

Daytal Resources Spain, S.L.
Mina Los Santos
Fuenterroble
37768 Los Santos
Salamanca, Spain

This laboratory is owned and managed by Daytal, with Daytal employees. It is not externally certified, but it samples used for reference grades by the XRF analyzer have been certified by Alex Stewart.

Check samples were sent to ALS laboratories, with the address of their Spanish office being:

ALS Laboratory Group S. L.
Polígono Parque Plata
Calle Camino Mozárabe, nave 15
41900 Camas
Sevilla, Spain

In the author's opinion, the sample preparation, security and analytical procedures are adequate for the mining and milling operations at Los Santos.

Mineral Resources and Mineral Reserves

General Methodology

This mineral resource estimation was completed using a three-dimensional block modelling approach, with the application of Datamine software.

For each of the principal zones, sectional strings and perimeters were defined, based on all available lithological and analysis data. These perimeters were then converted into three-dimensional wireframe envelopes. Along with topographical data, this wireframe data was used to create volumetric block models.

Samples associated with mineralised skarn bodies were assigned logical bed identifications, corresponding with the defined skarn wireframe models. These sample data were then converted into approximately 2.5 m composites. The composite WO_3 grade values were then used to interpolate grades into the block model, according to the parent skarn beds to which they belonged. Geostatistical analysis was used to assist in the selection of interpolation parameters, as well with subsequent resource classification.

Interpretation and Sample Data Processing

At the feasibility study stage in 2006, all available sample data was obtained from SIEMCALSA. Data was available from surface drillholes, underground drillholes and surface trench samples. The principal WO_3 assay determined from the Adaro laboratory was that used in resource modelling. For the later Daytal exploration campaign in 2009-10, the WO_3 assays from the ALS laboratory were used for the diamond drilling results, the WO_3 assays from the on-site Los Santos laboratory were used for the reverse circulation results.

The original lithological codings from the logged data were imported with the collar, survey and assay information. The skarn bed identification was revised, corresponding with the skarn beds being interpreted.

Sectional interpretations were developed for each zone, defining groups of strings and perimeters which delineate the following principal lithologies:

- Granite.
- Corneanas (hornfels).
- Calc-silicates.
- Skarn.

Six principal zones within the Los Santos area have now been modelled:

- Las Cortinas.
- Sector Central.
- Los Santos Sur.
- Capa E.
- Capa 4.
- Capa G.

The skarn bed coding system used for the principal zones is summarised in Table 8, along with the general description of the general zone dimensions.

Table 8: General Zone Dimensions

			Depth (m)			Thickness (m)	
Zone	SKARN BED	Strike Length	Minimum	Maximum	Average	Maximum	Average
LAS CORTINAS	1	300	40	160	110	21	4.4
	3	385	20	130	60	9	2.3
	20	310	60	150	90	25	5.0
	21	260	20	120	70	12	3.5
SECTOR CENTRAL	5	130	40	85	50	36	9.2
LOS SANTOS SUR	6	165	70	140	110	13	5.0
	7	200	40	230	140	29	11.1
	8	170	40	190	90	18	5.6
	9	100	35	80	45	60	13.7
	10	165	50	140	80	33	7.6
CAPA E (Peña de Hierro)	11	120	30	70	45	30	20.6

Notes

. Thickness figures in some cases are the aggregate thicknesses of multiple beds

The skarn identification used included all of the different skarn types, as the types of skarn can change within the same bed. For each zone, once the lithological wireframes had been developed, the following checks were made:

- Samples were selected according to the three-dimensional position of samples against the wireframe envelopes. Sections were then produced, showing additional samples within the beds that had not been previously identified, as well as previously coded skarn samples which appeared to be outside the wireframes. Apparent errors were then collated and used to refine both the structural wireframes as well as the assigned bed codings.
- Range checks.

After editing of located errors, the final set of structural wireframes and coded sample data were used for subsequent resource modelling purposes. The selected sample sets, for each zone and each bed, were used to create 2.5 m composites across each intersection, for both drillholes and trenches. Prior to compositing, WO_3 top-cut levels were also applied, which are discussed in more detail in the next section. The composites had a slightly variable length, so as to fit a whole number of composites into each intersection. During subsequent compositing, some additional drillhole intersections were also located, where no samples had been taken when passing through interpreted skarn beds. In such cases, additional composites were created with the grade set to WO_3 = 0.01%.

The overall summary of samples up to the end of 2010 is shown in Table 9 below.

Table 9: Exploration Sample Summary

	Types	Number of Holes/Trenches	Length	Number of Samples
Billiton Campaign Pre-2006	Surface Holes	191	15,819	1,490
	Underground Holes	37	2,147	439
	All Drillholes	228	17,967	1,929
	Surface Trenches	255	10,167	784
	Total	**483**	**28,134**	**2,713**

	Types	Number of Holes/Trenches	Length	Number of Samples
Daytal Campaign 2009	Diamond Drill Holes	24	2,117	468
	Reverse Circulation (RC) Holes	111	2,210	942
	Total	**135**	**4,327**	**1,410**

	Types	Number of Holes/Trenches	Length	Number of Samples
All Samples Combined	Drillholes	363	22,294	3,339
	Surface Trenches	255	10,167	784
	Total	**618**	**32,461**	**4,123**

Geostatistics

Statistical parameters were determined for the selected sample sets in zone and in each skarn bed, as summarised in Table 10. As samples were often taken on erratic lengths, statistical parameters were determined with length-weighting. In most cases, the sample length is between 2 m and 2.5 m.

Table 10: Summary Statistics of Samples By Mineralised Zone

ZONE	BED	NUMBER	MINIMUM	MAXIMUM	MEAN	VARIANCE	STANDARD DEVIATION	LOG ESTIMATE OF MEAN	COEFF.OF VARIATION
LOS SANTOS SUR	6	230	0.0000	4.11	0.22	0.12	0.35	0.51	1.61
	7	595	0.0006	4.37	0.32	0.25	0.50	0.62	1.57
	8	146	0.0006	4.03	0.28	0.36	0.60	0.41	2.17
	9	120	0.0010	3.43	0.68	0.68	0.82	1.47	1.21
	10	188	0.0006	5.88	0.28	0.49	0.70	0.40	2.54
	11	38	0.0006	2.06	0.36	0.23	0.48	4.92	1.35
LAS CORTINAS	1	155	0.0030	12.611	0.91	3.55	1.88	1.10	2.07
	3	65	0.0020	7.37	0.51	1.16	1.07	0.60	2.12
	20	178	0.0006	3.701	0.19	0.19	0.44	0.27	2.24
	21	112	0.0010	2.306	0.26	0.17	0.41	0.48	1.58
SECTOR CENTRAL	5	148	0.0010	8.88	0.39	1.04	1.02	0.48	2.60
CAPA E	11'	160	0.0010	1.65	0.12	0.04	0.21	0.16	1.74

In many cases, the maximum grade is considerably higher than the average grades. To better analyse these outlier grades, decile analyses were also completed for the sample sets in each zone, as summarised in Table 12 in Schedule H. In most cases the majority of samples conform approximately to a single log-normal population. However, in many cases, a high grade tail is apparent, indicating outlier grades. Examination of these outlier grades in 3D seldom showed clear zonations, where they might be physically constrained. From these noticeable high grade tails, therefore, as well as from the decile analyses, WO_3 top-cut levels were determined. These top-cut values, by zone, are summarised in Table 11, and were applied prior to compositing.

Table 11: WO_3 Top-Cut Levels

Zone	Value
Sector Central	4.5
Las Cortinas	3.7
Los Santos Sur	2.7
Capa E	-

A composite length of 2.5 m was selected, as being near to or above most of the original sample lengths. It was also an appropriate length in terms of a selectable mining width during subsequent mine planning. Statistics of the resultant composite data sets are summarised in Table 13.

Table 13: Statistical Summary of Composites

ZONE	BED	NUMBER	MINIMUM	MAXIMUM	MEAN	VARIANCE	STANDARD DEVIATION	LOG ESTIMATE OF MEAN	COEFF.OF VARIATION
LOS SANTOS SUR	6	159	0.000	1.69	0.15	0.06	0.25	0.47	1.66
	7	522	0.001	2.51	0.24	0.15	0.39	0.69	1.62
	8	130	0.001	2.70	0.23	0.19	0.43	0.44	1.91
	9	160	0.001	2.70	0.54	0.49	0.70	3.11	1.30
	10	161	0.001	2.70	0.20	0.17	0.41	0.41	2.04
	11	20	0.001	1.51	0.37	0.15	0.39	3.46	1.06
LAS CORTINAS	1	127	0.001	3.70	0.65	0.77	0.88	0.88	1.35
	3	50	0.001	2.62	0.34	0.41	0.64	1.12	1.85
	20	173	0.001	1.77	0.17	0.11	0.33	0.29	1.97
	21	83	0.001	1.83	0.24	0.12	0.35	0.54	1.45
SECTOR CENTRAL	5	153	0.002	3.52	0.34	0.30	0.55	0.40	1.63
CAPA E	11'	171	0.00	1.59	0.12	0.04	0.19	0.14	1.59

For each set of skarn composites, within each zone, directional experimental variograms were generated. Pairs were constrained by having to belong to the same skarn bed. For each zone, three principal directions were used to generation on the variograms – along strike, down-dip and cross-strike, although in most cases there were insufficient pairs for the cross-strike direction. From these experimental variograms (in most cases the pairwise relative variograms were used), model variograms were fitted, as shown in Figure 11 in Schedule H for Los Santos Sur. The resultant model variogram parameters are summarised in Table 14.

Table 14: Model Variogram Parameters

Zone	Orientation		NUGGET	Range 1 (m)			C1	Range 2 (m)			C2	Range 3 (m)			C3
	ANGLE1	ANGLE2		1	2	3		1	2	3		1	2	3	
Las Cortinas	22	80	0.39	42	23	5	0.52								
Sector Central	22	80	0.44	59	21	5	0.44								
Los Santos Sur	115*	60	0.31	32	33	22	0.46	41	103	23	0.14	9999	102	22	0.24
Capa E	151	70	0.38	35	35	17	0.54								

Notes

. Angle1 is about axis 3 (z)
. Angle 2 is about axis 1 (x)
*** 155º used just for bed 6,**

Volumetric Modelling

The various interpreted three-dimensional wireframe models were used to construct separate volumetric block models for each zone. After grade interpolation, these separate block models were then subsequently combined to form an overall block model for the whole Los Santos area, which was used for pit optimisation.

For each zone, the principal wireframes used were for the following lithologies:

- Granite.
- Corneanas (hornfels).
- Calc-silicates.
- Skarn.

An additional topographic wireframe model was also used to cut blocks off against the surface. For the areas which have been mined this topography represented the surface at the end of December, 2010. All zones were modelled within the same common model prototype, which is summarised in Table 15. The principal parent block size used was 10 m x 10 m x 10 m, but with sub-blocks within the skarn beds measuring 5 m x 5 m x 5 m. Additional sub-blocks with varying sizes were created against zone boundaries, to provide an appropriate volumetric fit. The model structure was also rotated at angle of approximately 22^{o}, so that blocks were more logically oriented with the majority of skarn structures.

An oxidised layer was also modelled, with lower densities, for material up to 10 m below the original topography.

Table 15: Model Prototype Parameters

		Parent Cell		
Axis	Origin	Size	Number	Range
	m	m		m
X	263,255	10	266	2,660
Y	491,486	10	108	1,080
Z	840	10	32	320

Note

. X-axis rotated at 21.679 degrees
. For LS and SC zones,
. temporary prototype made with 5 x 2.5 x 5m cells, for selectivity purposes
. For SS and CE zones,
. temporary prototype made with 2.5 x 5 x 5m cells, for selectivity purposes

In the build-up of the overall model of each zone, separate models were built up of each of the different components. These were then combined, in such a way so that any small intersections of the different structures were resolved. In most cases the granite structures were added last, as these structures do logically intersect the other lithologies.

During construction of the volumetric model, the horizontal width of each part of skarn bed was also determined, which also enabled average width calculations. For each zone, the resultant volumetric block model contained the following fields:

LITHCODE	Different numbers for each principal lithology.
LITHNAME	Name of each principal lithology.
BED	Logical number of separate beds within the separate skarn bodies.

DENSITY Applied rock density value.

WIDTH Horizontal width of each skarn bed.

A summary of the different skarn beds in each zone are shown in Table 8.

Densities

Separate density values were assigned to each principal lithology. The principal density measurements made during previous studies, along with the final density values used in the current study, are shown in Table 16. The different laboratories used for these densities measurements are summarised below:

- ADARO.
- THACSA.
- BESA (Billiton).
- Escuela Tecnica Superior de Ingenieros de Minas de Madrid.

Table 16: Density Values

Study	Rock Type	ADARO Density	THACSA Density	Sample No.	Drillhole	Depth
	Pyroxene skarn	3.48	3.53	7931	29	19.1
	Pyroxene skarn	3.39	3.41	7953	28	71
	Pyroxene skarn	3.42	3.42	7961	24	74.3
	Pyrite skarn	3.33	3.49	7939	29	44.1
	Pyrrhotite skarn	3.54	3.60	7945	30	46.8
D.Carter		3.43	3.49			
Nov-82						
	Pyroxene-feldspar skarn	2.84	2.86	7948	30	37.8
	Feldspar skarn	2.92	2.89	7964	27	46.3
	Marble	2.73	2.76	7936	29	64.78
	Schist	2.74	2.71	7968	27	20.7
	Granite	2.61	2.63	7969	29	91.5
	Rock Type	**No of Samples**	**Density**			
	Granite	3	2.72			
Dames & Moore 84	Aplite	3	2.65	**Escuela Tecnica Superior**		
	Schist	5	2.76	**de Ingenieros de Minas de Madrid**		
	Calcsilicate	16	3.07			
	Marble	4	2.87			
	Skarn	5	3.36			
	Rock Type	**No of Samples**	**Density**			
	Granodiorite, granite & aplite	6	2.69	**BESA**		
Piteau Associates 85	Schist	5	2.76			
	Calcsilicate	15	3.08			
	Marble	4	2.87			
	Skarn	5	3.36			

Overall Summary

	Source			
Rock Type	**Carter 82**	**Dames & Moore 84**	**Piteau 85**	**Average - Value Used In Current Study t/m^3**
Corneanas (schist)	2.73	2.76	2.76	**2.75**
Calcsilicate		3.07	3.08	**3.07**
Granite	2.62	2.72	2.69	**2.68**
Skarn	3.46	3.36	3.36	**3.40**

Grade Estimation

For each zone, the skarn composite data sets were used to interpolate WO_3 grades into the corresponding skarn bed blocks of the volumetric block model in each zone. The geostatistical analysis was used to help derive interpolation parameters.

When the interpolation procedure took place for each block, a number of progressively larger searches for available samples were attempted, until sufficient samples had been found. This process also recorded which search was successful in locating samples. The initial search ellipse distances stemmed from the 2/3 level of the model variograms. If insufficient samples were found, then a second larger search ellipse was used, as approximately the dimensions of the model variogram ranges. Again if insufficient samples were found, then a final third search was used with very large distances, to ensure that practically all blocks within the modelled skarn structures did receive some WO_3 grades.

An additional control was placed on the first two searches, for the allocation of measured and indicated resources, which was to only allow this allocation if at least two drillholes were encountered. During the interpolation of each skarn block, a maximum of twelve composites could be used. From any particular drillhole, only a maximum of two 2.5 m composites could be used, so that other composites would have to be found from other drillholes. In all cases, grades were only interpolated from composites belong to the same corresponding skarn and bed identification.

The interpolation parameters used are summarised in Table 17. For each zone, the search ellipses were oriented so as to be parallel with the skarn beds in that zone. These orientations are summarised in Table 18. In Sector Central, the dip varies both along strike and down-dip. For this zone, therefore, a set or orientation strings were defined throughout the skarn bed. These strings were subsequently used to interpolate a dip value into the block model, and then these dip values were utilised during the grade interpolation. In Los Santos Sur, one particular set of beds (bed 6) has a quite different orientation to the other beds. A separate orientation was therefore used for this bed.

The principal method of WO_3 grade interpolation used was ordinary kriging (OK). However, for subsequent testing and validation purposes, alternative WO_3 grade values were also interpolated using nearest-neighbour and inverse-distance weighting methods.

Table 17: Grade Estimation Parameters

Zone	Search Distances X:Y:Z (m)			Search	Minimum Composites	Minimum No. of Drillholes
	1	2	3 #			
Las Cortinas	20	12.5	2.5	1st	3	2
	40	25	5	2nd	3	2
	100	62.5	12.5	3rd	1	-
Sector Central	20	8	2.5	1st	3	2
	50	20	6.25	2nd	3	2
	80	32	10	3rd	1	-
Los Santos Sur	15	20	2.5	1st	3	2
	30	40	5	2nd	3	2
	75	100	12.5	3rd	1	-
Capa E	15	15	7	1st	3	2
	30	30	14	2nd	3	2
	60	60	28	3rd	1	-

Notes:

X:Y:Z are along-strike: down-dip : cross-strike, as defined in zone table below
 # Cross-strike direction limited as composites are constrained within each zone
Max of 2 x 2.5m composites used per hole
Maximum number of composites used = 12
All grades interpolated using ordinary kriging

Table 18: Zone Orientations

ZONE	Bed	Dip Direction	Dip
Las Cortinas	All	22	80
Sector Central		Variable dip defined by set of orientation strings	
Los Santos Sur	All other beds	115	60
	6	155	60
Capa E	All	151	70

Mineral Resource Classification

Resource classification criteria were based on a "Two-Thirds Rule", which placed the boundary between Measured and Indicated Resources at approximately the sampling distance which explains at least two thirds of the data variability, as represented by the sill of the variogram. This is thus dependent on the nugget effect, Co, as well as on other characteristics of the model variogram. Thus, for the WO_3 variograms for Las Cortinas, 'measured' distances of approximately 20 m along-strike and 12.5 m down-dip were derived. This distance was then doubled for a distance to be appropriate for indicated resources, which in most cases gave a distance very close to or less than the variogram range.

The first and second search volumes, therefore, broadly corresponded to measured and indicated resources, respectively. However, owing to the complex pattern of drillholes intersections, this could sometimes produce very complicated groups of different resource categories. Each bed and each zone were therefore examined in long-section, and a set of strings defined, stemming from the initial resource demarcation, to break up each bed into more logical portions of different resource classes. This is demonstrated in the example shown in Figure 12 in Schedule H. In general, the resultant applied resource classification can be summarised as follows:

Measured	Covered by a grid of bed intersections at least 15 m x 15 m.
Indicated	Covered by a grid of bed intersections at least 30 m x 30 m.
Inferred	Within the interpreted skarn beds, but with sampling that is not in a regular grid of at least 30 m x 30 m.

Model Validation

A comparison was made of the average WO_3 model grades, for all resource levels, with the corresponding average sample and composite grades for the different modelled beds. These results are summarised in the histogram shown in Figure 13 in Schedule H.

As would be expected, the average grades decline from the sample to the composite stage, due to the effects of top-cutting. The most noticeable reduction in average model grade is with Las Cortinas, Bed 1. This is due to a particularly high grade area in the east end of that bed, with a noticeable cluster of drillhole samples, which gives a higher grade when based on direct sample and composite averages. The model average grades effectively represent a declustering of these high grade intersections.

Detailed block model sections showing the both the composite and block model WO_3 grades, were also examined, as shown in the example in Figure 14 in Schedule H. Sections through all of the zones were closely examined during testing of different interpolation methods and parameters.

The largest set of check sampling results come from the underground excavations in the Los Santos Sur orebody. From a footwall drive, eight crosscuts were developed across beds 7, 8 and 10 at an elevation of 950 m, spaced 20 m to 30 m along strike. Prior to the development of these cross-cuts, drillholes were put in along the line of each cross-cut. During subsequent development of the cross-cuts, detailed bulk samples were taken, particularly through the skarn intersections. The average grades from this test work, for both the drillholes and crosscuts, and corresponding intersections through the resource block models developed in the current study, are shown in the form of scatter-plots in Figure 15 in Schedule H. These show that the results from the drillholes and the block model, are generally under-reporting, as compared the batch samples. This implies that the block model grades may be conservative, compared to what may be achievable in practice. Similar conclusions were reached in the previous Billiton study.

It should be noted that in the original drillcore sampling programme, only those intersections that fluoresced were sent for analysis. This requires that the scheelite crystals be exposed on the surface irradiated. Any intervals with scheelite fully locked in the matrix, or indeed where the WO_3 content was associated with wolframite, may not have been recognised. Only selecting mineralised intercepts that fluoresce may, therefore, have led to underestimation of the width of mineralised zones.

Although the economic impact of this is likely to be minimal, as it is probably only excluding marginal ore grades from the total, it may account in part for the differences in WO_3 content seen when the bulk samples were collected.

Mineral Resource Reporting

The resultant geological block models were evaluated in detail, with respect to zone, resource class, and skarn bed. When the volumetric model was built up, the widths of the different parts of the skarn beds were also determined. These widths were used to impose a minimum width of 2.5 m on subsequent resource evaluation, such that any parts less than 2.5 m thick were diluted up to this thickness, with a zero dilutant grade.

The overall resource evaluation results' breakdown is shown in Table 20, at two different cut-off grades: 0.05% and 0.10%. The overall resource summary is shown in Table 21. At a cut-off of 0.10% WO_3, this gives a total of approximately 1.85 Mt of measured and indicated resources, at a grade of 0.35% WO_3. A grade-tonnage table, and associated curve, is shown in Table 19.

Table 19: Grade-Tonnage Table – Measured and Indicated Resources Only

WO3 Cut-Off %	Tonnes Mt	WO_3
0.01	3.55	0.21
0.02	3.22	0.23
0.03	2.96	0.24
0.04	2.74	0.26
0.05	2.55	0.28
0.06	2.38	0.29
0.07	2.22	0.31
0.08	2.08	0.33
0.09	1.97	0.34
0.10	1.85	0.36
0.11	1.76	0.37
0.12	1.67	0.38
0.13	1.58	0.40
0.14	1.52	0.41
0.15	1.46	0.42
0.16	1.40	0.43
0.17	1.34	0.44
0.18	1.29	0.45
0.19	1.25	0.46
0.20	1.20	0.47

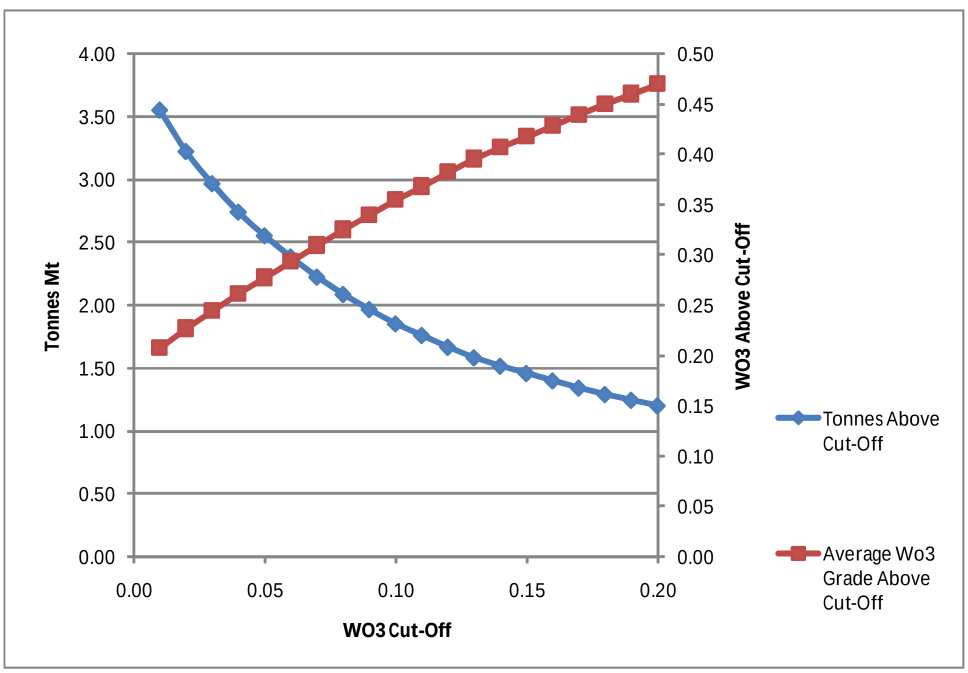


Table 20: Resource Model Breakdown

WO_3 >= 0.05%

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

WO_3 >= 0.10%

ZONE	Measured Tonnes Kt	Measured WO_3 %	Indicated Tonnes Kt	Indicated WO_3 %	Measured+Indicated Tonnes Kt	Measured+Indicated WO_3 %	Inferred Tonnes Kt	Inferred WO_3 %
Las Cortinas East	56	0.35	128	0.69	184	0.59	37	0.23
Las Cortinas West	-	0.14	237	0.34	237	0.34	191	0.33
Sector Central	8	0.27	67	0.26	75	0.26	60	0.32
Los Santos Sur	370	0.42	841	0.31	1,211	0.34	747	0.30
Capa Este	57	0.27	88	0.18	145	0.22	11	0.19
Capa 4	-	-	-	-	-	-	138	0.29
Capa G	-	-	-	-	-	-	110	0.20
TOTAL	**491**	**0.39**	**1,361**	**0.34**	**1,852**	**0.35**	**1,294**	**0.29**

Notes

. Minimum width = 2.5m
. All resources shown are inclusive of reserves

Table 21: Resource Summary

Resource Category	Tonnes Kt	WO_3 %	WO_3 t
Measured	491	0.39	1,926
Indicated	1,361	0.34	4,629
Total	**1,852**	**0.35**	**6,554**

Notes

. Cut-Off Grade = 0.10%WO_3
. Minimum width = 2.5m
. Resources shown are inclusive of reserves

	Tonnes Kt	WO_3 %	WO_3 t
Inferred	**1,294**	**0.29**	**3,790**

Mineral Reserve Estimates

Open Pit Mine Planning

The approach taken may be summarised by the following steps:

(a) Preparation of the block model for each zone, such that grades were regularised to a selective mining unit size of 2.5 m x 5 m x 5 m. For each zone, the 2.5 m was oriented cross-strike to the main bed orientations.

(b) Combination of the block models from each zone, to create a complete block model for all zones.

(c) Pit optimisation, to produce series of optimised pit shells, for range of different scenarios and parameters.

(d) Selection of the most appropriate ultimate pit shells for subsequent reference purposes in actual pit design.

(e) Pit design, followed by evaluation, to produce a reserve estimate appropriate to open pit mining.

(f) Final schedule development based on the final pit designs.

The economic parameters were prepared by Daytal, based on data from the actual mining operation, as well as on reasonable projections. A summary of the current base case open pit parameters are shown in Table 22, along with a calculation of the derived cut-off grade, which is currently 0.07%WO_3. A base case WO_3 price of $400 per metric tonne unit APT was assumed. No additional mining factors were applied, because of the dilution already embedded in the regularised block model.

The pit slope parameters were derived from geotechnical studies – Piteau 1985 and Metales Hispania 2000. From the studies face angles of 73^o (north) and 63^o (south) had been recommended. The bench configuration is based on two road intersections on each wall, with a 1m berm of every 5 m (or 2 m every 10 m), giving final overall slope angles of 55^o (north) and 48^o (south) were determined.

Examples of the final designs are shown in 3D views for Los Santos Sur and Sector Central, with the skarn block model contents are shown in Figures 16 and 17 in Schedule H.

Table 22: Open Pit Parameters

Description		Unit	Values
Processing			
	APT Price	*\$/mtu WO_3*	**400**
	Metal Price - received,	*\$/mtu WO_3*	307
	after transport + smelting	*\$/t WO_3*	30,700
	Recovery	*%*	**65%**
	Processing Cost	*\$/t ore*	**11.1**
	G & A	*\$/t ore*	**2.6**
	Total Applied Ore Cost (Processing+G&A+OreMining-WasteMining)	*\$/t ore*	13.43
Mining			
	Ore mining	*\$/t ore*	**2.05**
	Waste mining	*\$/t waste*	**2.28**
	Breakeven Economic Cut-Off		0.07%
Pit Slope Parameters		Direction	
	Bench Configuration	**22°**	**202°**
	Face Angle	**73**	**63**
	Berm Width (m)	**2**	**2**
	Bench Height (m)	**10**	**10**
	For Top 10m		
	Face Angle	45	45
	Berm Width (m)	3	3
	Haul Road		
	Gradient	10%	10%
	Width (m)	10	10
	Width for bottom 2 benches	6	6
	Overall Slope Angles		
	1st 10m - weathered	**45°**	**45°**
	Overalll slope + 2 road intersections	**55°**	**48°**

Key

Bold — **Value supplied**

Normal — Derived

Pit designs were based on the maximum cashflow optimisation shells for each zone. For each pit, the exit point was positioned on the south down-slope side. A main haul road width of 10 m width was applied, with a 6 m road width for the two bottom-most 10 m benches. In some cases, small additional 5 m cuts was also taken from the designed pit bases, which would not require road accesses.

Near the surface, a 3 m berm was applied before the final 10 m of superficial material, with the slope of 45°. A plan of the final pit designs is shown in Figure 18 in Schedule H.

Underground Mine Planning

In an area to the south of the Los Santos Sur pit, some small skarn extensions were blocked out for underground mining, resulting in approximately 94 kilotonnes of underground ore. It should be possible to access these underground stopes through adit access from the pit, as well as by extension of the existing underground development. In this blocking out process, a cut-off grade of 0.3% WO_3 has been used, which was derived from the parameters shown in Table 23. The underground mining cost was derived from estimates from local Spanish mining contractors. The blocking out was based on a cut-and-fill mining method, with 5 m lifts.

Table 23: Underground Cut-Off Grade Calculation

	Description	Unit	Values
Processing			
	APT Price	*$/mtu WO 3*	**400**
	Metal Price - received,	*$/mtu WO 3*	307
	after transport + smelting	*$/t WO 3*	30,700
	Recovery	*%*	**65%**
	Processing Cost	*$/t ore*	**11.1**
	G & A	*$/t ore*	**2.6**
	Total Applied Ore Cost (Processing+G&A+Stoping)	*$/t ore*	44.07
Mining			
	Stoping	*$/t ore*	**30.42**
	Breakeven Economic Cut-Off		0.3%

The blocked out underground zones are depicted in Figure 19 in Schedule H, and cover a range of elevations from 860 m to 960 m.

Mineral Reserve Estimation

An overall summary of mineral reserves is shown in Table 24, which also includes the contents of the various stockpiles. A summary of the inferred resources within the final pit outlines is shown in Table 25. A breakdown of the different pits, and Los Santos Sur underground part, is shown in Table 26. A grade-tonnage table of the reserves is shown in Table 27.

Table 24: Reserve Evaluation Summary

As of December 31st, 2010

	Mine Reserves		
Reserve Category	**Tonnes t ('000)**	**WO_3 %**	**WO_3 Tonnes**
Proven	535	0.37	1,959
Probable	1,222	0.32	3,864
Proven + Probable	**1,757**	**0.33**	**5,823**

Stockpiles	**Tonnes** t	**WO_3** %	**WO_3 Tonnes**
Intermediate stockpile	21,482	0.10	21
Main stockpile	34,162	0.39	133
Crushed stock	23,634	0.37	87
Closing Conc. Stock	28	48.43	14
		Total	**255**

Grand Total WO_3 Tonnes
6,078

Notes

. Ore cut-offs used :

. Open pits 0.07%WO3

. Los Santos Sur underground 0.3% WO3

. Cut-offs derived from a long term planning price of $40,000/t WO_3 APT

Table 25: In-Pit Inferred Resources

As of December 31st, 2010

	Tonnes t ('000)	WO_3 %	WO_3 Tonnes
Main Pit Designs - Los Santos Sur, Las Cortinas, Sector Central and Capa Este	389	0.31	1,200
Optimisations - Capa 4 and Capa G	132	0.33	439
Total	**521**	**0.31**	**1,639**

Table 26: Reserve Breakdown

	Open pit										Underground		Open Pit					
	Cape Este		Las Cortinas East		Las Cortinas West		Sector Central		Los Santos Sur Pit		Los Santos Sur Underground		Capa 4		Capa G		Total	
	Kt	WO_3 %	Kt	WO_3 %	Kt	WO_3 %	Kt	WO_3 %	Kt	WO_3 %	Kt	WO_3 %	Kt	WO_3 %	Kt	WO_3 %	Kt	WO_3 %
Proven Reserves	80	0.21	65	0.31	0	0.09	9	0.25	373	0.41	8	0.47					535	0.37
Probable Reserves	120	0.15	101	0.66	126	0.38	67	0.25	722	0.27	86	0.49					1,222	0.32
Proven + Probable	**200**	**0.17**	**166**	**0.52**	**126**	**0.38**	**76**	**0.25**	**1,095**	**0.32**	**94**	**0.49**					**1,757**	**0.33**
In-Pit Inferred	-	-	3	0.18	68	0.47	23	0.34	295	0.27	-	-	66	0.42	65	0.25	521	0.31
Waste	661		1,167		404		274		6,921								9,427	
Waste+Inferred	661		1,170		472		297		7,216				66		65		9,816	
Strip Ratio	3.3		7.0		3.7		3.9		6.6									
Total Rock	**861**		**1,336**		**598**		**372**		**8,311**		**94**		**296**		**130**		**11,998**	

Notes

. Ore cut-offs used :

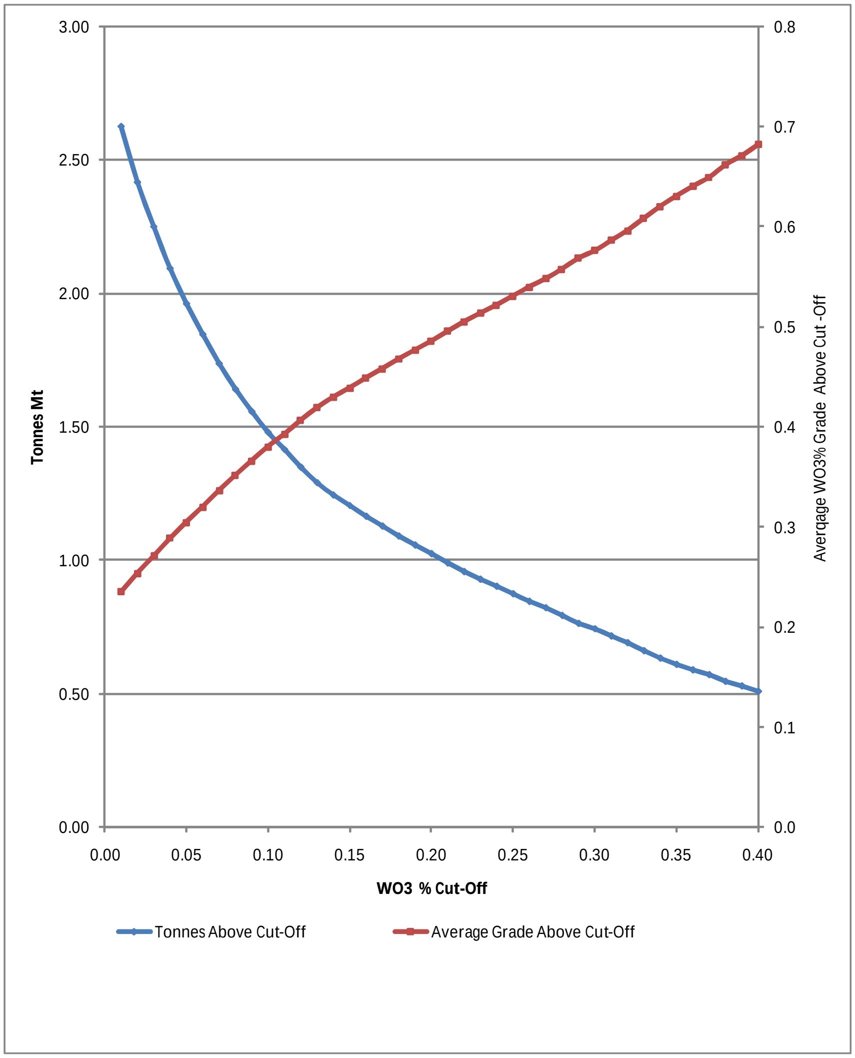
. Open pits 0.07%WO3

. Los Santos Sur underground 0.3% WO3

. Cut-offs derived from a long term planning price of $40,000/t WO_3 APT

Table 27: Grade-Tonnage Table – Proven and Probable Reserves

WO3 Cut-Off %	Tonnes Mt	WO_3 %	WO_3 t
0.01	2.63	0.23	6,163
0.02	2.42	0.25	6,132
0.03	2.25	0.27	6,090
0.04	2.09	0.29	6,036
0.05	1.96	0.30	5,977
0.06	1.85	0.32	5,914
0.07	1.74	0.34	5,843
0.08	1.64	0.35	5,771
0.09	1.56	0.37	5,700
0.10	1.48	0.38	5,625
0.11	1.42	0.39	5,558
0.12	1.35	0.41	5,481
0.13	1.29	0.42	5,409
0.14	1.24	0.43	5,346
0.15	1.21	0.44	5,289
0.16	1.17	0.45	5,227
0.17	1.13	0.46	5,167
0.18	1.09	0.47	5,101
0.19	1.06	0.48	5,039
0.20	1.03	0.49	4,976
0.21	0.99	0.50	4,905
0.22	0.96	0.50	4,834
0.23	0.93	0.51	4,771
0.24	0.90	0.52	4,708
0.25	0.87	0.53	4,639
0.26	0.85	0.54	4,566
0.27	0.82	0.55	4,504
0.28	0.79	0.56	4,424
0.29	0.76	0.57	4,339
0.30	0.74	0.58	4,279
0.31	0.72	0.59	4,197
0.32	0.69	0.60	4,117
0.33	0.66	0.61	4,020
0.34	0.63	0.62	3,927
0.35	0.61	0.63	3,847
0.36	0.59	0.64	3,774
0.37	0.57	0.65	3,707
0.38	0.55	0.66	3,613
0.39	0.53	0.67	3,546
0.40	0.51	0.68	3,466



Mining Methods

The open pit operations are conventional drill and blast operations, based on mining 10 m benches in waste, and 5 m benches in ore, with 0.5 m of sub-drilling. At the present time Tamrock CHA1100 rigs are used for blasthole drilling. The blastholes are 3.5 inches in diameter, and drilled on a 3 m x 2.5 m pattern in Los Santos Sur, and a 3 m x 2.5 m pattern in the other pits.

Pre-split lines are drilled along the edges of final walls. These pre-split holes are 3 inches in diameter, and are 0.8 m apart.

When there is no water present, ANFO based explosives (Nagolita) are used for ore and waste blasts. When water is present, water-resistant emulsion explosives (Riogel) are used. Mucking operations are completed using Hitachi 210W and Komatsu PC1250 excavators, loading Komatsu HD465 55 tonnes loaders. Short-term grade control starts with sampling of blasthole drilling cuttings. These average grades of these each blasthole are used to delineate ore and waste boundaries, as well as ore grade categories, at the time of mining. During all ore mucking operations, a grade control geologist is always present, to check and check for any other variations that can be seen in the pit with the blasted skarn material.

Overall views of the currently excavated pit at Las Cortinas West are shown in Figures 18 and 19 in Schedule H. The modelled skarn beds, where they outcrop, are also shown in Figure 19.

The production mining operations currently employ 34 people (all contracted), broken down as shown in Table 28.

Table 28: Mining Workforce

	People
Supervision	4
Drilling	6
Operators	18
Maintenance	6
Total	**34**

Recovery Methods

There are 45 people (Daytal employees) that work in the plant – 39 operators and 6 in maintenance. The average quantity of ore processed per month, over the last six months of 2010, was approximately 36,500 tpm, with an average grade of 0.24% WO_3. The plant is primarily based on gravimetric separation, aimed at recovering scheelite, so as to provide a concentrate containing greater than 68% WO_3. Current overall plant recovery of scheelite is approximately 60%.

Total raw water consumption for the process plant and ancillaries is 5,500 m^3/month, or approximately 9 m^3/h at full plant production rate. This usage is virtually all process make-up water, to replace the water that exits the process with the dewatered coarse and fine plant tailings, and is sourced under a water supply agreement with the town council of Fuenterroble de Salvatierra. There is also an agreement with the township of Los Santos to supply up to a similar volume of water, as required, which is sometimes drawn upon during the dry summer months of July and August.

In addition, a reserve supply of 11,000 m^3 is built-up over winter from natural water run-off and is stored in a disused underground mining gallery, with piping and pumps to deliver this into the process water tank. An additional reserve capacity of 1,000 m^3 is maintained in a lined water storage dam and can be gravity-fed into the process water tank. The "live" process water tank capacity is an additional 1,100 m3.

The total installed motor capacity is 4.2 MW, and the average power consumption is 2.2 MW. This power is supplied by the mine's own power generation plant, comprising 3 x 1.25 KVA diesel generator sets.

Capital and Operating Costs

Average unit costs, based on the last three months of 2010, as summarised in Table 29.

Table 29: Average Unit Costs, Last Quarter, 2010

Description	*Unit*	Values
Recovery		**60%**
Milling Cost	*$/t ore*	17.7
General & Administration	*$/t ore*	3.3
Ore mining	*$/t ore*	2.1
Waste mining	*$/t waste*	2.3

Major capital expenditures over the last two years, all associated with plant upgrades, are shown in Table 30.

Table 30: Plant Capital Expenditures Since 2009

		$US x 1000		$CDN x 1000	
2009	Magnetic Separator		**133**		**130**
2010	Plant Upgrade				
	Engineering	170		167	
	Structure	302		296	
	Mech/Elec. Equipment	1,035		1,016	
	Installation	996		978	
	Sub-total		**2,503**		**2,458**
	Total		**2,635**		**2,588**

Major capital expenditures over the next 3 years are summarised in Table 31.

Table 31: Planned Capital Expenditure 2011-13

			2011	2012	2013	Total
US$ Dollars	Plant + laboratory	US$000	845	845		1,690
	Drilling/exploration	US$000	650	650	500	1,800
	Total	**US$000**	**1,495**	**1,495**	**500**	**3,490**

			2011	2012	2013	Total
CDN$ Dollars	Plant + laboratory	CDN$000	830	830		1,660
	Drilling/exploration	CDN$000	638	638	491	1,768
	Total	**CDN$000**	**1,468**	**1,468**	**491**	**3,428**

Economic Analysis

An economic analysis over the mine life, based on revenue derived from reserves only, is summarised below in Table 32. This was based on a mill feed of approximately 35,000 tonnes per month. The long term unit parameters used in this economic analysis are summarised in Table 33.

Table 32: Economic Analysis Based on Reserves Only

		2011 1	2012 2	2013 3	2014 4	2015 5	Total
Ore mined							
Tonnage	000 t	467	521	380	364	26	1,758
WO_3 Grade	%	0.30	0.25	0.34	0.43	0.44	0.32
WO_3 content	000 mtu	138	131	128	157	12	565
Costs							
Ore Mining $	US$000	957	1,068	1,630	2,448	167	6,270
Waste Mining	US$000	7,065	9,050	4,130	1,277	33	21,555
Total Mining $	US$000	8,021	10,118	5,760	3,725	201	27,825
Processing Cost $	US$000	4,657	4,671	4,701	4,722	1,599	20,350
G&A	US$000	1,091	1,094	1,101	1,106	375	4,767
Total Op Costs	US$000	13,769	15,883	11,562	9,553	2,174	52,942
Cashflow							
Revenue WO3	US$000	25,940	24,989	26,179	31,732	6,162	115,001
Operating Profit	US$000	12,171	9,105	14,616	22,179	3,988	62,059
Capex	US$000	1,495	1,495	500	-	-	3,490
Cashflow	US$000	10,676	7,610	14,116	22,179	3,988	58,569
DCF @	7.5%	9,931	6,585	11,363	16,607	2,778	47,265
DCF @	10.0%	9,705	6,289	10,606	15,148	2,476	44,225
DCF @	12.5%	9,490	6,013	9,914	13,846	2,213	41,476

Net Present Value US$000s	
7.5%	**47,265**
10.0%	**44,225**
12.5%	**41,476**

Table 33: Unit Parameters Used in Economic Analysis

Description	*Unit*	Values
Metal Price APT	$/t WO_3	40,000
Mill Recovery		65%
Milling Cost	*$/t ore*	11.1
General & Administration Cost	*$/t ore*	2.6
Ore Mining Cost - Open Pit	*$/t ore*	2.1
Waste mining - Open Pit	*$/t waste*	2.3
Ore Mining Cost - Underground	*$/t ore*	30.4

A preliminary economic analysis over the mine life, which also includes ore contribution from inferred material, is summarised below in Table 34. This was based on a mill feed of approximately 42,000 tonnes per month.

Table 34: Preliminary Economic Analysis Based on Reserves Plus Inferred

			2011	2012	2013	2014	2015	Total
Ore mined								
	Tonnage	000 t	558	643	462	435	31	2,130
	WO_3 Grade	%	0.29	0.25	0.33	0.43	0.44	0.32
	WO_3 content	000 mtu	164	162	154	187	14	680
Costs								
	Ore Mining $	US$000	1,144	1,319	1,798	2,594	178	7,033
	Waste Mining	US$000	6,867	8,786	3,952	1,123	22	20,751
	Total Mining $	US$000	8,011	10,105	5,750	3,717	200	27,784
	Processing Cost $	US$000	5,414	5,598	5,579	5,567	2,324	24,483
	G&A	US$000	1,268	1,311	1,307	1,304	544	5,735
	Total Op Costs	US$000	14,694	17,014	12,636	10,589	3,068	58,002
Cashflow								
	Revenue WO3	US$000	29,510	30,938	31,335	37,681	8,519	137,984
	Operating Profit	US$000	14,816	13,924	18,698	27,092	5,451	79,982
	Capex	US$000	1,495	1,495	500	-	-	3,490
	Cashflow	US$000	13,321	12,429	18,198	27,092	5,451	76,492
	DCF @ 7.5%	7.5%	12,392	10,755	14,649	20,287	3,797	61,880
	DCF @ 10%	10.0%	12,110	10,272	13,673	18,504	3,385	57,944
	DCF @ 12.5%	12.5%	11,841	9,820	12,781	16,914	3,025	54,381

Net Present Value US$000s	
7.5%	**61,880**
10.0%	**57,944**
12.5%	**54,381**

Notes:

. These results include contribution from inferred material, and should therefore be treated as preliminary only.

It must be stated that this preliminary economic assessment is preliminary in nature, in that includes inferred minerals resources that are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves. There is, therefore, no certainty that this preliminary economic assessment will be realized.

The basis of this preliminary economic assessment are the same ultimate pit envelopes as used for the reserves-only economic analysis shown in Table 32, but the contained inferred material within these envelopes has also been used as potential ore in developing a long term mining and milling schedule. The principal assumption used, therefore, in this preliminary economic assessment that this inferred material will exist, with the grades predicted the resource block model.

This preliminary economic assessment does not have any impact on any pre-feasibility or feasibility studies associated with the property. It is has been generated in order to demonstrate a preliminary assessment of the additional ore that may be encountered in the ultimate pit volumes, that are going to be excavated in any case.

Adjacent Properties

There are no adjacent properties that have geological characteristics similar to those of the property being reported on.

Permits

Daytal has all permits and licenses to operate and in compliance with appropriate regulations. A list of these permits and concessions is summarised below in Table 35.

Table 35: Summary of Permits

Description	Date
Granting of perimission of investigation "Los Santos" (SIEMCALSA)	10/08/1993
Approval of Declaration of Environmental Impact	25/03/2002
Granting of Mining Concession "Los-Santos-Fuenterroble" No.6.133 (SIEMCALSA)	14/08/2002
Authorisation of transfer to Daytal Resource Spain S.L.	19/07/2006
Acceptance of appointment of Director Facultativo: Sebastián Maroto	08/02/2007
Environmental License	05/03/2007
Plant installation	19/03/2007
Urbanistic License	10/08/2007
Approval of Working Plan 2008	01/07/2008
Acceptance of appointment of Director Facultativo: Tomás Vecillas	04/06/2008
Presentation of Restoration Evaluation	20/08/2008
Approval of Working Plan 2009	03/04/2009
Approval of Working Plan 2010	01/12/2010
Authorisation of work contract (Sánchez y Lago S.L.)	17/10/2010
Approval of Working Plan 2011	04/02/2011

In accordance with Spanish law, the Environmental Plan and the Restoration Plan were presented jointly with Exploitation Plan, had to be approved in order to start up the mine. Daytal presented in 2002 the Environmental Impact Plan and the Restoration Plan as part of the Mining Plan for Los Santos-Fuenterroble. This included the installation of the gravimetric and flotation parts of the processing plant, as well as a waste dump an initial area of 14 hectares, and then 36 hectares for a second phase of expansion.

On the May 25, 2002, a positive result was received with respect to the Environmental Impact Study, and declared publicly on May 3, 2002, along with the declaration of €180,000 being guaranteed for the restoration of space affected by mining activity. The mining license was also approved in September 2002.

In July 2007, a study was completed with respect to the stability of the planned waste dump, and presented to the local mineral authorities, along with a modified exploitation plan.

With respect to water management, underground water is intercepted in some of the open pit workings. This water is currently used for dust suppression on the haul roads. Currently, a plan is being developed to also use some of this water to augment the waste used in the processing plant, and so reduce processing costs.

The waste used in the plant is sourced from the local municipal water supply. The plant design has been modified to recycle as much water as possible. There is no tailings discharge from the process and no tailings dam: all plant waste is dewatered and transported back to the mine waste dumps for disposal.

The project has total support from the local community. This includes agreements with local landowners affected by the mine exploitation. The mine closure plan incorporates the dismantling of the processing plant, filling of the excavated pits, with the exception of Los Santos Sur, revegetation of the waste dumps, budgeted at €368,800.

Interpretation and Conclusions

The evaluation work was carried out and prepared in compliance with NI 43-101, and the mineral resources in this estimate were calculated using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), CIM

Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council December 11, 2005. The updated resource estimation is shown in Table 36 and Table 37.

Table 36: Los Santos – Measured and Indicated Mineral Resources

As of December 31st, 2010

Resource Category	Tonnes Kt	WO_3 %	WO_3 t
Measured	491	0.39	1,926
Indicated	1,361	0.34	4,629
Total	**1,852**	**0.35**	**6,554**

Notes

. Cut-Off Grade = 0.10%WO_3

. Minimum width = 2.5m

. Resources shown are inclusive of reserves

Table 37: Los Santos – Inferred Mineral Resources

As of December 31st, 2010

	Tonnes Kt	WO_3 %	WO_3 t
Inferred	**1,294**	**0.29**	**3,790**

Notes

. Cut-Off Grade = 0.10%WO_3

. Minimum width = 2.5m

The updated reserve estimation, stemming from the mine plan developed from this resource base, is shown in Table 38.

Table 38: Los Santos – Proven and Probable Mineral Reserves

As of December 31st, 2010

Reserve Category	Mine Reserves Tonnes t ('000)	WO_3 %	WO_3 Tonnes
Proven	535	0.37	1,959
Probable	1,222	0.32	3,864
Proven + Probable	**1,757**	**0.33**	**5,823**

Stockpiles	Tonnes t	WO_3 %	WO_3 Tonnes
Intermediate stockpile	21,482	0.10	21
Main stockpile	34,162	0.39	133
Crushed stock	23,634	0.37	87
Closing Conc. Stock	28	48.43	14
		Total	**255**

Grand Total WO_3 Tonnes
6,078

Notes

. Ore cut-offs used :

. Open pits 0.07%WO3

. Los Santos Sur underground 0.3% WO3

. Cut-offs derived from a long term planning price of $40,000/t WO_3 APT

The following conclusions have been reached:

(a) The Los Santos mine has now been producing for three years. The open pit mining practices have been progressively improved, along with the planning and grade control systems.

(b) Daytal has all permits and licenses to operate and remain in compliance with appropriate regulations. It has no restrictions with respect to waste dumping capacity, including dry tailings, and it will be possible to backfill some of the excavated pits with waste.

(c) The diamond drilling campaigns completed by Daytal over the last two years have in general confirmed the overall quantities and grades of the scheelite ore which was originally delineated by Billiton in the 1980s.

(d) The recent drilling campaigns have also identified some ore extensions beyond the currently modelled zones. These positive results, along with predicted high metal prices, suggest that the mine life derived from the current reserve base is conservative. Exploration drilling planned for 2011 and 2012 includes parts below and to the west of Las Cortinas West, Los Santos Sur, Capa Este and Capa 4.

(e) Significant improvements have been made to the plant since mine start-up, as well as the construction of an on-site laboratory. This has resulted in improvements in mill recovery. On-going testwork suggest that further improvements in mill recovery are still possible.

Recommendations

There are indications of extensions to mineralized Capas in many of the different zones. In addition to this there are parts of interpreted zones which currently contain inferred resources, owing to sparser drillhole intersections. With further drilling some of this inferred material could be converted into additional measured or indicated resources, and could lead to increases in reserves within the existing pit designs, as well as expansions of the currently planned open pit limits. For these reasons, further exploration drilling has been recommended. This exploration drilling, and associated work programs, are outlined in two phases, as summarised below:

- **Phase 1.** This diamond drilling encompasses 30 holes with a total drilled length of 3,244 m. This work will be in the area of Las Cortinas West, and is planned for 2011. The total cost of this work has been estimated as €405,000.
- **Phase 2.** This diamond drilling encompasses 52 holes with a total drilled length of 7,763 m. This work will be principally in the area of Las Santos Sur and Peña del Hierro (Capa Este and Capa 4), and is planned to start in 2012. The total cost of this work has been estimated as €971,000.

These cost estimates include the diamond drilling, sample preparation, laboratory analysis, updating of resource block models and updating of pit designs. The drilling in the two phases is not in the same areas, so the phase 2 drilling is not contingent on positive results from phase 1.

Selected Consolidated Financial Information and Management's Discussion and Analysis

Annual and Interim Information

The following table sets forth selected historical annual and interim financial information for Daytal for the periods indicated and should be read in conjunction with the financial statements and MD&A of Daytal for the corresponding periods, as applicable.

	6 Months Ended March 31, 2011 (unaudited) (€'000)	**12 Months Ended September 30, 2010 (audited) (€'000)**	**12 Months Ended September 30, 2009 (audited) (€'000)**	**12 Months Ended September 30, 2008 (audited) (€'000)**
Total revenue	4,245	1,392	187	21
Income from continuing operations	4,245	1,392	187	21
Net income or loss, in total	(2,538)	(13,047)	(1,714)	(766)
Total assets	17,216	18,045	36,206	27,285
Total long term financial liabilities	28,794	25,423	30,175	26,390
Cash dividends, declared	–	–	–	–

	6 Months Ended September 30, 2010 (unaudited) (€'000)	**6 Months Ended March 31, 2010 (unaudited) (€'000)**	**6 Months Ended September 30, 2009 (unaudited) (€'000)**	**6 Months Ended March 31, 2009 (unaudited) (€'000)**
Total revenue	1,381	11	136	51
Income from continuing operations	1,381	11	136	51
Net income or loss, in total	(13,468)	421	(1,166)	(548)

The accounting policies and business direction applied by Daytal in the consolidated financial statements for the year ended September 30, 2010 are the same as those applied by Daytal in the financial statements as at and for the year ended September 30, 2009. There have been no changes in accounting policies and business direction during the year ended September 30, 2010.

Total revenue for the six months ended March 31, 2011 increased by €2.9 million to €4.2 million as compared to the year ended September 30, 2010. This increase is directly attributable to the commissioning of the mine on July 1, 2010 and represents the first full six months of revenue earned for this mine. Consistent with Daytal's accounting policies, any pre-commissioning revenues were deducted from capitalized mining development and revenue was therefore nil for sales of tungsten for the comparative periods and three months of revenues for the years ended September 30, 2010.

The total net loss for the six months ended September 30, 2010 increased by €13.8 million to €13.5 million. This increase was substantially attributed to a one-time impairment loss of €24.7 million on the mine property, plant and equipment and mining development assets.

Management's Discussion and Analysis

Daytal's full MD&A, together with the financial statements, may be found attached at Schedules C to F. Daytal's MD&A should be read in conjunction with the financial statements and related notes thereto for the six months ended March 31, 2011 and for the years ended September 30, 2010, September 30, 2009 and September 30, 2008.

Description of the Securities

Securities

There are no securities of Daytal being distributed in connection with the Transaction.

Other Securities

There are no debt securities or other securities of Daytal being distributed in connection with the Transaction.

Consolidated Capitalization

The following table outlines the capitalization of Daytal as at the dates indicated therein. The table should be read in conjunction with the financial statements of Daytal which may be found at Schedules C and D.

Designation of security	Amount authorized or to be authorized	Amount outstanding as of March 31, 2011	Amount outstanding as of September 14, 2011 prior to giving effect to the Transaction
Daytal Shares	199,701	199,701(1)	199,701

Notes:

(1) As of March 31, 2011, Daytal had retained losses of €19,137,000.

Prior Sales

In the 12 months prior to the date of this Filing Statement, Daytal has not issued any Daytal Shares.

Stock Exchange Price

There is no public market for the Daytal Shares.

Executive Compensation

Compensation Discussion and Analysis

The board of directors of Daytal determines human resources and compensation matters and establishes the plan for continuity and development of senior management of Daytal. The board of directors of Daytal determines the compensation of senior management and other employees that it feels is suitable. Such determinations are based on, among other things, a comparison of remuneration paid by Daytal to that paid by other companies thought to be similarly situated.

Summary Compensation Table

The following table sets forth the compensation paid to the General Manager and each of Daytal's four most highly compensated executive officers or senior employees (the "**Named Executive Officers**") during the six months ended March 31, 2011 and for the years ended September 30, 2010 and September 30, 2009.

					Non-equity incentive plan compensation (€)				
Named Executive Officer and principal position	**Period ended**	**Salary (€)**	**Share-based awards (€)**	**Option-based awards (€)**	**Annual Incentive Plans**	**Long-Term Incentive Plans**	**Pension Value (€)**	**All Other Compensation (€)**	**Total Compensation (€)**
Paul J. Berndt General Manager	March 31, 2011	70,000	–	–	–	–	–	8,500(1) (2)	78,500
	September 30, 2010	135,000	–	–	–	–	–	16,000(1) (2)	151,000
	September 30, 2009	112,000	–	–	–	–	–	29,000(1) (2)	141,000
Jesús Martin Plant Manager	March 31, 2011	40,000	–	–	–	–	–	8,000(1) (2)	48,000
	September 30, 2010	80,000	–	–	–	–	–	16,000(1) (2)	96,000
	September 30, 2009	94,000	–	–	–	–	–	3,000(1) (2)	97,000
Tomás Vecillas Safety and Environment Manager	March 31, 2011	39,000	–	–	–	–	–	2,500(1) (3)	41,500
	September 30, 2010	78,000	–	–	–	–	–	5,000(1) (3)	83,000
	September 30, 2009	78,000	–	–	–	–	–	5,000(1) (3)	83,000
Enrique Martinez Geology Manager	March 31, 2011	35,000	–	–	–	–	–	10,500(1) (2)	45,500
	September 30, 2010	65,000	–	–	–	–	–	21,000(1) (2)	86,000
	September 30, 2009	65,000	–	–	–	–	–	21,000(1) (2)	86,000

Miguel Cagigas Financial Manager	March 31, 2011	32,000	–	–	–	–	–	1,500(1)	33,500
	September 30, 2010	54,000	–	–	–	–	–	3,000(1)	57,000
	September 30, 2009	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

(1) Vehicle allowance.

(2) Housing allowance.

(3) Personal insurance premiums paid for the benefit of Mr. Vecillas.

Incentive Plan Awards

Daytal has no equity incentive plan for share-based awards or option-based awards. As of the date hereof, Daytal has no share-based award or option-based awards outstanding.

Pension Plan Benefits

Daytal has no pension or deferred compensation plans for its directors, officers or employees.

Termination and Change of Control Benefits

There are employment contracts between Daytal and the Named Executive Officers. However, there are no change of control payments contained in these contracts and there are no other compensatory plans or arrangements with respect to any Named Executive Officer resulting from the resignation, retirement or any other termination of employment of such Named Executive Officer or from a change of the Named Executive Officer's responsibilities following a change of control.

Director Compensation

The directors of Daytal do not receive any compensation for serving as a director. However, directors are reimbursed for all reasonable out-of-pocket expenses incurred in carrying out their duties as directors of Daytal.

Management Contracts

Except as described below, no management functions of Daytal are performed to any substantial degree by a Person other than the directors or senior officers of Daytal.

(a) Daytal has entered into an agreement for the provision of management services and mining advice (the "**Management Services Agreement**") dated as of December 1, 2007 with HSK Europe. HSK Europe is a wholly-owned subsidiary of Heemskirk and has its registered address at Portwall Place, Portwall Lane, Bristol, Avon, BS1 6NA, United Kingdom. Pursuant to the Management Services Agreement, HSK Europe provides Daytal with management services and mining advice relating to feasibility studies, mine planning, construction and production management, marketing and financial services, human resources and administration. The fees payable by Daytal in connection with the Management Services Agreement are equal to the costs incurred by HSK Europe plus 10% to be paid upon the availability of cash flows following commencement of production at the Los Santos Project. Since October 1, 2009 (the commencement of the last full financial year), no amount has been paid and no amount is payable by Daytal to HSK Europe under the Management Services Agreement. The term of the contract is indefinite and may be terminated by either party on 30 days prior written notice.

The following individuals are Insiders of HSK Europe: Kevin P. Robinson (Australia), Peter John Bird (Australia) and Simon Beardsmore (England). Since October 1, 2009, none of (i) the Insiders of HSK Europe, (ii) HSK Europe, or (iii) Heemskirk has had any indebtedness to Daytal.

(b) Daytal has also entered into an agreement for the provision of management services and mining advice dated as of December 1, 2006 with Heemskirk Technical Services Proprietary Ltd. ("**HSK TSP**") (the "**HSK TSP Management Services Agreement**"). HSK TSP is a wholly-owned subsidiary of Heemskirk and has its registered address at Level 5, 303 Collins Street, Melbourne, Victoria, 3000 Australia. Pursuant to the HSK TSP Management Services Agreement, HSK TSP provides Daytal with management services and mining advice relating to viability development, mine planning, construction and production management, sales, financial services, human resources and administration. The fees payable by Daytal in connection with the HSK TSP Management Services Agreement were equal to the costs incurred by HSK TSP plus 10% to be paid upon the availability of cash flows following commencement of production at the Los Santos Project. Since October 1, 2009 (the commencement of the last full financial year), no amount has been paid and no amount is payable by Daytal to HSK TSP under the HSK TSP Management Services Agreement. The term of the contract is indefinite and may be terminated by either party on 30 days prior written notice.

The following individuals are Insiders of HSK TSP: Kevin P. Robinson (Australia) and Peter John Bird (Australia). Since October 1, 2009, none of (i) the Insiders of HSK TSP or (ii) HSK TSP has had any indebtedness to Daytal.

Non Arm's Length Party Transactions

Other than as described herein, within the five years prior to the date hereof, Daytal has not acquired any assets or been provided any services from any director, officer, Insider or Promoter of Daytal or any Associate or Affiliate thereof, except in their capacities as directors, officers or employees of Daytal.

(a) The Management Services Agreement, which has been entered into on commercially reasonable terms and conditions. Please see "*Information Concerning Daytal – Management Contracts*" for further particulars.

(b) The HSK TSP Management Services Agreement, which has been entered into on commercially reasonable terms and conditions. Please see "*Information Concerning Daytal – Management Contracts*" for further particulars.

(c) Heemskirk entered into a consultancy agreement with Prehenita S.L., which was signed in July 2006 and completed in June 2009 for the provision of services to develop the Los Santos Project. Mr. Pedro A. Rodriquez Fernandez was a director of Daytal and Prehenita S.L. Charges received by Daytal from Prehenita S.L. during the 12 month period ended September 30, 2009 were AUD$261,000 (2008:AUD$293,000, 2007:AUD$230,000 and 2006:AUD$85,000) based on normal commercial terms and conditions. Mr. Pedro A. Rodriquez Fernandez is also a director of Geotrex S.L which provided services to develop the Los Santos Project. Charges received by Daytal from Geotrex S.L. during the 12 month period ended September 30, 2009 were AUD$91,000 (2008:AUD$Nil) based on normal commercial terms and conditions. Mr. Pedro A. Rodriguez Fernandez resigned as director of Daytal on June 25, 2009.

Legal Proceedings

There are no legal proceedings material to Daytal to which Daytal is a party or of which any of its property is the subject matter and no such proceedings are known to Daytal to be contemplated.

Material Contracts

Except for contracts entered into by Daytal in the ordinary course of business, the only material contracts entered into by Daytal within the two years prior to the date hereof are as follows:

(a) Daytal Acquisition Agreement dated April 1, 2011, among Heemskirk, HSK Europe, Daytal, Almonty Numberco and Almonty. Please see "*Information Concerning the Acquisition, the Financing and the Transaction – The Acquisition*" for further particulars.

(b) Supply Agreement dated May 20, 2007, between Heemskirk and GTP, as amended November 27, 2008 and as further amended May 26, 2010. Please see "*Information Concerning Daytal – The Supply Agreement*" and "*Risk Factors Relating to the Resulting Issuer's Business and Industry – Supply Agreement*" for further particulars.(1)

(c) Agreement executed March 29, 2010, between Sanchez y Lago, S.L. ("**SyL**") and Daytal (the "**SyL Agreement**").

Pursuant to the SyL Agreement, SyL has agreed to provide specified mining services, including but not limited to, the preparation of the Los Santos Project mine site, work areas, roads and access paths and is also responsible for drilling, blasting, transportation of materials, management of stock piles, road maintenance, mining construction activities, environmental protection and the management of technical operations (the "**Services**"). SyL is not permitted to subcontract the Services without the prior consent of Daytal and in the event that Daytal approves of any subcontracting of the Services, the costs and liabilities associated with such subcontracting shall remain solely with SyL.

The SyL Agreement has a term of 24 months, subject to an agreement by the parties to extend for a further six months in certain circumstances, may not be assigned by Daytal without the prior consent of SyL which may not be unreasonably withheld and may not be assigned by SyL without the prior consent of Daytal which may be granted on terms acceptable to Daytal in its sole discretion. In the event of a change of control, Daytal must undertake in writing prior to closing to abide by the SyL Agreement. Under the SyL Agreement, SyL is required to maintain civil liability, vehicle and special risk insurance.

Among other remedies, Daytal may suspend payment under the SyL Agreement following notice for breach of contract such including, but not limited to, a change of control of SyL, if SyL suspends delivery of the Services for three days without cause, in the event that SyL is in contravention of applicable laws or if SyL does not render the Services in a diligent manner or in accordance with the SyL Agreement. Daytal may further terminate the SyL Agreement in the event that SyL suspends delivery of the Services for two consecutive financial quarters or three non-consecutive quarters or at its sole discretion on 30 days' prior written notice. SyL may terminate for failure by Daytal to pay 15% of the contracted price or in the event that Daytal is in breach of the terms and conditions of the SyL Agreement and neither breach is remedied within 14 days following notice. Daytal, in its sole discretion, is permitted to suspend the delivery of the Services by SyL, however SyL may only suspend delivery of the Services with the prior consent of Daytal.

Notes:

(1) As of the date of hereof, Daytal is not a party to the Supply Agreement. However, the Supply Agreement is material to Daytal's business and it is a condition to the Acquisition that GTP consent to the assignment of the Supply Agreement to Daytal.

Subject to confidentiality restrictions, each of the contracts specified above may be inspected at the offices of counsel to Almonty and Almonty Sub, Osler, Hoskin & Harcourt LLP at 1 First Canadian Place, 100 King Street West, Suite 6600, Toronto, Ontario M5X 1B8 during normal business hours until the date of the closing of the Transaction and for a period of 30 days thereafter.

Auditor

The auditor of Daytal is Ernst & Young, Ernst & Young Building, 8 Exhibition Street, Melbourne, VIC 3000, Australia.

INFORMATION CONCERNING THE RESULTING ISSUER

Corporate Structure

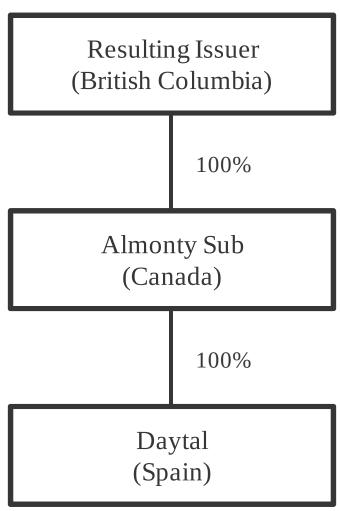
Name and Incorporation

The corporate name of the Resulting Issuer is expected to be changed from "RCG Capital Inc." to "Almonty Industries Inc." upon completion of the Transaction. Upon completion of the Transaction, the registered and records office of the Resulting Issuer will be located at 800 – 885 West Georgia Street, Vancouver, British Columbia, Canada, V6C 3H1.

After completion of the Transaction, the Resulting Issuer will continue to exist under the BCBCA and its notice of articles and articles will be those of RCG, as amended to reflect the Name Change.

Intercorporate Relationships

Following the completion of the Financing, the Acquisition and the Transaction, the Resulting Issuer will own, directly or indirectly, all of the issued and outstanding Almonty Sub Shares and Daytal Shares. The following diagram sets forth the corporate structure of the Resulting Issuer following the Financing, the Acquisition and the Transaction.



Description of the Business of the Resulting Issuer

Stated Business Objectives

After completion of the Transaction, the Resulting Issuer will carry on the business currently operated by Daytal and its efforts will be directed at continuing to advance the exploration, development and production activities at the Los Santos Project.

During 2011, 2012 and 2013, the Resulting Issuer's business objectives for the Los Santo Project using the funds available after completion of the Transaction will include the recommended exploration program, as previously described in this Filing Statement, and optimization of the plant, the lab and Daytal's human resource capital. The stated business objectives will be achieved by the oversight of the Resulting Issuer's management team, which has over 20 years of experience in the business of tungsten mining and a proven public record of return on investment in the tungsten mining industry. Please see "*Information Concerning the Resulting Issuer – Directors, Officers and Promoters*" for further particulars.

In addition to the above, the Resulting Issuer intends to consider strategic acquisition candidates subject to satisfactory due diligence, pricing and other relevant factors. Please see "*Risk Factors – Risks Relating to the Resulting Issuer's Business and Industry*" for further particulars.

Milestones

To pursue the foregoing business objectives, the Resulting Issuer intends to achieve certain milestones. These milestones, along with the estimated cost of each milestone, are provided in the table below. In order to achieve these milestones, the Resulting Issuer's management intends to review the Los Santos Project mine plan and make necessary adjustments. In order to improve recovery rates approaching industry standards, the Resulting Issuer's management intends to undertake a thorough review of the Los Santos Project's plant and lab operations and consider options including decreasing the strip ratio.

Milestone to be achieved	**Target completion date**	**Estimated cost to complete(1)**
Increased tungsten output and improve tungsten recovery rates to industry standard	December 31, 2012	US$1,690,000
Extend Los Santos Project mine life up to ten years(2)	December 31, 2013	US$1,800,000

Notes:

(1) It is expected that a rebate equal to 20% of the aggregate expenditures will be payable to Daytal by the Spanish government upon completion of the work programs associated with each milestone. The amounts shown do not take into account such rebate.

(2) Depending on results of the anticipated drilling program, the Resulting Issuer may be required to issue a new NI 43-101 compliant technical report. The expected core drilling campaign is of 8,250 metres and is expected to take approximately 11 months (eight months of drilling plus two months to complete the last laboratory analysis and one more to model the information).

Please see "*Information Concerning Daytal – The Los Santos Project*" for further particulars.

Description of the Securities

The authorized share capital of the Resulting Issuer will be the same as the currently authorized share capital of RCG and the rights associated with each Resulting Issuer Share will be the same as the rights associated with each RCG Share. Upon closing of the Transaction, RCG will issue the RCG Warrants exercisable to purchase Resulting Issuer Shares. Please see "*Information Concerning RCG – Description of RCG Securities – RCG Shares*" and "*Information Concerning the Acquisition, the Financing and the Transaction – The Transaction – Consideration*" for further particulars.

Pro-Forma Consolidated Capitalization

The following table sets forth the capitalization of the Resulting Issuer after giving effect to the Transaction, assuming completion of the Acquisition and the Consolidation.

Designation of security	Amount authorized or to be authorized	Amount outstanding after giving effect to the Transaction (without giving effect to the Financing)	Amount outstanding after giving effect to the Financing and the Transaction
Resulting Issuer Shares	Unlimited	20,047,601(1) (2)	37,011,441(1) (2)
RCG Warrants	4,357,794	3,701,144	4,357,794
RCG Resulting Issuer Options	N/A	59,967	59,967
RCG Brokers Options	N/A	22,488	22,488

Notes:

(1) The aggregate number of Resulting Issuer Shares issuable under RCG Resulting Issuer Options and RCG Brokers Options will be 82,455.

(2) Certain Resulting Issuer Shares are subject to escrow and/or an Undertaking. Please see "*Information regarding the Resulting Issuer – Escrowed Securities*", "*Information Concerning the Acquisition, the Financing and the Transaction – The Financing*" and "*Information Concerning the Resulting Issuer – Directors, Officers and Promoters*" for further particulars.

Fully Diluted Share Capital

The following table sets forth the fully-diluted share capital of the Resulting Issuer after giving effect to the Transaction, assuming completion of the Financing, the Acquisition and the Consolidation.

Designation of security	**Number outstanding**	
Resulting Issuer Shares	Number	Percentage
Issued	37,011,441	89.3
Reserved for issuance under the RCG Brokers Options	22,488	~0.1
Reserved for issuance under the RCG Resulting Issuer Options	59,967	~0.1
Reserved for issuance under RCG Heemskirk Warrants	3,701,144	8.9
Reserved for issuance under RCG Agents Warrants	656,650	1.6
Total number of securities (fully diluted)	41,451,690	100

Available Funds and Principal Purposes

The following table sets forth the funds available to the Resulting Issuer after giving effect to the Financing, the Acquisition and the Transaction:

	Funds Available ($)
Working Capital of RCG	(51,953)(1)
Working Capital of Daytal	403,075(2)
Net proceeds from the sale of securities issued in connection with the Financing	16,024,690(3)
Estimated cash consideration for the Acquisition	(13,749,400)(4)

Estimated expenses of completion of the Acquisition, Financing and the Transaction	(650,000)[5]
Total	1,976,412

Notes:

(1) Based on the unaudited working capital of RCG as at August 31, 2011.

(2) Pursuant to the Daytal Acquisition Agreement, in the event that the net working capital of Daytal in its financial statements on the closing date of the Acquisition is less than €535,646, Heemskirk and HSK Europe will be required to pay Almonty Sub the amount by which such deficiency is greater than €250,000. Therefore, it is assumed that the working capital of Daytal on the closing of the Acquisition will be €285,646 (or $403,075 based on an exchange rate of €1.00 equals $1.4111).

(3) Reflects Agent's fees and expenses up to the maximum amount plus applicable taxes pursuant to the Agency Agreement. See "*Information Concerning the Acquisition, the Financing and the Transaction – The Financing*".

(4) Based on an exchange rate of US$1.00 equals $0.9821.

(5) Costs associated with the Financing, the Acquisition and the Transaction excluding the Agents' fees and expenses in connection with the Financing.

The following table sets forth the proposed use of the funds available by the Resulting Issuer following completion of the Financing, the Acquisition and the Transaction and following payment of all expenses and fees incurred:

	Funds Available ($)
Los Santos Project plant and lab optimization and exploration program	1,566,450[1] [2]
General Working Capital	409,962[3]
Total	1,976,412

Notes:

(1) Being equal to US$1,993,750, based on an exchange rate of US$1.00 equals $0.9821, and including an expected rebate equal to 20% of the aggregate expenditures that will be payable to Daytal by the Spanish government.

(2) Amount required for the Los Santos Project plant and lab optimization and exploration program for the 18 months following completion of the Transaction.

(3) Variance from the unaudited pro-forma balance sheet of the Resulting Issuer contained in Schedule G results from compliance with the disclosure requirements of applicable Canadian securities rules and regulations.

Dividends

There will be no restrictions in the Resulting Issuer's articles or elsewhere, other than customary general solvency requirements, which would prevent the Resulting Issuer from paying dividends following completion of the Transaction. All of the Resulting Issuer Shares will be entitled to an equal share in any dividends declared and paid. It is anticipated that the policy of the board of directors of the Resulting Issuer will be not to pay dividends in the foreseeable future. The declaration of dividends on the shares of the Resulting Issuer is within the discretion of the Resulting Issuer's board of directors and will depend upon, among other factors, earnings, capital requirements and the operating and financial condition of the Resulting Issuer. Please see "*Risk Factors – Risks Relating to the Resulting Issuer's Business and Industry – Dividends*" for further particulars.

Principal Security Holders

To the best of the knowledge of the directors and executive officers of RCG and Almonty Sub, there will be no persons or companies who will beneficially own, directly or indirectly, or exercise control or direction over, Resulting Issuer Shares carrying more than 10% of the voting rights attached to the Resulting Issuer Shares after giving effect to the Financing, the Acquisition, the Consolidation and the Transaction, other than as set forth below:

Name and jurisdiction of incorporation	Number and percents of Resulting Issuer Shares held (Undiluted)	Number and percents of Resulting Issuer Shares held (Fully diluted)	Owned of record, beneficially owned, or both
Almonty[1] [2] (Delaware)	13,850,420 (37.4%)	13,850,420 (33.4%)	Owned of record
Heemskirk (Australia)	5,560,000 (15%)	9,261,114 (22.3%)	Owned of record

Notes:

(1) Almonty is a privately held investment company specializing in tungsten mining investments in respect of which Lewis Black and Daniel D'Amato are each partners.

(2) In addition to the amount owned by Almonty, Daniel D'Amato subscribed for 1,000,000 Subscription Receipts under the Financing and, upon completion of the Transaction, will be the owner of record of 1,000,000 Resulting Issuer Shares.

Directors, Officers and Promoters

Name, Address, Position and Security Holding

The following table lists the names and municipalities of residence of the proposed directors and officers of the Resulting Issuer, the periods during which they have served as directors of RCG, Almonty Sub or Daytal, as applicable, their proposed positions to be held with the Resulting Issuer, their principal occupations within the five preceding years and the number and percentage of securities of the Resulting Issuer which will be beneficially owned, directly or indirectly, or over which control or direction will be exercised by each upon completion of the Transaction. Each director will hold office until the next annual general meeting of the Resulting Issuer unless his office is earlier vacated in accordance with the BCBCA and the articles of the Resulting Issuer.

Name and municipality of residence	Period during which individual has served as director of RCG/ Almonty Sub/ Daytal	Positions to be held with the Resulting Issuer	Principal Occupation within the five preceding years	Number and percentage of Resulting Issuer shares beneficially owned or controlled	
				No.	%[1]
Lewis Black New York, United States	N/A	Chairman, President and Chief Executive Officer	Partner of Almonty Partners LLC (2002 – present) [2]; Chairman and Chief Executive Officer of Primary Metals Inc. (June 2005 – December 2007).[3]	13,850,420[4]	33.4
Daniel D'Amato Paris, France	N/A	Director	Partner of Almonty Partners LLC (2005 – present).[2]	14,850,420[5]	35.8
Andrew McIlwain Kew, Australia	N/A	Director	Independent mining consultant (2006 – present); Non Executive Chairman of Emmerson Resources	–	–

Name and municipality of residence	Period during which individual has served as director of RCG/ Almonty Sub/ Daytal	Positions to be held with the Resulting Issuer	Principal Occupation within the five preceding years	Number and percentage of Resulting Issuer shares beneficially owned or controlled No.	%[1]
			Limited (February 2007 – present)[6] and Non Executive Chairman of Verus Investments Limited (April 2008 – present).[7]		
Mark Trachuk Toronto, Canada	N/A	Director	Partner, Osler, Hoskin & Harcourt LLP (1990 – present).[8]	100,000	0.2
Dennis Logan Toronto, Canada	N/A	Director, Chief Financial Officer and Corporate Secretary	Managing Director, Investment Banking, Desjardins Securities Inc. (2007 – present)[9]; Director, Investment Banking, Westwind Partners Inc. (2005 – 2007). [9]	–[10]	–

Notes:

(1) Based on 41,451,690 securities outstanding on a fully-diluted basis after completion of the Financing, Acquisition, the Consolidation and the Transaction.

(2) Privately held company specializing in tungsten mining investments in respect of which Lewis Black and Daniel D'Amato are partners.

(3) A tungsten mining company previously listed on the Exchange.

(4) Held indirectly through Almonty.

(5) 13,850,420 held indirectly through Almonty and 1,000,000 held as owner of record.

(6) Australian Stock Exchange publicly listed gold company.

(7) Australian Stock Exchange publicly listed investment company.

(8) Canadian law firm.

(9) Canadian investment bank.

(10) Pursuant to an employment agreement between Dennis Logan and the Resulting Issuer, Mr. Logan will be granted 500,000 options to purchase Resulting Issuer Shares, subject to approval by the board of directors of the Resulting Issuer, confirmation by the shareholders of the Resulting Issuer and compliance with Exchange rules.

The directors and officers of the Resulting Issuer as a group will own beneficially, directly or indirectly, or exercise control or direction over, 14,950,420 Resulting Issuer Shares, representing 36.0% of the issued and outstanding Resulting Issuer Shares on a fully-diluted basis after giving effect to the Financing, the Acquisition, the Consolidation and the Transaction.

Resulting Issuer Board of Director Committees

Following the completion of the Transaction, the Resulting Issuer's board of directors will establish two standing committees: an Audit Committee and a Compensation and Corporate Governance Committee, as well as such other committees as the board of directors of the Resulting Issuer determines to be appropriate. The members of the Audit Committee will initially be Andrew McIlwain, Mark Trachuk and Dennis Logan. The members of the Compensation and Corporate Governance Committee will be Lewis Black, Daniel D'Amato and Mark Trachuk.

Additional Information About the Proposed Directors and Officers of the Resulting Issuer

The following sets forth particulars on those individuals who will be directors and officers of the Resulting Issuer, including the positions they will hold with the Resulting Issuer on completion of the Transaction, their relevant educational background and their principal occupation. Only Lewis Black and Dennis Logan will provide expertise that is critical in providing the Resulting Issuer with a reasonable opportunity to achieve its stated business objectives. The proposed responsibilities with the Resulting Issuer and the proportion of their time to be devoted to the Resulting Issuer are also provided for these two individuals.

Lewis Black – Director, President and Chief Executive Officer

Mr. Black (age 42) is currently a Partner of Almonty Partners LLC and has over 10 years of experience in the tungsten mining industry. From June 2005 to December 2007, he was Chairman and Chief Executive Officer of Primary Metals Inc., an Exchange listed tungsten mining company, and he was formerly head of sales and marketing for SC Mining Tungsten Thailand. Mr. Black holds a B.A. (Honours) from Manchester University and is a former Vice President of the International Tungsten Industry Association. As Chairman, President and Chief Executive Officer of the Resulting Issuer, Mr. Black will have overall management responsibility. He will be a full-time employee of the Resulting Issuer.

Daniel D'Amato – Director

Mr. D'Amato (age 42) is currently a Partner of Almonty Partners LLC and has over 20 years of experience in the finance industry specializing in portfolio management and private equity. He began his career on Wall Street with Bear Stearns where over nearly a decade he became Managing Director. In 2005, with business partner Lewis Black, Mr. D'Amato co-founded Almonty. From June 2005 to June 2007, he served on the board of directors of Primary Metals Inc., an Exchange listed tungsten mining company, of which Almonty was the majority owner. Mr. D'Amato holds a B.Sc. from Siena College and holds several securities and insurance licenses.

Andrew McIlwain – Director

Mr. McIlwain (age 50), with over 25 years of experience as a mining engineer, currently acts as an independent mining consultant providing consulting services to resource companies in relation to mergers, acquisitions, corporate restructuring and improvements. He is currently Non Executive Chairman of Emmerson Resources Limited and Verus Investments Limited. From June 2002 to April 2006, he was Managing Director and Chief Executive Officer of Lafayette Mining Ltd. (a public Australian mining company). Prior to this he held technical, senior management and executive roles within Mount Isa Mines Limited, Central Norseman Gold Corporation (COO) and WMC Resource. He is a past Non Executive Director of Aspire Mining (formerly Windy Knob Resources) and Non Executive Chairman of Tusker Gold Limited. Mr. McIlwain holds a B.Eng. from the University of Melbourne and is a Member of the Australasian Institute of Mining and Metallurgy.

Mark Trachuk – Director

Mr. Trachuk (age 50) is a lawyer and is a Partner in the Business Law Group at Osler, Hoskin & Harcourt LLP in Toronto. He practices in the area of corporate and securities law with an emphasis on mergers, acquisitions and strategic alliances. Mr. Trachuk is the chair of Osler's International Practice Group and is the former chair of Osler's Corporate Practice Group and Corporate Finance Practice Group. Mr. Trachuk holds a B.A. from Carleton University, an LL.B. from the University of Ottawa and an LL.M. from the London School of Economics. He also holds the ICD.D designation from the Institute of Corporate Directors. Mr. Trachuk is called in Ontario, British Columbia and England and Wales.

Dennis Logan – Director, Chief Financing Officer and Corporate Secretary

Mr. Logan is currently Managing Director, Investment Banking at Desjardins Securities Inc. From May 2005 to June 2007, he was Director, Investment Banking at Westwind Partners Inc. and was formerly a Partner at Loewen, Ondaatje, McCutcheon Limited. Mr. Logan is a Chartered Accountant and a member of the Institute of Chartered Accountants of Ontario. Mr. Logan also holds a B.A. (Honours) and an M.B.A. from the University of Toronto. As Chief Financial Officer and Corporate Secretary of the Resulting Issuer, Mr. Logan will have primary responsibility for management of financial and administrative functions. He will be a full-time employee of the Resulting Issuer.

Promoter Consideration

Greg Hryhorchuk may be considered to be a current and former Promoter of RCG in that he took the initiative in founding and organizing RCG. Mr. Hryhorchuk will hold 14,992 Resulting Issuer Shares (0.04%) at the completion of the Financing, the Acquisition, the Consolidation and the Transaction and RCG Resulting Issuer Options to purchase an additional 10,494 Resulting Issuer Shares. Mr. Hryhorchuk is also a shareholder of Yewbrook Capital Inc., which will hold 224,887 Resulting Issuer Shares (0.61%) at the completion of the Financing, the Acquisition, the Consolidation and the Transaction. Please see "*Information Concerning RCG – Stock Option Plan*", "*Information Concerning the Resulting Issuer – Principal Security Holders*", and "*Information Concerning the Resulting Issuer – Directors, Officers and Promoters*" for further particulars. Except as disclosed in this Filing Statement, Mr. Hryhorchuk has not and will not receive from or provide to RCG or the Resulting Issuer anything of value, including money, property, contracts, options or rights of any kind directly or indirectly.

Robert Lipsett may be considered to be a current and former Promoter of RCG in that he took the initiative in founding and organizing RCG. Mr. Lipsett will hold 14,992 Resulting Issuer Shares (0.04%) at the completion of the Financing, the Acquisition, the Consolidation and the Transaction and RCG Resulting Issuer Options to purchase an additional 10,494 Resulting Issuer Shares. Mr. Lipsett is also a shareholder of Yewbrook Capital Inc., which will hold 224,887 Resulting Issuer Shares (0.61%) at the completion of the Financing, the Acquisition, the Consolidation and the Transaction. Please see "*Information Concerning RCG – Stock Option Plan*", "*Information Concerning the Resulting Issuer – Principal Security Holders*", and "*Information Concerning the Resulting Issuer – Directors, Officers and Promoters*" for further particulars. Except as disclosed in this Filing Statement, Mr. Lipsett has not and will not receive from or provide to RCG or the Resulting Issuer anything of value, including money, property, contracts, options or rights of any kind directly or indirectly.

Lewis Black, Daniel D'Amato and Almonty may also be considered Promoters of the Resulting Issuer in that they will have taken the initiative in substantially reorganizing the business of the Resulting Issuer. For additional information on the Resulting Issuer Shares to be held by each of Lewis Black, Daniel D'Amato and Almonty please see "*Summary – Interests of Insiders, Promoters or Control Persons*", "*Information Concerning the Resulting Issuer – Principal Security Holders*" and "*Information Concerning the Resulting Issuer – Directors, Officers and Promoters*". In addition to Resulting Issuer Shares to be held by Almonty, the Resulting Issuer expects to grant RCG Resulting Issuer Options to Lewis Black, in his capacity as Chairman, President and Chief Executive Officer of the Resulting Issuer.

Corporate Cease Trade Orders or Bankruptcies

To the knowledge of RCG and Almonty Sub, as at the date of this Filing Statement and within the ten years before the date of this Filing Statement, no proposed director, officer, Promoter, or a security holder anticipated to hold sufficient shares of the Resulting Issuer to affect materially the control of the Resulting Issuer, is or has been a director, officer or Promoter of any Person or company (including the Resulting Issuer), that while that person was acting in that capacity:

(a) was the subject of a cease trade order or similar order, or an order that denied the relevant company access to any exemption under applicable securities law, for a period of more than 30 consecutive days; or

(b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Penalties or Sanctions

To the knowledge of the RCG and Almonty Sub, as at the date of this Filing Statement and within the ten years before the date of this Filing Statement, no proposed director, officer or Promoter of the Resulting Issuer, or a security holder anticipated to hold sufficient shares of the Resulting Issuer to affect materially the control of the Resulting Issuer, has:

(a) been subject to any penalties or sanctions imposed by a court or securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) been subject to any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body that would be likely to be considered important to a reasonable security holder making a decision about the Transaction.

Personal Bankruptcies

To the knowledge of RCG and Almonty Sub, as at the date of this Filing Statement and within the ten years before the date of this Filing Statement, no proposed director, officer or Promoter of the Resulting Issuer, or security holder anticipated to hold a sufficient number of shares of the Resulting Issuer to affect materially the control of the Resulting Issuer, is or has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

Conflicts of Interest

The Resulting Issuer's directors and officers may serve as directors, officers, employees and/or Promoters of other business enterprises, including those engaged in mining and companies providing services to the Resulting Issuer, or they may have significant shareholdings in other resource companies. Situations may arise where the directors and/or officers of the Resulting Issuer may be in competition with the Resulting Issuer. In the event that a conflict of interest arises at a meeting of the Resulting Issuer's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Resulting Issuer are required to act honestly, in good faith and in the best interests of the Resulting Issuer.

Aside from the potential conflicts arising therefrom and as set out in the tables under the headings "*Information Concerning the Resulting Issuer – Directors, Officers and Promoters*" and "*Information Concerning the Resulting Issuer – Other Reporting Issuer Experience*", as of the date of this Filing Statement and to the knowledge of RCG and Almonty Sub, there are no existing conflicts of interest between the Resulting Issuer and any of the individuals proposed for appointment as directors or officers following the completion of the Transaction.

Other Reporting Issuer Experience

The following table sets out the proposed directors, officers and Promoters of the Resulting Issuer who are, or have been within the last five years, directors, officers or Promoters of other issuers that are or were reporting issuers.

Name and proposed position with the Resulting Issuer	Name and jurisdiction of reporting issuer	Name of trading market	Position	Period
Lewis Black Chairman, President and Chief Executive Officer	Primary Metals Inc.	Exchange	Chairman and Chief Executive Officer	June 2005 to December 2007
Daniel D'Amato Director	Primary Metals Inc.	Exchange	Director	June 2005 to December 2007
Dennis Logan Director, Chief Financial Officer and Corporate Secretary	Phantom Fiber Corporation	OTC Bulletin Board	Director	September 2007 to November 2008

Executive Compensation

Upon completion of the Transaction, it is expected that the Resulting issuer will have two executive officers being Lewis Black, as President and Chief Executive Officer and Dennis Logan, as Chief Financial Officer and Corporate Secretary.

The compensation committee of the board of directors of the Resulting Issuer will assume responsibility for reviewing and monitoring the long-range compensation strategy for the senior executives. The committee will determine the executive compensation structure and recommend how much, if any, compensation will be paid to directors and the senior executives.

The compensation program for the senior executives of the Resulting Issuer will be designed to ensure that the level and form of compensation achieves certain objectives, including:

(a) attracting and retaining talented, qualified and effective senior executives;

(b) motivating the short and long-term performance of these senior executives; and

(c) better aligning their interests with those of the Resulting Issuer's shareholders.

In compensating its senior executives, the Resulting Issuer expects to employ a combination of base salary, bonus compensation and/or equity participation through the Stock Option Plan.

Base Salary

The Resulting Issuer intends to pay base salaries that are competitive in the markets in which the Resulting Issuer operates.

Bonus Compensation

The Resulting Issuer's objective will be to achieve certain strategic objectives and milestones. The compensation committee will consider executive bonus compensation depending upon the Resulting Issuer meeting such strategic objectives and milestones and the cash resources being available for the granting of bonuses. Bonuses are awarded at the discretion of the Board based on recommendations of the compensation committee.

Option-Based Awards

The Resulting Issuer intends to grant option-based awards, being awards under an equity incentive plan of options, including, for greater certainty, share options, share appreciation rights, and similar instruments that have option-like features by granting stock options to its directors, officers and employees. However, other than with respect to Dennis Logan, the timing, amounts, exercise price and recipients of such issuances have not yet been determined. Such stock options are expected to be granted under the Stock Option Plan which will be assumed by the Resulting Issuer. Please see "*Information Concerning RCG – Stock Option Plan*" for a discussion of the Stock Option Plan.

Share-Based Awards

During the 12 month period following completion of the Transaction, it is not expected that the Resulting Issuer will grant any share-based awards, being awards granted under an equity incentive plan of equity based instruments that do not have option-like features, including, for greater certainty, common shares, restricted shares, restricted share units, deferred share units, phantom shares, phantom share units, common share equivalent units, and stock.

Pension Plan Benefits

During the 12 month period following completion of the Transaction, it is not expected that the Resulting Issuer will provide for defined benefit plans or defined contribution plans, being plans that provide for payments or benefits at, following, or in connection with retirement, or provide for deferred compensation plans.

Compensation of Executive Officers

Lewis Black

It is currently anticipated that Lewis Black, in his capacity as President and Chief Executive Officer will receive no salary. Mr. Black may receive a bonus and a grant of options determined on the basis described above. It is expected that Lewis Black will enter into an employment agreement with the Resulting Issuer, the terms of which have not been finalized. Upon the establishment of a health benefit plan, it is expected that Mr. Black will participate.

Dennis Logan

Dennis Logan is expected to enter into an executive employment agreement with the Resulting Issuer upon the completion of the Transaction pursuant to which Mr. Logan will act as Chief Financial Officer and Corporate Secretary of the Resulting Issuer. It is expected that Mr. Logan's employment agreement may be terminated by the Resulting Issuer at any time for cause or with notice or payment in lieu thereof or by Mr. Logan at any time with notice. Mr. Logan's annual salary is expected to be $200,000. Mr. Logan is also expected to receive a grant of options to acquire 500,000 Resulting Issuer Shares vesting as to 250,000 options on the first anniversary of the start of Mr. Logan's employment with the Resulting Issuer and the remainder vesting on the second anniversary on the start of his employment. Mr. Logan's employment agreement will contain certain confidentiality and non-competition provisions for the benefit of the Resulting Issuer. Upon the establishment of a health benefit plan, Mr. Logan will participate.

The fair value of the options that Mr. Logan is expected to receive is $242,350 determined using the Black-Scholes option pricing model with the following assumptions: stock volatility of 35%, risk-free rate of 2.25%, and expiry of options in 10 years.

Compensation of Directors

It is anticipated that the directors of the Resulting Issuer will be granted stock options in recognition of the time and effort that such directors devote to the Resulting Issuer. The timing, amounts and exercise price will be determined in the discretion of the board of directors of the Resulting Issuer following completion of the Transaction. The Resulting Issuer may adopt a cash compensation program for its directors for cash retainers, meeting fees or for serving on committees. The Resulting Issuer will reimburse directors for all reasonable out-of-pocket expenses incurred in carrying out duties as directors of the Resulting Issuer.

Indebtedness of Directors and Officers

No director, officer, Promoter, member of management, nominee for election as director of the Resulting Issuer, nor any of their Associates or Affiliates, is or has been indebted to RCG, Almonty Sub or Daytal or is expected to be indebted to the Resulting Issuer on the closing of the Transaction.

Investor Relations Arrangements

At this time, the Resulting Issuer does not expect to enter into any written or oral agreement or understanding with any Person to provide any promotional or investor relations services for the Resulting Issuer or its securities or to engage in activities for the purpose of stabilizing the market.

Options/Warrants to Purchase Securities

The following table sets out options and warrants to purchase Resulting Issuer Shares expected to be held upon completion of the Financing, the Acquisition, the Consolidation and the Transaction.

Options/Warrants	Number of Resulting Issuer Shares reserved under option/warrant	Exercise price per share ($)	Expiry date	Value of unexercised in-the-money options ($)
RCG Resulting Issuer Options held by former officers and directors of RCG	59,967	0.67	June 30, 2020	19,789
RCG Brokers Options	22,488	0.67	June 30, 2012	7,421
RCG Agents Warrants	656,650	1.00[(1)]	24 months following issuance	N/A
RCG Heemskirk Warrants	3,701,144	1.25[(2)]	36 months following issuance	N/A

Notes:

(1) The exercise price is equal to the offering price per Subscription Receipt pursuant to the terms of the Agency Agreement.

(2) The exercise price is to be calculated using the "market price" (as such term is defined in the Exchange Corporate Finance Manual) of a RCG Share on the date of the issuance of the warrants multiplied by 125%.

Following completion of the Transaction, the Resulting Issuer expects to continue the Stock Option Plan pursuant to which a maximum of 10% of the Resulting Issuer Shares at the time a RCG Resulting Issuer Option is granted, less any outstanding stock options previously granted, will be reserved for issuance. RCG Resulting Issuer Options will be granted at the discretion of the board of directors, or a committee thereof, of the Resulting Issuer to individuals authorized by the Stock Option Plan. As long as the Stock Option Plan is in effect, there can never be more than 10% of the Resulting Issuer's Shares reserved for issuance at any point in time. The principal terms of the Stock Option Plan are discussed at "*Information Concerning RCG – Stock Option Plan*".

Escrowed Securities

There are two categories of escrow which RCG Shares and Resulting Issuer Shares may be subject to: (i) the CPC Escrowed Shares (RCG Shares issued to non-arm's length parties of RCG), and (ii) the Value Security Escrowed Shares (Resulting Issuer Shares to be issued to Heemskirk and Almonty). The CPC Escrowed Shares are subject to the CPC Escrow Agreement, while the Value Security Escrowed Shares will be subject to Value Security Escrow Agreements to be entered into among the Resulting Issuer, the Transfer Agent, as escrow agent and each of Heemskirk and Almonty, on the terms and conditions prescribed by Exchange policies.

CPC Escrowed Shares

The following table sets out, as of the date of this Filing Statement and to the knowledge of RCG, Almonty Sub and Daytal, the name and municipality of residence of each security holder whose securities will be CPC Escrowed Shares (on a non-diluted basis).

	Before giving effect to the Transaction		**After giving effect to the Financing, the Acquisition, the Consolidation and the Transaction**	
Name and municipality of residence of security holder	**Number of RCG Shares to be held in CPC escrow**	**Percentage of RCG Shares (%)(1)**	**Number of Resulting Issuer Shares to be held in CPC escrow(2)**	**Percentage of Resulting Issuer Shares (%)(3)**
Yewbrook Capital Inc.(4) Vancouver, BC	1,500,000	35.3	168,666	0.46
Foo Chan Vancouver, BC	400,000	9.4	44,978	0.12
Robert Lipsett Vancouver, BC	100,000	2.4	11,244	0.03
Greg Hryhorchuk Vancouver, BC	100,000	2.4	11,244	0.03
George Brazier Vancouver, BC	100,000	2.4	11,244	0.03
Total	2,200,000	51.9	247,376	0.67

Notes:

(1) Non-diluted. Based on a total number of 4,250,000 RCG Shares outstanding.

(2) Upon completion of the Transaction, it is expected that the Resulting Issuer Shares will be listed on Tier 1 of the Exchange. After receipt of the Final Exchange Bulletin confirming the listing of the Resulting Issuer on Tier 1, it is anticipated that 25% of the CPC Escrowed Shares will be released in accordance with Schedule B(2) – Tier 1 Issuer – CPC Escrow Securities of Exchange Form 2F and a further 25% will be released every six months thereafter. The CPC Escrowed Shares are held in escrow by Computershare Investor Services Inc., escrow agent in connection with the CPC Escrowed Shares.

(3) Non-diluted. Based on a total number of 37,011,441 Resulting Issuer Shares outstanding.

(4) Yewbrook Capital Inc. is a corporation wholly-owned and controlled by Greg Hryhorchuk, Carl Pescio, Janet Pescio and Robert Lipsett.

Value Security Escrowed Shares

The following table sets out, as at the date of this Filing Statement, and to the knowledge of RCG, Almonty Sub and Daytal, the name and municipality of residence of each security holder whose securities will be Value Security Escrowed Shares (on a non-diluted basis).

	After giving effect to the Financing, Acquisition, Consolidation and Transaction	
Name and jurisdiction of security holder	**Number of Resulting Issuer Shares to be held in value security escrow(1)**	**Percentage(2)**
Heemskirk (Australia)	4,170,000	11.3
Almonty(3) (Delaware)	10,387,815	28.1
Total	14,557,815	39.4

Notes:

(1) Upon completion of the Transaction, it is expected that the Resulting Issuer Shares will be listed on Tier 1 of the Exchange. After receipt of the Final Exchange Bulletin confirming the listing of the Resulting Issuer on Tier 1 of the Exchange, it is anticipated that 25% of the Value Security Escrowed Shares will be released in accordance with Schedule B(1) – Tier 1 Value Security Escrow Agreement of Exchange Form 5D and a further 25% will be released every six months thereafter. The Value Security Escrowed Shares will be held in escrow by the Transfer Agent, escrow agent in connection with the Value Security Escrowed Shares.

(2) Non-diluted. Based on a total number of 37,011,441 Resulting Issuer Shares outstanding.

(3) Almonty is a privately held investment company specializing in tungsten mining investments in respect of which Lewis Black and Daniel D'Amato are each partners.

Terms of the Escrowed Shares

Where the CPC Escrowed Shares or the Value Security Escrowed Shares are held by a non-individual (a "**holding company**"), each holding company pursuant to the escrow agreement has agreed, or will agree, not to carry out any transactions during the currency of the escrow agreement which would result in a change of control of the holding company, without the consent of the Exchange. Any holding company must sign an undertaking to the Exchange that, to the extent reasonably possible, it will not permit or authorize any issuance of securities or transfer of securities that could reasonably result in a change of control of the holding company. In addition, the Exchange may require an undertaking from any Control Person of the holding company not to transfer the share of that company.

The CPC Escrowed Shares are currently subject to the release schedule set out in "Schedule B(1) – CPC Escrow Securities" of Exchange Form 2F. If the Resulting Issuer meets the Tier 1 listing requirements of the Exchange either at the time the Final Bulletin is issued or subsequently, then the release of the CPC Escrowed Shares will be accelerated. An accelerated escrow release for the CPC Escrowed Shares will not commence until the Exchange has issued a bulletin that announces the acceptance for listing of the Resulting Issuer on Tier 1 of the Exchange.

If the Resulting Issuer meets the Tier 1 listing requirements of the Exchange, it is expected the Value Security Escrowed Shares will be subject to the release schedule set out in "Schedule B(1) – Tier 1 Value Security Escrow Agreement" of Exchange Form 5D, which provides for release of 25% of the escrowed securities on the date of the Final Exchange Bulletin, an additional 25% of the escrowed securities six months following the Final Exchange Bulletin, an additional 25% of the escrowed securities twelve months following the Final Exchange Bulletin, and the remaining 25% of the escrowed securities eighteen months following the Final Exchange Bulletin.

The CPC Escrowed Shares and the Value Security Escrowed Shares may not be transferred without the approval of the Exchange for release or transfer other than in specified circumstances set out in the applicable escrow agreement.

Auditor, Transfer Agent and Registrar

The auditor of the Resulting Issuer will be Ernst & Young LLP. The registrar and transfer agent of the Resulting Issuer Shares will be Computershare Investor Services Inc., 510 Burrard, 3rd Floor, Vancouver, British Columbia, V6C 3B9.

GENERAL MATTERS

Sponsorship and Agent Relationship

Sponsorship

Pursuant to the Sponsorship Policy, sponsorship is required in conjunction with a Qualifying Transaction. RCG intends to rely upon an exemption from the sponsorship requirement contained in subsection 3.4(a)(ii)(B)(II) of the Sponsorship Policy on the basis that the Financing will be completed, and that Cormark, on behalf of the Agents, will provide the Exchange with its confirmation that it has completed appropriate due diligence on both the Transaction and this Filing Statement that is generally in compliance with the relevant standards and guidelines applicable in the Sponsorship Policy. As such, no sponsor has been engaged by RCG in connection with the Transaction.

Agent

Almonty entered into the Agency Agreement pursuant to which Cormark agreed to act as the lead manager, sole book runner and agent in connection with the Financing. Pursuant to the Agency Agreement, Cormark, together with the Agents, acted on a "best-efforts" basis to effect the Financing. Please see "*Information Concerning the Acquisition, the Financing and the Transaction – The Financing*".

Experts

Almonty Sub and Daytal have retained Adam Wheeler, mining consultant, to prepare the Los Santos Technical Report. To the knowledge of RCG, Almonty Sub and Daytal, as of the date hereof, Mr. Wheeler has no beneficial ownership, direct or indirect, in the securities of RCG, Almonty Sub or Daytal, or of any of their Associates or Affiliates and did not receive any interest in any securities of RCG, Almonty Sub or Daytal or of any of their Associates or Affiliates in connection with the preparation of the Los Santos Technical Report.

Davidson & Company LLP Chartered Accountants prepared the auditor's report for RCG's financial statements for the year ended February 28, 2011. Davidson has advised RCG that it is independent in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

Ernst & Young, the auditors of Daytal and Heemskirk, do not: (i) have a direct or indirect interest in the property of RCG, Almonty Sub, Daytal or the expected property of the Resulting Issuer, or (ii) beneficially own, directly or indirectly, any securities of RCG, Almonty Sub, Daytal or any Associate or Affiliate of RCG, Almonty Sub or Daytal. Ernst & Young has advised RCG and Almonty Sub that they are independent of Daytal and Heemskirk in accordance with the applicable code of professional conduct.

Other Material Facts

There are no material facts about RCG, Almonty Sub, Daytal or the Resulting Issuer or the Financing, the Acquisition or the Transaction that are not disclosed under the preceding items and are necessary in order for this Filing Statement to contain full, true and plain disclosure of all material facts relating to RCG, Almonty Sub, Daytal or the Resulting Issuer, assuming completion of the Financing, the Acquisition and the Transaction.

Board Approval

The board of directors of RCG has approved this Filing Statement. Where information contained in this Filing Statement rests particularly within the knowledge of a person other than RCG, RCG has relied upon information furnished by that person.

SCHEDULE A

AUDITED FINANCIAL STATEMENTS OF RCG CAPITAL INC. FOR THE FINANCIAL YEAR ENDED FEBRUARY 28, 2011 AND FOR THE PERIOD FROM INCORPORATION ON SEPTEMBER 28, 2009 TO FEBRUARY 28, 2010

RCG CAPITAL INC.

FINANCIAL STATEMENTS

FEBRUARY 28, 2011

INDEPENDENT AUDITORS' REPORT

To the Directors of
RCG Capital Inc.

We have audited the accompanying financial statements of RCG Capital Inc. which comprise the balance sheets as at February 28, 2011 and 2010 and the statements of operations and deficit and cash flows for the year ended February 28, 2011 and for the period from incorporation on September 28, 2009 to February 28, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of RCG Capital Inc. as at February 28, 2011 and 2010 and the results of its operations and its cash flows for the year ended February 28, 2011 and for the period from incorporation on September 28, 2009 to February 28, 2010 in accordance with Canadian generally accepted accounting principles.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

June 10, 2011
(except as to Note 9 and 10 which
are as of September 14, 2011)

RCG CAPITAL INC.
BALANCE SHEETS
AS AT FEBRUARY 28

	2011	2010
ASSETS		
Current		
Cash	$ 179,829	$ 94,967
Receivables	6,599	-
	186,428	94,967
Deferred financing costs (Note 4)	-	5,000
	$ 186,428	$ 99,967
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 17,296	$ 16,000
Shareholders' equity		
Capital stock (Note 4)	261,082	100,000
Contributed surplus (Note 4)	39,684	-
Deficit	(131,634)	(16,033)
	169,132	83,967
	$ 186,428	$ 99,967

Continuance of operations (Note 2)

Subsequent events (Note 9)

On behalf of the Board:

"Robert Lipsett"
Robert Lipsett, CEO & Director

"Greg Hryhorchuk"
Greg Hryhorchuk, Director

The accompanying notes are an integral part of these financial statements.

RCG CAPITAL INC.
STATEMENTS OF OPERATIONS AND DEFICIT

	Year Ended February 28, 2011	Period From Incorporation on September 28, 2009 to February 28, 2010
EXPENSES		
Accounting and audit	$ 15,600	$ 6,000
Filing and transfer agent fees	31,119	-
Legal	19,009	10,000
Office and administration	1,757	33
Rent	11,087	-
Stock-based compensation (Note 4)	31,483	-
Telephone	2,210	-
Travel and promotion	3,336	-
Loss for the period	(115,601)	(16,033)
Deficit, beginning of period	(16,033)	-
Deficit, end of period	$ (131,634)	$ (16,033)
Basic and diluted loss per common share	$ (0.09)	$ -
Weighted average number of common shares outstanding	1,331,507	-

The accompanying notes are an integral part of these financial statements.

RCG CAPITAL INC.
STATEMENTS OF CASH FLOWS

	Year Ended February 28, 2011	Period From Incorporation on September 28, 2009 to February 28, 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (115,601)	$ (16,033)
Item not affecting cash:		
Stock-based compensation	31,483	-
Changes in non-cash working capital items:		
Receivables	(6,599)	-
Accounts payable and accrued liabilities	1,296	16,000
Net cash used in operating activities	(89,421)	(33)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of shares for cash	210,000	100,000
Share issuance costs	(35,717)	-
Deferred financing costs	-	(5,000)
Net cash provided by financing activities	174,283	95,000
Change in cash for the period	84,862	94,967
Cash, beginning of period	94,967	-
Cash, end of period	$ 179,829	$ 94,967
Cash paid during the period for interest	$ -	$ -
Cash paid during the period for income taxes	$ -	$ -

During the year ended February 28, 2011, the Company granted 200,000 agents' options valued at $8,201.There were no significant non-cash financing or investing activities during the period from incorporation on September 28, 2009 to February 28, 2010.

The accompanying notes are an integral part of these financial statements.

1. INCORPORATION

The Company was incorporated under the Business Corporations Act (British Columbia) on September 28, 2009 and is classified as a Capital Pool Company as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4. The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition of or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities.

2. CONTINUANCE OF OPERATIONS

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation.

The Company's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition of, a participation in or an interest in properties, assets or businesses. Such an acquisition will be subject to regulatory approval and may be subject to shareholder approval. In order to continue as a going concern and meet its corporate objectives, the Company will require additional financing through debt or equity issuances or other available means. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

3. SIGNIFICANT ACCOUNTING POLICIES

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

Future income taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period.

Basic loss per share is calculated using the weighted-average number of shares outstanding during the period.

Included in share capital are 2,200,000 common shares outstanding as of February 28, 2011 (2010 – 2,000,000) which are contingently cancelable and have been excluded from the weighted average number of shares outstanding.

Financial instruments

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

The Company has classified its cash as held-for-trading and receivables as loan and receivables. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

CICA Handbook Section 3862, Financial Instruments – requires disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

Fair value

The carrying value of receivables and accounts payable and accrued liabilities approximated their fair value because of the short-term nature of these instruments.

Financial instruments measured at fair value on the balance sheet are summarized in levels of fair value hierarchy as follows:

Assets	Level 1	Level 2	Level 3	Total
Cash	$ 179,829	$ -	$ -	$ 179,829

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Stock-based compensation

The Company uses the fair value based method for measuring compensation costs.

Deferred financing costs

Costs directly identifiable with the raising of capital will be charged against the related capital stock. Costs related to shares not yet issued are recorded as deferred financing costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related capital stock or charged to operations if the shares are not issued.

New accounting pronouncements

Business combinations, non-controlling interests and consolidated financial statements

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non-controlling Interests" which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after March 1, 2011. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning March 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently.

International financial reporting standards ("IFRS")

In 2006, the AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after March 1, 2011. The transition date of March 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended February 28, 2011.

4. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares		Amount		Contributed Surplus
Authorized					
Unlimited common shares, without par value					
Common shares issued					
Shares issued for cash	2,000,000	$	100,000	$	-
Balance, as at February 28, 2010	2,000,000		100,000		-
Shares issued for cash	200,000		10,000		-
Initial public offering	2,000,000		200,000		-
Share issue costs	-		(40,717)		-
Agent's options	-		(8,201)		8,201
Stock-based compensation	-		-		31,483
Balance, as at February 28, 2011	4,200,000	$	261,082	$	39,684

The Company issued 2,000,000 seed common shares during the period ended February 28, 2010 and an additional 200,000 common shares during the year ended February 28, 2011 at a price of $0.05 per share for total proceeds of $110,000. The 2,200,000 common shares will be held in escrow and released pro-rata to the shareholders as to 10% of the escrow shares upon issuance of a Final Exchange Bulletin by the TSX-V and as to the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months. These escrow shares may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities. If a Final Exchange Bulletin is not issued the shares will not be released from escrow and if the Company is delisted, the shares will be cancelled.

Initial public offering ("IPO")

On June 30, 2010, the Company completed its IPO and issued 2,000,000 common shares at a price of $0.10 per common share for total proceeds of $200,000. Pursuant to an engagement letter between the Company and Bolder Investment Partners Ltd. (the "Agent"), the Agent received a cash commission of $20,000, a work fee of $10,000 plus taxes, reimbursement of its expenses and legal fees of $10,171, and was issued non-transferable Agent's options to acquire up to 200,000 common shares at $0.10 per share exercisable for a period of 24 months from the date the common shares of the Company are listed on the TSX-V. The agent's options were valued at $8,201 using the Black-Scholes option pricing model (using a risk-free interest rate of 1.00%, an expected life of 2 years, annualized volatility of 75% and a dividend rate of 0%).

Stock options

The Company intends to adopt a stock option plan (the "Stock Option Plan") under which it can grant options to directors, officers, employees, and consultants for up to 10% of the issued and outstanding common shares. Under the plan, the exercise price of an option may not be less than the closing market price during the trading day immediately preceding the date of the grant of the option, less any applicable discount allowed by the TSX-V. The options can be granted for a maximum term of 10 years and vest at the discretion of the board of directors.

Any common shares acquired pursuant to the exercise of options prior to the completion of the qualifying transaction must be deposited in escrow and will be subject to escrow until the final exchange bulletin is issued.

4. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd…)

Stock options (cont'd…)

On June 30, 2010, the Company granted, at the closing of its IPO, 400,000 stock options to directors and officers. Each option is exercisable into one common share of the Company at a price of $0.10 per share for ten years from the date of grant.

Stock option transactions are summarized as follows:

	Number Of Options		Weighted Average Exercise Price
Balance, September 28, 2009 and February 28, 2010	-	$	-
Incentive options granted	400,000		0.10
Agent's options granted	200,000		0.10
Balance, February 28, 2011	600,000	$	0.10
Number of options exercisable February 28, 2011	600,000	$	0.10

As at February 28, 2011, the following stock options are outstanding:

	Number Of Options	Exercise Price	Expiry Date
Incentive stock options	400,000	$ 0.10	June 30, 2020
Agent's options	200,000	$ 0.10	June 30, 2012

Stock-based compensation

The Company granted 400,000 stock options during the year ended February 28, 2011 resulting in stock-based compensation expense, using the Black-Scholes option-pricing model, of $31,483. The weighted average fair value of the stock options granted was $0.08 per option.

The following assumptions were used for the Black-Scholes valuation of stock options granted:

Risk-free interest rate:	2.00%
Expected life of options:	10 years
Annualized volatility:	75%
Dividend rate:	0%

5. CAPITAL MANAGEMENT

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

The capital for expansion was mostly from proceeds from the issuance of common shares. The net proceeds raised will only be sufficient to identify and evaluate a limited number of assets and businesses for the purpose of identifying and completing a Qualifying Transaction. Additional funds may be required to finance the Company's Qualifying Transaction.

6. FINANCIAL INSTRUMENTS AND RISK

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at February 28, 2011, the Company had a cash balance of $179,829 to settle current liabilities of $17,296. All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt. As of February 28, 2011, the Company has no interest bearing term deposits.

(b) Foreign currency risk

The Company does not have any assets or liabilities in a foreign currency.

6. FINANCIAL INSTRUMENTS AND RISK (cont'd…)

(c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

7. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	Year Ended February 28, 2011	Period From Incorporation on September 28, 2009 to February 28, 2010
Loss for the period	$ (115,601)	$ (16,033)
Expected income tax-recovery	$ (32,561)	$ (4,809)
Non deductible items	8,868	-
Share issuance costs	(2,294)	-
Unrecognized benefit of non-capital losses	25,987	4,809
Total income tax recovery	$ -	$ -

The significant components of the Company's future income tax assets are as follows:

	February 28, 2011	February 28, 2010
Future income tax assets:		
Non-capital loss carry forwards	$ 27,000	$ 4,000
Share issuance costs	8,000	-
Valuation allowance	(35,000)	(4,000)
Net future income tax assets	$ -	$ -

7. INCOME TAXES (cont'd…)

The Company has available for deduction against future taxable income non-capital losses of approximately $108,000. These losses, if not utilized, will expire in 2031. Future tax benefits which may arise as a result of these non-capital losses have not been recognized in these financial statements and have been offset by a valuation allowance due to the uncertainty of their realization.

8. RELATED PARTY TRANSACTIONS

During the year ended February 28, 2011, the Company paid or accrued accounting fees of $7,600 (2010 - $Nil) to an accounting firm of which an Officer of the Company is a partner. As of February 28, 2011, $3,000 (2010 - $Nil) in accounts payable and accrued liabilities was due to the accounting firm. The transaction was in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

9. SUBSEQUENT EVENTS

Subsequent to February 28, 2011, the Company:

a) Issued 50,000 shares pursuant to 50,000 agents' options exercised at $0.10 per share.

b) Signed a Transaction Agreement in April 2011 and a Share Purchase Agreement in June 2011 (the "Agreements") in regards to its Qualifying Transaction (as defined in TSX-V Policy 2.4). Pursuant to the Agreements, the Company is to acquire all of the outstanding shares of 7887523 Canada Inc. ("Almonty"), a wholly-owned Canadian subsidiary of Almonty Partners LLC. Almonty, together with the current owner of Daytal Resources Spain SL ("Daytal"), Heemskirk Consolidated Limited, and the participants in the proposed private placement of Almonty disclosed below, will own Daytal, the owner of the Los Santos tungsten project located in Salamanca Spain. In exchange, the Company will issue shares and warrants to the securityholders of Almonty. This transaction will be a reverse takeover, with the shareholders of Almonty taking control of the Company after the completion of the transaction. This transaction is subject to the approval of the TSX-V and other pre-conditions including the completion of the private placement of subscription receipts of Almonty for proceeds of approximately $20,000,000.

10. FIRST TIME ADOPTION OF IFRS

As stated in Note 3, below is an outline of the Company's first transition from Canadian GAAP to IFRS.

The Company adopted IFRS in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards. The first date at which IFRS was applied was March 1, 2010 ("Transition Date"). An explanation of how the transition from GAAP to IFRS has affected the Company's financial statements is set out below. The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS.

10. FIRST TIME ADOPTION OF IFRS (cont'd…)

The Company did not use the exemptions listed in IFRS 1. As management had anticipated, given the business of the Company as a Capital Pool Company and given the limited number of transactions that the Company has entered into since incorporation, the impact on the adoption of IFRS had no impact on the Company's financial position, financial performance and cash flows. Specifically, the main areas of accounting focus for the Company to date have been, and will continue to be prior to the completion of a Qualifying Transaction, the issuance of share capital, the recording of share based payments and the recording of cash transactions for which there are very few or no significant differences between IFRS and Canadian GAAP.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at the Transition Date are consistent with those that were made under Canadian GAAP.

Reconciliation of Canadian GAAP to IFRS

Management has determined that the adoption of IFRS has not resulted in any adjustments to the statements of financial position as of February 28, 2011 and March 1, 2010 as reported previously under Canadian GAAP. There are no significant differences between IFRS and Canadian GAAP in connection with the Company's statements of operations and deficit and cash flows for the year ended February 28, 2011.

SCHEDULE B

UNAUDITED FINANCIAL STATEMENTS OF RCG CAPITAL INC. FOR THE THREE MONTHS ENDED MAY 31, 2011

RCG CAPITAL INC.
(A Capital Pool Company)

CONDENSED INTERIM FINANCIAL STATEMENTS

(EXPRESSED IN CANADIAN DOLLARS)

FOR THE THREE MONTHS ENDED MAY 31, 2011

(Unaudited- Prepared by Management)

RCG CAPITAL INC.
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
(UNAUDITED)
AS AT

ASSETS	May 31, 2011 $	February 28, 2011 $	March 1, 2010 $
Current			
Cash	173,229	179,829	94.967
HST receivable	7,161	6,599	-
	180,390	186,428	94,967
Deferred financing costs	-	-	5,000
	180,390	186,428	99,967

LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	102,000	17,296	16,000
Shareholders' equity			
Share capital (Note 4)	268,132	261,082	100,000
Reserves	37,634	39,684	-
Deficit	(227,376)	(131,634)	(16,033)
	78,390	169,132	83,967
	180,390	186,428	99,967

Continuance of operations (Note 2)

Subsequent events (Note 8)

On behalf of the Board:

"Robert Lipsett"
Robert Lipsett, CEO & Director

"George Brazier"
George Brazier, Director

The accompanying notes are an integral part of these condensed interim financial statements.

RCG CAPITAL INC.
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE LOSS AND DEFICIT
(UNAUDITED)
FOR THE THREE MONTHS ENDED MAY 31, 2011

	Three Months Ended May 31	
	2011	**2010**
	$	$
EXPENSES		
Accounting and audit	-	1,000
Filing and transfer agent fees	534	6,696
Legal	91,000	-
Office and administration	458	546
Rent	3,750	-
	(95,742)	(8,242)
Loss and comprehensive loss for the period	(95,742)	(8,242)
Basic and diluted loss per common share	(0.05)	-
Weighted average number of common shares outstanding	2,037,500	-

The accompanying notes are an integral part of these condensed interim financial statements.

RCG CAPITAL INC.
CONDENSED INTERIM STATEMENT OF SHAREHOLDERS' EQUITY
(UNAUDITED)
FOR THE THREE MONTHS ENDED MAY 31, 2011

	Share Capital				
	Shares	Amount	Reserves	Deficit	Total
		$	$	$	$
Balance, as at March 1, 2010	2,000,000	100,000	-	(16,033)	83,967
Shares issued for cash	200,000	10,000	-	-	10,000
Net loss and comprehensive loss for the period	-	-	-	(8,242)	(8,242)
Balance, as at May 31, 2010	2,200,000	110,000	-	(24,275)	85,725
Balance, as at March 1, 2011	4,200,000	261,082	39,684	(131,634)	169,132
Shares issued for cash at a price of $0.10 per share	50,000	5,000	-	-	5,000
Agent's options exercised	-	2,050	(2,050)	-	-
Net loss and comprehensive loss for the period	-	-	-	(95,742)	(95,742)
Balance, as at May 31, 2011	4,250,000	268,132	37,634	(227,376)	78,390

The accompanying notes are an integral part of these condensed interim financial statements.

RCG CAPITAL INC.
CONDENSED INTERIM STATEMENT OF CASH FLOWS
(UNAUDITED)
FOR THE THREE MONTHS ENDED MAY 31, 2011

	Three Months Ended May 31	
	2011	**2010**
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	(95,742)	(8,242)
Changes in non-cash working capital items:		
HST receivable	(562)	(358)
(Increase) decrease in accounts payable and accrued liabilities	84,704	(2,000)
Net cash used in operating activities	(11,600)	(10,600)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of shares for cash	5,000	10,000
Net cash provided by financing activities	5,000	10,000
Change in cash for the period	(6,600)	(600)
Cash, beginning of period	179,829	94,967
Cash, end of period	173,229	94,367

There were no significant non-cash financing or investing activities during the three month periods ended May 31, 2011 and 2010.

The accompanying notes are an integral part of these condensed interim financial statements.

1. INCORPORATION

The Company was incorporated under the Business Corporations Act (British Columbia) on September 28, 2009 and is classified as a Capital Pool Company as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4. The Company's primary office is located at 2060-777 Hornby Street, Vancouver, British Columbia, Canada, V6Z 1T7. The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition of or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities.

2. CONTINUANCE OF OPERATIONS

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation.

The Company's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition of, a participation in or an interest in properties, assets or businesses. Such an acquisition will be subject to regulatory approval and may be subject to shareholder approval. In order to continue as a going concern and meet its corporate objectives, the Company will require additional financing through debt or equity issuances or other available means. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

These financial statements were authorized by the Audit Committee and the Board of Directors on August 23, 2011.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These are the Company's first financial statements prepared in accordance with IFRS. Previously, the Company prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). The disclosures required by the provisions of IFRS 1, "First-time adoption of International Financial Reporting Standards", explaining how the transition to IFRS has affected the reported financial performance, cash flows and financial position of the Company, are presented in Note 9.

These unaudited condensed financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").
The accounting policies described below have been applied consistently to all periods presented in these unaudited condensed interim financial statements. They have also been applied in preparing an opening IFRS balance sheet as March 1, 2010 for the purposes of the transition to IFRS as required by IFRS 1.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Statement of compliance (cont'd…)

The unaudited condensed interim financial statements have been prepared on the basis of IFRS standards that are expected to be effective or available for early adoption by the Company on February 29, 2012, the Company's first annual reporting date under IFRS. The Company has made certain assumptions about the accounting policies expected to be adopted when the first IFRS annual financial statements are prepared for the year ended February 29, 2012.

Basis of presentation

These unaudited condensed interim financial statements have been prepared on the historical cost basis.

Functional and presentation currency

These unaudited condensed interim financial statements have been prepared in Canadian dollars, which is the Company's functional and presentation currency.

Cash

Cash includes cash on hand with a Canadian chartered bank.

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Stock based compensation

The Company accounts for stock based compensation granted to directors and third parties using the fair value method of accounting. Accordingly, the fair value of the options is determined using the Black Scholes option pricing model, and stock based compensation is accrued and charged to operations, with an offsetting credit to reserves, on a straight line basis over the vesting periods. The amount recognized as an expense is adjusted to reflect the actual number of stock options for which the related service and non-market vesting conditions are met. If and when the stock options are exercised, the applicable amounts of reserves are transferred to share capital.

Loss per share

Basic loss per share is calculated using the weighted average number of shares outstanding during the year. Contingently issuable shares are not considered outstanding common shares and consequently not included in loss per share calculations. The Company uses the treasury stock method to compute the dilutive effect of options and similar instruments. Under this method, the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options and similar instruments. It assumes that proceeds would be used to purchase common shares at the average market price during the period. Outstanding options were not included in the computation of diluted loss per share as they are anti-dilutive.

Included in share capital are 2,200,000 common shares outstanding as of May 31, 2011 and February 28, 2011 which are contingently cancelable and have been excluded from the weighted average number of shares outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are determined based on temporary differences between financial reporting and tax bases of assets and liabilities, as well as for the benefit of losses available to be carried forward to future years for tax purposes. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred income tax assets are recorded in the financial statements if realization is considered probable.

Deferred financing costs

These costs relate directly to the proposed issuance of shares by the Company pursuant to the initial public offering described in Note 4. Upon completion of the initial public offering, the costs were charged against capital stock.

Use of estimates

The preparation of financial statements in conformity with IFRS principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the year. Actual results could differ from those estimates. Significant estimates made include valuation of stock based compensation.

Financial instruments

All financial instruments are measured based on the classification adopted for the financial instrument: fair value through profit and loss ("FVTPL"), held to maturity, loans and receivables, available for sale or other liability.

Financial assets

All financial assets are recognized and derecognized on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL which are initially measured at fair value.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities including borrowings are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

The Company has classified its financial instruments as follows:

Financial Instrument	Classification
Cash	FVTPL
Accounts payable and accrued liabilities	Other financial liabilities

The Company's financial instruments measured at fair value on the balance sheet consist of cash. Cash is measured at level 1 of the fair value hierarchy. There are three levels of the fair value hierarchy as follows:

• Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
• Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.
• Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Recent Accounting Pronouncements

Certain pronouncements were issued by the IASB or the IFRIC but are not yet effective. Many are not applicable or do not have a significant impact to the Company and have been excluded from the list below. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

(a) IFRS 9 Financial instruments ("IFRS 9") was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). 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 of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013.

(b) IFRS 10 'Consolidated Financial Statements' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
(c) IFRS 11 Joint arrangements ("IFRS 11") was issued by the IASB in May 2011 and will replace IAS 31 Interests in Joint ventures and SIC 13 – Jointly Controlled Entities – Non-Monetary Contributions by Venturers. IFRS 11 is effective for annual periods beginning on or after January 1, 2013.

(d) IFRS 12 'Disclosure of Interests in Other Entities' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

(e) IFRS 13 'Fair Value Measurement' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.

4. SHARE CAPITAL

	Number of Shares		Amount
Authorized			
Unlimited common shares, without par value			
Common shares issued			
Shares issued for cash	2,000,000	$	100,000
Balance, as at February 28, 2010	2,000,000	$	100,000
Share issued for cash	200,000		10,000
Initial public offering	2,000,000		200,000
Share issue costs	-		(40,717)
Agent's options	-		(8,201)
Balance, as at February 28, 2011	2,200,000	$	261,082
Share issued for cash	50,000		5,000
Agent's options exercised	-		2,050
Balance, as at May 31, 2011	4,250,000	$	268,132

The Company issued 2,000,000 seed common shares during the period ended February 28, 2010 and an additional 200,000 common shares during the year ended February 28, 2011 at a price of $0.05 per share for total proceeds of $110,000. The 2,200,000 common shares will be held in escrow and released pro-rata to the shareholders as to 10% of the escrow shares upon issuance of a Final Exchange Bulletin by the TSX-V and as to the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months. These escrow shares may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities. If a Final Exchange Bulletin is not issued the shares will not be released from escrow and if the Company is delisted, the shares will be cancelled.

Initial public offering ("IPO")

On June 30, 2010, the Company completed its IPO and issued 2,000,000 common shares at a price of $0.10 per common share for total proceeds of $200,000. Pursuant to an engagement letter between the Company and Bolder Investment Partners Ltd. (the "Agent"), the Agent received a cash commission of $20,000, a work fee of $10,000 plus taxes, reimbursement of its expenses and legal fees of $10,171, and was issued non-transferable Agent's options to acquire up to 200,000 common shares at $0.10 per share exercisable for a period of 24 months from the date the common shares of the Company are listed on the TSX-V. The agent's options were valued at $8,201 using the Black-Scholes option pricing model (using a risk-free interest rate of 1.00%, an expected life of 2 years, annualized volatility of 75% and a dividend rate of 0%).

Stock options

The Company intends to adopt a stock option plan (the "Stock Option Plan") under which it can grant options to directors, officers, employees, and consultants for up to 10% of the issued and outstanding common shares. Under the plan, the exercise price of an option may not be less than the closing market price during the trading day immediately preceding the date of the grant of the option, less any applicable discount allowed by the TSX-V. The options can be granted for a maximum term of 10 years and vest at the discretion of the board of directors.

Any common shares acquired pursuant to the exercise of options prior to the completion of the qualifying transaction must be deposited in escrow and will be subject to escrow until the final exchange bulletin is issued.

4. SHARE CAPITAL (cont'd…)

Stock options (cont'd…)

On June 30, 2010, the Company granted, at the closing of its IPO, 400,000 stock options to directors and officers. Each option is exercisable into one common share of the Company at a price of $0.10 per share for ten years from the date of grant.

Stock option transactions are summarized as follows:

	Number Of Options		Weighted Average Exercise Price
Balance, February 28, 2010	-	$	-
Incentive options granted	400,000		0.10
Agent's options granted	200,000		0.10
Balance, February 28, 2011	600,000		0.10
Agent's options exercised	(50,000)		0.10
Balance, May 31, 2011	550,000	$	0.10
Number of options exercisable May 31, 2011	550,000	$	0.10

As at May 31, 2011, the following stock options are outstanding:

	Number Of Options	Exercise Price	Expiry Date
Incentive stock options	400,000	$ 0.10	June 30, 2020
Agent's options	150,000	$ 0.10	June 30, 2012

Stock-based compensation

The Company granted 400,000 stock options during the year ended February 28, 2011 resulting in stock-based compensation expense, using the Black-Scholes option-pricing model, of $31,483. The weighted average fair value of the stock options granted was $0.08 per option.

The following assumptions were used for the Black-Scholes valuation of stock options granted:

Risk-free interest rate:	2.00%
Expected life of options:	10 years
Annualized volatility:	75%
Dividend rate:	0%

5. CAPITAL MANAGEMENT

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

The capital for expansion was mostly from proceeds from the issuance of common shares. The net proceeds raised will only be sufficient to identify and evaluate a limited number of assets and businesses for the purpose of identifying and completing a Qualifying Transaction. Additional funds may be required to finance the Company's Qualifying Transaction.

6. FINANCIAL INSTRUMENTS AND RISK

The Company's financial instruments consist of cash, accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at May 31, 2011, the Company had a cash balance of $173,229 to settle current liabilities of $102,000. All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt. As of May 31, 2011, the Company has no interest bearing term deposits.

(b) Foreign currency risk

The Company does not have assets or liabilities in foreign currency.

6. FINANCIAL INSTRUMENTS AND RISK (cont'd…)

(c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

7. RELATED PARTY TRANSACTIONS

There were no related party transactions during the three month periods ended May 31, 2011 and 2010. As of May 31, 2011, $3,000 (February 28, 2011 - $3,000) in accounts payable and accrued liabilities was due to an accounting firm of which the CFO of the Company is a partner. The transaction was in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

8. SUBSEQUENT EVENTS

On June 10, 2011 the Company signed a share purchase agreement (the "Agreement") in regards to its Qualifying Transaction (as defined in TSX-V Policy 2.4). Pursuant to the Agreement, the Company is to acquire all of the outstanding shares of 7887523 Canada Inc. ("Almonty"), a wholly-owned Canadian subsidiary of Almonty Partners LLC. Almonty, together with the current owner of Daytal Resources Spain SL ("Daytal"), Heemskirk Consolidated Limited, and the participants in the proposed private placement of Almonty disclosed below, will own Daytal, the owner of Los Santos tungsten project located in Salamanca Spain. In exchange, the Company will issue shares and warrants to the securityholders of Almonty. This transaction will be a reverse takeover, with the shareholders of Almonty taking control of the Company after the completion of the transaction. This transaction is subject to the approval of TSX-V and other pre-conditions including the completion of the private placement of subscription receipts of Almonty for proceeds of approximately $20,000,000.

9. CONVERSION TO IFRS

As stated in Significant Accounting Policies note 2, these are the Company's first unaudited condensed interim financial statements prepared in accordance with IFRS as issued by the IASB. The policies set out in the Significant Accounting Policies section have been applied in preparing the financial statements for the three months ended May 31, 2011 and 2010 and in the preparation of the opening IFRS statement of financial position on March 1, 2010 (the "Transition Date").

9. CONVERSION TO IFRS (cont'd…)

First-time adoption of IFRS

The Company did not use the exemptions listed in IFRS 1. As management had anticipated, given the business of the Company as a Capital Pool Company and given the limited number of transactions that the Company has entered into since incorporation, the impact on the adoption of IFRS had no impact on the Company's financial position, financial performance and cash flows. Specifically, the main areas of accounting focus for the Company to date have been, and will continue to be prior to the completion of a Qualifying Transaction, the issuance of share capital, the recording of share based payments and the recording of cash transactions for which there are very few or no significant differences between IFRS and Canadian GAAP.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at the Transition Date are consistent with those that were made under Canadian GAAP.

Changes to accounting policies

The Company has changed certain accounting policies to be consistent with IFRS as is expected to be effective or available for early adoption on February 29, 2012, the Company's first annual IFRS reporting date. However, these changes to its accounting policies have not resulted in any significant change to the recognition and measurement of assets, liabilities, equity, revenue and expenses within its financial statements.

Transition date unaudited condensed statement of financial position

The Company's Transition Date IFRS unaudited statement of financial position is included as comparative information in the unaudited condensed interim statements of financial position in these financial statements. The changes in accounting policies resulting from the Company's adoption of IFRS had no impact on the statements of financial position as at the transition date of March 1, 2010 and at May 31, 2010 and February 28, 2011.

Reconciliation of equity

The changes in accounting policies resulting from the Company's adoption of IFRS had no impact on the Company's equity as at March 1, 2010 and at May 31, 2010 and February 28, 2011.

Reconciliation of comprehensive loss and equity

The changes in accounting policies resulting from the Company's adoption of IFRS had no impact on the statements of comprehensive loss and changes in equity for the year ended February 28, 2011 and for the three month period ended May 31, 2010.

Reconciliation of cash flow

The changes in accounting policies resulting from the Company's adoption of IFRS had no impact on the statements of cash flow for the year-ended February 28, 2011 and for the three month period ended May 31, 2010.

Presentation

Certain amounts on the unaudited condensed statement of financial position, statement of loss and comprehensive loss and statement of cash flows have been reclassified to conform to the presentation adopted under IFRS.

SCHEDULE C

AUDITED FINANCIAL STATEMENTS OF DAYTAL RESOURCES SPAIN, S.L. FOR THE FINANCIAL YEARS ENDED SEPTEMBER 30, 2010, SEPTEMBER 30, 2009 AND SEPTEMBER 30, 2008

LOS SANTOS MINE

Financial Report

For the year ended September 30, 2010

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Independent auditor's report to the members of Los Santos Mine

We have audited the accompanying financial report of Los Santos Mine which comprises the balance sheet as at 30 September 2008, 2009 and 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the years then ended, a summary of significant accounting policies, other explanatory notes and the directors' declaration

Directors' Responsibility for the Financial Report

The directors are responsible for the preparation and fair presentation of the financial report in accordance with International Financial Reporting Standards. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with International Standards on Auditing. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Opinion

In our opinion the financial report presents fairly, in all material respects, the financial position of Los Santos Mine as of 30 September 2008, 2009 and 2010, and of its financial performance and cash flows for the years then ended.

Ernst & Young

Ernst & Young
Melbourne
8 July 2011

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Independent auditor's report to the members of Los Santos Mine in respect of Compatibility with Canadian Generally Accepted Auditing Standards

In accordance with the requirement contained in National Instrument 52-107 we report below on the compatibility of Canadian Generally Accepted Auditing Standards ("Canadian GAAS") and International Standards on Auditing.

We conducted our audit for the periods ended 30 September 2008, 2009 and 2010 in accordance with International Standards on Auditing. There are no material differences in the form or content of our report as compared to an auditor's report prepared in accordance with Canadian GAAS and if this report was prepared in accordance with Canadian GAAS it would not contain a reservation of opinion.

Ernst & Young

Ernst & Young
Melbourne
8 July 2011

Statements of Comprehensive Income

For the year ended September 30, 2010

	Note	2010 €'000	2009 €'000	2008 €'000
Revenue	5	1,392	187	21
Cost of sales		(2,276)	(749)	(658)
Gross profit/(loss)		**(884)**	**(562)**	**(637)**
Related party balances forgiven	17	14,773	-	-
Impairment losses	11/12	(24,725)	-	-
Foreign exchange gains/ (losses)		1,288	(79)	103
Depreciation and amortisation expense	11/12	(470)	(239)	(43)
Group management fee	17	(739)	(490)	(500)
Interest expense		(412)	(877)	(424)
Other expenses	6	(45)	(56)	(1)
Loss before tax		**(11,214)**	**(2,303)**	**(1,502)**
Income tax benefit/(expense)	7	(1,833)	589	736
Loss after tax		**(13,047)**	**(1,714)**	**(766)**
Total comprehensive loss for the period		**(13,047)**	**(1,714)**	**(766)**
Earnings per share on net loss				
Basic and diluted loss per share (€/share)	22	(65)	(46)	(7,659)

Approved by the Directors:

Kevin Robinson **8 July 2011**

Peter Bird **8 July 2011**

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

Balance Sheets

As at September 30, 2010

	Note	2010 €'000	2009 €'000	2008 €'000
Assets				
Current Assets				
Cash and cash equivalents	8	667	81	686
Trade and other receivables	9	422	1,060	3,174
Inventories	10	1,205	899	1,921
Other current assets		10	64	127
Total Current Assets		**2,304**	**2,104**	**5,908**
Non-Current Assets				
Property, plant and equipment	11	3,038	8,232	8,749
Mine development	12	12,330	24,352	11,873
Deferred tax assets	7	231	1,362	755
Other non-current assets		142	156	-
Total Non-Current Assets		**15,741**	**34,102**	**21,377**
Total Assets		**18,045**	**36,206**	**27,285**
Liabilities				
Current Liabilities				
Trade and other payables	13	3,145	2,949	2,121
Interest bearing loans and borrowings		30	30	10
Other liabilities	18	204	600	600
Total Current Liabilities		**3,379**	**3,579**	**2,731**
Non-Current Liabilities				
Payables to related parties	17	25,156	30,046	25,747
Interest bearing loans and borrowings		36	66	89
Provisions	19	231	63	59
Other liabilities	18	-	-	495
Total Non-Current Liabilities		**25,423**	**30,175**	**26,390**
Total Liabilities		**28,802**	**33,754**	**29,121**
Net Assets/(Deficiency)		**(10,757)**	**2,452**	**(1,836)**
Equity				
Contributed equity	20	5,842	6,004	3
Retained losses		(16,599)	(3,552)	(1,839)
Total Equity		**(10,757)**	**2,452**	**(1,836)**

The above balance sheets should be read in conjunction with the accompanying notes.

Statements of Changes in Equity

For the year ended September 30, 2010

	Contributed equity €'000	Retained (losses) €'000	Total equity €'000
Balance at October 1, 2007	**3**	**(1,073)**	**(1,070)**
Total comprehensive loss for the year	-	(766)	(766)
Balance at September 30, 2008	**3**	**(1,839)**	**(1,836)**
Total comprehensive loss for the year	-	(1,714)	(1,714)
Contributions of equity, net of transaction costs	6,001	-	6,001
Balance at September 30, 2009	**6,004**	**(3,552)**	**2,452**
Total comprehensive loss for the year	-	(13,047)	(13,047)
Transaction costs on share issue	(162)	-	(162)
Balance at September 30, 2010	**5,842**	**(16,599)**	**(10,757)**

The above statements of changes in equity should be read in conjunction with the accompanying notes.

Statements of Cash Flows

For the year ended September 30, 2010

	Note	2010 €'000	2009 €'000	2008 €'000
Cash flows from operating activities				
Receipts from customers		2,592	4,707	1,086
Payments to suppliers and employees		(7,015)	(3,617)	(3,243)
Interest received		2	7	9
Interest paid		(33)	(8)	-
Net cash flows (used in)/from operating activities		(4,454)	1,089	(2,148)
Cash flows from investing activities				
Payment of deferred consideration for mining asset		-	(600)	(600)
Proceeds from disposal of property, plant and equipment		-	35	-
Purchase of property, plant and equipment		(1,615)	(19)	(6,101)
Payments for mine development		(2,750)	(10,096)	(4,827)
Net cash flows from/(used in) investing activities		(4,365)	(10,680)	(11,528)
Cash flows from financing activities				
Proceeds from issue of shares		-	6,003	1
Transaction costs from issue of shares		(162)	(2)	-
Proceeds from/(payments to) related party borrowings		9,597	2,987	14,249
Repayment of loans		(30)	(22)	-
Proceeds from borrowings		-	20	99
Net cash flows from/(used in) financing activities		9,405	8,986	14,349
Net increase/(decrease) in cash and cash equivalents		586	(605)	673
Cash and cash equivalents at beginning of period		81	686	13
Cash and cash equivalents at end of period	8	**667**	**81**	**686**

The above statements of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the year ended September 30, 2010

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. These financial statements combine i) the separate financial statements for Daytal Resources Spain S.L. and ii) the separate financial position and results for the tungsten offtake agreement with Global Tungsten & Powders Corp. (collectively, the "Los Santos Mine"). This financial report has been prepared in contemplation of the Los Santos Mine being sold to Almonty Partners LLC and listed within a new company on the TSX Venture Exchange in Canada.

(a) Basis of preparation

The financial report has been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial report has also been prepared on a historical cost basis.

The financial report is presented in Euros and all values are rounded to the nearest thousand Euro (€'000) unless otherwise stated. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

Economic Dependency

The financial statements have been prepared on a going concern basis. The validity of the going concern assumption on which the financial statements are prepared depends on the Los Santos Mine being able to meet its current obligations, and on the continuing financial support from the Los Santos Mine's parent entity. The Directors have assessed this assumption to be reasonable.

As at September 30, 2010, the Los Santos Mine had total liabilities of €28.8 million and total assets of €18.0 million, leaving a net asset deficiency of €10.8 million. The Los Santos Mine also recorded a loss of €13.0 million for the year ended September 30, 2010. Of the total liabilities, €25.2 million is owed to related parties through loans provided by Heemskirk Europe Plc and ultimately by Heemskirk Consolidated Limited, the ultimate parent of the Los Santos Mine. Excluding related party liabilities, the Los Santos Mine has net assets of €14.4 million. As such, the Los Santos Mine is economically dependent on Heemskirk Europe Plc and Heemskirk Consolidated Limited, both of whom have committed to providing continuing financial support for the Los Santos Mine.

Refer also to Note 17 for information relating to the forgiveness of the related party loan subsequent to balance sheet date.

(b) Statement of compliance

The financial report complies with IFRS as issued by the International Accounting Standards Board.

Adoption of new accounting standards and interpretations

For the period starting October 1, 2007, the Los Santos Mine adopted the following new and/or revised Standards, Amendments and Interpretations:

- IFRS 7 – Financial Instruments: Disclosures

Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Los Santos Mine for the period ended September 30, 2008.

For the period starting October 1, 2008, there were no new and/or revised Standards, Amendments and Interpretations adopted by the Los Santos Mine.

For the period starting October 1, 2009, the Los Santos Mine has adopted the following new and/or revised Standards, Amendments and Interpretations:

- IFRS 3 - Business Combinations
- IFRS 8 - Operating Segments
- IFRS 9 - Financial Instruments
- IAS 1 - Presentation of Financial Statements
- IAS 23 - Borrowing Costs
- IAS 27 - Consolidated and Separate Financial Statements
- Improvements to IFRS 2008 – Amendments to IFRS 5, IFRS 7, IAS 1, IAS 8, IAS 10, IAS 16, IAS 18, IAS 19, IAS 23, IAS 27, IAS 31, IAS 34, IAS 36, IAS 39

Adoption of the above Standards, Amendments and Interpretations did not have any effect on the financial position or performance of the Los Santos Mine. Disclosures included in the financial statements were impacted by IAS 1.

IAS 1 – Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. The Statement of Changes in Equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new Statement of Comprehensive Income. The Statement of Comprehensive Income presents all items of recognised income and expense.

New accounting standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the Los Santos Mine in the period of initial application. They have been issued but are not yet effective and are available for early adoption at September 30, 2010, but have not been applied in preparing this financial report.

Reference	Title	Impact on the Los Santos Mine	Application date for the Los Santos Mine
Improvements to IFRS 2009	Amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36 & IAS 39	(i)	October 1, 2010

IFRS Annual Improvements 2010	Amendments to IFRS 3	(i)	October 1, 2010
IFRS Annual Improvements 2010	Amendments to IFRS 7, IAS 1 & IAS 34	(i)	October 1, 2011
IFRS 9	Financial Instruments	(i)	October 1, 2013
IFRS 10	Consolidated financial statements	(i)	October 1, 2013
IFRS 11	Joint arrangements	(i)	October 1, 2013
IFRS 12	Disclosure of interests in other entities	(i)	October 1, 2013
IFRS 13	Fair value measurement	(i)	October 1, 2013
IAS 1	Presentation of Financial Statements (revised)	(i)	October 1, 2012
IAS 12	Income taxes (amended)	(i)	October 1, 2012
IAS 18	Employee benefits (revised)	(i)	October 1, 2013
IAS 24	Related party disclosures	(i)	October 1, 2011

(i) The adoption of this new standard, amendment or interpretation is not expected to have a material impact on the Los Santos Mine's financial statements.

(c) Segment reporting

Management has evaluated the operating segment based on the reports reviewed by executive management (Chief Operating Decision Maker) for making specific decisions. The executive management team monitors the business of the Los Santos Mine as a single reporting segment ("Mining Spain") whose operations relate to the exploration and mining of tungsten in Spain. All output is sold under a fixed term off-take agreement with Global Tungsten & Powders Corp (GTP).

(d) Foreign currency translation

Functional and presentation currency

The functional currency of the Los Santos Mine is measured using the currency of the primary economic environment. The financial statements are presented in Euros, which is the Los Santos Mine's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the Statement of Comprehensive Income.

(e) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(f) Trade and other receivables

Trade receivables are initially recorded at the fair value of contracted sale proceeds expected to be received only when there has been a passing of significant risks and rewards of ownership to the customer.

Collectability of trade receivables is reviewed on an ongoing basis. An impairment of doubtful debts is raised when there is objective evidence that the Los Santos Mine will not be able to collect the debt.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of raw materials, stores and finished goods includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs. The costs of mining stocks include direct materials, direct labour, transportation costs and variable and fixed overhead costs relating to mining activities.

Materials and supplies are valued at the lower of cost and net realisable value. Any provision for obsolescence is determined by reference to specific stock items identified. A regular and ongoing review is undertaken to establish the extent of surplus items and a provision is made for any potential loss on their disposal.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

(h) Property, plant and equipment

Each class of property, plant and equipment is measured at cost less, where applicable, any accumulated depreciation and impairment losses.

Buildings

Buildings are held at cost less accumulated depreciation and impairment losses.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Comprehensive Income.

Plant and equipment

Plant and equipment is measured on the cost basis less accumulated depreciation and impairment losses.

The carrying values of plant and equipment are reviewed for impairment annually, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount is assessed on the basis of the expected net cashflows that will be received from the assets employed and subsequent disposal. The expected net cashflows have been discounted to their present values in determining recoverable amounts.

Depreciation

Items of property, plant and equipment, including buildings, are depreciated/ amortised over their estimated useful lives.

The Los Santos Mine uses the unit-of-production basis when depreciating mine specific assets which results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life of mine production. Each item's economic life has due regard to both its physical life limitations and to present assessments of economically recoverable resources of the mine property at which it is located.

The remainder of assets is depreciated on a straight line basis over their useful lives of 3 – 7 years, commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is immediately written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(i) Leases

Leases of plant and equipment under which the Los Santos Mine assume substantially all the risks and benefits incidental to ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised, with a lease asset and a lease liability equal to the fair value of the leased asset or, if lower, at the present value of the minimum lease payments determined at the inception of the lease. Lease payments are apportioned between the finance charges and reduction of the lease liability. The finance charge component within the lease payments is expensed. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Los Santos Mine or its controlled entities will obtain ownership by the end of the lease term.

Payments made under operating leases are expensed on a straight-line basis over the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

(j) Impairment of assets

The carrying amounts of all assets are reviewed yearly to determine whether there is an indication of impairment.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units - CGUs).

(k) Trade and other payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Los Santos Mine prior to the end of the financial year that are unpaid and arise when the Los Santos Mine becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(l) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Los Santos Mine has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs are recognised as an expense when incurred, except when they are included in the costs of qualifying assets.

(m) Provisions and employee leave benefits

Provisions are recognised when the Los Santos Mine has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Los Santos Mine expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability.

(n) Mine under construction

Expenditure incurred in constructing a mine by the Los Santos Mine is accumulated in which economically recoverable reserves have been identified. This expenditure includes direct costs of construction, borrowing costs capitalised during construction and an appropriate allocation of attributable overheads. Once a development decision has been taken, all aggregated costs of construction are transferred to non-current assets as either mine development or buildings, plant and equipment as appropriate.

(o) Exploration, evaluation and feasibility expenditure

Exploration and evaluation expenditure related to areas of interest is capitalised and carried forward to the extent that:

(i) Rights to tenure of the area of interest are current; and

(ii) (a) Costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively by sale; or

(b) Where activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, active and significant operations in, or in relation to, the area are continuing.

Such expenditure consists of an accumulation of acquisition costs and direct net exploration and evaluation costs incurred by or on behalf of the Los Santos Mine, together with an appropriate portion of directly related overhead expenditure.

Feasibility expenditure represents costs related to the preparation and completion of a feasibility study to enable a development decision to be made in relation to an area of interest.

At the commencement of production, all past exploration, evaluation and feasibility expenditure in respect of an area of interest is transferred to mine development where it is amortised over the life of the area of interest to which they relate.

When an area of interest is abandoned or the directors decide it is not commercial, any accumulated costs in respect of that area are written off in the year the decision is made. Each area of interest is reviewed at the end of each reporting period and accumulated costs written off to the extent they are not expected to be recoverable in the future.

(p) Mine development

Mine development represents the expenditure incurred in preparing mines for production, and includes stripping and waste removal costs net of revenue recognised before commissioning date. Such expenditure comprises net direct costs and an appropriate allocation of directly related overhead costs.

All expenditure incurred prior to commencement of production from the development property is carried forward to the extent to which recoupment out of future revenue from the sale of production is reasonably assured. The commissioning date of the Los Santos mine was July 1, 2010.

When further development expenditure is incurred in respect of the mine property after commencement of production, such expenditure is carried forward as part of the cost of mine property only when future economic benefits are reasonably assured, otherwise the expenditure is classified as part of the cost of production and expensed as incurred. Such capitalised development expenditure is added to the total carrying value of mine development being amortised.

The net carrying values of mine development expenditure carried forward are reviewed yearly by directors to determine whether there is any indication of impairment. The carrying value of mine development will be amortised in full by the completion of the mine.

(q) Deferred mining expenditure

The Los Santos Mine defers mining costs incurred during the production stage of its operations, initially as part of determining the cost of mine development and then to inventories. Deferred mining costs for a mine are amortised over the life of the mine against inventories on a units-of-production basis taking in to consideration the total remaining cost of developing the mine over its life. The life of mine is based on economically recoverable resources of each mine. The deferred mining costs in inventories are released to the income statement as an amortisation expense.

The life of mine is a function of an individual mine's design and therefore changes to that design will generally result in changes to the amortisation rate. Changes in other technical or economic parameters that impact reserves will also have an impact on the life of mine even if they do not affect the mine's design. Changes to the life of mine are accounted for prospectively.

(r) Provisions for restoration

The Los Santos Mine is required to decommission and rehabilitate mines and processing sites at the end of their producing lives to a condition acceptable to the relevant authorities.

The expected cost of any approved decommissioning or rehabilitation program, discounted to its net present value, is provided when the environmental disturbance occurs. The cost is capitalised when it gives rise to future benefits, whether the rehabilitation activity is expected to occur over the life of the operation or at the time of closure. The capitalised cost is amortised over the life of the operation and the increase in the net present value of the provision for the expected cost is included in financing expenses. Expected decommissioning and rehabilitation costs are based on the discounted value of the estimated future cost of detailed plans prepared for each site. Where there is a change in the expected decommissioning and restoration costs, the value of the provision and any related asset are adjusted and the effect is recognised in the Statement of Comprehensive Income on a prospective basis over the remaining life of the operation.

(s) Contributed equity

Issued ordinary share capital is classified as equity and is recognised at the fair value of the consideration received by the Los Santos Mine. Any transaction costs arising on the issue of ordinary shares and the associated tax are recognised directly in equity as a reduction of the share proceeds received.

(t) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Los Santos Mine and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

Interest income

Revenue is recognised as interest accrues using the effective interest method. Revenue is recognised when the Los Santos Mine's right to receive payment is established.

(u) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only

recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(v) Value added tax (VAT)

Revenues, expenses and assets are recognised net of the amount of VAT, except where the amount of VAT incurred is not recoverable. In these circumstances the VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of VAT.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the VAT component of investing and financing activities, which are disclosed as operating cash flows.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

(w) Earnings per share

Basic earnings per share is calculated as net profit attributable to the Los Santos Mine, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses;
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, and then

- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

2. Financial risk management

The Los Santos Mine's principal financial instruments comprise cash deposits and finance leases.

The main purpose of these financial instruments is to provide cash flow and funding for the Los Santos Mine's operations. The Los Santos Mine has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Los Santos Mine's financial instruments are foreign currency risk, price risk and liquidity risk.

Cash flow interest rate risk

The Los Santos Mine's exposure to the risk of changes in market interest rates relates primarily to the Los Santos Mine's loans from affiliates and cash at bank and in hand with a floating interest rate.

Foreign currency risk

The Los Santos Mine operates in Spain and its output is a commodity that is primarily denominated in United States dollars (USD). As such, the Los Santos Mine's balance sheet can be affected significantly by movements in this currency.

Price risk

The policy of the Los Santos Mine is to maintain exposure to commodity price movements at its mining operations.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. The Los Santos Mine trades only with recognised, creditworthy parties and as such, collateral is not requested nor is it the Los Santos Mine's policy to securitise its trade and other receivables.

Liquidity risk

The Los Santos Mine's objective is to use cash and cash equivalents, finance leases, and parent loans and equity to maintain liquidity.

The Los Santos Mine's policy is to maximise liquidity to enable the development of its projects.

Refer to Note 15 for further disclosure on financial risk management objectives and policies.

3. Critical accounting judgements, estimates and assumptions

In applying the Los Santos Mine's accounting policies, management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Los Santos Mine. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

Determination of mineral resources and ore reserves

The determination of reserves impacts the accounting for asset carrying values, depreciation and amortisation rates, deferred stripping costs and provisions for restoration. The Los Santos Mine is a wholly-owned subsidiary of Heemskirk Consolidated Limited which estimates its mineral resources and ore reserves in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2004 (the "JORC code"). The information on mineral resources and ore reserves was prepared by or under the supervision of Competent Persons as defined in the JORC code. The amounts presented are based on the mineral resources and ore reserves determined under the JORC code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated.

Impairment of assets

The Los Santos Mine consists of a single "cash generating unit" which is assessed annually, to determine whether there is any indication of impairment. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is deemed as being the higher of the fair value less costs to sell and value in use calculated in accordance with accounting policy Note 1(j). The fair value less costs to sell and value in use calculations require the use of estimates and assumptions such as discount rates, exchange rates, commodity prices, future operating development production levels and sustaining requirements and operating performance (including the magnitude and timing of related cash flows).

Restoration provision

The Los Santos Mine assesses its restoration provision annually in accordance with accounting policy Note 1(r). Significant judgement is required in determining the provision for restoration as there are many transactions and other factors that will affect the ultimate liability payable to rehabilitate sites. Factors that will affect the ultimate liability include future development, changes in technology, price increases and changes in interest rates. When these factors change or become known in the future, such differences will impact the restoration provision in the period in which they change or become known.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and losses as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

4. Segment information

Management has evaluated the operating segment based on the reports reviewed by executive management (Chief Operating Decision Maker) for making specific decisions. The executive management team monitors the business of the Los Santos Mine as a single reporting segment ("Mining Spain") whose operations relate to the exploration and mining of tungsten in Spain. As the Los Santos Mine operates as a single segment, the financial statements should be read as a whole for results of this operating segment. The Chief Operating Decision Maker primarily reviews the Los Santos Mine operations using the segment's revenue and EBITDA results.

Major Customers

The Mining Spain product (tungsten) is sold under a six year off-take agreement (from 1 May 2007 to 31 December 2013) to a major customer Global Tungsten & Powders Corp (GTP). GTP is a wholly owned subsidiary of the Plansee Group.

5. Revenue

	2010 €'000	**2009 €'000**	**2008 €'000**
An analysis of the Los Santos Mine's revenue for the year, from operations, is as follows:			
- sales revenue	1,382	125	8
- interest received	2	7	13
- other revenue	8	55	-
	1,392	**187**	**21**

6. Other expenses

	2010 €'000	**2009 €'000**	**2008 €'000**
Administration expense	38	-	-
Other expenses	7	56	1
	45	**56**	**1**

7. Income tax

(a) Income tax expense

	2010 €'000	2009 €'000	2008 €'000
The major components of income tax expense are:			
Statement of Comprehensive Income			
Current income tax			
Current income tax expense/(benefit)	1,905	(513)	(434)
Deferred tax expense			
Relating to origination and reversal of temporary differences	(72)	(76)	9
Benefits from prior year tax losses	-	-	(311)
Income tax (benefit)/expense reported in the Statement of Comprehensive Income	1,833	(589)	(736)

(b) Amounts charged or credited directly to equity

Current income tax and deferred income tax related to items charged or credited directly to equity

	2010 €'000	2009 €'000	2008 €'000
Income tax expense/(benefit) reported in equity	-	-	-

(c) Numerical reconciliation between aggregate tax expense recognised in the Statement of Comprehensive Income and tax expense calculated per the statutory income tax rate

A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Los Santos Mine's applicable income tax rate is as follows:

	2010 €'000	2009 €'000	2008 €'000
Accounting (loss) before tax	(11,214)	(2,303)	(1,502)
At the Los Santos Mine's statutory income tax rate of 25% (2008: 30%)	(2,804)	(576)	(451)
Recognition of prior year tax losses	-	-	(311)
Derecognition of prior year tax losses and current year not recognised	5,657	-	-
Other non assessable/(deductible) items	(1,134)	-	-
Foreign exchange gains/(losses) and other translation adjustments	114	(13)	26
Income tax (benefit)/ expense reported in the income statement	**1,833**	**(589)**	**(736)**

(d) Recognised deferred tax assets

Deferred income tax at September 30 relates to the following:

	2010 €'000	2009 €'000	2008 €'000
Deferred tax assets			
Net deferred tax assets	**231**	**1,362**	**775**

For the year ended 2010, the Los Santos Mine had unrecognised tax losses in Spain of Euro 22,432,000 (i) (2009 - Nil; 2008 - Nil) which have an expiration of 15 years following the year in which they were generated.

(i) Total tax losses available at 30 September 2010 are Euro 32,781,000 of which Euro 10,349,000 are recognised to offset any deferred tax liability relating to temporary differences.

8. Cash and cash equivalents

	2010 €'000	2009 €'000	2008 €'000
Cash at bank and in hand	667	81	686
Total cash and cash equivalents, as per the statement of cash flows	**667**	**81**	**686**

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represent fair value.

9. Trade and other receivables

	2010 €'000	2009 €'000	2008 €'000
Current			
Trade receivables	-	45	410
Other receivables	-	14	-
VAT receivables	411	1,001	2,764
Security deposits	11	-	-
	422	**1,060**	**3,174**

Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 30 day terms. An allowance for impairment loss is recognised when there is objective evidence that a trade receivable is impaired.

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the balance sheet and notes to the financial statements.

The Los Santos Mine has exposure to GTP as the single debtor of financial instruments entered into by the entity.

Due to the short-term nature of the receivables, their carrying value is assumed to approximate their fair value.

10. Inventories

	2010 €'000	2009 €'000	2008 €'000
Raw Materials and stores	683	814	1,600
Finished goods	522	85	321
	1,205	**899**	**1,921**

11. Property, plant and equipment

	Plant and equip-ment €'000	Computer hardware and software €'000	Motor vehicles €'000	Leasehold improve-ments €'000	Total €'000
At October 1, 2007					
Cost or fair value	2,685	29	-	37	2,751
Accumulated depreciation	-	(4)	-	(2)	(6)
Net carrying amount	**2,685**	**25**	-	**35**	**2,745**
Year ended September 30, 2008					
Opening net carrying amount	2,685	25	-	35	2,745
Additions	5,937	48	110	7	6,102
Disposals	(23)	-	-	(31)	(54)
Depreciation charge	(28)	(13)	(3)	-	(44)
Closing net carrying amount	**8,571**	**60**	**107**	**11**	**8,749**
At September 30, 2008					
Cost or fair value	8,599	77	110	13	8,799
Accumulated depreciation	(28)	(17)	(3)	(2)	(50)
Net carrying amount	**8,571**	**60**	**107**	**11**	**8,749**
Year ended September 30, 2009					
Opening net carrying amount	8,571	60	107	11	8,749
Additions	-	-	18	-	18
Disposals	(49)	-	-	(13)	(62)
Depreciation charge for the year	(426)	(24)	(25)	2	(473)
Closing net carrying amount	**8,096**	**36**	**100**	-	**8,232**
At September 30, 2009					
Cost or fair value	8,550	77	128	-	8,755
Accumulated depreciation	(454)	(41)	(28)	-	(524)
Net carrying amount	**8,096**	**36**	**100**	-	**8,232**
Year ended September 30, 2010					
Opening net carrying amount	8,096	36	100	-	8,232
Additions	2,210	38	-	-	2,248
Depreciation charge for the year	(64)	(31)	(26)	-	(121)
Impairment expense*	(7,212)	(41)	(68)	-	(7,321)
Closing net carrying amount	**3,030**	**2**	**6**	-	**3,038**
At September 30, 2010					
Cost or fair value	10,760	115	128	-	11,003
Accumulated depreciation and impairment	(7,730)	(113)	(122)	-	(7,965)
Net carrying amount	**3,030**	**2**	**6**	-	**3,038**

* Total impairment charges of €7.3 million (2009: nil, 2008: nil) were recognised in respect of property, plant and equipment. The trigger for the impairment test was primarily the effect of the extended commissioning of the mine to June 2010. The carrying amount was reduced to an amount based on management's assessment of the recoverable amount.

12. Mine development

	Mine Restoration €'000	Exploration €'000	Mine Development €'000	Pit Development €'000	Total €'000
At October 1, 2007					
Cost or fair value	-	-	7,097	-	7,097
Accumulated amortisation	-	-	-	-	-
Net carrying amount	**-**	**-**	**7,097**	**-**	**7,097**
Year ended September 30, 2008					
Opening net carrying amount	-	-	7,097	-	7,097
Additions	54	-	3,999	1,874	5,927
Amortisation charge for the year	-	-	-	(1,151)	(1,151)
Closing net carrying amount	**54**	**-**	**11,096**	**723**	**11,873**
At September 30, 2008					
Cost or fair value	54	-	11,096	1,874	13,024
Accumulated amortisation	-	-	-	(1,151)	(1,151)
Net carrying amount	**54**	**-**	**11,096**	**723**	**11,873**
Year ended September 30, 2009					
Opening net carrying amount	54	-	11,096	723	11,873
Additions	-	130	11,185	2,769	14,084
Amortisation charge for the year	-	-	(452)	(1,153)	(1,605)
Closing net carrying amount	**54**	**130**	**21,829**	**2,339**	**24,352**
At September 30, 2009					
Cost or fair value	54	130	22,281	4,643	27,108
Accumulated amortisation	-	-	(452)	(2,304)	(2,756)
Net carrying amount	**54**	**130**	**21,829**	**2,339**	**24,352**
Year ended September 30, 2010					
Opening net carrying amount	54	130	21,829	2,339	24,352
Additions	148	-	4,041	2,696	6,885
Amortisation charge for the year	-	-	(840)	(663)	(1,503)
Impairment*	(130)	(84)	(15,003)	(2,187)	(17,404)
Closing net carrying amount	**72**	**46**	**10,027**	**2,185**	**12,330**
At September 30, 2010					
Cost or fair value	202	130	26,322	7,339	33,993
Accumulated amortisation and impairment	(130)	(84)	(16,295)	(5,154)	(21,663)
Net carrying amount	**72**	**46**	**10,027**	**2,185**	**12,330**

* Total impairment charges of €17.4 million (2009: nil, 2008: nil) were recognised in respect of producing mine properties. The trigger for the impairment test was primarily the effect of the extended commissioning of the mine to June 2010. The carrying amount was reduced to an amount based on management's assessment of the recoverable amount, having regard to discussions with potential buyers.

13. Trade and other payables

	2010 €'000	2009 €'000	2008 €'000
Current			
Trade payables	1,718	1,915	1,748
Sundry creditors and accrued expenses	255	234	265
Accrued payroll and payroll taxes	339	187	108
Other accrued expenses	833	613	-
	3,145	**2,949**	**2,121**

Trade payables, sundry payables and accrued expenses are non-interest bearing and are normally settled on 30 to 45 day terms.

14. Key management personnel

Names and positions held by Directors and Key Management Personnel in office at any time during the years presented are:

Name	**Title**	**Appointed**	**Resigned**
James Mitchell	Director	October 1, 2007	September 25, 2009
Pedro Rodriguez	Director	October 1, 2007	June 25, 2009
Peter John Bird	Director	June 30, 2009	-
Kevin Peter Robinson	Director	October 1, 2007	-
Paul Berndt	Managing Director	February 16, 2010	-
Paul Berndt	General Manager	November 19, 2008	-
Simon Beardsmore	Director	October 1, 2007	-

There were no changes to the directors and executives after the reporting date and before the date the financial report was authorised for issue.

Key management personnel compensation

In 2010, the Los Santos Mine paid €151,145 of short-term employee benefits to key management personnel (2009: €141,589, 2008: €80,250). Other than the amounts noted above, when employees and directors of the Los Santos Mine were compensated by a related party and the Los Santos Mine it is recharged through a management fee. There are no employee benefits payments that are outstanding from a related party as at September 30, 2010.

Equity instrument disclosures relating to key management personnel

No equity instruments held by key management personnel.

Loans to key management personnel

There were no loans made to key management personnel.

15. Management risk management objectives and policies

The Los Santos Mine's financial risk management objectives and policies are outlined in Note 2.

Risk exposures and responses

Interest rate risk

The Los Santos Mine's exposure to market interest rates relates primarily to the Los Santos Mine's cash and cash equivalents balance.

At balance date, the Los Santos Mine had the following mix of financial assets and liabilities exposed to interest rate risk:

	2010 €'000	2009 €'000	2008 €'000
Financial Assets			
Cash and cash equivalents	667	81	686
Financial Liabilities			
Related party balances – interest bearing	(17,397)	(21,657)	(24,536)
Net exposure	(16,730)	(21,576)	(23,850)

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date:

At September 30, 2010, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post Tax Profit Higher/(Lower)			Equity Higher/(Lower)		
	2010 €'000	2009 €'000	2008 €'000	2010 €'000	2009 €'000	2008 €'000
Judgements of reasonably possible movements:						
+1% (100 basis points)	(117)	(151)	(167)	(117)	(151)	(167)
-1% (100 basis points)	117	151	167	117	151	167

Foreign currency risk

The Los Santos Mine's revenue is exposed to foreign currency fluctuations, in particular to tungsten sales, which are denominated in Euros but based off the United States dollar tungsten price. No outstanding financial assets or liabilities relating to tungsten sales were held by the Los Santos Mine at year end.

Related party payables are denominated in Euros and Australian dollars.

Credit risk

Credit risk arises from the financial assets of the Los Santos Mine, which comprise cash and cash equivalents and trade and other receivables. The Los Santos Mine's exposure to credit risk arises from the potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

The Los Santos Mine trades only with recognised, creditworthy third parties, and such collateral is not requested nor is it the Los Santos Mine's policy to securitise its trade and other receivables.

Receivables are monitored on an ongoing basis with the result that the Los Santos Mine's exposure to bad debts is not significant. There was no impairment for 2010 (2009: nil and 2008: nil).

The majority of the Los Santos Mine's receivables are due from the Spanish government as they relate to VAT receivables. The credit risk is believed to be minimal.

The Los Santos Mine limits its counterparty credit risk on liquid funds and derivative financial instruments by dealing with banks or financial institutions with credit ratings of at least A equivalent.

The ageing of trade and other receivables at the reporting date was as follows:

		Past due not impaired			
	Not Past Due €'000	**Between 30 and 90 days €'000**	**Over 91 days €'000**	**Considered impaired €'000**	**Total €'000**
2010					
Trade Receivables	-	-	-	-	-
Other Receivables	422	-	-	-	422
2009					
Trade Receivables	45	-	-	-	45
Other Receivables	1,015	-	-	-	1,015
2008					
Trade Receivables	410	-	-	-	410
Other Receivables	2,764	-	-	-	2,764

Liquidity risk

Liquidity risk arises from the financial liabilities of the Los Santos Mine and the Los Santos Mine's subsequent ability to meet its obligations to repay its financial liabilities as and when they fall due.

The liquidity position of the Los Santos Mine is managed to ensure sufficient liquid funds are available to meet the Los Santos Mine's financial commitments in a timely and cost-effective manner.

The Los Santos Mine manages its liquidity risk by monitoring the total cash inflows and outflows by producing monthly cash flow forecasts and forward for a minimum of twelve months.

The following maturity analysis reflects all contractually fixed pay-offs, repayments and interest resulting from recognised financial liabilities and recognised financial guarantees as at balance date. The timing of cash flows for liabilities is based on the contractual terms of the underlying contract. Where the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Los Santos Mine is required to pay. When the Los Santos Mine is committed to make amounts available in instalments, each instalment is allocated in the earliest period in which the Los Santos Mine is required to pay. For financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be called.

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows of non-derivative financial instruments. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in the Los Santos Mine's ongoing operations such as mine development, property plant and equipment and investments in working capital (e.g. inventories and receivables).

Liquid non-derivative assets comprising cash and receivables are considered in the Los Santos Mine's overall liquidity risk. The Los Santos Mine ensures that sufficient liquid assets are available to meet all required short-term cash payments.

The following table reflects all contractually fixed repayments and interest resulting from recognised financial assets and financial liabilities;

	Within 1 Year €'000	**Over 1-5 Years €'000**	**Total €'000**
2010			
Liquid Financial Assets			
Cash and cash equivalents	667	-	667
Trade and other receivables	422	-	422
	1,089	-	1,089
Trade and other payables	(3,145)	-	(3,145)
Interest bearing loans and borrowings	(30)	(36)	(66)
Payables to related parties	-	(25,156)	(25,156)
	(3,175)	(25,192)	(28,367)
Net inflow/(outflow)	**(2,086)**	**(25,192)**	**(27,278)**

Price risk

The Los Santos Mine's revenue is exposed to price fluctuations, in particular to tungsten prices. No outstanding financial assets or liabilities relating to tungsten sales were held by the Los Santos Mine at year end.

16. Commitments and contingencies

Lease commitments – Operating Lease

	2010 €'000	2009 €'000	2008 €'000
Operating lease payments due:			
Within one year	125	81	71
After one year but not more than five years	77	48	104
After more than five years	-	-	-
Total minimum lease payments	**202**	**129**	**175**

Lease Commitments – Finance Lease

	2010 €'000		2009 €'000		2008 €'000	
	Minimum lease payment (MLP)	Present value (PV) of MLP	MLP	PV of MLP	MLP	PV of MLP
Finance lease payments due:						
Within one year	30	30	30	30	10	10
After one year but not more than five years	36	36	66	66	89	89
After more than five years	-	-	-	-	-	-
Total minimum lease payments	**66**	**66**	**96**	**96**	**99**	**99**

The Los Santos Mine had no contingent liabilities at year end.

17. Related party disclosure

(a) Related parties

The Los Santos Mine is a wholly-owned subsidiary of Heemskirk Consolidated Limited and conducts various transactions with related group entities, as described below.

(b) Key management personnel

Details relating to key management personnel, including remuneration paid, are included in Note 14.

(c) Transactions with related parties

The following transactions occurred with related parties:

	2010 €'000	2009 €'000	2008 €'000
Other Income			
Related party balances forgiven*	14,773	-	-
Expenses			
Group management fees	739	490	500
Interest	380	924	420

* Related party balances were forgiven to ensure that the Los Santos Mine continued to comply with the local debt and capital adequacy requirements of Spain.

(d) Outstanding balances arising from sale of goods and loans to related parties

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	2010 €'000	2009 €'000	2008 €'000
Heemskirk Consolidated Ltd			
(Payables) / receivables	(4,602)	(6,131)	621
HSK Aggregates			
Receivables	65	154	9
Heemskirk Technical Services			
Payables	(3,222)	(2,412)	(1,842)
Heemskirk Europe Plc			
Participative Agreement	(1,972)	(1,913)	(764)
Credit Facility	(15,425)	(19,744)	(23,771)
Total for Heemskirk Europe Plc	**(17,397)**	**(21,657)**	**(24,535)**
Total payable to related parties	**(25,156)**	**(30,046)**	**(25,747)**

There is no allowance account for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect to impaired receivables due from related parties.

18. Other Liabilities

	2010 €'000	2009 €'000	2008 €'000
Current			
Amounts due to original vendor of Los Santos tungsten project by Daytal Resources Spain S.L (i)	-	600	600
Deferred revenue	204	-	-
Non-Current			
Amounts due to original vendor of Los Santos tungsten project by Daytal Resources Spain S.L (i)	-	-	495

(i) The amount due by Daytal Resources Spain S.L to the original vendor of the Los Santos tungsten project is €1.2 million. The amount payable has been paid in two instalments in July 2009 and July 2010.

19. Provisions

	2010 €'000	2009 €'000	2008 €'000
Non-Current			
Restoration provision	231	63	59

A provision is made where it is necessary for the Los Santos Mine to undertake environmental and other works at mining operations to comply with terms governing the issue of permits and licences or to adhere to the group's stated environmental policies. The directors' estimates of such obligations take account of the present value of future obligations. Typically most restoration work is completed at the end of the mining project although in some circumstances certain areas of the mining operations may be rehabilitated progressively as it is determined mining activity in a particular area has been completed, (refer Note 1(r)).

20. Contributed Equity

	Number of Shares	Issue Price €	Contributed equity €'000
Balance at October 1, 2007	**100**		**3**
Balance at September 30, 2008	**100**		**3**
Balance at October 1, 2008	100		3
Issuance of shares – July 24, 2009	199,601	30.08	6,003
- Transaction costs July 24, 2009 issuance			(2)
Balance at September 30, 2009	**199,701**		**6,004**
Balance at October 1, 2009	199,701		6,004
Transaction costs July 24, 2009 issuance	-		(162)
Balance at September 30, 2010	**199,701**		**5,842**

21. Fair value

All financial assets and liabilities recognised in the balance sheet, whether they are carried at cost or at fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

22. Earnings per share

The following reflects the loss used in the basic and diluted loss per share computations:

	2010	2009	2008
Net (loss) after tax (€'000)	(13,047)	(1,714)	(766)
Weighted average number of shares	199,701	37,286	100
Basic and diluted loss per share (€/share)	**(65)**	**(46)**	**(7,659)**

23. Events occurring after the reporting period

As at September 30, 2010, the Los Santos Mine had total related party liabilities of €25.2 million. On May 2, 2011, the Board of Directors of Heemskirk Europe Plc approved the forgiveness of the intercompany liabilities.

SCHEDULE D

UNAUDITED FINANCIAL STATEMENTS OF DAYTAL RESOURCES SPAIN, S.L. FOR THE SIX MONTHS ENDED MARCH 31, 2011

LOS SANTOS MINE

Financial Report

For the half-year ended March 31, 2011

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Report on the Half Year Financial Report

We have reviewed the accompanying half year financial report of Los Santos Mine, which comprises the balance sheet as at 31 March 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half year ended on that date and other selected explanatory notes.

Directors' Responsibility for the Half Year Financial Report

The directors are responsible for the preparation and fair presentation of the half year financial report and for such internal controls as the directors determine are necessary to enable the preparation of the half year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ISRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the accompanying financial report is not presented fairly, in all material respects, in accordance with IAS 134 *Interim Financial Reporting*. As the auditor of Los Santos Mine, ISRE 2410 also requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the accompanying half year financial report of Los Santos Mine does not present fairly, in all material respects, the company's financial position as at 31 March 2011 and its financial performance and its cash flows for the half year ended on that date, in accordance with IAS 134 *Interim Financial Reporting*.

Ernst & Young

Ernst & Young
Melbourne
8 July 2011

Statements of Comprehensive Income

For the half-year ended March 31, 2011

(unaudited)

	Note	2011 €'000	2010 €'000
Revenue	3	4,245	11
Cost of sales		(3,970)	-
Gross profit		**275**	**11**
Other income		500	-
Foreign exchange gains		428	887
Depreciation and amortisation expense		(3,551)	(37)
Group management fee		(315)	(285)
Interest expense		(291)	(46)
Interest income		1	1
Other expenses		(9)	(3)
Profit / (loss) before tax		**(2,962)**	**528**
Income tax benefit/(expense)		424	(107)
Profit / (loss) after tax		**(2,538)**	**421**
Total comprehensive profit/ (loss) for the period		**(2,538)**	**421**
Earnings per share on net profit/ (loss)			
Basic and diluted earnings per share (€/share)		(13)	2

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

Balance Sheets

As at March 31, 2011

(unaudited)

	Note	March 31, 2011 €'000	September 30, 2010 €'000
Assets			
Current Assets			
Cash and cash equivalents		293	667
Trade and other receivables		337	422
Inventories		2,692	1,205
Other current assets		84	10
Total Current Assets		**3,406**	**2,304**
Non-Current Assets			
Property, plant and equipment	4	3,029	3,038
Mine development	5	10,658	12,330
Deferred tax assets		-	231
Other non-current assets		123	142
Total Non-current Assets		**13,810**	**15,741**
Total Assets		**17,216**	**18,045**
Liabilities			
Current Liabilities			
Trade and other payables		1,688	3,145
Interest bearing loans and borrowings		29	30
Other liabilities		-	204
Total Current Liabilities		**1,717**	**3,379**
Non-Current Liabilities			
Payables to related parties		28,495	25,156
Interest bearing loans and borrowings		22	36
Provisions		240	231
Deferred tax liabilities		37	-
Total Non-Current Liabilities		**28,794**	**25,423**
Total Liabilities		**30,511**	**28,802**
Net Assets		**(13,295)**	**(10,757)**
Equity			
Contributed equity		5,842	5,842
Retained losses		(19,137)	(16,599)
Total Equity		**(13,295)**	**(10,757)**

The above balance sheets should be read in conjunction with the accompanying notes.

Statements of Changes in Equity

For the half-year ended March 31, 2011
(unaudited)

	Contributed equity €'000	Retained earnings/ (losses) €'000	Total equity €'000
Balance at 1 October, 2009	**6,004**	**(3,552)**	**2,452**
Total comprehensive loss for the year	-	421	421
Contributions of equity, net of transaction costs	(62)	-	(62)
Balance at 31 March, 2010	**5,942**	**(3,131)**	**(2,811)**
Balance at 1 October, 2010	**5,842**	**(16,599)**	**(10,757)**
Total comprehensive income for the year	-	(2,538)	(2,538)
Balance at 31 March, 2011	**5,842**	**(19,137)**	**(13,295)**

The above statements of changes in equity should be read in conjunction with the accompanying notes.

Statements of Cash Flows

For the half-year ended March 31, 2011
(unaudited)

	2011 €'000	2010 €'000
Cash flows from operating activities		
Receipts from customers	5,158	873
Payments to suppliers and employees	(7,697)	(5,173)
Interest paid	(48)	-
Net cash flows from/(used in) operating activities	**(2,587)**	**(4,300)**
Cash flows from investing activities		
(Purchase) / proceeds of property, plant and equipment	(38)	(809)
Payments for mine development	(1,832)	(4,958)
Net cash flows from/(used in) investing activities	**(1,870)**	**(5,767)**
Cash flows from financing activities		
Transaction costs from issue of share capital	-	(62)
Proceeds from related party borrowings	4,083	10,518
Repayment of borrowings	-	(16)
Net cash flows from/(used in) financing activities	**4,083**	**10,440**
Net increase/(decrease) in cash and cash equivalents	(374)	373
Cash and cash equivalents at beginning of period	667	81
Cash and cash equivalents at end of period	**293**	**454**

The above statements of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the half-year ended March 31, 2011

(unaudited)

1. Corporate Information

These financial statements combine i) the separate financial statements for Daytal Resources Spain S.L. and ii) the separate financial position and results for the tungsten offtake agreement with Global Tungsten & Powders Corp. (collectively, the "Los Santos Mine") for the half-year ended March 31, 2011. This financial report has been prepared in contemplation of the Los Santos Mine being purchased by 7887523 Canada Inc. ("Almonty Sub"), a corporation anticipated to be partially owned immediately prior to the Los Santos Mine's acquisition by Almonty Partners LLC ("Almonty"), Heemskirk Consolidated Limited and a number of additional investors. Immediately following Almonty Sub's acquisition of the Los Santos Mine, it will be acquired by RCG Capital Inc. ("RCG"), a capital pool company listed on the TSX Venture Exchange, pursuant to a reverse take-over transaction under which the shareholders of Almonty Sub immediately prior to the reverse take-over will control RCG following closing.

2. Basis of Preparation for half-year Report

a) Statement of compliance

The half-year financial report is prepared in accordance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include all notes of the type normally included in an annual financial report and should be read in conjunction with the recent annual financial report for the year ended September 30, 2010.

It is recommended that the half-year financial report be considered together with any public announcements made by its ultimate parent entity Heemskirk Consolidated Limited in respect to the Los Santos Mine during the half-year ended March 31, 2011.

b) Basis of preparation

The half-year financial report has been prepared on the basis of historical cost.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Los Santos Mine's 2010 annual financial report for the year ended September 30, 2010.

In the current year, the Los Santos Mine has adopted all of the new and revised International Financial Reporting Standards (IFRS) and Interpretations issued by the International Accounting Standards Board (IASB) that are relevant to its operations and effective for annual reporting periods beginning on or after October 1, 2010. The application of these amendments has had no impact on the financial statements.

The financial report is presented in Euros and all values are rounded to the nearest thousand Euro (€'000) unless otherwise stated. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

c) Economic dependency

The financial statements have been prepared on a going concern basis. The validity of the going concern assumption on which the financial statements are prepared depends on the Los Santos Mine being able to meet its current obligations, and on the continuing financial support from the Los Santos Mine's parent entity. The Directors have assessed this assumption to be reasonable.

As at March 31, 2011, the Los Santos Mine has total liabilities of €30.5 million and total assets of €17.2 million, leaving a net liability position of €13.3 million. The Los Santos Mine also recorded a loss of €2.5 million for the half-year ended March 31, 2011. Of the total liabilities, €28.5 million is owed to related parties through loans provided by Heemskirk Europe Plc and ultimately by Heemskirk Consolidated Limited, the ultimate parent of the Los Santos Mine. Excluding related party liabilities, the Los Santos Mine has net assets of €15.2 million. As such, the Los Santos Mine is economically dependent on Heemskirk Europe Plc and Heemskirk Consolidated Limited, both of whom have committed to providing continuing financial support for the Los Santos Mine.

Refer also to Note 7 for information relating to the forgiveness of the related party loan subsequent to balance sheet date.

d) Adoption of new accounting standards and interpretations

For the period starting October 1, 2009, the Los Santos Mine has adopted the following new and/or revised Standards, Amendments and Interpretations:

- IFRS 3 - Business Combinations
- IFRS 8 - Operating Segments
- IFRS 9 - Financial Instruments
- IAS 1 - Presentation of Financial Statements
- IAS 23 - Borrowing Costs
- IAS 27 - Consolidated and Separate Financial Statements
- Improvements to IFRS 2008 – Amendments to IFRS 5, IFRS 7, IAS 1, IAS 8, IAS 10, IAS 16, IAS 18, IAS 19, IAS 23, IAS 27, IAS 31, IAS 34, IAS 36 & IAS 39

Adoption of the above Standards, Amendments and Interpretations did not have any effect on the financial position or performance of the Los Santos Mine. Disclosures included in the financial statements were impacted by IAS 1.

IAS 1 – Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. The Statement of Changes in Equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new Statement of Comprehensive Income. The Statement of Comprehensive Income presents all items of recognised income and expense.

New accounting standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the Los Santos Mine in the period of initial application. They have been issued but are not yet effective and are available for early adoption at September 30, 2010, but have not been applied in preparing this financial report.

Reference	Title	Impact on the Los Santos Mine	Application date for the Los Santos Mine
IFRS Annual Improvements 2010	Amendments to IFRS 7, IAS 1 & IAS 34	(i)	October 1, 2011
IFRS 9	Financial Instruments	(i)	October 1, 2013
IFRS 10	Consolidated financial statements	(i)	October 1, 2013
IFRS 11	Joint arrangements	(i)	October 1, 2013
IFRS 12	Disclosure of interests in other entities	(i)	October 1, 2013
IFRS 13	Fair value measurement	(i)	October 1, 2013
IAS 1	Presentation of Financial Statements (revised)	(i)	October 1, 2012
IAS 12	Income taxes (amended)	(i)	October 1, 2012
IAS 18	Employee benefits (revised)	(i)	October 1, 2013
IAS 24	Related party disclosures	(i)	October 1, 2011

(i) The adoption of this new standard, amendment or interpretation is not expected to have a material impact on the Los Santos Mine's financial statements.

3. Segment Information

Management has evaluated the operating segment based on the reports reviewed by executive management (Chief Operating Decision Maker) for making specific decisions. The executive management team monitors the business of the Los Santos Mine as a single reporting segment ("Mining Spain") whose operations relate to the exploration and mining of tungsten in Spain. As the Los Santos Mine operates as a single segment, the financial statements should be read as a whole for results of this operating segment.

4. Property, plant and equipment

	Plant and equip-ment €'000	Computer hardware and software €'000	Motor vehicles €'000	Leasehold improve-ments €'000	Total €'000
At September 30, 2010					
Cost or fair value	10,760	115	128	-	11,003
Accumulated depreciation and impairment	(7,730)	(113)	(122)	-	(7,965)
Net carrying amount	**3,030**	**2**	**6**	**-**	**3,038**
Half year ended March 31, 2011					
Opening net carrying amount	3,030	2	6	-	3,038
Additions	34	4	-	-	38
Depreciation charge for the year	(44)	(1)	(2)	-	(47)
Closing net carrying amount	**3,020**	**5**	**4**	**-**	**3,029**
At March 31, 2011					
Cost or fair value	10,794	119	128	-	11,041
Accumulated depreciation and impairment	(7,774)	(114)	(124)	-	(8,012)
Net carrying amount	**3,020**	**5**	**4**	**-**	**3,029**

5. Mine development

	Mine Restora-tion €'000	Explora-tion €'000	Mine Develop-ment €'000	Pit Develop-ment €'000	Total €'000
At September 30, 2010					
Cost or fair value	202	130	26,322	7,339	33,993
Accumulated amortisation and impairment	(130)	(84)	(16,295)	(5,154)	(21,663)
Net carrying amount	**72**	**46**	**10,027**	**2,185**	**12,330**
Year ended March 31, 2011					
Opening net carrying amount	72	46	10,027	2,185	12,330
Additions	-	-	-	1,832	1,832
Amortisation charge for the year	(36)	(23)	(2,009)	(1,436)	(3,504)
Closing net carrying amount	**36**	**23**	**8,018**	**2,581**	**10,658**
At March 31, 2011					
Cost or fair value	202	130	26,322	9,171	35,825
Accumulated amortisation and impairment	(166)	(107)	(18,304)	(6,590)	(25,167)
Net carrying amount	**36**	**23**	**8,018**	**2,581**	**10,658**

6. Contingent Liabilities

As of March 31, 2011, the Los Santos Mine has nil contingent liabilities (2010: nil).

7. Events Occurring After the reporting period

As at March 31, 2011, the Los Santos Mine had total related party liabilities of €28.5 million. On May 2, 2011, the Board of Directors of Heemskirk Europe Plc approved the forgiveness of the intercompany liabilities.

On April 12, 2011, Heemskirk Consolidated Limited announced that a Sale and Purchase Agreement was executed with Almonty for the sale of its 100% owned Los Santos tungsten operations into Newco, a new international venture. Newco will be subject to a reverse-take over transaction pursuant to which RCG Capital Inc. will acquire all of the issued and outstanding shares of Newco in exchange for shares of RCG Capital Inc.

The timing for completion of the transaction is targeted to be the second half of 2011.

SCHEDULE E

MD&A OF DAYTAL RESOURCES SPAIN, S.L. FOR THE FINANCIAL YEAR ENDED SEPTEMBER 30, 2010

LOS SANTOS MINE

Management's Discussion and Analysis

of Financial Condition and Results of Operations

for the period ended September 30, 2010

This Management Discussion &Analysis has been prepared with reference to National Instrument 51-102 "Continuous Disclosure Obligations" of the Canadian Securities Administrators.

Management's Discussion and Analysis

Contents

1. Date

This Management's Discussion and Analysis (''MD&A'') is prepared as of July 8, 2011 and should be read in conjunction with the annual financial report of Daytal Resources Spain S.L ("Daytal") and the tungsten offtake agreement with Global Tungsten & Powders Corp ("GTP Offtake Agreement") (collectively, "the Los Santos Mine") for the years ended September 30, 2010, 2009 and 2008, prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. This financial report, and the accompanying MD&A, has been prepared in contemplation of the Los Santos Mine being sold to Almonty Partners LLC and listed within a new company on the TSX Venture Exchange in Canada.

All figures stated herein are expressed in European Union Currency ("Euros" or "€"), unless otherwise specified.

Cautionary Statement Regarding Forward-Looking Information

The MD&A contains "forward-looking statements and information" within the meaning of applicable securities laws which may include, but is not limited to, statements with respect to the future financial and operating performance of the Los Santos Mine, its affiliated companies, its mining projects, the future prices of commodities, the estimation of mineral reserves and mineral resources, the realization of mineral reserve and resource estimates, costs of production, estimates of initial capital, sustaining capital, operating and exploration expenditures, costs and timing of the development of new deposits, costs and timing of the development of new mines, costs and timing of future exploration, requirements for additional capital, governmental regulation of mining operations and exploration operations, timing and receipt of approvals, consents and permits under applicable mineral legislation, environmental risks, limitations of insurance coverage and the timing and possible outcome of pending litigation and regulatory matters. Often, but not always, forward-looking statements and information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "targets", "aims", "anticipates" or "believes" or variations (including negative variations) of such words and phrases, or may be identified by statements to the effect that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements and information involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Los Santos Mine or its affiliated companies to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, future prices of commodities; general business, economic, competitive, political and social uncertainties; the actual results of current production, development and/or exploration activities; conclusions of economic evaluations and studies; fluctuations in the value of the European Union Currency (Euros) relative to other currencies; changes in parameters as mine plans continue to be refined; possible variations of ore grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; political instability or insurrection or war; labour force availability and turnover; as well as delays in obtaining financing or governmental approvals and delays in the completion of development or construction activities or in the commencement of operations. Although the Los Santos Mine has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements and information, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Also, many of the factors are outside or beyond the control of the Los Santos Mine, its officers, employees, agents or associates. Forward-looking statements and information contained herein are made as of the date of this Management Discussion & Analysis and, subject to applicable securities laws, the Los Santos Mine disclaims any obligation to update any forward-looking statements and information, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements and information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements and information due to the inherent uncertainty therein. All forward-looking statements and information made herein are qualified by this cautionary statement.

This Management Discussion & Analysis may use the terms "Measured", "Indicated" and "Inferred" Resources. U.S. investors are advised that while such terms are recognized and required by Australian regulations, the Securities and Exchange Commission does not recognize them. "Inferred Resources" have a great amount of uncertainty as to their existence and as to their economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Resources will ever be upgraded to a higher category. Under Australian rules, estimates of Inferred Resources may not form the basis of feasibility or other economic studies. U.S. investors are cautioned not to assume that all or any part of Measured or Indicated Resources will ever be converted into reserves. U.S. investors are also cautioned not to assume that all or any part of an Inferred Resource exists, or is economically or legally mineable.

This document does not constitute an offer of securities for sale in the United States or to any person that is, or is acting for the account or benefit of, any U.S. person (as defined in Regulation S under the United States Securities Act of 1933, as amended (the "Securities Act")) ("U.S. Person"), or in any other jurisdiction in which such an offer would be unlawful.

2. Overview

Daytal owns and operates the Los Santos Tungsten Mine (the "Mine") located in the Salamanca region of western Spain. This mine produces tungsten concentrate which is sold to Global Tungsten & Powders Corp. As one of the few western world producers of tungsten, the Mine represents a strategic asset to secure supply from a non-China based producer and is positioned as an important supplier in the market.

The Mine was originally acquired by Daytal in 2006 and commenced production in 2008. The operation currently employs approximately 40 people and consists of a series of open pits with the potential of moving to underground exploitation of deeper mineral resources. The final tungsten concentrate is produced through a gravity processing circuit and is exported to the United States of America for sale under an arrangement with Global Tungsten & Powders Corp.

Since acquisition, the company has continued with exploration programmes in an effort to increase the resources available for exploitation. In addition, management has performed technical and operational reviews that have enabled significant mine and process improvements.

Review of Operations

Financial, operational, and corporate highlights for years 2008 through 2010

- As at September 30, 2010, total assets of €18.0 million, of which €12.3 million is mine development assets.
- For the year-ended September 30, 2010, total revenue of €1.4 million.
- The Mine began production in February 2008 only 18 months after acquisition. The mine officially opened 16 June 2008 and was commissioned July 2010.
- The indicated mine life using standard open cut mining is estimated to be eight years with an annualised plant throughput rate of 400,000 tonnes per annum and a life of mine average grade of 0.3% Tungsten Oxide Powder (WO3). The mine has a waste to ore ratio of approximately 4.7:1.
- Following the completion of Project 65/65 in March 2010, total materials mined have begun to ramp up, extracting 228,788 tonnes of ore at 0.25% WO3 principally in the second half of 2010. (287,000 tonnes of ore at 0.29% WO3 in 2009, and 117,000 tonnes of ore at 0.40% WO3 in 2008.)
- Two new tungsten occurrences, Capa G and Capa Cuatro, located in the mining lease and additional ore zones discovered in the Los Santos Sur pit have contributed to a 38% increase in in-pit Inferred Resources (2008)
- A new exploration agreement was signed for tenements immediately to the north of the Mine in 2008. There are a number of old tungsten mines and workings in the tenements and any potential ore bodies found would be considered within economical trucking distance of the Mine plant.
- In 2010, mining costs per unit in the Los Santos Sur pit have been reduced 10-30% compared to the previous contract rates.

- Corporate interest has been expressed in the Los Santos Mine and resulted in the announcement on December 22, 2010 of the signing of a Letter of Intent with an unlisted company, Almonty Partners LLC. The intention of this Letter of Intent is to list the Los Santos Mine within a new company on the TSX Venture Exchange in the second half of calendar year 2011.

3. Market trends and outlook

Tungsten market

Tungsten is the strongest of all metals – three times harder than chrome and titanium and has the highest melting temperature of all metals (3400°C). As an inert metal, tungsten is heavy (density of 19.25 g/cm3) and because of these qualities, is used in everyday life in:

- Abrasives
- Cutting tools, tool steels & special alloys
- Lighting
- Drilling equipment

As of May 2011, tungsten prices have rebounded from the depressed prices realized following the Global Financial Crisis. Due to the turmoil in world financial and commodity markets throughout the reported periods, APT (ammonium paratungstate) prices declined from US$230-255 pmtu (per metric tonne unit) in 2008 to approximately US$170 pmtu in June 2009. The price subsequently increased to approximately US$250 pmtu in September 2010 and, as of May 2011, is approximately US$440 pmtu.

The Los Santos Mine is a strategic mine that operates in the tungsten market, which is dominated by Chinese production. The Mine is understood to be one of only a few significant operating mines outside of China and is expected to generate over 10% of non-Chinese mined tungsten when at full capacity. No new major competitors have entered the market since Daytal's acquisition of the Mine in 2006 and future global shortfalls in supply have been predicted from 2011 as China output has declined by 1/3 since 2004. With global market improvements being experienced, overall tungsten demand is forecast to grow by 3-6% per annum until 2016.

Outlook

Corporate

The strategic importance of the Los Santos Project is supported by the significant corporate interest expressed in the Los Santos Mine by prospective purchasers - including Almonty Partners LLC (Almonty). On December 22, 2010, it was announced that a Letter of Intent was signed with Almonty for the sale of the Spanish tungsten operations into a new venture (Newco) to create an integrated tungsten supply business. Almonty intends to list the Newco on the TSX Venture Exchange in the second half of 2011.

Almonty, a New York based private equity firm, has extensive experience in the tungsten industry. Previously Almonty, through Primary Metals Inc, owned and operated the Portugese Panasqueira tungsten mine which was subsequently acquired by Japanese trading company Sojitz Corporation.

Almonty and associated parties have agreed to acquire the Los Santos Mine and whilst focusing on the strategic Los Santos Mine operation, will look to implement further acquisitions (there is no assurance any such transactions will be completed) that provide growth and are consistent with its strategy of developing an integrated tungsten supply business that participates across the tungsten value chain to deliver high value products for its customers.

The transaction is conditional on completion of regulatory due diligence, statutory approvals and other corporate conditions.

Project
The GFC impacted heavily on the resources industry including the tungsten market. Commodity prices fell sharply together with sales volumes as demand was subdued and inventory destocking weighed on the markets. This also created challenges for the Los Santos Mine and, in response, in 2009 it implemented its 'Project 65/65' process plant modification program with the objective of providing a step change in the cost profile of the operation. The project was designed to deliver 65 tph throughput with a 65% recovery of tungsten to concentrate. The improvements led to a move to 24 hour crushing five days per week, to provide additional ore feed to meet the increased levels of plant capacity. During the program, ore had been stockpiled due to the curtailment in mining activity while key changes had been made to the contract mining arrangements.

Since commissioning the project in mid-2010, the key operational focus has been on maintaining throughput and maximising metallurgical recovery. Plant throughput has achieved the Project 65/65 design target while differing mineralisations from within the Los Cortinas West pit have affected the ability to stabilise recoveries. The final concentrate produced has been up to 79%, but typically averages 68% WO3 overall. Additionally, the new mining contractor, Sanchez y Largo (SyL) commenced mining activities in the Los Santos Sur pit and has been able to reduce the unit rate costs of between 10-30% from the previous contract rates. Looking further ahead into 2011 and beyond, the company is optimistic that recent operational and global market improvements should produce sustainable earnings. The increased global demand for tungsten place the company in a positive position for the future.

4. Selected annual information and results of operations

For the years ended September 30, 2010, 2009 and 2008, the Los Santos Mine's financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

As at September 30	**2010 €'000**	**2009 €'000**	**2008 €'000**
Total current assets	2,304	2,104	5,908
Total non-current assets	15,741	34,102	21,377
Total assets	**18,045**	**36,206**	**27,285**
Total current liabilities	3,379	3,579	2,731
Total non-current liabilities	25,423	30,175	26,390
Total liabilities	**28,802**	**33,754**	**29,121**

For the year-ended September 30	**2010 €'000**	**2009 €'000**	**2008 €'000**
Revenue	1,392	187	21
Cost of sales	(2,276)	(749)	(658)
Gross profit/(loss)	(884)	(562)	(637)
Loss after tax	**(13,047)**	**(1,714)**	**(766)**
Basic and diluted loss per share (€/share)	**(65)**	**(46)**	**(7,659)**
Supplementary information:			
Loss after tax	(13,047)	(1,714)	(766)
Impairment expense	24,725	-	-
Related party balances forgiven	(14,773)	-	-
Underlying profit/ (loss) after tax*	**(3,095)**	**(1,714)**	**(766)**

* Excludes impairment expense and related party balances forgiven

Operations overview

The geology of the Mine deposit is a typical skarn-hosted scheelite deposit, where intrusion of granitoids into carbonate rich sedimentary rocks has resulted in their replacement by calc-silicate or siliceous minerals, together with tungsten mineralisation.

The deposit has been divided into a number of zones, six of which form the basis of the identified Mineral Resources and Ore Reserves. The strike length varies for each zone and zone dips are fairly uniform across the deposit varying between 60° to 90°. Within each zone, the skarn mineralisation is located in a number of individual beds separated by barren lithologies. The major skarn beds vary between 2m and 20m in width; there are, however, numerous thinner bands measuring tens of centimeters between lodes.

The open pit mining activity is undertaken by a specialist mining contractor, responsible for the delivery of ore and waste to specified locations in an agreed manner. This ore material is fed to a processing facility by the contractor from these stockpiles.

Mineral processing is undertaken through a purpose built on-site facility with an annual throughput capacity of approximately 500,000 tonnes.

Liberation of the valuable scheelite mineral occurs following crushing and grinding and then passing through a gravity separation process based on the high specific gravity variance between the mineral and associated waste.

Final concentrates, at approximately 68% WO_3 are dried and packaged prior to shipment.

Statement of Comprehensive Income

2010 compared to 2009

Revenue
Total revenue for the year ended September 30, 2010 increased by €1.2 million to €1.4 million as compared to the same period of 2009. This increase is directly attributable to the commissioning of the mine on July 1, 2010 and represents the first 3-months of revenue earned for this mine. Consistent with the Los Santos Mine's accounting policies, any pre-commissioning revenues were deducted from capitalized mining development and revenue was therefore nil for sales of tungsten for the comparative period.

Cost of Sales
Total cost of sales (COS) for the year ended September 30, 2010 increased by €1.5 million to €2.3 million as compared to the same period in 2009. Consistent with the change in revenue, the mine was commissioned in July 2010 and the increase substantially represents the first 3-months of COS that was previously capitalized as a component of mine development.

Operating Expenses
Operating expenses for the year ended September 30, 2010 increased by €23.4 million to €25.1 million compared to the same period in 2009. This increase was substantially attributed to a one-time impairment loss of €24.7 million on the Mine property, plant and equipment and mining development assets. Excluding impairment, the remaining net decrease in operating expenses of €1.4 million primarily relate to a decrease in realized and unrealized foreign exchange expense of €1.4 million that were substantially generated on intercompany balances, an increase of €0.2 million in depreciation and amortization, increase of €0.3 million in group management fees and a decrease of €0.5 million in interest.

Related party balances forgiven
Other income for the year ended September 30, 2010 increased to €14.8 million compared to the same period in 2009. The amount represents the related party loans and other balances that were forgiven during the year.

Income Tax Expense
Income tax expense for the year ended September 30, 2010 increased €2.4 million to €1.8 million as compared to the income tax benefit of €0.6 million recorded in 2009. This was primarily attributable to a write-off of deferred tax assets and a large non-taxable forgiveness of related party balances.

2009 compared to 2008

Revenue
Total revenue for the year ended September 30, 2009 increased by €0.2 million to €0.2 million as compared to the same period in 2008. During both years, the Mine had not yet been commissioned and any revenues generated from saleable materials were offset against mining development costs. The overall increase in revenue of €0.2 million was primarily related to a €0.1 million increase in revenues generated from aggregate sales and €0.1 million increase in other income.

Cost of Sales
Total COS for the year ended September 30, 2009 was increased by €0.1 million to €0.7 million as compared to the same period in 2008. Consistent with the commentary in revenue, the Mine had not yet been commissioned and eligible mine development expenditures incurred in the preparing of the mine for production were capitalized. COS that were ineligible for capitalization primarily relate to administration costs.

Operating Expenses
Operating expenses for the year ended September 30, 2009 increased by €0.9 million to €1.7 million compared to the period ended September 30, 2008. The difference substantially relates to increases of €0.5 million for related party interest payments, €0.2 million in foreign exchange and €0.2 million in amortization expense.

Income Tax Expense
Income tax expense for the year ended September 30, 2009 produced a reduction in the benefit of €0.1 million or 20% compared to the same period in 2008. This was attributable to an increase in deferred tax assets generated from losses recognized in 2008.

Balance Sheets

2010 compared to 2009

Total Assets
Total assets for the year ended September 30, 2010 decreased by €18.2 million to €18.0 million as compared to the same period in 2009. Significant changes in total assets included a one-time impairment loss of €24.7 million recognized on the mine development and PPE assets, and the associated write-off of accumulated deferred tax assets of €1.4 million. These reductions were partially offset by increased cash and cash equivalents of €0.6 million, increased inventory holdings of €0.3 million and increased non-current fixed assets of €9.1 million.

Current assets increased by €0.2 million to €2.3 million at September 30, 2010 compared to €2.1 million at September 30, 2009. This movement was largely due to cash and cash equivalents and short term inventories increasing in total by €0.9 million but being offset by a decrease in trade and other receivables of €0.6 million.

Total Liabilities
Total liabilities for the year ended September 30, 2010 decreased by €5.0 million to €28.8 million as compared to €33.8 million for the corresponding period in 2009. The decrease related to the net settling of intercompany balances, which decreased by €4.9 million to €25.1 million and the settlement of amounts due to the original Los Santos Mine vendor of €0.6 million.

The Los Santos Mine's current liabilities also decreased by €0.2 million to €3.4 million primarily related to the settling of amounts due to the original Los Santos Mine vendor of €0.6 million, an increase in deferred revenue of €0.2 million and an increase in trade payables and other liabilities of €0.2 million.

2009 compared to 2008

Total Assets
Total assets for the year ended September 30, 2009 increased by €9.0 million to €36.2 million as compared to the same period in 2008. The increase was largely attributable to the €12.0 million net increase in mine development and PPE assets. This increase in mine development was a result of continued commissioning work throughout financial year 2009. Further significant changes included an increase in deferred tax assets of €0.6 million as a result of 2008 losses, a decrease in cash and cash equivalents of €0.6 million, a decrease in VAT receivables of €1.8 million and reduction in inventory holdings of by €1.0 million.

Total Liabilities
Total liabilities for the year ended September 30, 2009 increased by €4.6 million to €33.8 million as compared to €29.1 million in 2009. This was attributable to an increase in intercompany balances of €4.3 million to €30.0 million from €25.7 million in financial year 2008, an increase in trade payables of €0.8 million and settlement of amounts due to the original Los Santos Mine vendor from long-term to current.

Operational results

During the years from 2008 to 2010, the mine and process plant operations at Los Santos Mine were brought on line utilising ore from two tungsten deposits; Los Santos Sur and Las Cortinas West pits. The project increased the volume of material mined in the initial production year of 2008 in which 117,000 tonnes of ore at 0.40% WO3 were extracted through to where 2010 annualised mining rates are approximately 450,000 tonnes at a grade of 0.23% – 0.25% WO3.

Lower than design performance of the operation, compounded by poor economic and market conditions continued during early 2009, prompting the company to aggressively accelerate its Project 65/65 plant rectification process in an effort to combat the decline in the project's economic performance. Completed in 2010, Project 65/65 saw the plant substantially modified and enhanced to debottleneck aspects of the circuit and to improve the efficiency of gravity separation tables at the back end of the plant.

The earliest modification involved installation of a magnetic separator to remove waste material at the front end of the circuit. The occurrence of sulphide material from a second open pit led to a small flotation plant being added to remove the sulphides from the process stream and improve concentrate quality. An additional 74 spiral separators were added to the circuit as well as a regrind ball mill to treat oversized material. One of the major improvements involved increasing the number of Wilfley concentration tables threefold (from 8 to 28). This resulted in an improved concentrate stream as there is a greater total surface area for which material is sorted.

One of the opportunities that continues to be considered at the Los Santos Mine operation is the feasibility of underground mining. One previous owner (Billiton) completed extensive underground development which remains in good condition and provides ready access to a high grade ore source.

Initial studies undertaken indicate potential for economically robust underground operations in the near future with potential underground grade substantially higher than the mined grade in the pits.

5. Liquidity

At September 30, 2010, the Los Santos Mine had negative working capital of €1.1 million compared to negative working capital of €1.5 million as at September 30, 2009, and positive working capital of €3.2 million as at September 30, 2008.

The Los Santos Mine has the following long-term contractual obligations as at September 30, 2010:

(€'000)	Total *	Less than 1 year *	1 year to 5 years *	After 5 years *
Related party balances	25,156	-	25,156	-
Operating leases	202	125	77	-
Finance leases	66	30	36	-
Total Contractual Obligations	**25,424**	**155**	**25,269**	**-**

* Payment due by period as at September 30, 2010

Where the Los Santos Mine's operations do not generate sufficient cash and cash equivalents to meet the mine's planned growth, future development and/or working capital needs, continued financial support is expected to be provided from Los Santos Mine's parent entity.

6. Capital resources

The Los Santos Mine's cash balance as at September 30, 2010 was €0.7 million. The Los Santos Mine's sources of capital were primarily related party debt and equity.

In 2010, €14.8 million of the Los Santos Mine's related-party balances payable to Heemskirk Europe PLC were forgiven. No amounts were forgiven in 2009 or 2008. In 2009, the Los Santos Mine raised €6.0 million of equity from related parties, through the issue of common shares.

A summary of the Los Santos Mine's debt facilities and related party balance as at September 30, 2010 was as follows:

Debt Facility	Balance at September 30, 2010
Related party balances	25,156
Total debt	**25,156**

As at September 30, 2010, Los Santos Mine had no commitments for capital expenditure outstanding.

7. Off balance sheet arrangements

The Los Santos Mine has not entered into any off-balance sheet transactions.

8. Transactions with related parties

As at September 30, 2010, the Los Santos Mine was a wholly-owned subsidiary of Heemskirk Consolidated Limited and conducts various transactions with related group entities, as described below.

Transactions with related parties

The following transactions occurred with related parties:

	2010 €'000	2009 €'000	2008 €'000
Other Income			
Loan forgiven by related party	14,773	-	-
Expenses			
Group management fees	739	490	500
Interest	380	924	420

Outstanding balances arising from sale of goods and loans to related parties

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	2010 €'000	2009 €'000	2008 €'000
Heemskirk Consolidated Ltd			
(Payables) / Receivables	(4,602)	(6,131)	621
HSK Aggregates S.L.			
Receivables	65	154	9
Heemskirk Technical Services Pty Ltd.			
Payables	(3,222)	(2,412)	(1,842)
Heemskirk Europe Plc			
Participative Agreement	(1,972)	(1,913)	(764)
Credit Facility	(15,425)	(19,744)	(23,771)
Total for Heemskirk Europe Plc	**(17,397)**	**(21,657)**	**(24,535)**
Total Net Payables	**(25,156)**	**(30,046)**	**(25,747)**

There is no allowance account for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect to impaired receivables due from related parties.

9. Summary of half-year results

€'000	September 30, 2010	March 31, 2010	September 30, 2009	March 31, 2009
Revenue	1,381	11	136	51
Net loss	(13,468)	421	(1,166)	(548)
Weighted average number of shares	199,701	199,701	73,866	100
Net loss per basic and diluted share (€/share)	(67)	2	(16)	(5,476)
Supplementary information:				
Net loss	(13,468)	421	(1,166)	(548)
Impairment expense	24,725	-	-	-
Related party balances forgiven	(14,773)	-	-	-
Underlying profit/ (loss) after tax*	(3,516)	421	(1,166)	(548)
Weighted average number of shares	199,701	199,701	73,866	100
Underlying profit/ (loss) after tax per basic and diluted share* (€/share)	(18)	2	(16)	(5,476)

* Excludes impairment losses and related party balances forgiven

10. Proposed transactions

Following an extensive marketing process, Almonty Partners LLC (Almonty) was selected from a range of corporate interest expressed in the proposed purchase of the Los Santos Mine. On December 22, 2010, it was announced to the ASX that a Letter of Intent was signed with Almonty for the sale of the Spanish tungsten operations into a new venture (Newco) to create an integrated tungsten supply business. Almonty intends to list the Newco on the TSX Venture Exchange in the second half of 2011.

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11. Critical accounting estimates

The Los Santos Mine's accounting policies are presented in note 1 of the audited financial statements for the year ended September 30, 2010.

The preparation of the financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the notes to the financial statements for the year ended September 30, 2010 where applicable.

These estimates include;

Determination of mineral resources and ore reserves

The determination of reserves impacts the accounting for asset carrying values, depreciation and amortisation rates, deferred stripping costs and provisions for restoration. The Los Santos Mine is a wholly-owned subsidiary of Heemskirk Consolidated Limited which estimates its mineral resources and ore reserves in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2004 (the "JORC code'). The information on mineral resources and ore reserves was prepared by or under the supervision of Competent Persons as defined in the JORC code. The amounts presented are based on the mineral resources and ore reserves determined under the JORC code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated.

Impairment of assets

The Los Santos Mine consists of a single "cash generating unit" which is assessed yearly, to determine whether there is any indication of impairment. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is deemed as being the higher of the fair value less costs to sell and value in use. The fair value less costs to sell and value in use calculations require the use of estimates and assumptions such as discount rates, exchange rates, commodity prices, future operating development and sustaining requirements and operating performance (including the magnitude and timing of related cash flows).

Restoration provision

The Los Santos Mine assesses its restoration provision annually. Significant judgment is required in determining the provision for restoration as there are many transactions and other factors that will affect the ultimate liability payable to rehabilitate sites. Factors that will affect the ultimate liability include future development, changes in technology, price increases and changes in interest rates. When these factors change or become known in the future, such differences will impact the restoration provision in the period in which they change or become known.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and losses as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

12. Changes in accounting policies, including initial adoption

The accounting policies applied by the Los Santos Mine in the consolidated financial statements for the year ended September 30, 2010 are the same as those applied by the Los Santos Mine in the financial statements as at and for the year ended September 30, 2009. There have been no changes in accounting policies during the year ended September 30, 2010.

Adoption of new accounting standards and interpretations

For the period starting October 1, 2007, the Los Santos Mine adopted the following new and/or revised Standards, Amendments and Interpretations:

- IFRS 7 – Financial Instruments: Disclosures

Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Los Santos Mine for the period ended September 30, 2008.
For the period starting October 1, 2008, there were no new and/or revised Standards, Amendments and Interpretations adopted by the Los Santos Mine.
For the period starting October 1, 2009, the Los Santos Mine has adopted the following new and/or revised Standards, Amendments and Interpretations:

- IFRS 3 - Business Combinations
- IFRS 8 - Operating Segments
- IFRS 9 - Financial Instruments
- IAS 1 - Presentation of Financial Statements
- IAS 23 - Borrowing Costs
- IAS 27 - Consolidated and Separate Financial Statements
- Improvements to IFRS 2008 – Amendments to IFRS 5, IFRS 7, IAS 1, IAS 8, IAS 10, IAS 16, IAS 18, IAS 19, IAS 23, IAS 27, IAS 31, IAS 34, IAS 36 & IAS 39

Adoption of the above Standards, Amendments and Interpretations did not have any effect on the financial position or performance of the Los Santos Mine. Disclosures included in the financial statements were impacted by IAS 1.

IAS 1 – Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. The Statement of Changes in Equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new Statement of Comprehensive Income. The Statement of Comprehensive Income presents all items of recognised income and expense.

New accounting standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the Los Santos Mine in the period of initial application. They have been issued but are not yet effective and are available for early adoption at September 30, 2010, but have not been applied in preparing this financial report.

Reference	Title	Impact on the Los Santos Mine	Application date for the Los Santos Mine
Improvements to IFRS 2009	Amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36 & IAS 39	(i)	October 1, 2010
IFRS Annual Improvements 2010	Amendments to IFRS 3	(i)	October 1, 2010
IFRS Annual Improvements 2010	Amendments to IFRS 7, IAS 1 & IAS 34	(i)	October 1, 2011

IFRS 9	Financial Instruments	(i)	October 1, 2013
IFRS 10	Consolidated financial statements	(i)	October 1, 2013
IFRS 11	Joint arrangements	(i)	October 1, 2013
IFRS 12	Disclosure of interests in other entities	(i)	October 1, 2013
IFRS 13	Fair value measurement	(i)	October 1, 2013
IAS 1	Presentation of Financial Statements (revised)	(i)	October 1, 2012
IAS 12	Income taxes (amended)	(i)	October 1, 2012
IAS 18	Employee benefits (revised)	(i)	October 1, 2013
IAS 24	Related party disclosures	(i)	October 1, 2011

(i) The adoption of this new standard, amendment or interpretation is not expected to have a material impact on the Los Santos Mine's financial statements.

13. Financial instruments and other instruments

The Los Santos Mine's principal financial instruments comprise cash deposits and bank borrowings.

The main purpose of these financial instruments is to provide cash flow and funding for the Los Santos Mine's operations. The Los Santos Mine has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Los Santos Mine's financial instruments are foreign currency risk, price risk and liquidity risk.

Cash flow interest rate risk

The Los Santos Mine's exposure to the risk of changes in market interest rates relates primarily to the Los Santos Mine's related party funding and cash at bank and in hand with a floating interest rate.

The Los Santos Mine's does not have a policy of using derivative instruments to reduce any market exposures from interest rate recharges from related parties. Further, no derivative instruments have been used.

Foreign currency risk

The Los Santos Mine's financial instruments as at September 30, 2010 are substantially denominated in Euros and, therefore, are not subject to significant foreign currency risk.
The Los Santos Mine operates in Spain and its output is a commodity that is primarily denominated in USD. As such, the Los Santos Mine's balance sheet can be affected significantly by movements in

this currency. The Los Santos Mine does not enter into any derivative instruments to hedge foreign currency exposures on sales.

Price risk

The policy of the Los Santos Mine is to maintain exposure to commodity price movements at its mining operations.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. The Los Santos Mine trades only with recognised, creditworthy parties, as such collateral is not requested nor is it the Los Santos Mine's policy to securitise its trade and other receivables.

The Los Santos Mine limits its exposure to credit risk by placing its cash and cash equivalents with high credit quality financial institutions.

Liquidity risk

The Los Santos Mine's objective is to use cash and cash equivalents, finance leases, and parent loans to maintain liquidity. The operations are economically dependent on Heemskirk Europe Plc and Heemskirk Consolidated Limited, both of whom have committed to providing continuing financial support for the Los Santos Mine and its liquidity needs.

The Los Santos Mine's policy is to maximise liquidity to enable the development of its projects and to acquire equity investments.

14. Outstanding share data

As at July 8, 2011, the issued share capital of the Los Santos Mine was 199,701 common shares.

There were no other preferred shares and no share option plan in place.

15. Controls and procedures

The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) of the Los Santos Mine, positions held by the same individual, evaluated the effectiveness of the Los Santos Mine's disclosure controls and procedures as at September 30, 2010. Based on that evaluation, the CEO/CFO concluded that the design and operation of these disclosure controls and procedures were effective to provide reasonable assurance that material information relating to the Los Santos Mine would be made known to him.

16. Internal controls over financial reporting

Management of the Los Santos Mine, including the CEO/ CFO, have evaluated the effectiveness of the design and operation of the Los Santos Mine's internal controls over financial reporting and disclosure controls and procedures as of September 30, 2010.

Based on this evaluation, the CEO/CFO have concluded that they were effective at a reasonable assurance level.

There were no significant changes in the Los Santos Mine's internal controls, or in other factors that could significantly affect those controls subsequent to the date the CEO/CFO completed their evaluation, nor were there any significant deficiencies or material weaknesses in the Los Santos Mine's internal controls requiring corrective actions.

The Los Santos Mine's management, including the CEO/CFO, does not expect that its disclosure controls and internal controls over financial reporting will prevent all errors and fraud. A cost effective system of internal controls, no matter how well conceived or operated, can provide only reasonable not absolute, assurance that the objectives of the internal controls over financial reporting are achieved.

SCHEDULE F

MD&A OF DAYTAL RESOURCES SPAIN, S.L. FOR THE SIX MONTHS ENDED MARCH 31, 2011

LOS SANTOS MINE

Management's Discussion and Analysis

of Financial Condition and Results of Operations

for the half-year ended March 31, 2011

This Management Discussion &Analysis has been prepared with reference to National Instrument 51-102 "Continuous Disclosure Obligations" of the Canadian Securities Administrators.

LOS SANTOS MINE

Management's Discussion and Analysis of Financial Condition and Results of Operations for the half-year ended March 31, 2011

Management's Discussion and Analysis

Contents

LOS SANTOS MINE

Management's Discussion and Analysis of Financial Condition and Results of Operations for the half-year ended March 31, 2011

1. Date

This Management's Discussion and Analysis (''MD&A'') is prepared as of July 8, 2011 and should be read in conjunction with the half-year financial report of Daytal Resources Spain S.L ("Daytal") and the tungsten offtake agreement with Global Tungsten & Powders Corp ("GTP Offtake Agreement") (collectively, "the Los Santos Mine") for the half-years ended March 31, 2011 and 2010, prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. This financial report, and the accompanying MD&A, has been prepared in contemplation of the Los Santos Mine being sold to Almonty Partners LLC and listed within a new company on the TSX Venture Exchange in Canada.

All figures stated herein are expressed in European Union Currency ("Euros" or "€"), unless otherwise specified.

Cautionary Statement Regarding Forward-Looking Information

The MD&A contains "forward-looking statements and information" within the meaning of applicable securities laws which may include, but is not limited to, statements with respect to the future financial and operating performance of the Los Santos Mine, its affiliated companies, its mining projects, the future prices of commodities, the estimation of mineral reserves and mineral resources, the realization of mineral reserve and resource estimates, costs of production, estimates of initial capital, sustaining capital, operating and exploration expenditures, costs and timing of the development of new deposits, costs and timing of the development of new mines, costs and timing of future exploration, requirements for additional capital, governmental regulation of mining operations and exploration operations, timing and receipt of approvals, consents and permits under applicable mineral legislation, environmental risks, limitations of insurance coverage and the timing and possible outcome of pending litigation and regulatory matters. Often, but not always, forward-looking statements and information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "targets", "aims", "anticipates" or "believes" or variations (including negative variations) of such words and phrases, or may be identified by statements to the effect that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements and information involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Los Santos Mine or its affiliated companies to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, future prices of commodities; general business, economic, competitive, political and social uncertainties; the actual results of current production, development and/or exploration activities; conclusions of economic evaluations and studies; fluctuations in the value of the European Union Currency (Euros) relative to other currencies; changes in parameters as mine plans continue to be refined; possible variations of ore grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; political instability or insurrection or war; labour force availability and turnover; as well as delays in obtaining financing or governmental approvals and delays in the completion of development or construction activities or in the commencement of operations. Although the Los Santos Mine has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements and information, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Also, many of the factors are outside or beyond the control of the Los Santos Mine, its officers, employees, agents or associates. Forward-looking statements and information contained herein are made as of the date of this Management Discussion & Analysis and, subject to applicable securities laws, the Los Santos Mine disclaims any obligation to update any forward-looking statements and information, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements and information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements and information due to the inherent uncertainty therein. All forward-looking statements and information made herein are qualified by this cautionary statement.

This Management Discussion & Analysis may use the terms "Measured", "Indicated" and "Inferred" Resources. U.S. investors are advised that while such terms are recognized and required by Australian regulations, the Securities and Exchange Commission does not recognize them. "Inferred Resources" have a great amount of uncertainty as to their existence and as to their economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Resources will ever be upgraded to a higher category. Under Australian rules, estimates of Inferred Resources may not form the basis of feasibility or other economic studies. U.S. investors are cautioned not to assume that all or any part of Measured or Indicated Resources will ever be converted into reserves. U.S. investors are also cautioned not to assume that all or any part of an Inferred Resource exists, or is economically or legally mineable.

This document does not constitute an offer of securities for sale in the United States or to any person that is, or is acting for the account or benefit of, any U.S. person (as defined in Regulation S under the United States Securities Act of 1933, as amended (the "Securities Act")) ("U.S. Person"), or in any other jurisdiction in which such an offer would be unlawful.

2. Overview

Daytal owns and operates the Los Santos Tungsten Mine (the "Mine") located in the Salamanca region of western Spain. This mine produces tungsten concentrate which is sold to Global Tungsten & Powders Corp. As one of the few western world producers of tungsten, the Mine represents a strategic asset to secure supply from a non-China based producer and is positioned as an important supplier in the market.

The Mine was originally acquired by Daytal in 2006 and commenced production in 2008. The operation currently employs approximately 40 people and consists of a series of open pits with the potential of moving to underground exploitation of deeper mineral resources. The final tungsten concentrate is produced through a gravity processing circuit and is exported to the United States of America for sale under an arrangement with Global Tungsten & Powders Corp.

Since acquisition, the company has continued with exploration programmes in an effort to increase the resources available for exploitation. In addition, management has performed technical and operational reviews that have enabled significant mine and process improvements.

Review of Operations

Financial, operational, and corporate highlights for half-year ended March 31, 2011

- The Los Santos Mine has not achieved expected returns and requires further capital investment from its parent.
- The Mine has been experiencing improved production performance but processing recoveries have not been consistently achieved which has restrained output.
- Ongoing discussions with the Almonty Partners LLC continue to be held and Heemskirk expect to finalise the sale of the asset during the second half of the year.

3. Market trends and outlook

Tungsten market

Tungsten is the strongest of all metals – three times harder than chrome and titanium and has the highest melting temperature of all metals (3400°C). As an inert metal, tungsten is heavy (density of 19.25 g/cm3) and because of these qualities, is used in everyday life in:

- Abrasives
- Cutting tools, tool steels & special alloys
- Lighting
- Drilling equipment

As of May 2011, tungsten prices have rebounded from the depressed prices realized following the Global Financial Crisis. Due to the turmoil in world financial and commodity markets over the prior three years, APT (ammonium paratungstate) prices declined from US$230-255 pmtu (per metric tonne unit) in 2008 to approximately US$170 pmtu in June 2009. The price subsequently increased to approximately US$250 pmtu in September 2010 and, as of May 2011, is approximately US$440 pmtu.

The Los Santos Mine is a strategic mine that operates in the tungsten market, which is dominated by Chinese production. The Mine is understood to be one of only a few significant operating mines outside of China and is expected to generate over 10% of non-Chinese mined tungsten when at full capacity. No new major competitors have entered the market since Daytal's acquisition of the Mine in 2006 and future global shortfalls in supply have been predicted from 2011 as China output has declined by 1/3 since 2004. With global market improvements being experienced, overall tungsten demand is forecast to grow by 3-6% per annum until 2016.

Outlook

Corporate

The strategic importance of the Los Santos Project is supported by the significant corporate interest expressed in the Los Santos Mine by prospective purchasers - including Almonty Partners LLC (Almonty). On December 22, 2010, it was announced that a Letter of Intent was signed with Almonty for the sale of the Spanish tungsten operations into a new venture (Newco) to create an integrated tungsten supply business. Almonty intends to list the Newco on the TSX Venture Exchange in the second half of 2011.

Almonty, a New York based private equity firm, has extensive experience in the tungsten industry. Previously Almonty, through Primary Metals Inc, owned and operated the Portugese Panasqueira tungsten mine which was subsequently acquired by Japanese trading company Sojitz Corporation.

Almonty and associated parties have agreed to acquire the Los Santos Mine and whilst focusing on the strategic Los Santos Mine operation, will look to implement further acquisitions (there is no assurance any such transactions will be completed) that provide growth and are consistent with its strategy of developing an integrated tungsten supply business that participates across the tungsten value chain to deliver high value products for its customers.

The transaction is conditional on completion of regulatory due diligence, statutory approvals and other corporate conditions.

4. Selected annual information and results of operations

For the half-years ended March 31, 2011 and 2010 and the annual year ended September 30, 2010, the Los Santos Mine's financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

As at	**March 31, 2011 €'000**	**September 30, 2010 €'000**
Total current assets	3,406	2,304
Total non-current assets	13,810	15,741
Total assets	**17,216**	**18,045**
Total current liabilities	1,717	3,379
Total non-current liabilities	28,794	25,423
Total liabilities	**30,511**	**28,802**

For the half-year ended	**March 31, 2011 €'000**	**March 31, 2010 €'000**
Revenue	4,245	11
Cost of sales	(3,970)	-
Gross profit/(loss)	**275**	**11**
(Loss)/profit after tax	**(2,538)**	**421**
Basic and diluted loss per share (€/share)	**(13)**	**2**

Operations overview

The geology of the Mine deposit is a typical skarn-hosted scheelite deposit, where intrusion of granitoids into carbonate rich sedimentary rocks has resulted in their replacement by calc-silicate or siliceous minerals, together with tungsten mineralisation.

The deposit has been divided into a number of zones, six of which form the basis of the identified Mineral Resources and Ore Reserves. The strike length varies for each zone and zone dips are fairly uniform across the deposit varying between 60° to 90°. Within each zone, the skarn mineralisation is located in a number of individual beds separated by barren lithologies. The major skarn beds vary between 2m and 20m in width; there are, however, numerous thinner bands measuring tens of centimeters between lodes.

The open pit mining activity is undertaken by a specialist mining contractor, responsible for the delivery of ore and waste to specified locations in an agreed manner. This ore material is fed to a processing facility by the contractor from these stockpiles.

Mineral processing is undertaken through a purpose built on-site facility with an annual throughput capacity of approximately 500,000 tonnes.

Liberation of the valuable scheelite mineral occurs following crushing and grinding and then passing through a gravity separation process based on the high specific gravity variance between the mineral and associated waste.

Final concentrates, at approximately 68% WO3 are dried and packaged prior to shipment.

Statement of Comprehensive Income

Half-year 2011 compared to the half-year 2010

Revenue
Total revenue for the half-year ended March 31, 2011 increased by €4.2 million as compared to nil during the same period of 2010. This increase is directly attributable to the commissioning of the mine on July 1, 2010 and represents the first half-year period of revenue earned for this mine. Consistent with the Los Santos Mine's accounting policies, any pre-commissioning revenues were deducted from capitalized mining development and revenue was therefore nil for sales of tungsten for the comparative period.

Cost of Sales
Total cost of sales (COS) for the half-year ended March 31, 2011 increased by €4.0 million as compared to €nil during the same period in 2010. Consistent with the change in revenue, the mine was commissioned in July 2010 and the increase substantially represents the first half-year period of COS that was not previously capitalized as a component of mine development.

Operating Expenses
Operating expenses for the half-year ended March 31, 2011 increased by €4.5 million to €3 million compared to the same period in 2010. This increase was substantially attributed to a €3.5 million increase in depreciation expense which reflected the commissioning of the Los Santos Mine during the second half of 2010. Other changes included the recognition of a one-time €0.5 million reversal of a container provision that was offset by a €0.5 million change in foreign exchange translation. There was also a €0.2 million increase in related party interest payments.

Income Tax Expense
Income tax expense for the half-year ended March 31, 2011 decreased by €0.5 million to a benefit of €0.4 million as compared to the income tax expense of €0.1 million recorded in 2010. This was primarily attributable to the change from a net profit in 2010 to a net loss in 2011.

Balance Sheets

Half-year 2011 compared to the September 31, 2010

Total Assets
Total assets for the half-year ended March 31, 2011 decreased by €0.8 million or 5% to €17.2 million as compared to the year-end September 2010 balance. Significant changes in total assets included a reduction in cash and cash equivalents of €0.4 million, a decrease in deferred tax assets of €0.2 million and increase in held inventory of €1.5 million. The remaining difference relates to net movements in mine development which substantially relate to a full six-months of amortisation expense.

Current assets increased by €1.1 million or 48% to €3.4 million at March 31, 2011 compared to €2.3 million at September 30, 2010. This movement was largely due to cash and cash equivalents decreasing by €0.4 million which was offset by an increase in inventory of €1.5 million.

Total Liabilities
Total liabilities for the half-year ended March 31, 2011 increased by €1.7 million, or 6%, to €30.5 million as compared to €28.8 million for the year-ended September 31, 2010. The increase substantially relates to an increase in related party payables of €3.3 million which was offset by a reduction in payables by €1.5 million that primarily relates to a reversal of a container liability.

The Los Santos Mine's current liabilities decreased by €1.7 million, or 49%, to €1.7 million primarily as a result of the container liability reversal.

Operational results

At the two tungsten deposit sites, the Los Santos Sur and Las Cortinas West pits, the volume of material mined increased to 242,504 tonnes of ore at 0.34% WO3 relative to 94,023 tonnes at 0.22% WO3 during the comparative period in 2010. It should be noted that the comparative period was also during the pre-commissioning phase for the Mine.

One of the opportunities that continues to be considered at the Los Santos Mine operation is the feasibility of underground mining. One previous owner (Billiton) completed extensive underground development which remains in good condition and provides ready access to a high grade ore source. Initial studies undertaken indicate potential for economically robust underground operations in the near future with potential underground grade substantially higher than the mined grade in the pits.

5. Liquidity

At March 31, 2011, the Los Santos Mine had positive working capital of €1.7 million compared to negative working capital of €1.1 million as at September 30, 2010.

The Los Santos Mine has the following long-term contractual obligations as at March 31, 2011:

(€'000)	Total *	Less than 1 year *	1 year to 5 years *	After 5 years *
Related party balances	28,495	-	28,495	-
Operating leases	140	101	39	-
Finance leases	51	29	22	-
Total Contractual Obligations	**28,686**	**130**	**28,556**	**-**

* Payment due by period as at March 31, 2011

Where the Los Santos Mine's operations do not generate sufficient cash and cash equivalents to meet the mine's planned growth, future development and/or working capital needs, continued financial support is expected to be provided from Los Santos Mine's parent entity.

6. Capital resources

The Los Santos Mine's cash balance as at March 31, 2011 was €0.3 million. The Los Santos Mine's sources of capital were primarily related party debt and equity.

A summary of the Los Santos Mine's debt facilities and related party balance as at March 31, 2011 was as follows:

Debt Facility	**Balance at March 31, 2011**
Related party balances	28,495
Total debt	**28,495**

As at March 31, 2011, Los Santos Mine had no commitments for capital expenditure outstanding.

7. Off balance sheet arrangements

The Los Santos Mine has not entered into any off-balance sheet transactions.

8. Transactions with related parties

As at March 31, 2011, the Los Santos Mine was a wholly-owned subsidiary of Heemskirk Consolidated Limited and conducts various transactions with related group entities, as described below.

Transactions with related parties

The following transactions occurred with related parties:

As at March 31	**2011 €'000**	**2010 €'000**
Expenses		
Group management fees	315	285
Interest	242	46

Outstanding balances arising from sale of goods and loans to related parties

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

As at	**March 31, 2011 €'000**	**September 31, 2010 €'000**
Heemskirk Consolidated Ltd		
(Payables) / Receivables	(5,614)	(4,602)

HSK Aggregates S.L.		
Receivables	49	65
Heemskirk Technical Services Pty Ltd.		
Payables	(3,485)	(3,222)
Heemskirk Europe Plc		
Participative Agreement	(2,060)	(1,972)
Credit Facility	(17,385)	(15,425)
Total for Heemskirk Europe Plc	(19,445)	**(17,397)**
Total Net Payables	**(28,495)**	**(25,156)**

There is no allowance account for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect to impaired receivables due from related parties.

9. Summary of half-year results

€'000	**March 31, 2011**	**September 30, 2010**	**March 31, 2010**	**September 30, 2009**
Revenue	4,245	1,381	11	136
Net loss	(2,538)	(13,468)	421	(1,166)
Weighted average number of shares	199,701	199,701	199,701	73,866
Net loss per basic and diluted share (€/share)	(13)	(67)	2	(16)
Supplementary information:				
Net loss	(2,538)	(13,468)	421	(1,166)
Impairment expense	-	24,725	-	-
Related party balances forgiven	-	(14,773)	-	-
Underlying profit/ (loss) after tax*	(2,538)	(3,516)	421	(1,166)
Weighted average number of shares	199,701	199,701	199,701	73,866
Underlying profit/ (loss) after tax per basic and diluted share* (€/share)	(13)	(18)	2	(16)

* Excludes impairment losses and related party balances forgiven

10. Proposed transactions

Following an extensive marketing process, Almonty Partners LLC (Almonty) was selected from a range of corporate interest expressed in the proposed purchase of the Los Santos Mine. On December 22, 2010, it was announced to the ASX that a Letter of Intent was signed with Almonty for the sale of the Spanish tungsten operations into a new venture (Newco) to create an integrated tungsten supply business. Almonty intends to list the Newco on the TSX Venture Exchange in the second half of 2011.

11. Critical accounting estimates

The Los Santos Mine's accounting policies are presented in note 1 of the audited annual financial statements for the year ended September 30, 2010.

The preparation of the financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the notes to the financial statements for the year ended September 30, 2010 where applicable. There have been no new critical judgments identified for the half-year ended March 31, 2011.

These estimates include:

Determination of mineral resources and ore reserves

The determination of reserves impacts the accounting for asset carrying values, depreciation and amortisation rates, deferred stripping costs and provisions for restoration. The Los Santos Mine is a wholly-owned subsidiary of Heemskirk Consolidated Limited which estimates its mineral resources and ore reserves in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2004 (the "JORC code'). The information on mineral resources and ore reserves was prepared by or under the supervision of Competent Persons as defined in the JORC code. The amounts presented are based on the mineral resources and ore reserves determined under the JORC code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated.

Impairment of assets

The Los Santos Mine consists of a single "cash generating unit" which is assessed yearly, to determine whether there is any indication of impairment. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is deemed as being the higher of the fair value less costs to sell and value in use. The fair value less costs to sell and value in use calculations require the use of estimates and assumptions such as discount rates, exchange rates, commodity prices, future operating development and sustaining requirements and operating performance (including the magnitude and timing of related cash flows).

Restoration provision

The Los Santos Mine assesses its restoration provision annually. Significant judgment is required in determining the provision for restoration as there are many transactions and other factors that will affect the ultimate liability payable to rehabilitate sites. Factors that will affect the ultimate liability include future development, changes in technology, price increases and changes in interest rates. When these factors change or become known in the future, such differences will impact the restoration provision in the period in which they change or become known.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and losses as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

12. Changes in accounting policies, including initial adoption

For the period starting October 1, 2009, the Los Santos Mine has adopted the following new and/or revised Standards, Amendments and Interpretations:

- IFRS 3 - Business Combinations
- IFRS 8 - Operating Segments
- IFRS 9 - Financial Instruments
- IAS 1 - Presentation of Financial Statements
- IAS 23 - Borrowing Costs
- IAS 27 - Consolidated and Separate Financial Statements
- Improvements to IFRS 2008 – Amendments to IFRS 5, IFRS 7, IAS 1, IAS 8, IAS 10, IAS 16, IAS 18, IAS 19, IAS 23, IAS 27, IAS 31, IAS 34, IAS 36 & IAS 39

Adoption of the above Standards, Amendments and Interpretations did not have any effect on the financial position or performance of the Los Santos Mine. Disclosures included in the financial statements were impacted by IAS 1.

IAS 1 – Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. The Statement of Changes in Equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new Statement of Comprehensive Income. The Statement of Comprehensive Income presents all items of recognised income and expense.

New accounting standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the Los Santos Mine in the period of initial application. They have been issued but are not yet effective and are available for early adoption at September 30, 2010, but have not been applied in preparing this financial report.

Reference	Title	Impact on Los Santos Mine	Application date for the Los Santos Mine
IFRS Annual Improvements 2010	Amendments to IFRS 7, IAS 1 & IAS 34	(i)	October 1, 2011
IFRS 9	Financial Instruments	(i)	October 1, 2013
IFRS 10	Consolidated financial statements	(i)	October 1, 2013

IFRS 11	Joint arrangements	(i)	October 1, 2013
IFRS 12	Disclosure of interests in other entities	(i)	October 1, 2013
IFRS 13	Fair value measurement	(i)	October 1, 2013
IAS 1	Presentation of Financial Statements (revised)	(i)	October 1, 2012
IAS 12	Income taxes (amended)	(i)	October 1, 2012
IAS 18	Employee benefits (revised)	(i)	October 1, 2013
IAS 24	Related party disclosures	(i)	October 1, 2011

(i) The adoption of this new standard, amendment or interpretation is not expected to have a material impact on the Los Santos Mine's financial statements.

13. Financial instruments and other instruments

The Los Santos Mine's principal financial instruments comprise cash deposits and bank borrowings.

The main purpose of these financial instruments is to provide cash flow and funding for the Los Santos Mine's operations. The Los Santos Mine has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Los Santos Mine's financial instruments are foreign currency risk, price risk and liquidity risk.

Cash flow interest rate risk

The Los Santos Mine's does not have a policy of using derivative instruments to reduce any market exposures from interest rate recharges from related parties. Further, no derivative instruments have been used.

Foreign currency risk

The Los Santos Mine's financial instruments as at September 30, 2010 are substantially denominated in Euros and, therefore, are not subject to significant foreign currency risk.

The Los Santos Mine operates in Spain and its output is a commodity that is primarily denominated in USD. As such, the Los Santos Mine's balance sheet can be affected significantly by movements in this currency. The Los Santos Mine does not enter into any derivative instruments to hedge foreign currency exposures on sales.

Price risk

The policy of the Los Santos Mine is to maintain exposure to commodity price movements at its mining operations.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. The Los Santos Mine trades only with recognised, creditworthy parties, as such collateral is not requested nor is it the Los Santos Mine's policy to securitise its trade and other receivables.

The Los Santos Mine limits its exposure to credit risk by placing its cash and cash equivalents with high credit quality financial institutions.

Liquidity risk

The Los Santos Mine's objective is to use cash and cash equivalents, finance leases, and parent loans to maintain liquidity. The operations are economically dependent on Heemskirk Europe Plc and Heemskirk Consolidated Limited, both of whom have committed to providing continuing financial support for the Los Santos Mine and its liquidity needs.

The Los Santos Mine's policy is to maximise liquidity to enable the development of its projects and to acquire equity investments.

14. Outstanding share data

As at July 8, 2011 the issued share capital of the Los Santos Mine was 199,701 common shares.

There were no other preferred shares and no share option plan in place.

15. Controls and procedures

The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) of the Los Santos Mine, positions held by the same individual, evaluated the effectiveness of the Los Santos Mine's disclosure controls and procedures as at the annual year ended September 30, 2010. Based on that evaluation, the CEO/CFO concluded that the design and operation of these disclosure controls and procedures were effective to provide reasonable assurance that material information relating to the Los Santos Mine would be made known to him. There have been no significant changes in the Los Santos Mine's disclosure controls and procedures, or in other factors that could significantly affect those controls for the half-year ended March 31, 2011.

16. Internal controls over financial reporting

Management of the Los Santos Mine, including the CEO/CFO, have evaluated the effectiveness of the design and operation of the Los Santos Mine's internal controls over financial reporting and disclosure controls and procedures as of the annual year ended September 30, 2010.

Based on this evaluation, the CEO/CFO have concluded that they were effective at a reasonable assurance level.

There were no significant changes in the Los Santos Mine's internal controls, or in other factors that could significantly affect those controls subsequent to the date the CEO/CFO completed their evaluation, nor were there any significant deficiencies or material weaknesses in the Los Santos Mine's internal controls requiring corrective actions.

The Los Santos Mine's management, including the CEO/CFO, does not expect that its disclosure controls and internal controls over financial reporting will prevent all errors and fraud. A cost effective system of internal controls, no matter how well conceived or operated, can provide only reasonable not absolute, assurance that the objectives of the internal controls over financial reporting are achieved.

SCHEDULE G

PRO-FORMA CONSOLIDATED BALANCE SHEET OF THE RESULTING ISSUER

RCG CAPITAL INC.

Pro-Forma Consolidated Balance Sheet

As at February 28, 2011

Pro-Forma Consolidated Balance Sheet

As at February 28, 2011
(unaudited)

	RCG Capital Inc. February 28, 2011 $'000	Daytal (Note 1) March 31,2011 $'000	Pro-forma adjustments $'000	Note 2	Pro-forma $'000
Assets					
Current Assets					
Cash and cash equivalents (Note 2)	180	413	1,627	(a) (b) (c)	2,220
Trade and other receivables	6	475	-	(a)	481
Inventories	-	3,799	-	(a)	3,799
Other current assets	-	119	-	(a)	119
Total Current Assets	**186**	**4,806**	**1,627**		**6,619**
Non-Current Assets					
Property, plant and equipment	-	4,274	-	(a)	4,274
Mine development	-	15,039	(1,466)	(a)	13,573
Other non-current assets	-	173	-	(a)	173
Total Non-current Assets		**19,486**	**(1,466)**		**18,020**
Total Assets	**186**	**24,292**	**161**		**24,639**
Liabilities					
Current Liabilities					
Trade and other payables	17	2,382	-	(a)	2,399
Interest bearing loans and borrowings	-	41	-	(a)	41
Other liabilities	-	-	-	(a)	-
Total Current Liabilities	**17**	**2,423**	**-**		**2,440**
Non-Current Liabilities					
Payables to related parties	-	40,207	(40,207)	(d)	-
Interest bearing loans and borrowings	-	31	-	(a)	31
Provisions	-	339	-	(a)	339
Deferred tax liabilities	-	52	-	(a)	52
Total Non-Current Liabilities	**-**	**40,629**	**(40,207)**		**422**
Total Liabilities	**17**	**43,052**	**(40,207)**		**2,862**
Net Assets	**169**	**(18,760)**	**40,368**		**21,777**
Equity					
Contributed equity (Note 3)	301	8,243	14,375	(a) (c) (e) (f)	22,919
Retained losses	(132)	(27,003)	25,993	(b) (c) (d) (e) (f)	(1,142)
Total Equity	**169**	**(18,760)**	**40,368**		**21,777**

The above balance sheets should be read in conjunction with the accompanying notes.

Notes to the Pro-Forma Consolidated Balance Sheet

(Unaudited)

1. Basis of presentation

The accompanying unaudited pro-forma consolidated balance sheet of RCG Capital Inc. (the "Company" or "RCG Capital") has been prepared in accordance with International Financial Reporting Standards ("IFRS") by management to give effect to the three transactions described below from information derived from the financial statements of RCG Capital and the financial statements that combine (i) the separate financial statements for Daytal Resources Spain, S.L. and (ii) the separate financial position and results for the tungsten offtake agreement with Global Tungsten & Powders Corp. (collectively, the "Los Santos Mine") to be assigned to Daytal Resources Spain, S.L. by its indirect parent, Heemskirk Consolidated Limited ("Heemskirk"), together with other information available to the Company. Subsequent to the assignment of the tungsten offtake agreement by Heemskirk to Daytal Resources Spain, S.L., the Los Santos Mine financial statements are herein referred to as "Daytal". The unaudited pro-forma consolidated balance sheet has been prepared for inclusion in the TSX Venture Exchange ("TSX-V") Filing Statement of RCG Capital dated September 14, 2011.

(a) Acquisition of Daytal

Pursuant to an acquisition agreement (the "Acquisition Agreement") made as of April 1, 2011 between Heemskirk, HSK Europe PLC ("HSK Europe"), Daytal Resources Spain, S.L. , Almonty Partners LLC and 1127607 Almonty Inc., 7887523 Canada Inc. ("Almonty Sub"), having been subsequently assigned all of 1127607 Almonty Inc.'s rights under the Acquisition Agreement, will acquire all of the issued and outstanding shares in the capital of Daytal from HSK Europe (the "Acquisition"). The Acquisition, which is subject to specified closing conditions, will be completed immediately following the satisfaction of the Escrow Release Conditions (as defined below) and before the closing of the acquisition by RCG Capital of Almonty Sub.

(b) Financing

Prior to the Acquisition, Almonty Sub completed a brokered private placement financing (the "Financing") of subscription receipts ("Subscription Receipts") through a syndicate of agents led by Cormark Securities Inc. (the "Agents"). It is intended that the net proceeds from the Financing will be used in part to satisfy the cash consideration payable to Heemskirk in connection with the Acquisition. Each Subscription Receipt will be automatically exchanged, without payment of any additional consideration, for one common share of Almonty Sub ("Almonty Sub Share") and the net proceeds of the Financing released to Almonty Sub upon the satisfaction of specified escrow release conditions (the "Escrow Release Conditions").

Pursuant to an agency agreement entered into among RCG Capital, Almonty Sub, Almonty Partners LLC and the Agents, the Agents will receive a fee equal to $656,650 and will also receive 656,650 common share purchase warrants, exercisable for a period of 24 months upon the satisfaction of the Escrow Release Conditions (the "Agents Warrants").

(c) Acquisition of Almonty Sub

The acquisition by RCG Capital of Almonty Sub (the "Transaction"), which will take place immediately following the satisfaction of the Escrow Release Conditions and the completion of the Acquisition, is subject to a number of conditions including, among other things, (i) the completion of the Financing, (ii) the completion of the Acquisition, (iii) the receipt of all regulatory approvals including approval and acceptance of the Transaction as the Company's Qualifying Transaction by the TSX-V as well as the listing of the common shares of RCG Capital to be issued at closing and the listing of the common shares underlying the common share purchase warrants of RCG Capital to be issued at closing, and (iv) the extinguishment of the payable owing from Daytal to Heemskirk.

The unaudited pro-forma consolidated balance sheet of the Company has been compiled from and includes the balance sheet of the Company as at February 28, 2011 and the balance sheet of Daytal as at March 31, 2011. The accounts are presented in Canadian dollars and all values are rounded to the nearest thousand ('000) unless otherwise stated. This historic balance sheet of Daytal is presented in Euros and has been translated into Canadian dollars using an exchange rate of CDN$1.411/€ 1. Where transaction amounts are denominated in United States Dollars, these amounts have been translated using an exchange rate of CDN$0.982/USD$1.

The unaudited pro-forma consolidated balance sheet has been prepared as if the transactions described in Notes 1(a), 1(b) and 1(c) and as further described in Note 2 had occurred on February 28, 2011. For accounting purposes, Almonty Sub has been identified as the acquirer in both the Acquisition of Daytal and the Acquisition of RCG Capital and the unaudited pro-forma consolidated balance sheet is presented as a continuation of the financial statements of Almonty Sub.

The unaudited consolidated balance sheet is not intended to reflect the financial position of the Company which would have actually resulted had the proposed transactions described in Notes 1(a), 1(b) and 1(c) as further described in Note 2, and had other pro-forma adjustments occurred as assumed. Further, this unaudited pro-forma consolidated balance sheet is not necessarily indicative of the financial position that may be attained in the future. The unaudited pro-forma consolidated balance sheet should be read in conjunction with the financial statements disclosed above.

2. Pro-forma assumptions

The total consideration payable to Heemskirk relating to the acquisition of Daytal is approximately $20.0 million, subject to adjustments. The total consideration was composed of approximately $13.7 million (USD$14 million) in cash, $5.56 million in Almonty Sub shares and $0.7 million in warrants to purchase Almonty Sub shares, funded through the Financing.

The Company has not yet determined the fair value of the tangible and identifiable assets to be acquired and liabilities to be assumed in the acquisition. The provisional acquisition-date allocation of the consideration transferred, which is subject to change based on a final valuation of the assets acquired and liabilities assumed as of the closing date, will be finalized after the completion of the proposed acquisition. The final valuation may be significantly different from the preliminary allocation presented below:

Provisional acquisition-date fair value	**Amount $'000**
Cash and cash equivalents	413
Trade and other receivables	475
Inventories	3,799
Property, plant and equipment	4,274
Mine development	13,573
Other assets – current and non-current	292
Trade and other payables	(2,382)
Finance leases	(72)
Provisions (Restoration)	(339)
Deferred taxes	(52)
Total estimated purchase price	19,981

Pro-forma balance sheet adjustments

a) Represents adjustments to record the provisional acquisition-date fair value as described above. The total purchase price was $19,981,608, comprising of cash of $13,748,000, common shares of $5,560,000 and common share purchase warrants of $673,608.

b) Represents an adjustment of $650,000 to record direct transaction costs related to the acquisition (exclusive of the Agent's reimbursed transaction costs of $282,500 (including applicable taxes) and the Agents' private placement fees).

c) Represents an adjustment to record the gross proceeds of the Financing of 16,963,840 Subscription Receipts issued at a price of $1 per Subscription Receipt. Upon the satisfaction of the Escrow Release Conditions, the Financing results in net cash proceeds of $16,024,690 after Agent fees of $656,650 and reimbursed of the Agent's transaction costs of $282,500 (including applicable taxes). Fees paid to the Agent, consisting of cash and common share purchase warrants with a fair value of $140,326, have been deducted from the Financing equity proceeds. The reimbursed transaction costs have been expensed and deducted from retained earnings.

d) Represents an adjustment to record the extinguishment of outstanding "Payables to related parties" to Daytal's former parent company and its affiliates.

e) Represents the deemed share issuance of $378,522 to the RCG Capital shareholders and the associated expense of $209,522 relating to the difference between the tangible assets acquired.

f) Represents an adjustment to eliminate the pre-acquisition losses and share capital of RCG Capital and Daytal.

The cumulative adjustment to cash as a result of the above adjustments is summarized as follows:

	Amount $'000
Cash position of RCG Capital prior to the transactions	180
Cash position of Daytal prior to the transactions	413
Payment of estimated cash purchase price	(13,748)
Net proceeds of equity private placement and reimbursed Agent transaction costs	16,025
Direct transaction costs	(650)
Pro-forma cash position	**2,220**

3. Shareholders' capital

Shareholders' capital as if the transactions described in Notes 1(a), 1(b) and 1(c) and as further described in Note 2 had occurred on February 28, 2011 is comprised of the following:

	Number of shares	**Amount $**
(a) Issued – Common Shares		
Shares issued and outstanding prior to the transactions (1)	637,181	378,522
Shares issued pursuant to the acquisition of Almonty Sub (2,3)	36,374,260	21,726,964
	37,011,441	22,105,486
(b) Value of warrants issued		
Warrants issued to the Private Placement Agent (2)	N/a	140,326
Warrants issued to Heemskirk (4)	N/a	673,608
		813,934
Total Contributed Equity		**22,919,420**

1) Assumes share consolidation of RCG Capital on a CDN $1.00: CDN $0.15 or 6.67:1 basis and deemed share value of $378,522. Shares issued and outstanding prior to consolidation were 4,250,000.

2) Assumes that the following occurred prior to the acquisition of Almonty Sub: (i) the Financing was subscribed for 16,963,840 Subscription Receipts for gross proceeds of $16,963,840 less Agent fees of $656,650 and 656,650 Agents Warrants valued at $140,326, (ii) 13,850,420 Almonty Sub common shares worth $100 were issued to Almonty Partners LLC prior to the purchase of Daytal and (iii) 5,560,000 Almonty Sub common shares worth $5,560,000 were issued to Heemskirk for the acquisition of Daytal.

3) 10,387,815 shares issued to Almonty Partners LLC (2(ii) above) and 4,170,000 common shares issued to Heemskirk (2(iii) above) are held in escrow and released to the respective parties pursuant to the terms of a Value Security Escrow Agreement. The terms of this agreement are outlined within the Filing Statement of RCG Capital dated September [ ], 2011.

4) Represents the transfer of 3,701,144 common share purchase warrants valued at $673,608 to Heemskirk as a component of the consideration for Daytal.

5) There are 59,967 outstanding options granted to directors and officers of RCG Capital and 22,488 outstanding options granted to Bolder Investment Partners, Ltd.

6) The fair value of the RCG Capital common share purchase warrants is estimated as at September [ ], 2011 using a Black-Scholes model taking into account the terms and conditions upon which the common share purchase warrants were granted. The key inputs into the model used were: 35% expected volatility, 2.25% risk free rate, 24 or 36 months expected life of warrants (as applicable) and an exercise price of 125% of the Market Price (as defined in the TSX-V Corporate Finance Manual) or $1.00 (as applicable).

4. Pro-forma effective tax rate

The pro-forma effective income tax rate that will be applicable to consolidated operations of the Company during 2011 will be approximately 25%.

SCHEDULE H

LOS SANTOS TECHNICAL REPORT ILLUSTRATIONS

Figure 1: Overall Location Map

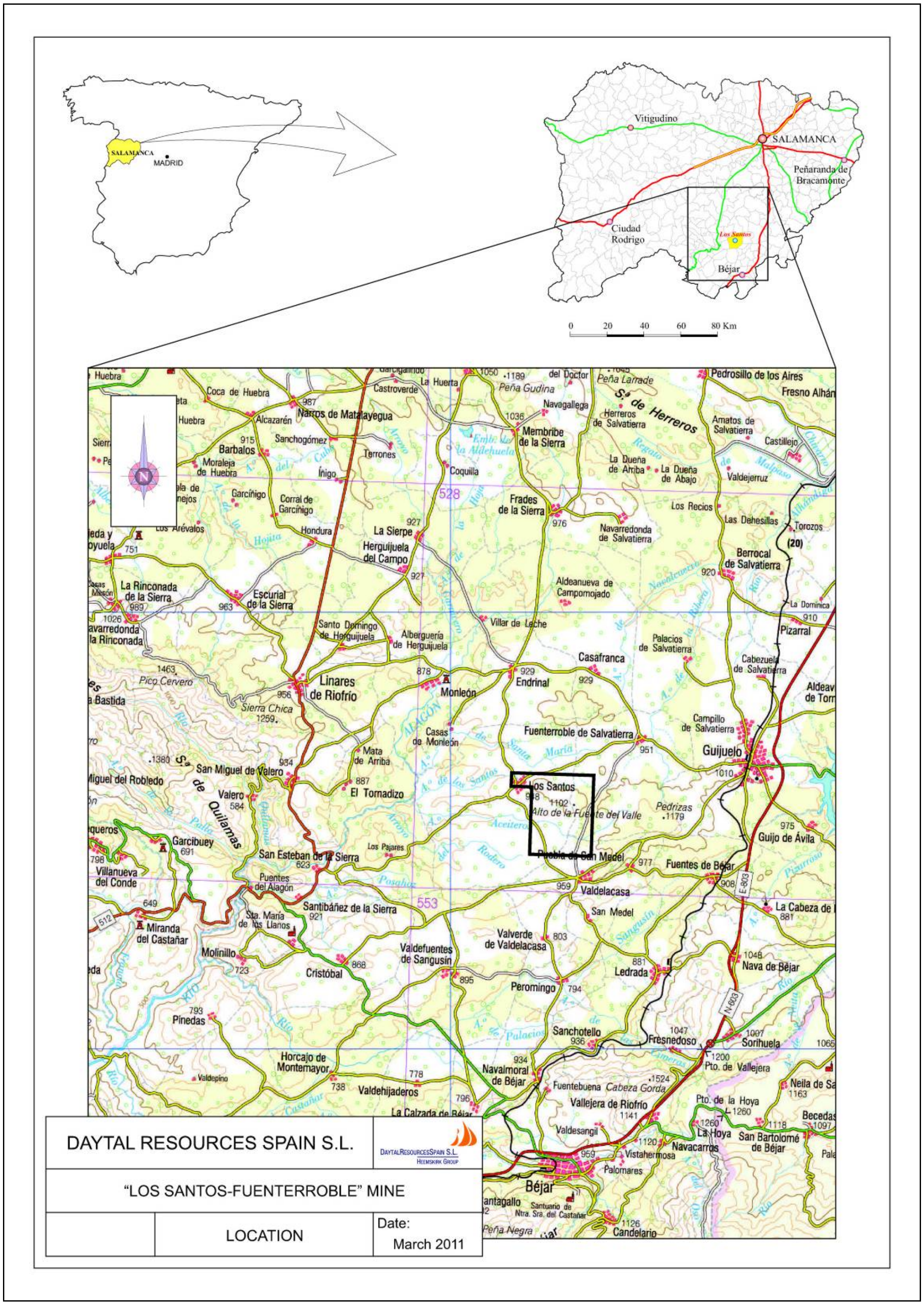

Figure 2: Mine Location and Los Santos Village

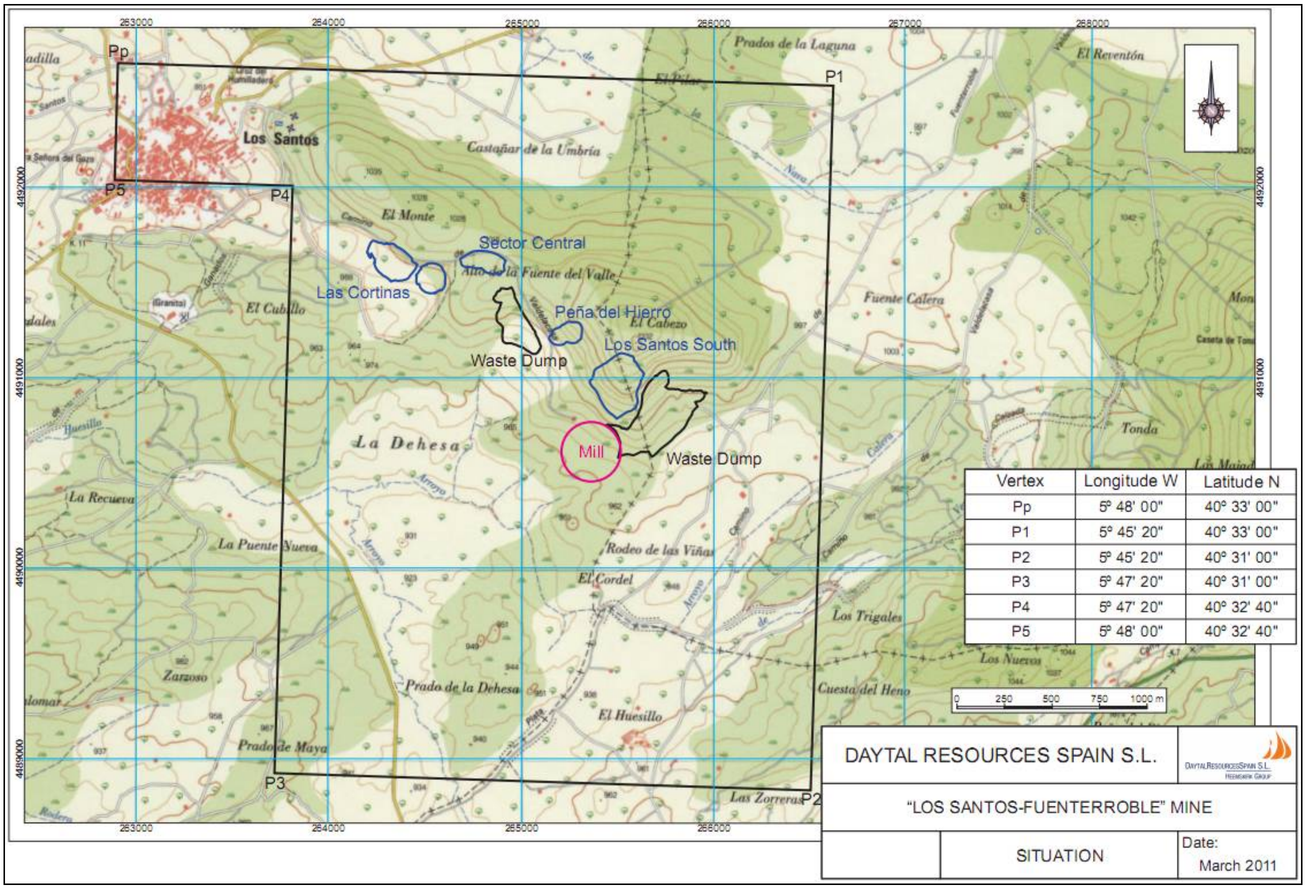

Figure 3: Site Plan

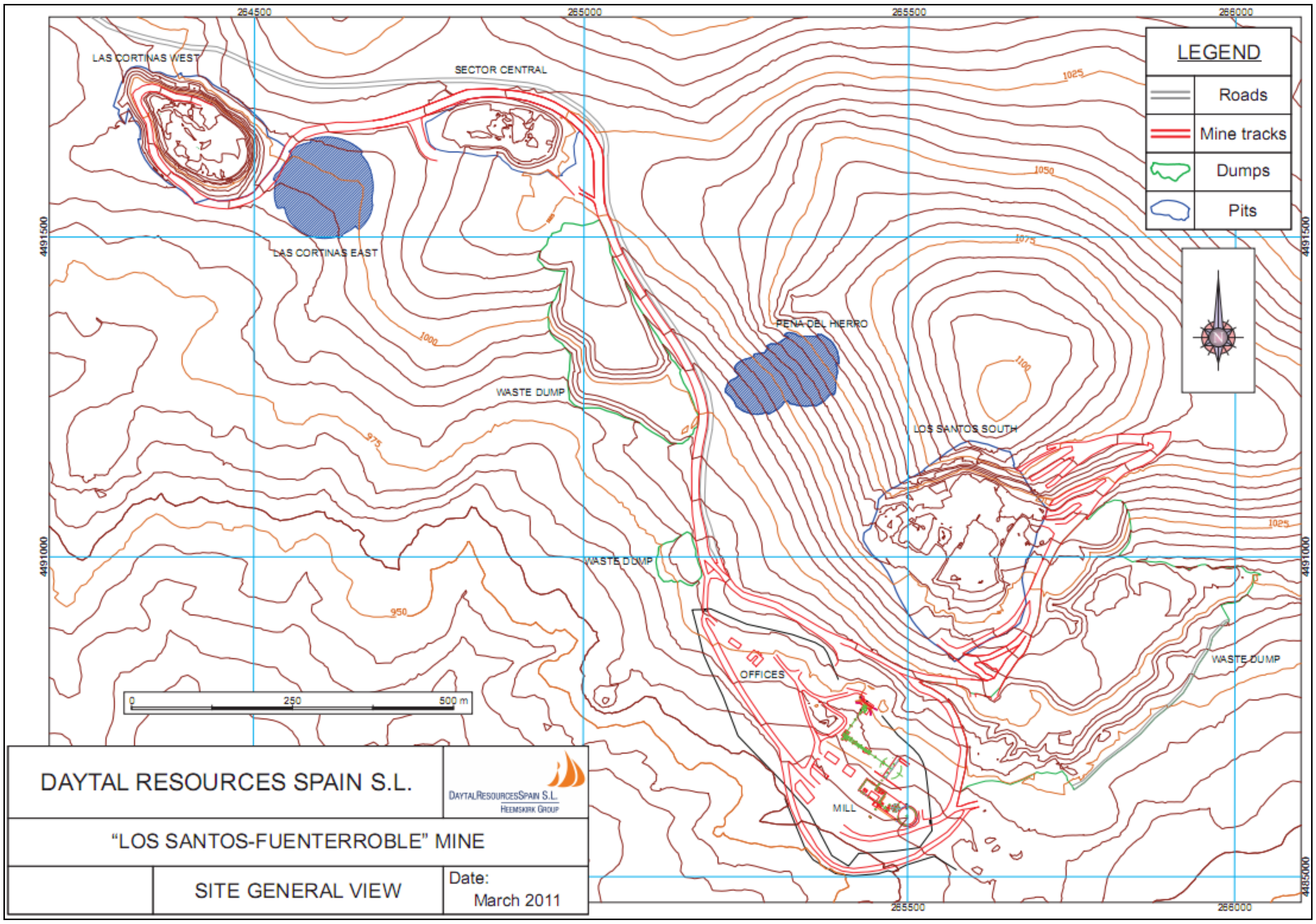

Figure 4: Geology of the North-West Corner of the Iberian Peninsula

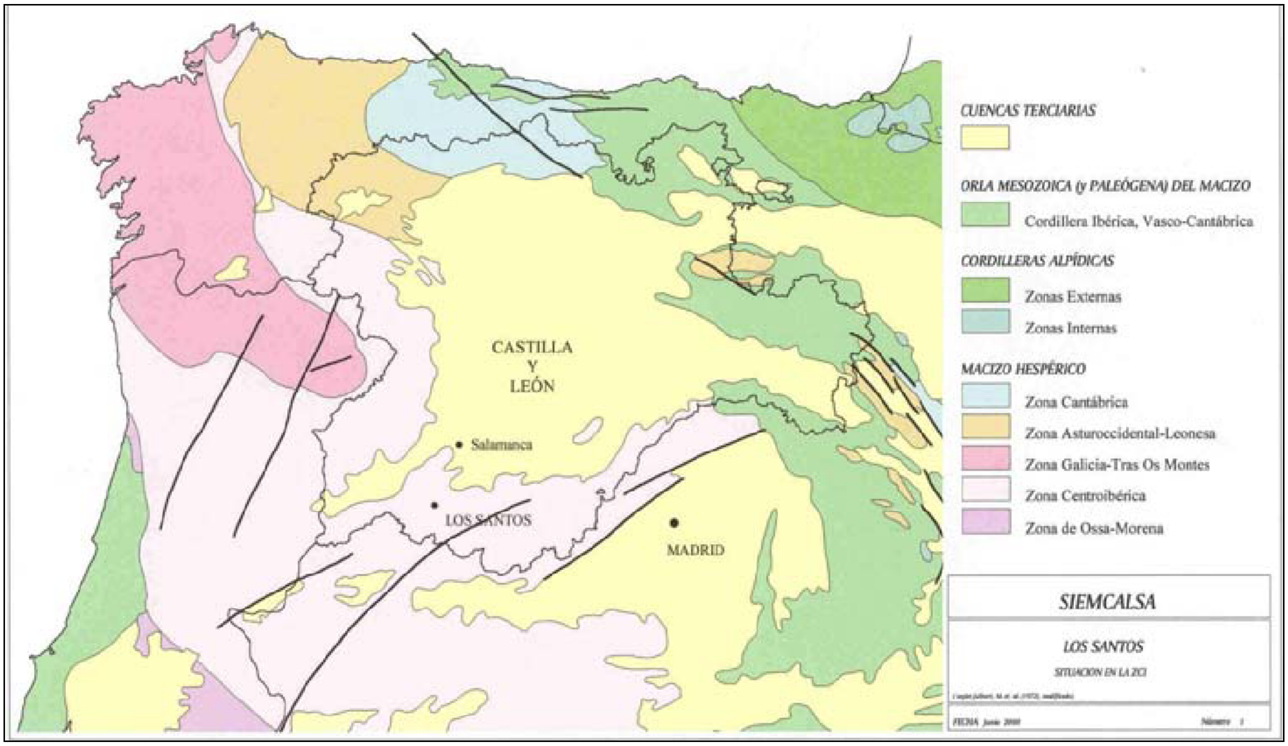

Figure 5: Plan of Local Geology

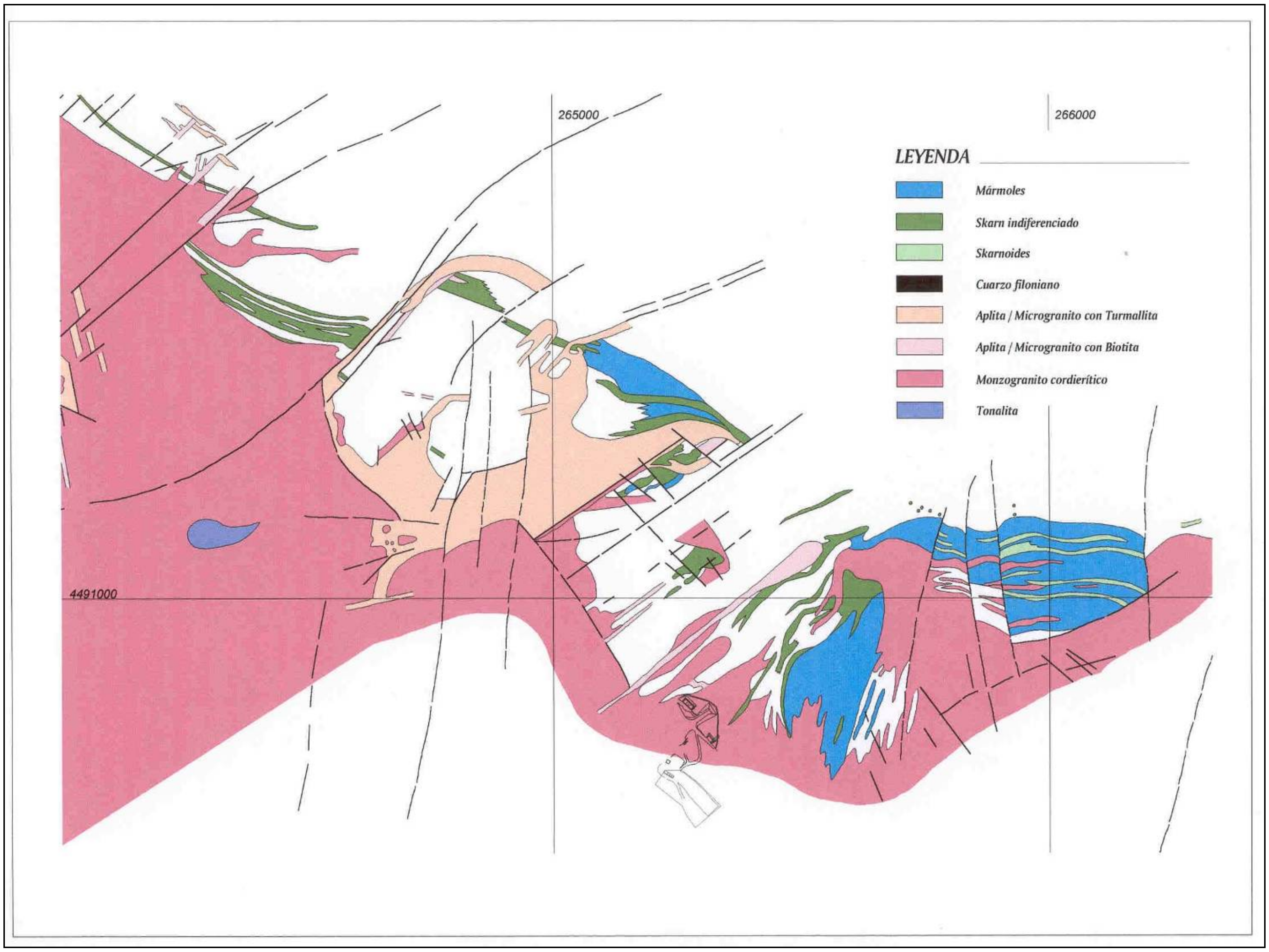

Figure 6: Plan of Exploration Drillholes

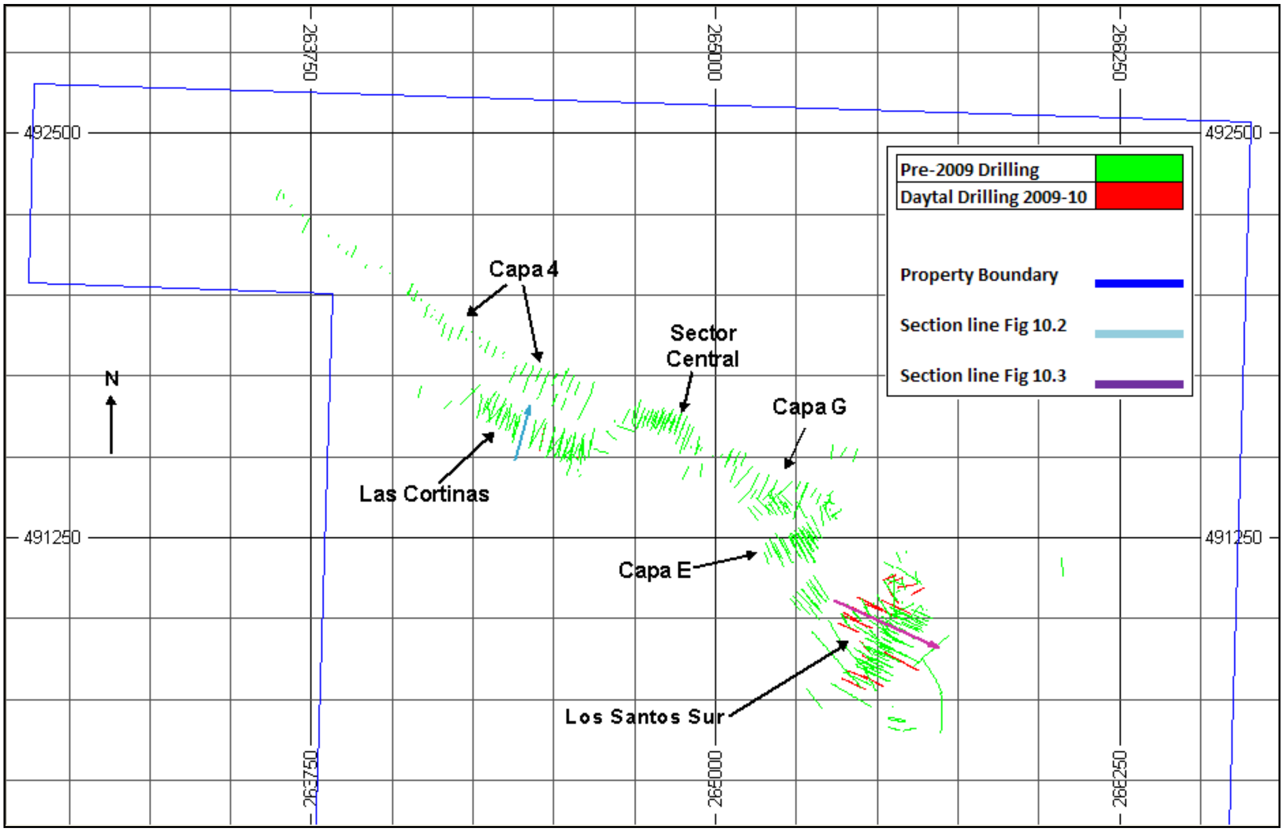

Figure 7: Typical Drillhole Section Through Las Cortinas

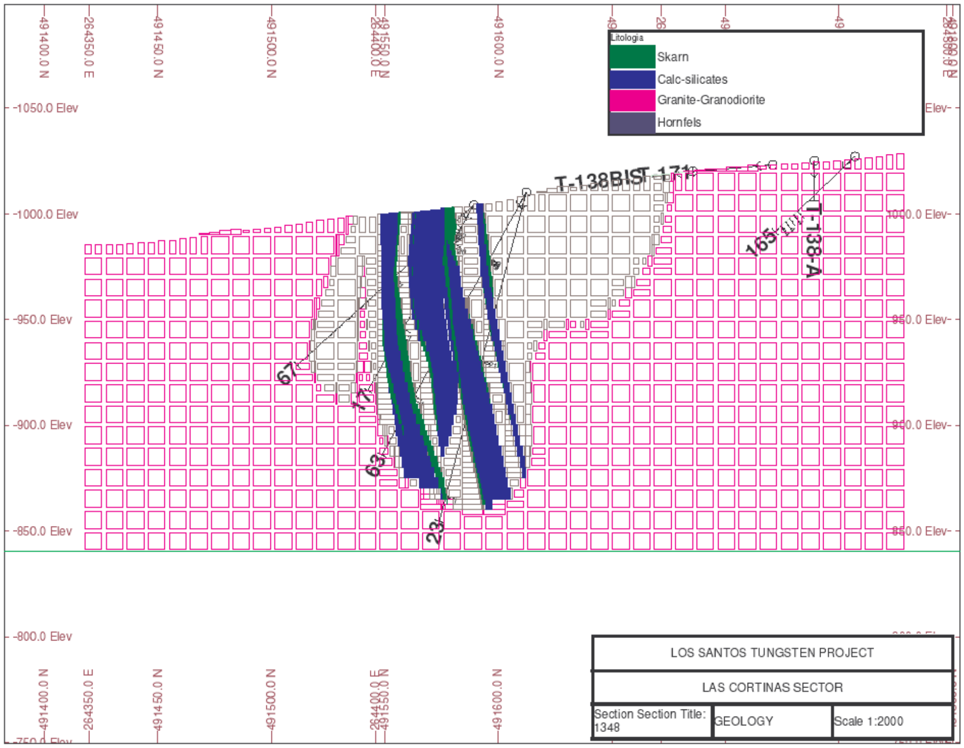

Figure 8: Typical Drillhole Section Through Los Santos Sur

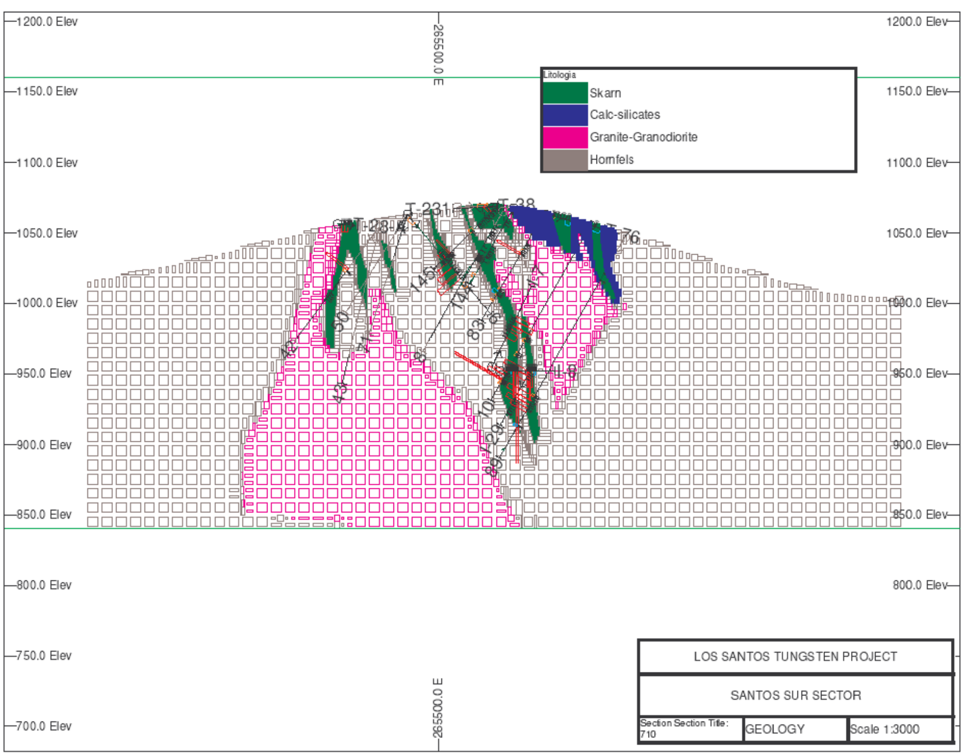

Figure 9: Billiton Campaign – Standard Sampling Results

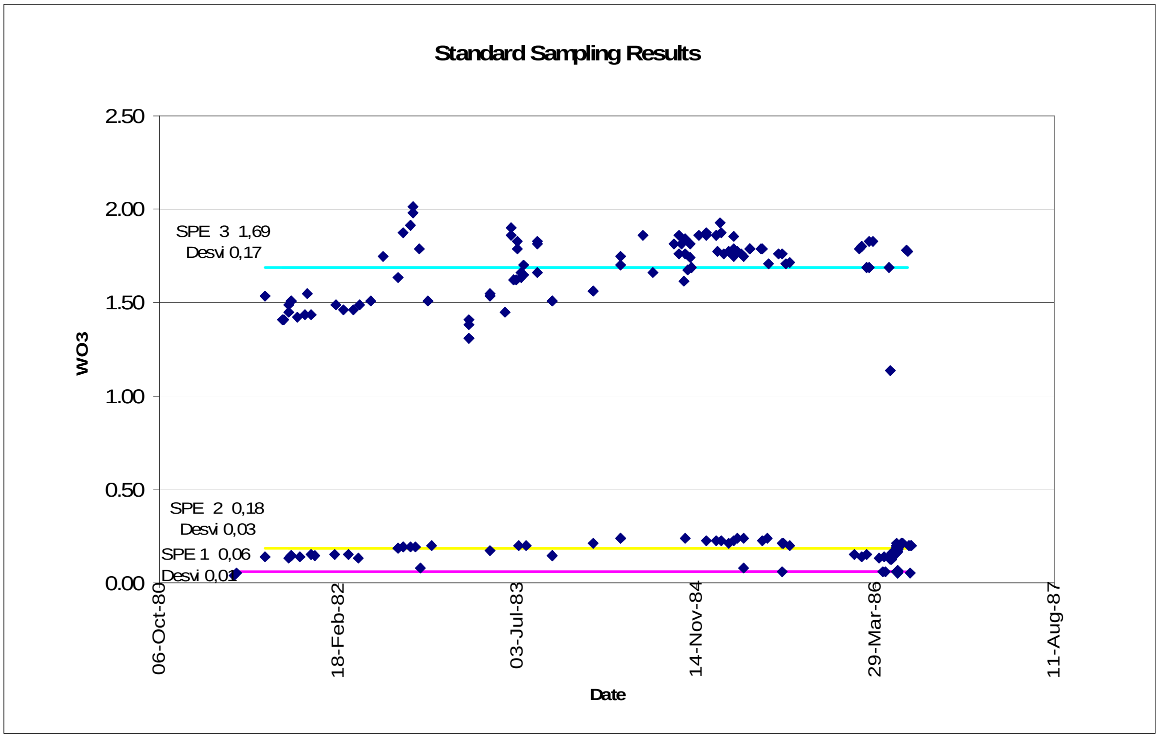

Figure 10: Billiton – Graph of Check Sampling Results

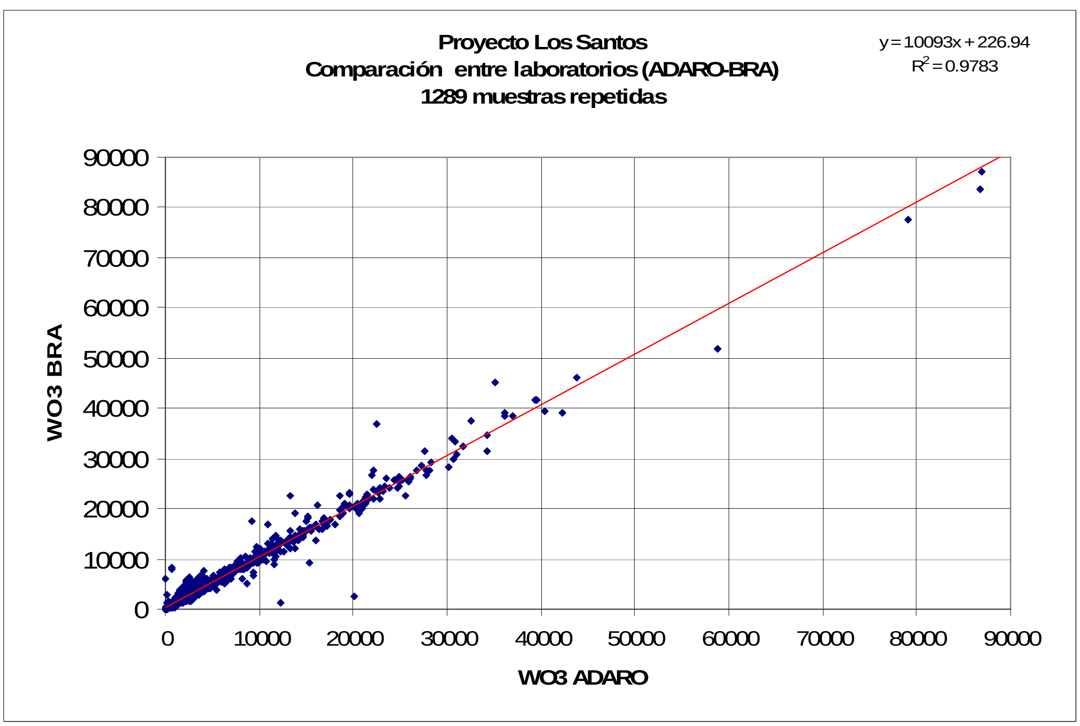

Figure 11: Experimental and Model Variograms for Los Santos Sur

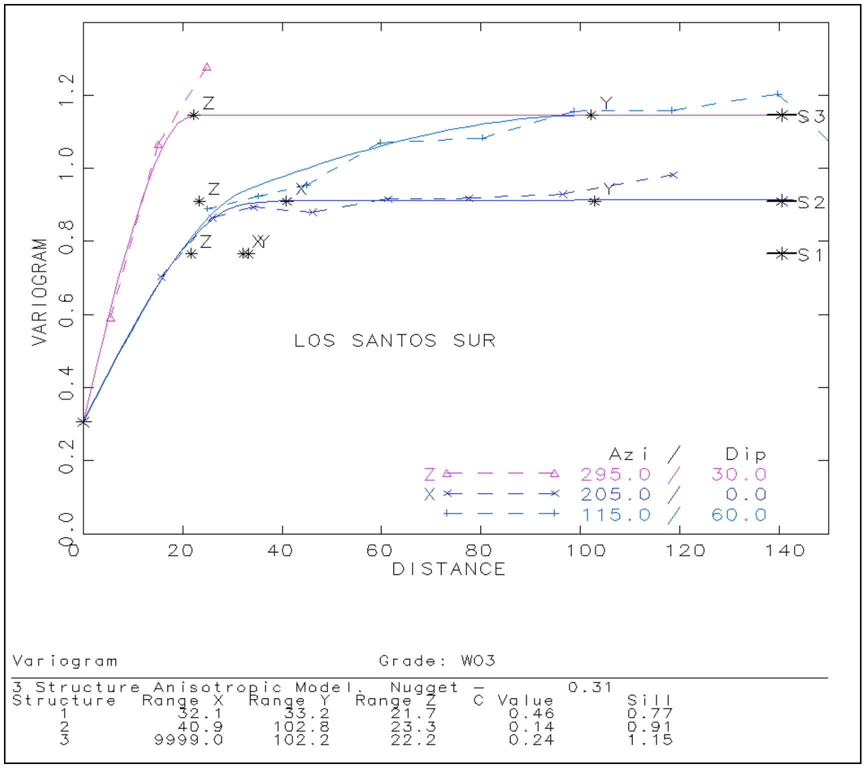

Figure 12: Example of Resource Classification – Los Santos Bed 7 Long Section

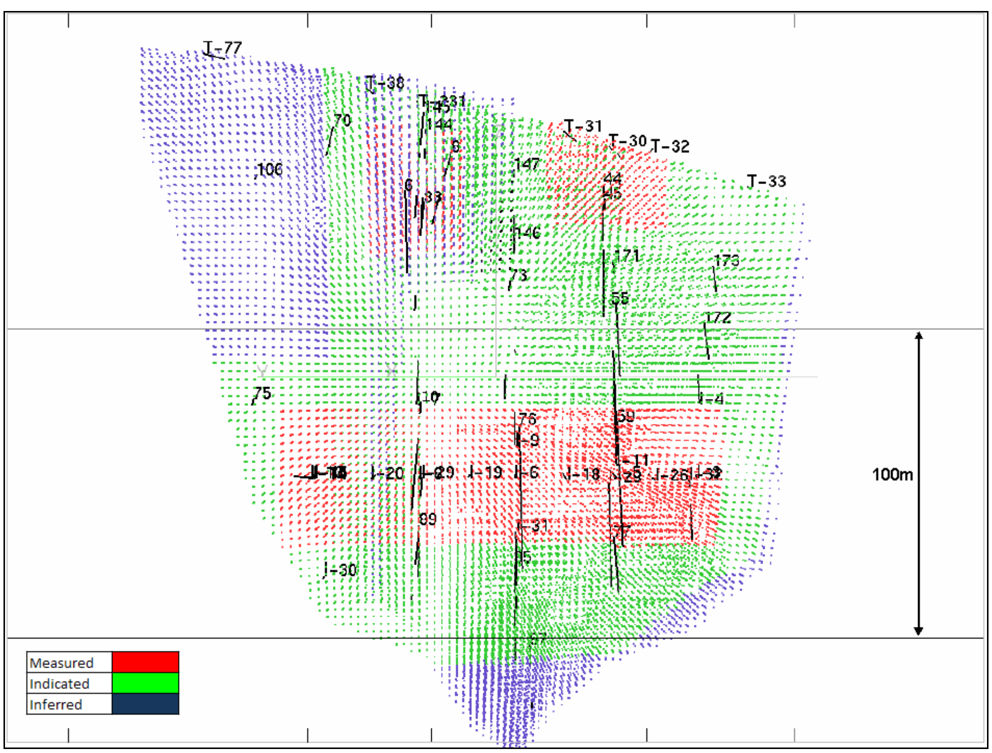

Figure 13: Comparison of Average Sample and Model

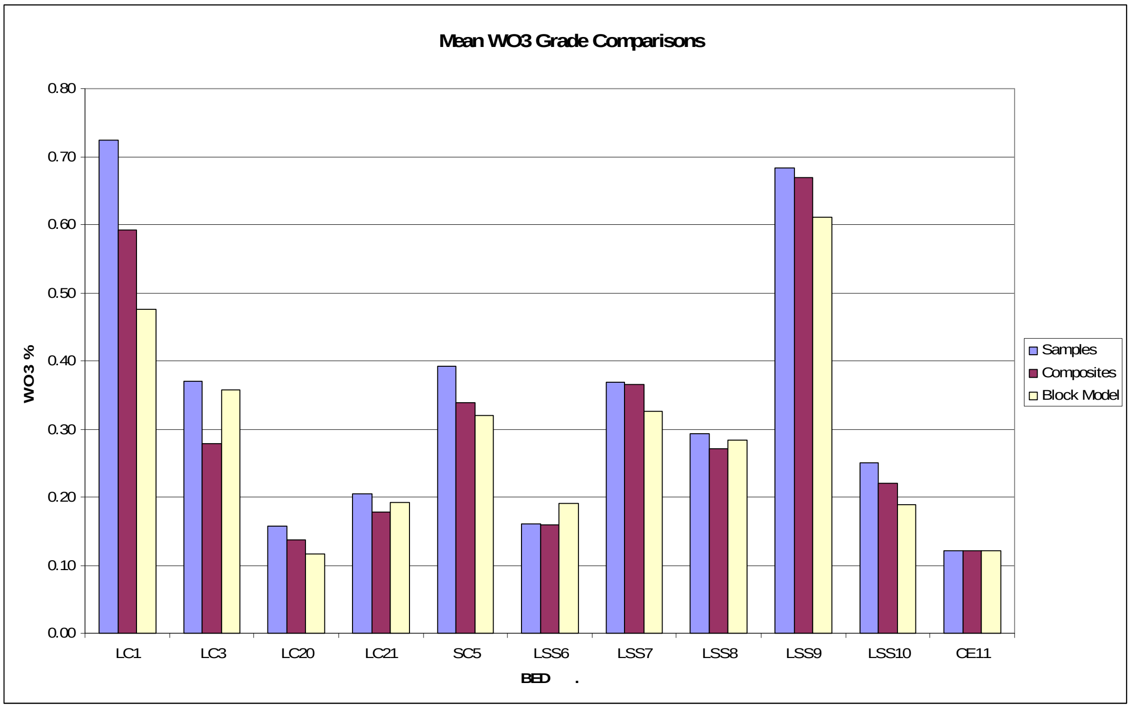

Figure 14: Example Block Model Cross-Section – Los Santos Sur

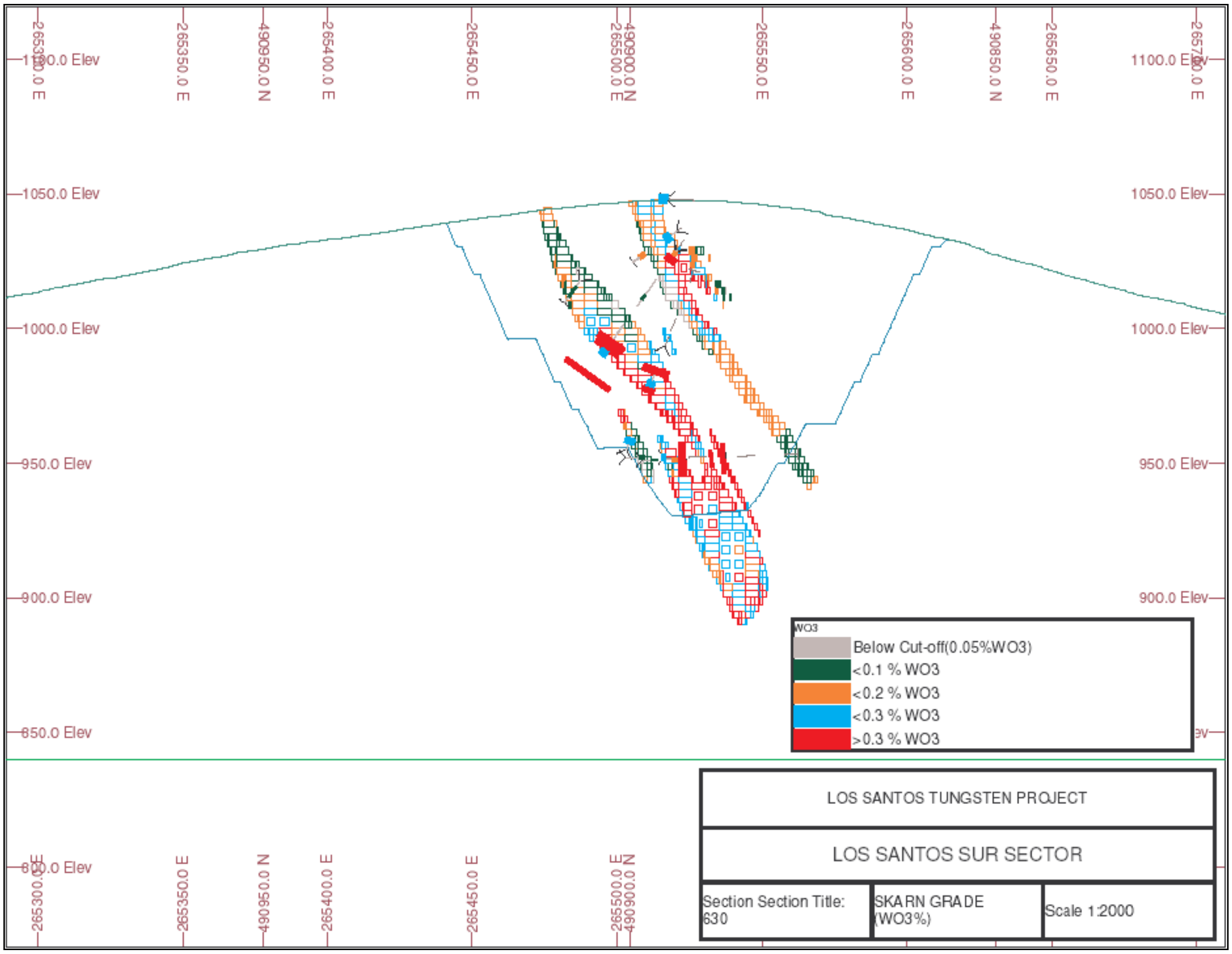

Figure 15: Bulk Sample and Block Model Grade Comparison

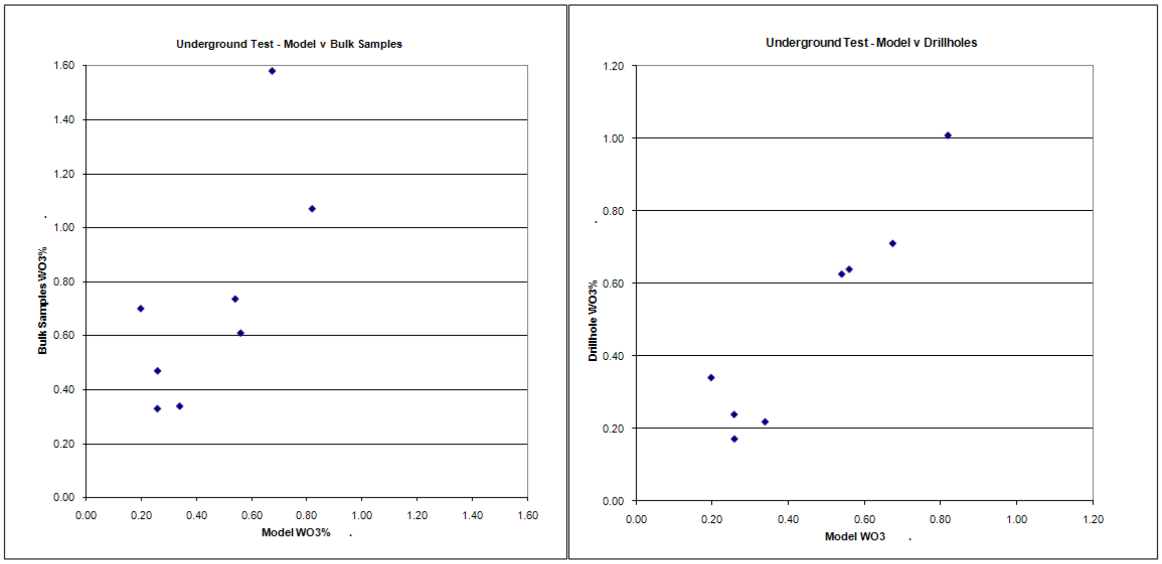

Figure 16: Los Santos Sur – Cut-Away View - Pit Design and Skarn Block Model

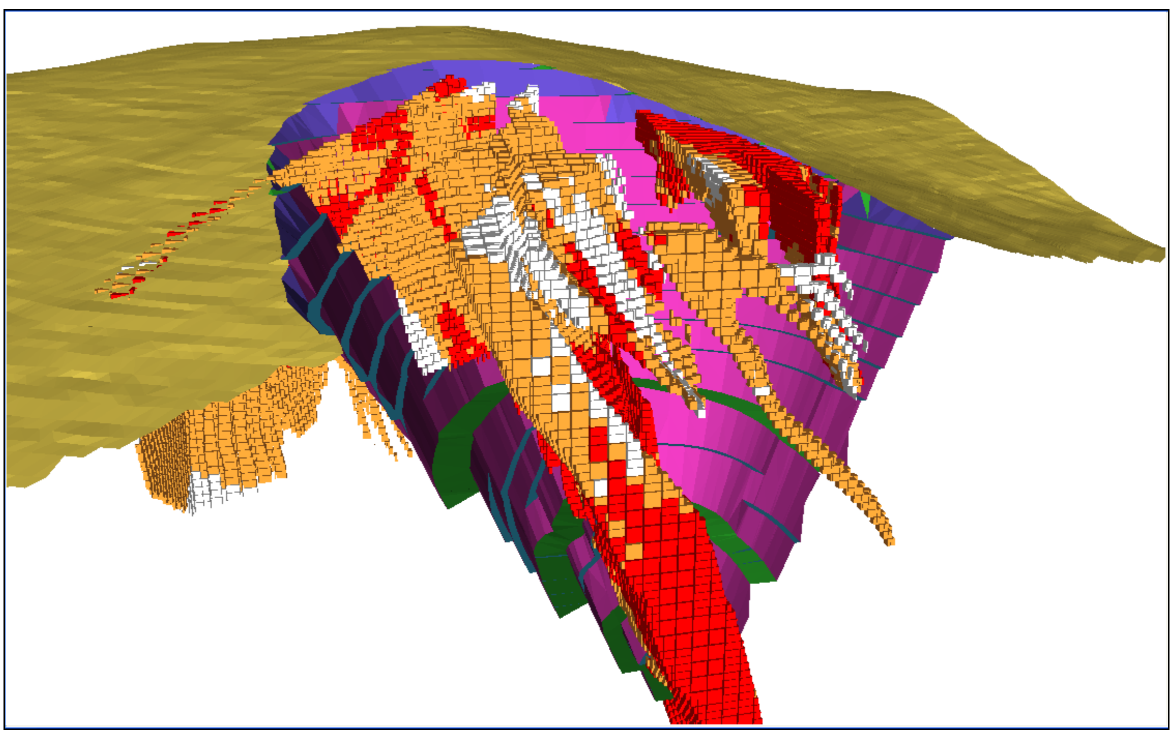

Figure 17: **Sector Central – Pit Design and Skarn Block Model**

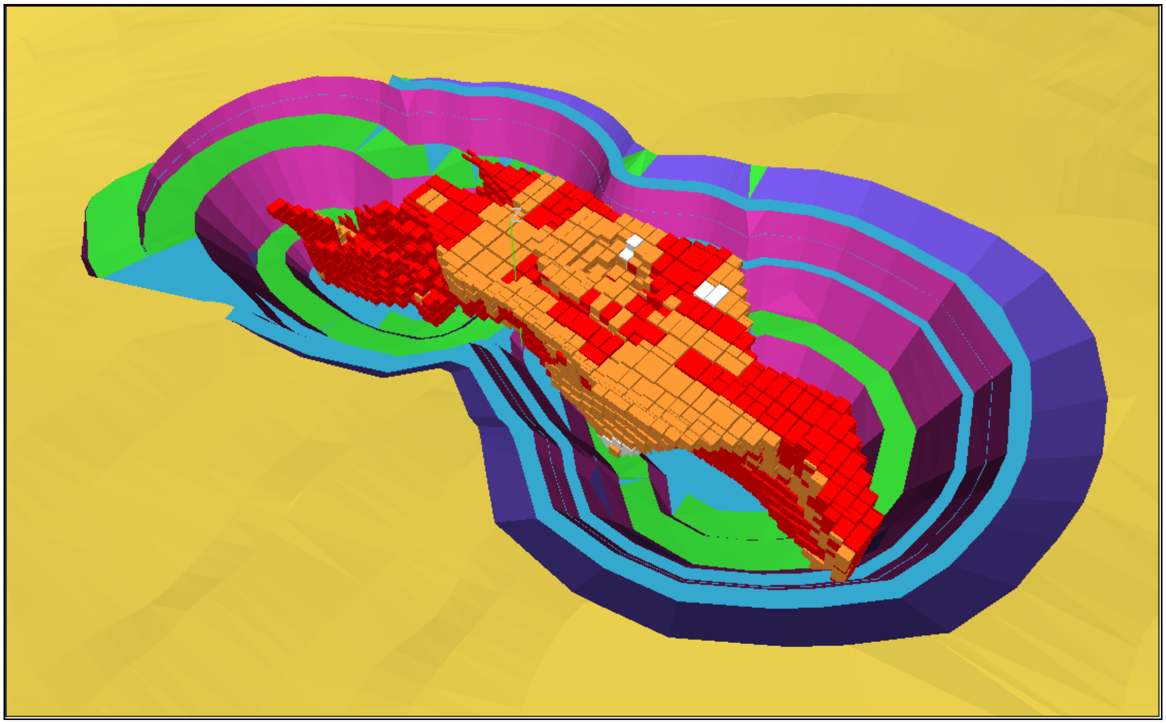

Figure 18: Plan of Final Pit Designs

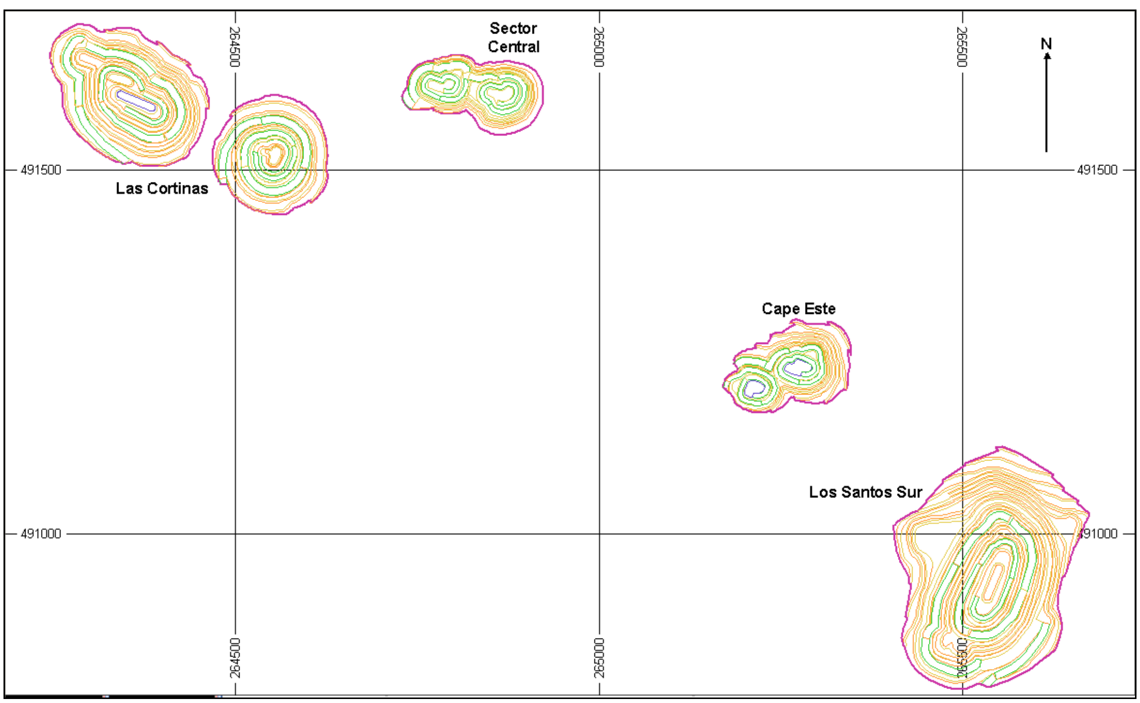

Figure 19: Underground Reserves at Los Santos Sur

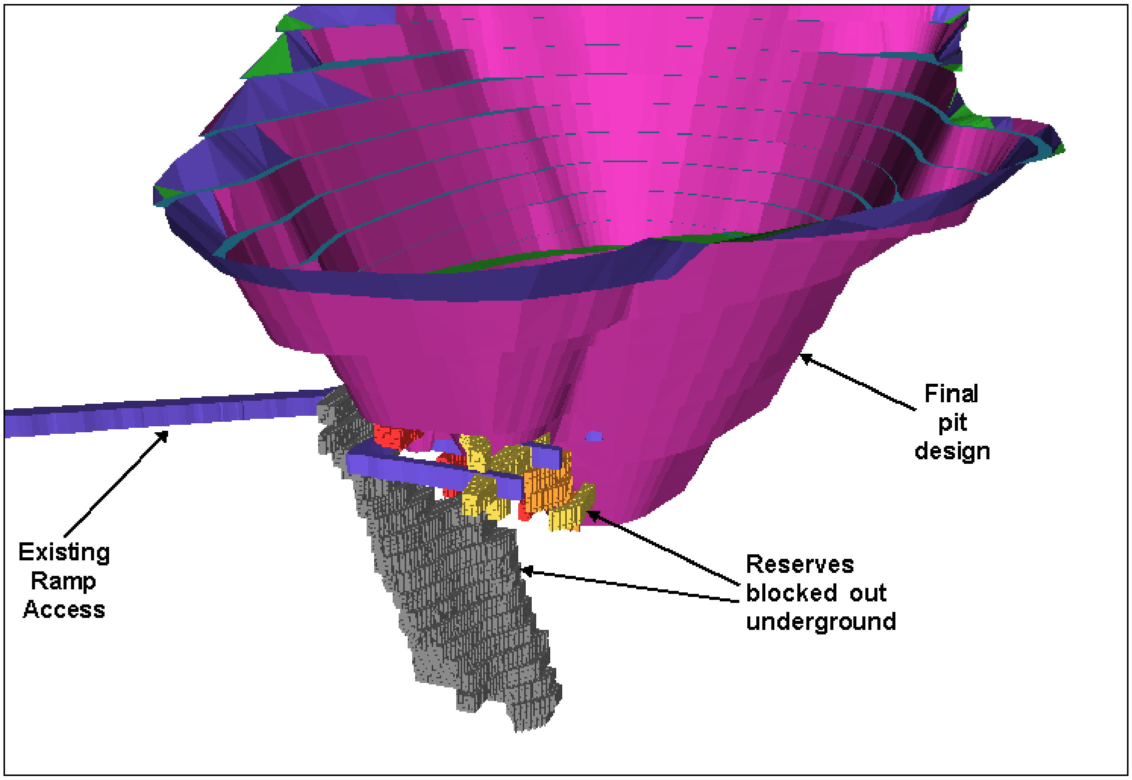

Figure 20: Photograph of Las Cortinas West Pit.

Figure 21: 3D View of Las Cortinas West Pit, Looking SW, With Skarn Beds.

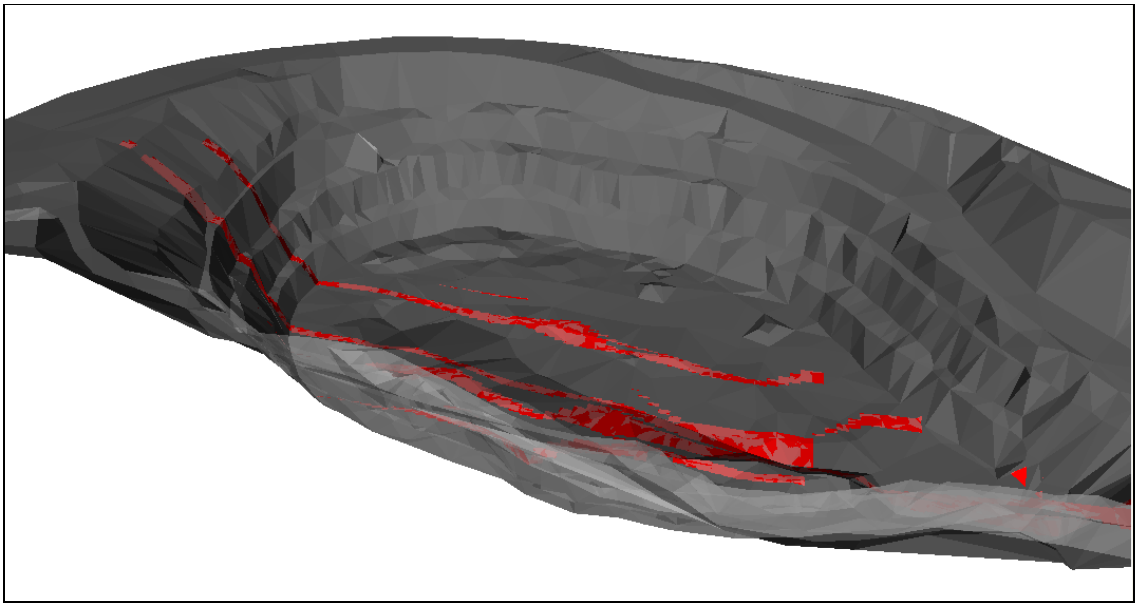

Table 12: Decile Analysis

ALL BEDS IN LAS CORTINAS

DECILE	COUNT	WO3	MIN	MAX	ACCUM	%
0-10	46	0.02	0.01	0.03	0.9	0.3
10-20	46	0.04	0.03	0.05	1.7	0.6
20-20	46	0.05	0.05	0.06	2.5	0.9
30-40	46	0.08	0.06	0.09	3.5	1.3
40-50	47	0.12	0.09	0.14	5.4	2.1
50-60	46	0.16	0.14	0.19	7.2	2.7
60-70	46	0.22	0.19	0.26	10.3	3.9
70-80	46	0.40	0.27	0.61	18.3	6.9
80-90	46	1.01	0.61	1.30	46.3	17.6
90-100	47	3.56	1.32	12.61	167.2	63.5
90-91	4	1.37	1.32	1.46	5.5	2.1
91-92	5	1.55	1.50	1.64	7.7	2.9
92-93	5	1.74	1.64	1.87	8.7	3.3
93-94	4	2.18	2.13	2.25	8.7	3.3
94-95	5	2.38	2.27	2.64	11.9	4.5
95-96	5	2.98	2.77	3.23	14.9	5.7
96-97	4	3.45	3.35	3.52	13.8	5.2
97-98	5	3.60	3.52	3.62	18.0	6.8
98-99	5	5.37	3.69	7.43	26.8	10.2
99-100	5	10.23	8.67	12.61	51.2	19.4
TOTAL	462	0.57	0.01	12.61	263.2	100.0

BED 5 SECTOR CENTRAL

DECILE	COUNT	WO3	MIN	MAX	ACCUM	%
0-10	14	0.02	0.01	0.02	0.5	0.3
10-20	14	0.06	0.03	0.08	3.2	2.2
20-20	14	0.10	0.08	0.13	4.7	3.1
30-40	14	0.14	0.13	0.15	5.9	3.9
40-50	14	0.17	0.15	0.19	5.6	3.8
50-60	14	0.23	0.20	0.27	7.4	4.9
60-70	14	0.33	0.28	0.38	9.3	6.2
70-80	14	0.44	0.38	0.62	15.1	10.1
80-90	14	0.71	0.62	0.77	22.9	15.3
90-100	13	2.77	0.82	8.88	75.1	50.2
90-91	2	0.83	0.82	0.83	4.1	2.8
91-92	2	0.91	0.91	0.91	3.7	2.5
92-93	2	1.10	1.01	1.18	4.9	3.2
93-94	2	1.48	1.29	1.71	8.8	5.9
94-95	2	4.02	3.88	4.23	7.0	4.7
95-96	2	7.50	6.93	7.91	33.7	22.5
96-97	1	8.88		8.88	12.9	8.6
TOTAL	139	0.42			149.6	100.0

ALL BEDS IN LOS SANTOS SUR

DECILE	COUNT	WO3	MIN	MAX	ACCUM	%
0-10	109	0.02	0.01	0.03	1.9	0.4
10-20	110	0.03	0.03	0.04	3.8	0.9
20-20	110	0.06	0.04	0.07	6.1	1.4
30-40	110	0.09	0.07	0.11	9.7	2.2
40-50	110	0.13	0.11	0.15	14.1	3.2
50-60	109	0.19	0.15	0.24	20.9	4.7
60-70	110	0.31	0.24	0.38	33.9	7.7
70-80	110	0.49	0.38	0.62	53.5	12.1
80-90	110	0.83	0.62	1.10	91.6	20.8
90-100	110	1.87	1.11	5.88	205.2	46.6
90-91	11	1.14	1.11	1.17	12.5	2.8
91-92	11	1.20	1.18	1.21	13.2	3.0
92-93	11	1.27	1.21	1.31	14.0	3.2
93-94	11	1.40	1.31	1.46	15.4	3.5
94-95	11	1.51	1.47	1.55	16.6	3.8
95-96	11	1.68	1.55	1.84	18.5	4.2
96-97	11	1.93	1.85	2.06	21.2	4.8
97-98	11	2.20	2.07	2.46	24.2	5.5
98-99	11	2.61	2.48	2.77	28.7	6.5
99-100	11	3.73	3.02	5.88	41.0	9.3
TOTAL	1098	0.40	0.01	5.88	440.7	100.0

Capa E

DECILE	COUNT	WO3	MIN	MAX	ACCUM	%
0-10	13	0.01	0.01	0.02	0.4	0.8
10-20	13	0.03	0.02	0.04	1.1	2.2
20-20	13	0.04	0.04	0.05	1.4	2.8
30-40	13	0.06	0.05	0.08	2.8	5.5
40-50	13	0.08	0.08	0.09	2.4	4.8
50-60	13	0.10	0.09	0.11	4.9	9.6
60-70	13	0.14	0.13	0.15	4.8	9.4
70-80	13	0.22	0.18	0.29	7.8	15.4
80-90	13	0.48	0.29	0.96	18.4	36.4
90-100	3	1.61	1.51	1.65	6.5	12.9
90-91	1	1.51		1.51	1.6	3.1
91-92	1	1.65		1.65	2.8	5.6
92-93	1	1.65		1.65	2.1	4.2
TOTAL	120	0.15			50.5	100.0

AUDITORS' CONSENT

We have read the filing statement of RCG Capital Inc. (the "Company") dated September 14, 2011 relating to the proposed qualifying transaction of the Company with Almonty Partners LLP and its wholly-owned subsidiary 7787523 Canada Inc. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above mentioned filing statement of our report to the directors of the Company on the balance sheets of the Company as at February 28, 2011 and 2010 and the statements of operations and deficit and cash flows for the year ended February 28, 2011 and for the period from incorporation on September 28, 2009 to February 28, 2010. Our report is dated June 10, 2011 (except as to Notes 9 and 10 which are as of September 14, 2011).

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Accountants

September 14, 2011

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8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
www.ey.com/au

We have read the Filing Statement of RCG Capital Inc. (the Company) dated September 14, 2011 relating to the qualifying transaction of the Company. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned Filing Statement of our audit report to the members of Los Santos Mine on the balance sheets of Los Santos Mine as at September 30, 2010, 2009 and 2008, and the statements of comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended September 30, 2010. Our report is dated July 8, 2011.

We also consent to the use in the above-mentioned Filing Statement of our review report to the members of Los Santos Mine on the unaudited balance sheets of Los Santos Mine as at March 31, 2011 and September 30, 2010, and the unaudited statements of comprehensive income, changes in equity and cash flows for each of the six-month periods ended March 31, 2011 and 2010. Our report is dated July 8, 2011.

Ernst & Young

Ernst & Young

Melbourne

CHARTERED ACCOUNTANTS

CERTIFICATE OF RCG CAPITAL INC.

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities of RCG Capital Inc. assuming completion of the Qualifying Transaction.

September 14, 2011
Vancouver, British Columbia

(signed) Robert Lipsett	*(signed) Foo Chan*
Robert Lipsett Chief Executive Officer	Foo Chan Chief Financial Officer

On behalf of the Board of Directors of RCG Capital Inc.

(signed) Greg Hryhorchuk	*(signed) Carl Pescio*
Greg Hryhorchuk	Carl Pescio

CERTIFICATE OF 7887523 CANADA INC.

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities of 7887523 Canada Inc.

September 14, 2011
Toronto, Ontario

(signed) Lewis Black

Lewis Black
President and Secretary

On behalf of the Board of Directors of 7887523 Canada Inc.

(signed) Dennis Logan

Dennis Logan
Director

CERTIFICATE OF DAYTAL RESOURCES SPAIN, S.L.

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities of Daytal Resources Spain, S.L.

September 14, 2011
Salamanca, Spain

(signed) Simon F. Beardsmore	*(signed) Paul J. Berndt*
Simon F. Beardsmore Secretary	Paul J. Berndt General Manager

On behalf of the Board of Directors of Daytal Resources Spain, S.L.

(signed) Peter John Bird	*(signed) Kevin P. Robinson*
Peter John Bird	Kevin P. Robinson