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REMARKS FROM THE CEO

The ramp-up of production at the Cantung mine is now largely behind us. While North American Tungsten Corporation Ltd (the "Company" or "NATC") has initiated significant upgrades and improvements to our Cantung mine and mill we continue to install systems that are designed to increase overall efficiency. I am pleased to report that we expect improved operating results starting with the first quarter of fiscal 2012.

Tungsten market prices have been and are expected to, remain strong, with some fluctuations for the foreseeable future. Customers are well aware that additional mine production will be needed to meet world market demand in the coming years. The time is correct for the Company's key asset, the large Mactung project, to be brought to production.

The Cantung mine has seen many improvements with the extensive capital program of fiscal 2011. Mill efficiencies and power supply have been improved; new mining and transportation equipment have been added underground; and, importantly, access and ventilation are still being developed to permit mining of more high grade ore, particularly from the West Extension. The net loss due to the slow ramp-up of production in 2011 reflected significant competition for skilled mining personnel in the northern mining environment, as well as the need for the capital improvements, now largely complete. I believe that as of now we have our "Tungsten Team" in place and that they have accomplished a tremendous amount through their dedication and hard work. Our employees will be a critical element to our future success and they need to fully understand that their efforts are very much appreciated.

We continue to seek additions to the Cantung resource base through exploration and are encouraged by the activities of our geological personnel within the mine and its extensions.

In addition to enhancing the performance at Cantung, NATC continues to pursue the development of its Mactung deposit. The permitting process is well advanced and the Company has seen interest in the Mactung deposit from a number of international companies.

So although 2011 results did not meet our expectations, it formed a firm basis for 2012 and beyond. Significant investments were made to improve mill operations to achieve higher recoveries, increase mill uptime, increase power generation availability and finally, to enhance ore development to achieve consistent delivery of 1,150 tons of ore to the mill each day. We are confident that we can continue to enhance our performance in 2012 and capitalize on the investments made in 2011.

While Tungsten Diversified Industries ("TDI") has successfully proven its technology for producing downstream products from concentrates and has identified possible new markets, the lack of commercial operating capacity to date, initiated TDI's management to reduce the carrying value of the TDI assets. Consequently, the Company recognized an equity loss on its investment in TDI. For the longer term, your Company intends to continue investigating forward integration as a part of its production, through TDI.

While the Cantung capital program and the re-start of operations have added to the Company's outstanding shares and debt, our plan indicate full-scale production from the mine combined with continuing strong tungsten demand and prices, will yield attractive returns.

Your Company, through the Cantung mine, continues to be one of the principal suppliers of tungsten concentrates into world markets. Mactung, when developed, should be significantly larger than Cantung. The Company's strategy is to grow value for shareholders, employees and stakeholders alike based on the potential of its properties and its position as an important supplier in the worldwide tungsten market. I believe the outlook is positive.

Stephen Leahy
Chairman and CEO

This discussion and analysis of financial position and results of operations of North American Tungsten Corporation Ltd., the "Management Discussion and Analysis" (MD&A), is prepared as of January 27, 2012, and should be read in conjunction with the audited consolidated financial statements for the year ended September 30, 2011, prepared in accordance with Canadian GAAP. This MD&A reviews the business of North American Tungsten Corporation Ltd. (the "Company") and compares the Company's financial results for the quarter ended September 30, 2011 (Q4 2011) with those of the quarter ended September 30, 2010 (Q4 2010) and for the year ended September 30, 2011 with those of the year ended September 30, 2010. In this discussion, unless the context otherwise dictates, a reference to "North American Tungsten", "NATC", or the "Company" refers to North American Tungsten Corporation Ltd. and its subsidiaries. Additional information relating to the Company including its Annual Information Filing is available on SEDAR at www.sedar.com.

All $ figures are in thousands of CDN dollars unless otherwise specified (except per share, option prices, warrant prices and per unit information).

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OVERVIEW

North American Tungsten Corporation Ltd. is engaged in tungsten mining and related activities which includes the acquisition, exploration, development and processing of ores and concentrates. The Company owns the Cantung mine in the Northwest Territories; the Mactung mineral property on the border of the Yukon Territory and the Northwest Territories; other tungsten exploration prospects; and a 43.2% interest in Tungsten Diversified Industries, LLC ("TDI"), which is located in the United States of America and has the ability to upgrade tungsten products.

NATC is listed on the TSX Venture Exchange (symbol: NTC) and the Company has share purchase warrants which trade on the TSX Venture Exchange.

The Company's fiscal year 2011, that ended September 30 2011, was marked by:

- the strongest tungsten market in decades due to high demand and limited supply
- increasing investor interest in the Company's large Mactung project
- major capital spending to improve and develop the restarted Cantung mine
- higher Cantung mill recoveries and improved power supply
- a slow ramp up and high operating loss at Cantung, impacted by;
    - below plan rate of increase in underground development and output
    - skill shortages in an overheated mining industry
    - high unit production costs due to production shortfalls
    - late deliveries to customers that affected sales price
- adverse impacts in a rising market of sales contracts based on APT quotations of previous months/quarters
- additional debt and equity financing funded capital programs and operating loss
- The net loss for the year was $16.8 million after recognizing an equity loss on TDI of $5.3 million

By year end, the ramp-up and improvement program at the restarted Cantung mine was well advanced but still in progress. Well over 1,000 tonnes (1,100 tons) per day is now being mined and processed. A primary focus is developing access to higher grades of ore within the mine.

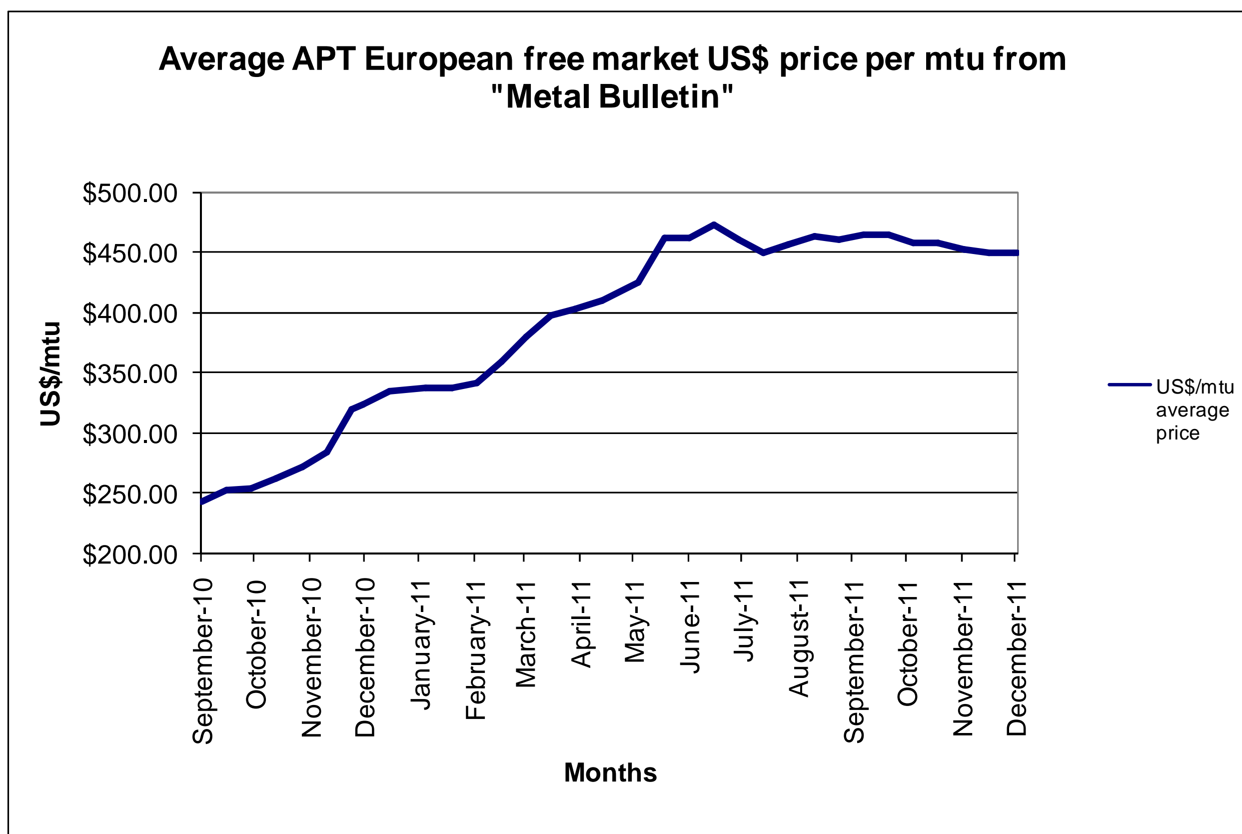
For the future, it is expected that further development of the West Extension at Cantung will provide the tons and grade necessary for profitable operations. There is good potential for additional resources in the West Extension. The historically high prices now available for tungsten materials provide an opportunity for positive cash flows from operations for fiscal 2012 and beyond. The capital investments that have been made and are in progress should enable the Company to increase production to benefit from this tungsten market.

Nonetheless, the greatest potential for additional shareholder value lies with the large Mactung project. Industry fundamentals provide an increasingly strong case to develop Mactung. The Company is in active discussions in this regard.

The Company is providing quarter over quarter information as well as comparing to the prior year. It should be noted most of the comparisons to the prior year are not meaningful as a result of the shutdown and care and maintenance period from October 18, 2009 to the restart on October 7, 2010.

TUNGSTEN PRICE

The Metal Bulletin ammonium paratungstate ("APT") European Free Market Average Quotation in US Dollars ("USD") is $457.50/mtu at September 30, 2011.



- The average price realized on the Company's concentrate sales was USD$261.25/mtu in 2011 as compared to the 2011 average price of USD$393.36/mtu Market Bulletin European quotation for APT (the basis for concentrate pricing). The differential is far above historical norms in the industry. The tungsten sale prices computed in the Company's sales contracts trail the quoted market prices for tungsten by approximately three months. Delays in deliveries under contracts have resulted in a further significant lag between the realized sale price and the market price. Higher prices should be realized in the future as deliveries become current.
- Prices for APT have flattened into a range between USD$450.00/mtu to USD$460.00/mtu, and current realizations on concentrates have exceeded USD$400.00/mtu due to the structuring of the Company's contracts.
- The Company expects that APT prices will remain strong for 2012 and 2013 due to strong demand and limited near term supply.

OPERATIONS

The Company's expectation that the improving economic conditions, strengthening commodity prices and re-stocking by manufacturers would drive the recovery in tungsten demand and prices appears to have been realized. The market has improved dramatically from the 2009 cyclical low. The Metal Bulletin European APT average quotation has climbed to USD$457.50/mtu at September 30, 2011, up

from USD$197.50/mtu at September 30, 2009. The current tungsten spot market is active with inquiries from consumers particularly from the United States and Asia.

The Company has negative working capital and high debt levels. A $12 million Working Capital Loan was arranged with HSBC and was drawn down subsequent to year end. Following completion of the major 2011 capital program and the catch up of underground development, it is expected that net cash flows from operations will become positive in fiscal 2012. Provided recent levels of production can be maintained or exceeded and the market price for tungsten remains strong for fiscal 2012, the Company's liquidity position should improve.

Mactung Project

Development of the Mactung project is a significant part of the Company's future operations given the size and scope of the deposit. As the Mactung Feasibility Study completed in 2009 estimated a capital cost of $402 million it will be necessary for the Company to seek and obtain financial partner(s) to fully develop the project to operational status. The development of the Mactung project will enhance the Company's position as a leading supplier of tungsten concentrate.

In order to most effectively and responsively move forward to create greater shareholder value from Mactung, the Company's Board of directors established a special committee in Q2 2011 to explore all strategic alternatives relating to the Mactung deposit. The Board believes that the value of the Mactung deposit is not currently reflected in the Company's share price. The timing of the Company's decision takes into account the status of the permitting and licensing, historically high tungsten prices, significant global merger & acquisition activities, a growing worldwide demand for tungsten and related significant potential shortfalls in worldwide tungsten supply. The special committee has garnered significant interest from several industry leaders and the process to most effectively and responsively move the project forward to create greater shareholder value will continue during fiscal 2012.

Government and community relations discussions will continue during 2012.

Cantung Mine

Following the restart of operations in October 2010, the ramp-up of production was slower and more difficult than planned. Recently, production has improved considerably. Completion of an access drift and ventilation to develop better grade sections in the West extension is being driven ahead at present. Production in fiscal 2011 was below plan at 224,000 mtus. The mill processed 355,000 short tons of ore with an average grade of 0.93% WO_3. Mill recoveries have improved as a result of the capital program and averaged 75.3% for the year.

Capacity and efficiency was improved in 2011 as part of a major capital program.

New equipment upgrades for power generation were commission during fiscal 2011 which has increased the available power supply and the power management system is scheduled for completion of installation in January 2012 which should reduce outages. The heat recovery system has been designed and is in construction with completion scheduled in Q2 2012 and will reduce fuel costs for heating in the mill.

Multiple upgrades and replacements were made to the mill equipment. A significant improvement in mill recovery has been achieved with average recovery of 75.3% for fiscal 2011 compared to 69.0% for fiscal 2010.

Underground, new and efficient haul-dump equipment was acquired and older equipment has been retired. New underground haulage trucks were added. An access drift to the West Extension is still being driven on a contract basis.

The mining industry particularly in Northern Canada has been impacted by increasing cost pressures on operating costs with respect to labour, energy and supplies. Personnel turnover/retention continues to be and may remain to be an issue going forward as long as the mining sector remains robust as there is a limited supply of individuals with the required skill sets. Timing delays in development particularly in the West Extension will continue to present challenges for the next several months.

Back-fill will be required to allow for production in areas of the mine that would otherwise not be accessible. In the West Extension, after the "Primary Units" have been mined, they will be filled with cemented back-fill to allow the mining of "Secondary Units". The hydraulic cemented back-fill system has been designed and construction has commenced. The plan is to complete construction and testing during Q2 2012 with regular operation of the cement back-fill system commencing in late Q2 2012 or Q3 2012.

Engineering and a pilot project have commenced to determine the feasibility of reprocessing tailings from the older tailings ponds through the mill for ore WO3 recovery and underground disposition through the hydraulic back-fill system. The potential benefits of this process would be the recovery of low grade ore from the tails and reduction of surface tailings which may reduce future reclamation costs.

A new ventilation access has been designed and construction has commenced to increase ventilation throughout the mine and to allow for access to the deeper sections of the mine as well as a second means of egress from the mine. Construction will be on-going throughout the year with the majority of the construction completed by Q3 2012.

Underground diamond definition drilling will continue during the year as well as underground and surface exploration drilling in areas around the mine complex during the summer, with the hope to expand the reserves of the mine.

Financing

Debt facilities with HSBC and others in conjunction with supplier based equipment financing arrangements have been drawn down. Customer deposits are now being repaid. On October 27, 2010 the Company closed a non-brokered private placement for proceeds of $2.66 million. October 28, 2010 the Company issued Convertible Debentures in the amount of USD$2.87 million for a three year term. On March 31, 2011 the Company closed a bought-deal private placement of 23,000,000 units (the "Units") at a price of $0.50 per unit for gross proceeds of $11.5 million. Although operating cash flows improved significantly in Q4 2011, significant amounts of capital expenditures relating to mine development, tailings impoundment, geo-technical drilling, backfill and ventilation systems will require additional financing during 2012.

Subsequent to September 30, 2011, the Company executed a Working Capital Loan facility with HSBC to a maximum of CDN$12.0 million. The proceeds from the loan facility will be used to pay down trade accounts payable and financing operating activities during reduced production periods.

SUMMARIZED FINANCIAL RESULTS

Operating highlights (in $000's)	Year Ended September 30 2011	Three Months Ended September 30 2011	June 30 2011	March 31 2011	December 31 2010
Tons Milled	354,609	96,813	101,873	76,980	78,943
Feed Grade %	0.93	0.79	1.03	0.85	1.03
Recovery%	75.3	76.2	78.4	73.4	72.1
Tungsten concentrate produced (mtu's)	224,279	52,927	74,652	43,728	52,972
Opening tungsten concentrate (mtu's) inventory	-	14,522	9,242	16,590	-
- produced	224,279	52,927	74,652	43,727	52,973
- sold	212,023	55,736	69,070	50,834	36,383
- adjustments	(739)	(196)	(302)	(241)	-
Ending tungsten concentrate (mtu's) inventory	11,517	11,517	14,522	9,242	16,590
Average price $US/mtu	$ 261.25	$ 317.33	$ 272.30	$ 228.17	$ 200.51
Cost per mtu[1]	$ 270.34	$ 279.37	$ 217.65	$ 367.00	$ 255.79
Costs of sales per mtu[2]	$ 288.26	$ 302.01	$ 236.28	$ 343.79	$ 288.29
Copper produced (lbs)	447,288	154,027	188,118	88,842	16,301
Copper sold (lbs)	278,977	34,530	244,447	-	-
Quarterly average $US foreign exchange rate (US$1 to CDN)	$ 0.9863	$ 0.9780	$ 0.9691	$ 0.9868	$ 1.0102
Financial Data (in $000's)					
Revenues	$ 55,652	$ 17,549	$ 19,287	$ 11,446	$ 7,370
Mine site operating costs					
- Mining	24,469	5,556	6,614	6,482	5,817
- Milling	10,374	2,468	2,883	2,826	2,197
- Plant & Site Services	14,426	3,666	3,839	3,740	3,181
- Site Administration	11,363	3,096	2,912	3,000	2,355
Subtotal mine site operating costs	60,632	14,786	16,248	16,048	13,550
Inventory change, adjustments & write-downs	(3,013)	564	(924)	821	(3,474)
Depreciation	3,499	1,483	996	607	413
Subtotal cost of goods sold	61,118	16,833	16,320	17,476	10,489
Freight, handling and conversion	1,224	291	546	220	167
Royalties	544	172	188	109	75
Accretion of reclamation liabilities	148	36	38	37	37
Gross margin[3]	$ (7,234)	$ 253	$ 2,233	$ (6,359)	$ (3,361)
Net earnings (loss)	$ (16,832)	$ (5,995)	$ 1,257	$ (7,671)	$ (4,423)
Cash flow from operating activities before change in non-cash working capital and increase in reclamation deposit	$ (7,867)	$ 1,108	$ 2,280	$ (7,122)	$ (4,133)

NOTE: Gross margin and cost per mtu are non-GAAP financial performance measured with no standard definition under Canadian GAAP.

1 - Cost per mtu is comprised of mine operating costs (not including depreciation) divided by mtu's of tungsten concentrates produced.

2 - Costs of sales per mtu is comprised of: mine operating costs, depreciation and inventory change, adjustments & write-downs divided by mtu's of tungsten concentrates sold.

3 - Gross Margin is comprised of gross revenues less cost of sales, freight, handling & conversion and royalties

During Q4 2011, the Company recognized an equity loss on TDI of $5.0 million which increased the net loss from $1.0 million to $6.0 million. The equity loss on TDI increased the loss for the year from $11.5 million to $16.8 million.

SUMMARY OF ANNUAL INFORMATION

Annual Summary Financial Data (in $000's, except per share amounts)	For the years ended September 30 2011	2010	2009
Balance Sheet			
Total Assets	$ 82,697	$ 49,927	$ 54,761
Total long-term Liabilities	$ 19,008	$ 11,387	$ 5,592
Earnings and Cash Flow			
Revenue	$ 55,652	$ 13,792	$ 58,166
Cash flow from operating activities	$ (14,140)	$ (2,800)	$ (2,255)
Net earnings (loss)	$ (16,832)	$ (11,937)	$ 936
Net earnings (loss) per share			
- basic	$ (0.07)	$ (0.06)	$ 0.01
- diluted	$ (0.07)	$ (0.06)	$ 0.01
Dividends			
Cash Dividends declared per share	nil	nil	nil

REVIEW OF FINANCIAL RESULTS

Comparison of Q4 2011 to Q4 2010 and the year ended September 30, 2011 to 2010

Financial Data (in $000's) Operating highlights	Three Months Ended September 30 2011	2010	Change	Year Ended September 30 2011	2010	Change
Tungsten concentrate produced (mtu's)	52,927	-	52,927	224,279	12,263	212,016
Tungsten concentrate sold (mtu's)	55,736	-	55,736	212,023	80,932	131,091
Average tungsten concentrate price $US/mtu	$ 317.33	$ -	317.33	$ 261.25	$ 153.40	107.85
Average European APT prices ($US/mtu)	$ 459.72	$ 242.21	217.51	$ 393.37	$ 250.22	143.15
Copper produced (lbs)	154,027	-	154,027	447,288	-	447,288
Financial Data (in $000's, except per share amounts)						
Revenues	$ 17,549	$ 32	$ 17,517	$ 55,652	$ 13,792	$ 41,860
Cost of Sales [1]	$ 16,833	$ 75	$ 16,758	$ 61,118	$ 12,563	$ 48,555
Gross Margin [2]	$ 253	$ (60)	$ 313	$ (7,234)	$ 305	$ (7,539)
Net earnings (loss)	$ (5,995)	$ (5,946)	$ (49)	$ (16,832)	$ (11,937)	$ (4,895)
Net earnings (loss) per share						
- basic	$ (0.02)	$ (0.03)	$ 0.01	$ (0.07)	$ (0.06)	$ (0.01)
- diluted	$ (0.02)	$ (0.03)	$ 0.01	$ (0.07)	$ (0.06)	$ (0.01)
Cash flow from operating activities before changes in non-cash working capital	$ 1,108	$ (5,597)	$ 6,705	$ (7,867)	$ (10,686)	$ 2,819

NOTE: Gross Margin is a non-GAAP performance measure with no standard definition under Canadian GAAP
1 - Cost of Sales consists of: operating costs, Inventory change, adjustments & writedowns and depreciation
2 - Gross Margin consists of - revenues less: operating costs; freight, handling & conversion costs; inventory change, adjustments & writedowns, and royalties

During Q4 2011, the Company recognized an equity loss on TDI of $5.0 million which increased the net loss from $1.0 million to $6.0 million. The equity loss on TDI increased the loss for the year from $11.5 million to $16.8 million.

DURING Q4 2010, THE CANTUNG MINE WAS ON CARE AND MAINTENANCE AND DURING Q4 2011 THE CANTUNG MINE WAS IN OPERATIONS; THEREFORE THESE TWO PERIODS ARE NOT DIRECTLY COMPARABLE. SALES MADE DURING Q4 2010 WERE FROM EXISTING INVENTORY.

Fourth Quarter Highlights

In Q4 2011, benefits of the Company's Cantung investment program continued to be realized but results were down from Q3 2011 by $2.6 million prior to the equity loss on TDI of $5.0 million. Negative net earnings were recorded; tons of ore mined declined from Q3 due to equipment availability issues and workforce turnover; and continuing upgrades at the mill resulted in satisfactory metallurgical recoveries however the ore grades were lower than in Q3 2011.

Results for Q4 2011 were sub-optimal. The tons and grade of ore mined were affected by delays in development work to access higher grade ore in sections of the West Extension. The benefit of the major rise in APT world market prices was only partially realized due to prior months' averaging provisions in sales contracts and deliveries made in the quarter against shipment commitments of previous, lower-priced periods.

Q4 2011 compared to Q3 2011

The net loss for Q4 2011 was $6.0 million or $(0.02) per share, compared with a net income of $1.3 million in Q3 2011 or $0.01 per share. During Q4 2011, the Company recognized an equity loss on TDI of $5.0 million which increased the loss from $1.0 million.

- Production decreased by 21,725 mtus in Q4 2011 compared to Q3 2011.
- Revenues decreased by $1.7 million in Q4 2011 compared to Q3 2011 primarily due to decreased sales volumes (including copper sales) resulting from lower production levels which was partially offset by higher average realized sales prices.
- Average realized price per USD$/mtu increased by 16.5% to USD$317.33 in Q4 2011 compared to USD $272.30 in Q3 2011.

Q4 2011 compared to Q4 2010

The net loss for Q4 2011 was $6.0 million or $0.02 per share, compared to a net loss of $6.0 million or $0.03 per share in Q4 2010. The net loss for Q4 2011 was impacted by the following factors:

- Revenues increased by $17.5 million primarily due to the fact the Cantung Mine was not in production during Q4 2010. During Q4 2010, the Cantung Mine had been shutdown and $5.3 million was incurred in start-up costs to get the mine back into operation, with production commencing in Q1 2011.
- The net loss for Q4 2011 decreased by $4.5 million prior to recognizing an equity loss on TDI of $5.0 million, from a loss of $5.6 million in Q4 2010 before an equity loss on TDI of $0.4 million, primarily as a result of the fact the Cantung mine was not in production during Q4 2010 and due to incurring start-up costs to get the mine back into production.
- Average tungsten concentrate realized price $USD/mtu increased to USD$317.22/mtu.

Year ended 2011 compared to the year ended 2010

The net loss for the year ended September 30, 2011 was $16.8 million or $0.07 per share, compared with a net loss of $12.0 million or $0.06 per share for the year ended September 30, 2010. The net loss for the year ended 2011 was impacted by the following factors:

- The Company experienced significant production shortfalls in mine production, primarily due to delays in underground development, back-fill, power generation issues in the re-start, shortage of skilled labour and poor underground equipment availability during Q1 and Q2 2011. In addition, some equipment availability issues and the skilled labour shortage and retention issues have continued throughout fiscal 2011.
- The Company recognized an equity loss on TDI of $5.3 million compared to a loss of $0.9 million in 2010. During the year ended September 30, 2011, TDI determined that it requires additional funding for development of its business and these funds are not currently available for the foreseeable future. In addition, TDI requires a long-term supply contract for tungsten concentrate which TDI has not been able to secure. As such TDI recognized an impairment loss on property and equipment, license and patents of $9.0 million which increased the net loss for the year to $10.3 million. The Company's 43.2% of TDI's loss was $5.3 million which reduced the net investment in TDI to $0.95 million.

Cantung Mine

- Tungsten concentrate production for Q4 2011 was 21,725 mtus lower compared to Q3 2011. In Q4 2011 Cantung experienced a 5% lower mill throughput and 23% lower grade as compared to Q3 2011 (Q4 2011 grade was 0.79% compared to Q3 2011 grade of 1.03%). The decrease in mill throughput was mainly attributed to lower mined tonnages due to development issues and availability of labour and equipment. The lower production levels in Q4 2011 caused the mine costs of production per unit for Q4 2011 to increase by 28% to $279.37 from $217.65 per unit for Q3 2011.
- Throughout Q4 2011, underground development activities continued primarily in the West Extension of the mine. A significant amount of development is required in the next several months to ensure delivery of an adequate ore supply to the mill.

Comparison of Q4 Operating Performance

Production of tungsten concentrates from the Cantung mine resumed on October 7, 2010. During the year, a decision was made to replace the majority of the underground production fleet (load/haul/dump scoops and replacement trucks). At the same time, new pumps were ordered to replace all the main pumps in the mill. Since resumption of production there have been two scheduled maintenance shutdowns in the mill to address repairs, including a liner change in the rod mill.

Inconsistent power generation was another contributing factor to poor mill availability and mine development. Two new generators were installed and commissioned during August 2011.

Since resumption of work, the mining contractor that is carrying out the underground West Extension development was hampered by flooding due to power issues as well as equipment and workforce issues. Construction of the new ventilation system commenced during Q4 2011 which will improve the overall ventilation in the mine and allow for further development.

Turnover of Company personnel is a significant challenge. The mining cycle is currently at an all time high. There is competition for attracting and retaining qualified and experienced people.

The Company has designed and commenced the construction of waste development and backfill programs to help ensure an adequate ore supply over the next several months. With the commissioning of the new power house, power interruptions should be reduced and fuel costs lowered.

Initial upgrades to electrical distributor systems, pumping and ventilation to the 3600 level of the West Extension are now complete and are resulting in higher productivity from those areas. Further development is continuing to support future production.

Mactung Project Update

In order to most effectively and responsively move forward to create greater shareholder value from Mactung, the Company's Board of Directors established a special committee in Q2 2011 to explore all strategic alternatives relating to the Mactung deposit. The Board believes that the value of the Mactung deposit is not currently reflected in the Company's share price. The timing of the Company's decision takes into account the status of the permitting and licensing, historically high tungsten prices, significant global merger & acquisition activities, a growing worldwide demand for tungsten and related significant potential shortfalls in worldwide tungsten supply. The special committee has garnered significant interest from several industry leaders and the process to most effectively and responsively move the project forward to create greater shareholder value will continue during fiscal 2012.

The Company completed laboratory testing of additional core samples from Mactung to provide information required in the response for the supplementary information as requested by the Yukon Environmental and Socio-economic Assessment Board ("YESAB") on the Mactung Project Proposal pursuant to the Yukon Environmental and Socio-economic Assessment Act ("YESAA"). The Company continued with water sampling programs for surface monitoring, hydrology and groundwater quality. The Company filed its Supplementary Information Request response to YESAB on October 25, 2011. YESAB has determined that the information submitted is satisfactory and the Executive Committee has now commenced preparation of the Draft Screening Report. The draft report is expected to be completed by March 2012, though YESAB can request an extension.

The National Instrument 43-101 Compliant Technical Report on the Mactung Property – Yukon Canada ("Feasibility Study") dated April 3, 2009 prepared by Wardrop, A Tetra Tech Company showed a $276 million NPV and a $402 million capital expenditure requirement, all based on an ammonium paratungstate ("APT") price of USD$300 per mtu.

The Yukon Territorial Government has issued a class IV mining land use permit (#LQ00253) to allow continuing exploration and development of the Mactung property. The permit includes road construction and underground development.

Government and community relations will continue during 2012.

Expenses & Other Income

Financial Data (in $000's)	Three Months Ended September 30			Year Ended September 30		
	2011	2010	Change	**2011**	2010	Change
Shut down/care & maintenance costs	**-**	(533)	533	**-**	3,351	(3,351)
Start up costs	**-**	5,270	(5,270)	**-**	5,270	(5,270)
General and administrative	**719**	707	12	**2,756**	2,388	368
Accretion of equity component of convertible debenture	**20**	-	20	**76**	-	76
Interest and financing costs	**502**	233	269	**1,645**	617	1,028
Equity loss of TDI	**4,958**	342	4,616	**5,318**	864	4,454
Stock based compensation	**24**	45	(21)	**78**	113	(35)
Exploration expenses	**199**	2	197	**221**	73	148
Loss (gain) on disposal of assets	**71**	-	71	**90**	(9)	99
Interest income	**(95)**	(6)	(89)	**(168)**	(27)	(141)
Foreign exchange (gain)	**(11)**	(67)	56	**(211)**	(158)	(53)

Q4 2011 compared to Q4 2010

- During Q4 2010, the Company was in the process of restarting production and incurred $5.3 million in start up costs while in Q4 2011 the Company was in regular production.
- Interest and financing costs increased by $0.27 million or 115% in Q4 2011 compared to Q4 2010 primarily due to the costs associated with the guarantee of the letter of credit which secures a certain customer deposit and additional loan and capital lease facilities entered into to fund the expenditures required for the restart of the Cantung mine operations.

Year ended 2011 compared to the year ended 2010

- During 2010, the Company shutdown operations and placed the mine on care and maintenance and then in Q4 2010 was in the process of restarting production, with production commencing in Q1 2011 and then throughout the year.
- Interest and financing costs increased by $1.0 million for the year ended 2011 compared to the year ended 2010 primarily due to the costs associated with both the guarantee of the letter of credit which secures a certain customer deposit and additional loan and capital lease facilities entered into to fund the expenditures required for the restart of the Cantung mine operations.

SUMMARY OF QUARTERLY INFORMATION

	2010				2011			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
in $000's, except per share amounts								
Total revenues	9,632	3,738	390	32	7,370	11,446	19,287	17,549
Net earnings (loss)	(1,497)	(2,110)	(2,384)	(5,946)	(4,423)	(7,671)	1,257	(5,995)
Income (Loss) per share	(0.01)	(0.01)	(0.01)	(0.03)	(0.02)	(0.04)	0.01	(0.02)
Cash flow from								
Continuing operations before changes in non-cash working capital	(1,207)	(1,777)	(2,104)	(5,598)	(4,133)	(7,122)	2,280	1,108

The Company's results over the quarters above have been driven by:

- initially weak tungsten prices followed by a strong upward price trend which continued to Q3 2011 and then have flattened;
- efforts to ramp up production levels at the Cantung Mine following its closure between October 2009 and October 2010; and
- the exchange rate of U.S Dollar to Canadian dollar.

The key drivers in each quarter were as follows:

Q1 2010 – low tungsten prices and high inventory levels;
Q2 2010 and Q3 2010 – the Company was on care and maintenance and liquidating its product inventories;
Q4 2010 – mine site care and maintenance costs and mine re-start costs
Q1 2011 – low production levels, high unit cost of production and exchange rate
Q2 2011 – increased production and higher operating costs due to mine and mill issues
Q3 2011 – increased production and tungsten prices
Q4 2011 – decreased production from Q3 with higher realized tungsten prices from Q3 2011
Q4 2011 – increase in the equity loss on TDI by $5.0 million due to TDI recognizing an asset impairment loss during the period

LIQUIDITY, CAPITAL RESOURCES AND GOING CONCERN

Going Concern

The Company has negative working capital and high debt levels. A $12 million Working Capital Loan was arranged with HSBC and was drawn down subsequent to year end. Following completion of the major 2011 capital program and the catch up of underground development, it is expected that net cash flows from operations will become positive in fiscal 2012. Provided recent levels of production can be maintained or exceeded and the market price for tungsten remains strong during fiscal 2012, the Company's liquidity position should improve.

Note 1 of the consolidated financial statement discloses the following that relates to going concern:

> *"While these consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to continue operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business, there are conditions and events that cast significant doubt on the validity of this assumption.*
>
> *The Company re-started the Cantung mine in October 2010. For the year ended September 30, 2011, the net loss was $16.8 million (September 30, 2010 - $11.9 million) and there was a deficiency of working capital of $20.7 million at September 30, 2011 (September 30, 2010 - $4.3 million). As described in Note 9, the Company acknowledged a breach with the conditions of its bank operating loan and the Company's bank has agreed to forbear certain covenant breaches provided that amended covenants are met in the future (see Note 9).*

The Company's ability to continue as a going concern is dependent upon on its ability to meet its covenants related to its HSBC Credit Facilities, continued shareholder support and its ability to generate positive cash flows from the Cantung operations. Additional funding will be required for development and working capital. Eventual development of the Mactung project will require further major external funding. While the market prices for tungsten remains strong, there is no assurance that the Company will succeed in arranging all necessary finance or maintain the continuing support of its creditors. Subsequent to September 30, 2011, the Company executed a Working Capital Loan facility with HSBC to a maximum of CDN$12.0 million (see Notes 9 and 25).

If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary to the carrying values of assets and liabilities, the reported revenue and expenses and the balance sheet classifications used. The adjustments would be material."

Cash flow Q4 2011 compared to Q3 2011

Summarized Cash Flow Activity (in $000's)	**Year Ended September 30 2011**	**Three Months Ended September 30 2011**	June 30 2011	March 31 2011	December 31 2010
Cash flow from operating activities before changes in non cash working capital	$ (7,867)	$ 1,108	$ 2,280	$ (7,122)	$ (4,133)
Change in non-cash working capital	(5,835)	3,255	(7,488)	3,284	(4,886)
Increase in reclamation deposits	(438)	(138)	(100)	(100)	(100)
Provided by (used in) operating activities	(14,140)	4,225	(5,308)	(3,938)	(9,119)
Provided from (used in) investing activities	(17,971)	(4,357)	(3,411)	(6,762)	(3,441)
Provided from (used in) financing activities	32,835	980	5,677	15,354	10,824
Increase (decrease) in cash and cash equivalents	724	848	(3,042)	4,654	(1,736)
Cash and cash equivalents, beginning of period	2,276	2,152	5,194	540	2,276
Cash and cash equivalents, end of period	$ 3,000	$ 3,000	$ 2,152	$ 5,194	$ 540

Operating activities before changes in non-cash working capital generated $1.1 million in cash, a decrease of $1.2 million compared to $2.3 million generated in Q3 2011, primarily due to a decrease in sales revenues of $1.7 million.

Operating activities provided $4.2 million in Q4 2011, an increase of $9.5 million compared to Q3 2011 primarily due to the change in working capital of $10.7 million. The change in working capital was driven by increases in receivable, inventory and prepaid assets during Q3 2011 by $4.2m, with accounts payable being paid down by $2.8m, while during Q4 2011, receivables, inventory and prepaid assets decreased by $2.4m with accounts payable increasing by $1.2m.

Investing activities used $4.4 million of cash, an increase in the use of cash of $1.0 million compared to a use of cash of $3.4 million in Q3 2011 primarily due to the $0.7 million increase in use of cash for property, plant and equipment additions for the Cantung mine.

Financing activities provided cash of $1.0 million for Q4 2011, a decrease of $4.7 million compared to Q3 2011. The decrease in the cash provided by financing activities was primarily because in Q3 2011 the operating loan increased by $6.0 million while in Q4 2011 the operating loan increased by $2.5 million and loans and capital leases were paid down by $1.5 million.

Cash Flow Q4 2011 compared to Q4 2010 and the year ended 2011 to 2010

Summarized Cash Flow Activity (in $000's)	Three Months Ended September 30 2011	Three Months Ended September 30 2010	Change	Year Ended September 30 2011	Year Ended September 30 2010	Change
Cash flow from operating activities before changes in non cash working capital	$ 1,108	$ (5,597)	$ 6,705	$ (7,867)	$ (10,686)	$ 2,819
Change in non-cash working capital	3,255	1,070	2,185	(5,835)	8,114	(13,949)
Increase in reclamation deposits	(138)	(100)	(38)	(438)	(228)	(210)
Provided by (used in) operating activities	4,225	(4,627)	8,852	(14,140)	(2,800)	(11,340)
Provided from (used in) investing activities	(4,357)	(4,270)	(87)	(17,971)	(6,036)	(11,935)
Provided from (used in) financing activities	980	9,894	(8,914)	32,835	9,784	23,051
Decrease in cash and cash equivalents	848	997	(149)	724	948	(224)
Cash and cash equivalents, beginning of period	2,152	1,279	873	2,276	1,328	948
Cash and cash equivalents, end of period	$ 3,000	$ 2,276	$ 724	$ 3,000	$ 2,276	$ 724

Q4 2011 compared to Q4 2010

Operating activities before changes in non-cash working capital generated $1.1 million in cash for Q4 2011, an increase of $6.7 million compared to a use of cash of $5.6 million in Q4 2010.

The net cash provided by (used in) operating activities for Q4 2011 was $4.2 million, an increase of $8.9 million compared to Q4 2010. In Q4 2010, the Company was incurring costs to restart the mining operations, while in Q4 2011 the Company was in regular operations and was producing concentrate.

Financing activities during Q4 2011 provided $1.0 million compared to net cash provided of $9.9 million in Q4 2010. The primary sources of cash in Q4 2010 were $8.0 million in customer advances and $2.0 million in equipment loans and capital leases, while in Q4 2011 the operating loan increased by $2.5 million and loans and capital leases were paid down by $1.5 million.

Year ended 2011 compared to the year ended 2010

Operating activities before changes in non-cash working capital used $7.9 million in cash, a decrease of $2.8 million compared to cash used of $10.7 million in the year ended 2010.

The net cash used in operating activities for the year ended 2011 was $14.1 million, an increase of $11.3 million compared to the year ended 2010. The main driver of this change was that during 2010 accounts receivable and inventory decreased by $12.6 million and accounts payable was paid down $4.5 million, while in 2011 accounts receivable and inventory increased by $11.4 million and accounts payable increased by $7.8 million. In addition, during 2011 $2.2 million of customer advances were repaid while in 2010 nil was repaid for customer advances.

Investing activities during the year ended 2011 used $18.0 million, an increase of $12.0 million compared to the year ended 2010. The primary uses of cash during the year were property, plant and equipment additions of $17.1 million at the Cantung mine and $1.0 million on the Mactung property.

Financing activities during the year ended 2011 provided $32.8 million compared to $9.8 million for 2010. The primary sources of cash in the year ended 2011 were the net proceeds of $8.5 million from

operating loans, $2.9 million from issuance of a convertible debenture, net funds from capital leases and equipment loans of $8.2 million and net proceeds from issuance of share capital of $13.4 million.

Balance Sheet (in $000's)	**As at** September 30 2011	June 30 2011	March 31 2011	December 31 2010
Cash and cash equivalents	$ 3,000	$ 2,152	$ 5,194	$ 540
Current assets	19,038	20,622	19,440	13,620
Total assets	82,697	79,043	73,439	59,696
Current liabilities	39,720	31,611	26,251	17,124
Total debt, including current portion [1]	28,471	26,921	21,756	18,269
Total liabilities	58,728	49,103	44,765	33,892
Shareholders' equity	23,969	29,940	28,674	25,804
Statistics:				
Working Capital	(20,682)	(10,989)	(6,811)	(3,504)
Working capital ratio [2]	0.48	0.65	0.74	0.80

1 - Includes current and long-term portions of operating line, bank loans, capital leases customer advances and convertible debenture
2 - Current assets divided by current liabilities

Liquidity Outlook

At September 30, 2011, the Company had cash and cash equivalents of $3.0 million and a working capital deficiency of $20.7 million. Subsequent to September 30, 2011, the Company executed a Working Capital Loan up to a maximum of $12.0 million with HSBC. Additional financing may be required for capital expenditures and working capital outlays over the next 12 months.

Factors that will impact liquidity in the forthcoming months:

- Various capital improvements have been completed during the ramp up period, however, there will be further capital expenditures required, particularly on tailings ponds (including geotechnical drilling), ongoing underground mine development, back-fill system, ventilation and heat recovery projects during fiscal 2012
- The average price realized on the Company's concentrate sales was USD$261.25/mtu in 2011 as compared to the 2011 average price of USD$393.36/mtu Market Bulletin European quotation for APT (the basis for concentrate pricing). The differential is far above historical norms in the industry. Prior months' pricing provisions in sales contracts and delayed deliveries have resulted in a very significant lag in realized prices as compared to the world market. Higher prices should be realized in the future as the weighting of lower, prior prices diminishes.
- Prices for APT have flattened into a range between USD$450.00/mtu to USD$460.00/mtu, and current realizations on concentrates have exceeded USD$400.00/mtu due to the structuring of the Company's contracts.
- Production will continue to be adversely impacted on a sporadic basis by the development shortfall in the West Extension for several months, thereafter improved results are expected from the West Extension

Capital Resources, Credit Facilities, Debt and Equity Financing

HSBC Bank Canada Facilities (“HSBC” or the “bank”)
As part of the credit facilities the Company and the bank entered into a general security agreement over the Company’s assets.

The Company acknowledged a breach of the net tangible worth ratio and the current assets to current liabilities ratio as at September 30, 2011. The Bank has agreed to forbear these breaches provided that:

- the debt to tangible net worth ratio does not exceed 3.50:1.0 for fiscal 2012;
- the consolidated current assets to current liabilities ratio at no time is less than 0.50:1.0 for fiscal 2012.

The credit facilities are subject to periodic review by the Bank.

It is management’s opinion that the revised covenants are achievable based on the current planned levels of production and tungsten prices.

Bank Operating Loan

The operating loan facility is CDN$8.0 million. Drawings against the facility may be in U.S. Dollars or Canadian dollars, subject to a USD$5.0 million (U.S.) maximum. The borrowing base is based on a percentage of trade accounts receivable and product inventory. The loan is supported by the Accounts Receivable Insurance and Foreign Inventory Guarantee Program of Export Development Canada (“EDC”). The loan carries an interest rate of HSBC Bank prime + 2% per annum.

As at September 30, 2011 CDN$8.0 million had been drawn under the operating loan.

Working Capital Loan

Subsequent to September 30, 2011, the Company executed a Working Capital Loan facility with HSBC to a maximum of CDN$12.0 million. The loan is due on demand, shall be repaid in full by June 30, 2013 and bears interest at HSBC Bank prime + 0.25%. The Working Capital Loan is secured by a letter of credit which is sponsored by two directors (the “sponsors”) of the Company, in the amount of USD$12.0 million. The facility requires that in the event that the CND equivalent value of the letter of credit is equal to or below 95% of the outstanding balance of the loan, the Company will repay the loan balance down in the amount of the shortfall or provide the bank cash collateral in the amount of the shortfall.

The sponsors and HSBC have entered into a Put Agreement which may be trigged by HSBC at its sole discretion, which allows HSBC to exchange the outstanding balance of the Working Capital Loan with the sponsors for up to the USD $12.0 million letter of credit. See the Related Party Transaction section of this Management Discussion and Analysis for further details.

An application fee of $75,000 was paid subsequent to September 30, 2011.

Demand non-revolving equipment loans

The Company renewed its three outstanding equipment loans, in the principal amounts of $132 thousand, $149 thousand and $203 thousand. Interest rates on these loans range from Bank Prime plus 1.75% to Bank Prime plus 2.25%.

The Company entered into an agreement for a new "fourth" equipment loan for CDN$3.5 million. The loan carries an interest rate of Bank Prime + 3.75%; interest only was payable for the first nine months; and then monthly payments commenced on April 30, 2011 for thirty months.

The Company entered into an agreement for a "fifth" equipment loan for CDN$3.5 million. The loan carries an interest rate of the Bank Prime + 3.75%; interest only was payable for the first nine months; and then monthly payments commenced on April 30, 2011 for thirty months.

Caterpillar Financial Services Corporation loan facility
During the year ended September 30, 2010, the Company contracted to purchase power generation, heat recovery equipment and electrical control systems for $3.5 million. The Company paid a deposit of $696 thousand for the equipment and entered into an agreement with Caterpillar Financial Services Corporation ("CAT loan") in the amount of USD$2.8 million for a 48 month term with repayments commencing on December 1, 2010 as to $0.7 million and on April 1, 2011 as to $2.1 million with an interest rate of 8.50% per annum.

Capital lease obligations
The Company has additional capital lease obligations with maturity dates ranging from December 2011 to August 2014 with interest rates ranging from 6.4% to 16.58%.

Share placements and convertible instruments

- On October 27, 2010 the Company closed a non-brokered private placement of 7,000,000 units at a price of CDN$0.38 per unit for proceeds of CDN$2.66 million. Each unit consists of one common share and 2/7 of a share purchase warrant. Each whole purchase warrant is exercisable at a price of CDN$1.00 into one common share for a period of five years expiring on October 27, 2015.

- On October 28, 2010 the Company issued Convertible Debentures in the amount of USD$2.87 million for a three year term. The interest rate on the outstanding debt portion is fixed at 10% per annum compounded quarterly. The principal is convertible into common shares of the Company at CDN$0.45 per common share (USD$0.44 based on a pre-determined fixed exchange rate of USD$1.00 = CDN$0.98) until maturity. Each USD$1,000 principal is convertible into 2,267 common shares. The Convertible Debentures are secured by a general security agreement that will be subordinated to the Company's senior indebtedness. Five directors participated directly and indirectly in the Convertible Debentures for a total of USD$1.37 million principal.

- On March 31, 2011 the Company closed a bought-deal private placement of 23,000,000 units (the "Units") of the Company which includes the exercise in full of the over-allotment options for 3,000,000 additional Units, for aggregate gross proceeds of $11.5 million (the "Offering"). The Units were sold at a price of $0.50 per Unit. Each Unit consists of one common share in the capital of the Company (a "Common Share") and one-half of a share purchase warrant. Each

warrant entitles the holder to purchase one Common Share at a price of $0.75 for a period of two years, expiring March 31, 2013.

The Units were sold pursuant to an underwriting agreement (the "Underwriting Agreement"); the Company paid the Underwriters a cash fee of $0.63 million and 1,250,000 broker units (the "Broker Units"). Each Broker Unit is exercisable into one common share and one-half of a share purchase warrant at a price of $0.75, expiring on March 31, 2013. Professional and regulatory fees totalling $0.38 million were incurred in connection with the financing.

The planned and actual use of proceeds from the bought deal private placement is as follows:

(in $000's)	Planned Use Of Proceeds for Short Form Prospectus Dated March 24, 2011
Gross Proceeds	$ 11,500
Commissions	$ 625
Net Proceeds	$ 10,875

Expected use		Use of Proceeds to September 30, 2011	Balance Use of Proceeds
Expenses of the Offering	$ 375	$ 375	$ -
Mactung Project	1,500	404	1,096
Cantung Mine Development	4,000	2,908	1,092
Cantung Mine Equipment	1,000	1,000	-
Working Capital	4,000	4,000	-
Total	**$ 10,875**	**$ 8,687**	**$ 2,188**

Contractual Obligations

(in thousands of dollars) Contractual Obligations	Payments due in years ended September 30, 2012	2013	2014	2015	2016	TOTAL
Mactung leases	$ 8	$ 8	$ 8	$ 8	$ 8	$ 40
Cantung leases	43	43	43	43	43	215
Customer advances	2,621	3,145	-	-	-	5,766
Loans and capital leases	5,987	4,781	1,168	359	-	12,295
Office leases[1]	221	55	-	-	-	276
	$ 8,880	$ 8,032	$ 1,219	$ 410	$ 51	$ 18,592

[1] - The office lease requires a monthly payment of $18 thousand which includes estimated operating costs and expires on December 31, 2012.

The Company has commitments of $1.5 million relating to capital projects at September 30, 2011.

Water license

The Mackenzie Valley Land and Water Board ("MVLWB") issued the Company's type "A" Water License ("license"), which expires January 29, 2014. Subsequent to year end, the water license was extended to January 29, 2016.

The security deposit required under the Company's license is $11.7 million, of which the Company has posted $4.5 million in cash and $7.2 million in the form of secured promissory notes pursuant to the Reclamation Security Agreement ("RSA"). The RSA further provides for:

- the Company to post $100 thousand in cash on the 1st of September, 1st of December, 1st of March, and 1st of June to reduce the amounts pledged under the promissory notes until $nil is outstanding under the promissory notes;
- the cash components payable to Department of Indian and Northern Affairs ("DIAND") to increase under certain events.

Any security amounts owing under the license and monies owed by way of secured promissory notes are secured by a Security Agreement charging specific assets. Any funds in excess of ultimate reclamation costs will be returned to the Company.

During the year ended September 30, 2011, the Company posted $400 thousand of cash and reduced the posted secured promissory notes by $400 thousand.

OTHER INFORMATION

Ore Reserves

Mactung Project

The "Amended Technical Report on the Mactung Property" Yukon Territories, Canada", dated April 3, 2009, was filed on April 9, 2009 on SEDAR and is available under the Company's profile at www.sedar.com.

The Mactung Project is forecast to run at 2,000 tonnes per day from an underground operation using conventional long hole plus cut and fill mining methods. An underground primary crusher and conveyor will supply ore to the surface facility where the ore will be processed into both a premium gravity concentrate (67% WO_3) and a flotation concentrate (55% WO_3). Recovery of WO_3 is expected to average 81.7% and the mine will average 829,000 STU's of WO_3 in concentrates during its first five years of operation.

Mactung Probable Mineral Reserves
As of October 2007

Zone	Tons	Grade (WO3%)	STUs
Upper 2B	9,466,552	1.13%	10,666,911
Lower 2B	2,427,265	1.42%	3,449,871
Total Probable Reserves	11,893,817	1.19%	14,116,782

Estimated using a mining cut-off grade of 0.62% WO3

Total indicated resources for the mineral deposit are 33.0 million tonnes grading 0.88% WO_3 (tungsten trioxide) with an additional 11.8 million tonnes grading 0.78% WO_3 in the inferred resource category (for further details, please refer to the Company's April 27, 2007 press release.) Underground indicated mineral reserves have been calculated to be 8.2 million tonnes grading 1.09% WO_3. The project is based on an 11.2 year underground mine with the potential to expand the mine life by another 17 years with open pit exploitation of the near surface, lower grade mineral resources. This additional potential mine

life would further enhance the project economics but it has not been included in the current bankable feasibility study.

Mactung Indicated and Inferred Mineral Resource
As of October 2007

Classification	Tons	Grade (WO3%)	STUs
Indicated	36,407,867	0.88%	32,038,923
Inferred	13,069,971	0.78%	10,194,577
Total Indicated and Inferred	49,477,838	0.85%	42,233,500

Notes:

1. CIM definitions were followed for mineral resources.
2. Mineral resources are estimated at a block cut-off grade of 0.5% WO3.
3. A MTU is 10 kg WO3.
4. Differences in totals due to round.
5. There are no measured mineral resources in the estimates.

Cantung Mine

An updated Technical Report on the Cantung mine was dated January 31, 2011, was filed on February 9, 2011 on SEDAR and is available under the Company's profile at www.sedar.com.

The updated Mineral Reserves and Mineral Resources as of October 1, 2010 are summarized in Tables 1-1, 1-3 and 1-4.

TABLE 1-1 CANTUNG PROBABLE MINERAL RESERVES

Zone	Tons	Grade (WO_3 %)	STU'S
West Extension 3600 Area	553,432	1.47	813,650
E Zone Pillars	541,860	1.00	539,701
Pit Underground	598,162	1.05	627,986
TOTAL Probable Reserves	**1,693,454**	**1.17**	**1,981,337**

Notes:

1. *Mineral Reserves conform to CIM and NI43-101 requirements.*
2. *All Mineral Reserves are classified as Probable.*
3. *Mineral Reserves are estimated at a cut-off grade of 0.80% WO_3.*
4. *A minimum mining width of 15 feet was used.*
5. *The E Zone Pillars include the West Extension, E-Zone, Main Zone Pillars.*

TABLE 1-3 CANTUNG INDICATED MINERAL RESOURCES

Zone	Tons	Grade (WO_3%)	STU'S
West Extension Below 3700el	344,485	1.49	513,283
West Extension Below 3570el	305,324	1.46	445,773
West Extension	115,601	1.20	138,652
E-Zone	24,183	1.97	47,738
Main Zone Pillars	387,448	1.27	491,461
Central Flats	6,198	1.07	6,646
South Flats	38,990	1.64	64,079
Pit/PUG	1,230,580	0.83	1,021,381
TOTAL Indicated Resources	2,452,809	1.11	2,729,013

Notes:
1. Mineral Resources conform to CIM and NI43-101 requirements.
2. Mineral Resources are estimated at a cut-off grade of 0.5% WO_3 for underground as well as Pit and PUG
3. All Mineral Resources are listed as Indicated
4. Pit/PUG refers to Pit Underground

TABLE 1-4 CANTUNG INFERRED MINERAL RESOURCES

Zone	Tons	Grade (WO_3%)	STU'S
West Extension Below 3700el	571	0.92	525
West Extension Below 3700el	15,371	1.15	17,677
Pit/PUG	417,323	0.83	346,378
TOTAL Inferred Resources	433,265	0.84	364,580

Notes:
1. Mineral Resources conform to CIM and NI43-101 requirements.
2. Mineral Resources are estimated at a cut-off grade of 0.5% WO_3 for underground as well as Pit and PUG
3. All Mineral Resources are listed as Inferred
4. Pit/PUG refers to Pit Underground

Equity

Common share outstanding	
- as of January 27, 2012	237,123,058
- as of September 30, 2011	237,123,058
Share purchase options	
- as of January 27, 2012	3,486,700
- as of September 30, 2011	3,346,700
Share purchase warrants	
- as of January 27, 2012	14,750,000
- as of September 30, 2011	14,750,000

Related Party Transactions

Accounts receivable from TDI as at September 30, 2011 were $nil (September 30, 2010 - $1.3 million).

A director of the Company guaranteed the issuance of a letter of credit for a fee of 10% per annum of the outstanding face amount of the letter of credit. For the year ended September 30, 2011, the Company paid $333 thousand (September 30, 2010 - $53) to the director in respect to the guarantee.

Directors of the Company participated directly and indirectly in the USD$2.87 million convertible debenture financing as to USD$1.37 million.

The Company paid $161 thousand for professional and consulting fees to directors or companies related to director(s) (September 30, 2010 - $111 thousand).

Subsequent to September 30, 2011, two directors of the Company sponsored the Company for the HSBC Working Capital Loan (see Note 9 of the financial statements), by issuing a letter of credit to HSBC in the

amount of USD$12.0 million and entered into a Put Agreement with HSBC. The Put Agreement may be triggered by HSBC at its sole discretion, which allows HSBC to exchange the outstanding balance of the Working Capital Loan with the sponsors for up to the USD$12.0 million of the letter of credit.

In exchange for entering into the Put Agreement and supporting the letter of credit, the Company agreed to compensate the two sponsors in the following manner;

a. pay the sponsors in US dollars on the last day of each calendar quarter, an aggregate amount equal to 1.75% of the maximum outstanding principal amount of the line of credit during the immediately preceding calendar quarter (or portion thereof), which payments will begin on December 31, 2011;
b. pay to the sponsors, an aggregate amount equal to USD$1.5 million on the earlier of:
   (i) the date the Loan is paid in full;
   (ii) the date the Loan is put to the sponsors pursuant to the Put Agreement; or
   (iii) the date the letter of credit is drawn upon for payment of the Loan;
c. upon certain events of default the payments due to sponsors on the last day of each quarter, increase to an aggregate amount equal to 3.0% of the maximum outstanding principal amount of the line of credit during the immediately preceding calendar quarter (or portion thereof); and the payment to the sponsors will increase to USD$2.0 million from USD$1.5 million;
d. the Company has agreed to grant a security interest over the Mactung project to the sponsors which is subordinated to the security under the Reclamation Security Agreement.

Subsequent to year end, the Company paid $214 thousand to the directors in respect to the letter of credit. A fee of $12 thousand was paid to Queenwood, which has a common director and common ownership interest in the Company, to arrange the letter of credit for the Company.

The above transactions were in the normal course of operations, occurring on terms and conditions that are similar to those of transactions with unrelated parties and were measured at the exchange amount.

Off-Balance Sheet Arrangements

The Company is not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the Company's financial condition, changes in financial condition, revenues, expenses, results of operations, liquidity, capital expenditures or capital resources.

Critical Accounting Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles (GAAP) requires management to make assumptions and estimates that affect the amounts reported in the financial statements and notes thereto. Financial results as determined by actual events could be different from those estimates. Significant areas requiring such estimates are depreciation, impairment analysis, stock based compensation, asset retirement obligations, inventory, life of mine assumptions and the composition of future income taxes. Although management believes the estimates used in preparing its financial statements are reasonable, actual results may be different from these estimates.

The significant accounting policies of the Company are described in Note 2 of the September 30, 2011 audited consolidated financial statements. The policies which the Company believes are the most critical to assist with understanding and evaluating its reported financial results include the following:

Revenue recognition

Tungsten sales are recognized and revenues are recorded when the title transfers and the rights and obligations of ownership pass to the customer. Tungsten concentrates are sold under pricing arrangements where final prices are determined by quoted market prices in a period prior to the date sale. See “Commodity Price Risk” in the Financial Instruments section of this MD&A for further explanation of the potential impact due to price fluctuations of tungsten.

Copper sales are recognized and revenues are recorded at market prices when title transfers and the rights and obligations of ownership pass to the customer. Copper concentrates are sold under pricing arrangements where final prices are determined based on quoted market prices for the refined product in a period subsequent to the date of sale. Final pricing is generally determined three to four months after the date of sale. Revenues are recorded provisionally at the time of sale based on forward prices for the expected date of the final settlement. Subsequent variations in price are recognized as revenue adjustments as they occur until the price is finalized.

Valuation of long-lived assets

The Company reviews the carrying values of its property, plant and equipment on a regular basis and whenever there are indicators of potential impairment. Estimated future cash flows are calculated using estimated future prices, mineral resources, operating and capital costs on an undiscounted basis. When the carrying value of the mine or development project exceeds estimated undiscounted future cash flows, the asset is impaired. Write-downs are recorded to the extent the carrying value exceeds the discounted value of the estimated future cash flows. The future cash flows are discounted using the Company’s credit adjusted risk-free rate applicable to the nature of the type of investment / asset.

Inventories

Concentrate inventory comprises tungsten and copper concentrates. Value added inventories may include APT, TBO, W Powder and tungsten composite material. These inventories are valued at the lower of average cost and net realizable value. Net realizable value for tungsten inventories is determined based on the Company’s average realized tungsten sales price for the month. Concentrate inventory includes all direct costs incurred in production, including direct labour and materials, freight, and directly attributable overhead costs; value added inventories include costs associated with toll conversion.

Ore stockpile inventory consists of stockpiled ore on the surface, and is valued at the lower of average cost and net realizable value. Ore stockpile inventory includes all directly attributable costs up to that point of production.

Supplies inventory is valued at average cost.

Asset Retirement Obligation

Future obligations to retire an asset including dismantling, remediation and ongoing monitoring of the site are initially recognized as a liability at fair value, assuming a credit adjusted risk-free discount rate and an estimated inflation factor. The liability is adjusted for changes in the estimated amounts and timing of costs to be incurred, and accreted to full value over time through periodic charges to earnings.

The amount recorded for asset retirement costs is based on estimates included in closure and remediation plans. These estimates are based on studies by our technical staff that takes account of

environmental regulations. Actual costs and the timing of expenditures could differ from these estimates.

The Company's total undiscounted amount of estimated cash flows required to settle the Cantung mine reclamation obligation is $7.6 million (September 30, 2010 - $4.2 million) which has been discounted using a credit adjusted risk free rates of 1.0% to 4.3% (September 30, 2010 - 1% to 4%). The reclamation obligation reflects the Company's best estimates of costs and timing of reclamation work. The estimated liability will be revised in the future for changes to the mine reclamation plan, changes in regulations and the on-going discussions with the regulators. Changes may become necessary as a result of continuing reviews of site conditions, estimated costs and contingencies provided and could result in increases or decreases in the amount of the provision.

The increase in the estimated provision for reclamation liabilities reflects additional third party specialists to be utilized for the removal of hazardous waste and building materials from the site. The liability also increased for estimated costs relating to the control of water from underground facilities and normal underground development. The Company discusses reclamation plans with regulators when there has been significant new mine developments and on an on-going basis with respect to the expectations of the types and levels of reclamation activities to be performed. The Company increased the estimated costs of erosion protection for tailings ponds and for post closure site monitoring activities.

Recent trends in regulatory expectations in Northern Canada are to require protection against catastrophic events possible within an extended and up to 1,000 year scenario; while monitoring activities are being extended in some cases to 30 years following closure of operations. Accordingly, although the Company's updated reclamation plan will not be filed until March 2012, but reflecting on-going discussions with regulators, provision has been made for increases in estimated costs to protect the river basin, to seal the underground workings and in anticipation that specialized contractors must be used to handle the disposal of certain buildings.

As previously, the Company plans to carry out most reclamation work using its own organization. By contrast, the security posted under the water license is based on the mobilization and demobilization of third party crews to carry out all necessary work. Security posted in cash and secured promissory notes therefore exceeds the Company's cost estimate.

(in thousands of dollars)	September 30, 2011	September 30, 2010
Opening balance, asset retirement obligation	$ 3,979	$ 3,780
Accretion	148	199
Change in estimates of future costs	2,901	-
Closing asset retirement obligation	**$ 7,028**	**$ 3,979**

Financial Instruments

Financial Instruments – Recognition and Measurement

CICA Handbook Section 3855 has been amended to clarify the application of the effective interest method after a debt instrument has been impaired and when an embedded prepayment option is separated from its host debt instrument for accounting purposes. These changes are effective for the Company for its interim and annual financial statements beginning on October 1, 2011. The Company has not yet determined the impact of the adoption of these changes on its financial statements.

Financial assets and financial liabilities

The Company has financial assets and liabilities which include cash and cash equivalents, reclamation deposits, accounts receivable, accounts payable, customer advances, bank loans, convertible debentures and obligations under capital leases, the carrying values of which approximate fair values.

Financial assets and financial liabilities, including derivatives, are recognized on the balance sheet when the Company becomes a party to contractual provisions of the financial instrument or derivative contract. All financial instruments are measured at fair value on initial recognition except for certain related party transactions. Measurement in subsequent periods depends on the category of financial instruments. Fair-Value-Through-Profit or Loss ("FVTPL"), financial assets and liabilities are subsequently measured at fair value with gains, losses and transactions costs recognized in the Company's net earnings for the period. Held-For-Trading financial assets and liabilities are subsequently measured at fair value with gains, losses and transaction costs recognized in the Company's net earnings for the period. Financial assets Held to Maturity, Loans and Receivables and Other Financial Liabilities, other than those Held-For-Trading, are subsequently measured at amortized cost using the effective interest method of amortization. Available-For-Sale financial assets are subsequently measured at fair value with unrealized gains and losses, including changes in foreign exchange rates, are recognized in other comprehensive income.

The Company has designated each of its significant categories of financial instruments as follows:

Cash and cash equivalents	Loans and Receivables
Accounts receivable	Loans and Receivables
Reclamation deposits	Held to Maturity
Accounts payable & accrued liabilities	Other Financial Liabilities
Customer advances	Other Financial Liabilities
Bank loans	Other Financial Liabilities
Convertible debentures (liability portion)	Other Financial Liabilities
Obligations under capital lease	Other Financial Liabilities
Other obligations	Other Financial Liabilities

The Company's financial assets and liabilities are measured and recognized according to a fair value hierarchy that reflects the significance of inputs used in making fair value measurements, based on the lowest level of input that is significant to the fair value measurement, as follows:

Level 1 - quoted prices in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and

Level 3 - inputs for the asset or liability that are not based upon observable market data.

Categories of Financial Assets and Liabilities

The fair value of all of the Company's financial assets and liabilities were determined based on level 2 inputs. The Company has no financial assets or liabilities that have fair value determined based on level 3 inputs.

(in thousands of dollars)	September 30, 2011		September 30, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$ 3,000	$ 3,000	$ 2,276	$ 2,276
Accounts receivable	7,622	7,622	1,977	1,977
Reclamation deposits	4,566	4,566	4,128	4,128
Accounts payable & accrued liabilities	23,229	23,229	7,146	7,146
Bank loans and capital leases	19,569	19,569	2,835	2,835
Convertible debentures (liability portion)	2,884	2,884	-	-
Other obligations	252	252	235	235
Customer advances	5,766	5,766	7,975	7,975

The Company has determined the estimated fair values of its financial instruments based upon appropriate valuation methodologies. The fair values of the cash and cash equivalents, accounts receivable, reclamation deposits and accounts payable and accrued liabilities approximate their carrying values due to their short term nature and high level of liquidity.

Risk exposure and risk management
The Company is exposed in varying degrees to a variety of financial risks. The types of risk exposure and the way in which such exposure is managed is provided as follows:

i. Foreign Exchange Risk

The Company operates on an international basis and therefore, foreign exchange risk exposures arise from transactions denominated in a foreign currency. The foreign exchange risk arises primarily with respect to the US dollar. The cash flows from Canadian operations are exposed to foreign exchange risk as commodity sales are denominated in US dollars, and the majority of operating expenses are in Canadian dollars. For the year ended September 30, 2011, with other variables unchanged a $0.01 strengthening (weakening) of the Canadian dollar against the US dollar would result in a decrease (increase) of $0.6 million on net earnings (September 30, 2010 – $0.1 million on net earnings).

ii. Credit Risk

The Company is exposed to credit-related losses in the event of non-performance by counterparties to the financial instruments. Credit exposure is minimized by dealing with only credit worthy counterparties and by having Economic Development Canada ("EDC") insure the Company's receivables from its primary customers for up to 90% of the total outstanding amounts. Accounts receivable for four of the primary customers totalled $6.9 million at September 30, 2011 ($nil as at September 30, 2010), all of which is current (see Note 18 of the financial statements).

The maximum exposure of the Company to credit risk is represented by the amounts shown in the balance sheet for cash and cash equivalents and accounts receivable. Cash and cash equivalents are deposited with a Tier-1, high credit quality financial institution, as determined by ratings agencies.

iii. Interest Rate Risk

The Company's interest rate risk mainly arises from the interest earned on cash and cash equivalents and floating rate interest paid on debt. The interest rate management policy is generally to borrow at fixed rates to match the duration of the long lived assets. In some circumstances, floating rate funding may be used for short term borrowing. Cash and cash equivalents receive interest based on market rates.

At September 30, 2011, $0.03 million (September 30, 2010 $1.3 million) of guarantee investment certificates carried floating interest rates of under 1.0%. For financial liabilities, interest is payable on the equipment loans, CAT loans and capital leases, with interest rates ranging from 4.50% to 16.00%. $6.1 million of the equipment loans carry rates of Bank Prime + from 1.75% to 3.75% (see Note 9 of the financial statements).

As at September 30, 2011 and September 30, 2010, with other variables unchanged, a 1.0% change in the Bank of Canada prime rate would have an insignificant impact on net earnings.

iv. Liquidity Risk

The Company manages liquidity risk by maintaining adequate cash and cash equivalent balances, and by appropriately utilizing lines of credit. Management continuously monitors and reviews both actual and forecasted cash flows, and also matches the maturity profile of financial assets and liabilities. The Company ensures that there is sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's holdings of cash and bankers' acceptances. The Company's cash and cash equivalents are invested in business accounts and bankers' acceptances which are available on demand for the Company's programs and are not invested in any asset backed deposits or investments. Additional information regarding liquidity risk is disclosed in Note 1 and Note 9. The Company's contractual obligations are disclosed in Note 15 of the financial statements.

v. Commodity Price Risk

The value of the Company's mineral resource properties is related to the price of tungsten. The Company does not have any hedging or other commodity based risks respecting its operations.

Tungsten prices historically have fluctuated and are affected by numerous factors outside of the Company's control, including, but not limited to, supply and demand, forward sales by producers and traders, levels of worldwide production and short-term changes in supply and demand. The profitability of the Company's operations is highly correlated to the market price of tungsten. If the metal price were to decline for a prolonged period below the cost of production of the Company's mine, it might not be economically feasible to continue operations.

Capital Management

The Company defines its capital as shareholders' equity, consisting of share capital, equity portion of convertible debentures, contributed surplus, short-term and long-term debt. The Company's objectives when managing its capital are:

- to ensure that the Company will be able to continue as a going concern;
- to ensure compliance with debt covenants; and
- to maximize the return to shareholders.

To assist in the management of the Company's capital, the Company prepares an annual budget, which is approved by the Board of Directors. Actual results are reviewed against the budget monthly. The Company may adjust its capital structure by issuing new shares, issuing new debt with different characteristics to replace existing debt, selling assets to reduce debt and reducing operating and capital expenditure levels.

Additional information regarding capital management is disclosed in Note 1 of the financial statements. Long-term debt covenants which could restrict the Company's capital management options are disclosed in Note 9 to the financial statements.

International financial reporting standards ("IFRS")

The Canadian Accounting Standards Board ("AcSB") has a strategic plan which outlines the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly accountable enterprises to use IFRS, replacing Canada's own GAAP. The changeover is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is required to adopt IFRS on October 1, 2011 for its 2012 fiscal year. The Company will also be required to restate for comparative purposes amounts reported by the Company for the year ended September 30, 2011. While the Company has begun assessing the adoption of IFRS for 2012; the financial reporting impact on the Company, of the transition to IFRS are in the process of being determined.

The Company has been reviewing the various exemptions and elections available to it under IFRS 1 and has been assessing its options in determining its new accounting policies under IFRS. The Company has made some preliminary determinations regarding its transition to IFRS but these may be amended pending further analysis by the Company, changes to existing IFRS standards or upon advice from outside consultant's the Company may engage. Based on analysis to date, the Company has determined the following:

- The transition to IFRS will require only minimal changes to internal controls.
- The transition to IFRS will require little or no change to the Company's information technology or systems.
- The transition to IFRS will require additional disclosures in the notes to the financial statements but this information appears to be available and the expectation is that this will not require significant changes to the current disclosure controls and procedures.
- The transition to IFRS will require the present value of reclamation obligations be computed using a different methodology. The change may not be large and is in the process of being determined.

- The cost method will be used to value its various classes of property, plant and equipment and therefore the Company will not elect to fair value any of these assets.
- Mineral property acquisition, exploration and evaluation costs will continue to be capitalized under IFRS 6 and that there will be no significant adjustments from GAAP.
- The Company has no significant intangible assets aside from mineral properties.
- As of the transition date, not all of the stock option grants were fully vested and therefore transition date adjustments may be required, if material.
- The Company has made preliminary selection of its accounting policies under IFRS and is in the process of quantifying the IFRS adjustments and developed its transition balance sheet.
- The Company believes it has the expertise, training and resources in order to meet the transition requirements.

The Company has retained a consultant to assist the Company with its transition to IFRS.

Caution on Forward-Looking Information

Certain of the statements made and information contained herein is “forward-looking information” within the meaning of the Ontario Securities Act. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to foreign currency fluctuations; risks inherent in mining including environmental hazards, industrial accidents, unusual or unexpected geological formations, ground control problems and flooding; risks associated with the estimation of mineral resources and reserves and the geology, grade and continuity of mineral deposits; the possibility that future exploration, development or mining results will not be consistent with the Company’s expectations; the potential for and effects of labour disputes or other unanticipated difficulties with or shortages of labour or interruptions in production; actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses, commodity price fluctuations; uncertain political and economic environments; changes in laws or policies, delays or the inability to obtain necessary governmental permits; and other risks and uncertainties, including those described under Risk Factors Relating to the Company’s Business in the Company’s Annual Information Form and in each management discussion and analysis. Forward-looking information is in addition based on various assumptions including, without limitation, the expectations and beliefs of management, the assumed long term price of tungsten and copper; that the Company can access financing, appropriate equipment and sufficient labour and that the political environment where the Company operates will continue to support the development and operation of mining projects. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements.

RISK AND UNCERTAINTIES

The Company operates in the mining industry which is subject to numerous significant risks.

Risks Associated with Loan Agreements

The Company’s bankers have agreed to forbear breaches of covenanted balance sheet ratios until January 1, 2012. The Company is currently negotiating the future covenants with HSBC. There is no assurance that the Bank will agree to forbear any future covenant breach.

Risks associated with the Cantung mine

In recent years of operations, the Cantung mine has successfully added more tons to its ore reserves than have been extracted by mining. It is uncertain if, or for how long, it will be able to add new economic ore reserves in the future, but it is certain that the mine has a limited life. There are uncertainties in planning the operation of the mine in the years remaining and projecting expected results. Significant capital investments are required to develop ore reserves and construct tailings impoundment facilities which may require additional funding.

The revenues and operations of the Cantung mine are subject to effects of tungsten price volatility; change in exchange rates, production risks and other risks inherent in the mining and metals business as described in the Company's Annual Information Form.

Risks associated with the Mactung project

There can be no assurance that development or construction activities at the Mactung project will commence in accordance with current expectations or at all.

Risks include: capital outlays and returns on invested funds that may be expected; risks that regulatory approvals may not be granted or may be delayed; risks that adequate financing may not be available on reasonable terms; risks that a down cycle will affect metal prices including tungsten; and other risks inherent to the mining and metals business as described in the Company's Annual Information Form.

Risks associated with Ore Reserves and Resources

Readers are advised to refer to the independent technical reports for detailed information on the Company's material properties. Those technical reports provide the date of each reserve and resource estimate, details of the key assumptions, methods and parameters used in the estimates, details of quality and grade or quality of the reserve and a general discussion of the extent to which the estimate may be materially affected by any known environmental, permitting, legal, taxation, socio-political, marketing, or other relevant issues. The technical reports also provide information with respect to data verification in the estimation.

Risks associated with the Tungsten Diversified Industries

As a result of the reorganization on December 9, 2008 of Tungsten Diversified Industries, LLC ("TDI"), the Company's interest was diluted from 100% to 43.2%. The remaining 56.8% is held by Tundra Particle Technologies, LLC ("Tundra") (43.2%) and Queenwood Capital Partners LLC ("Queenwood") (13.6%). Tundra has common ownership interests with the Company and Queenwood has a director in common and common ownership interests in the Company. The Company's interest in TDI is accounted for under the equity method.

For the year ended September 30, 2011, TDI recorded a net loss of USD$10.3 million which included impairment provisions totalling USD$9.0 million in respect of property, equipment, licenses and patents. Impairment reflected the absence of additional funds required to develop its business and the need for a long-term supply contract for tungsten feedstock. The Company's share is recorded as an equity loss of $ 5.3 million which reduced its net investment in TDI to $0.95 million. The Company continues to regard this investment as important for its long-term strategy of forward integration into down-stream products. The Company reviewed the Investment in TDI for indicators of impairment at September 30, 2011 and determined that the investment at $0.95 million is not impaired.

There is potential for a write down in the future by the Company if it is determined that the estimated recoverable amount of the investment in TDI has decreased.

Tungsten Price Volatility

The profitability of the Company's operation is significantly affected by changes in the tungsten price. The tungsten price can fluctuate widely and is affected by numerous factors beyond the Company's control including market demand, inflation and expectations with respect to the rate of inflation, international economic and political trends, currency exchange fluctuations, new mine developments, governmental stockpile policies, duties and regulations affecting international trade.

If tungsten prices were to decline significantly or for an extended period of time, the Company might be unable to continue its operations, develop its properties, nor fulfill its obligations under its permits and licenses. As a result, the Company might lose its interest in, or be forced to sell some of its properties. At present, the outlook for tungsten prices is relatively strong; however cyclical movements must be expected.

Currency Fluctuations

The Company maintains its accounts in Canadian currency and most of its costs are denominated in that currency. The Company's tungsten concentrate is sold in United States dollars ("USD") and the Company is subject to fluctuations in the rates of currency exchange between United States dollars and the Canadian dollars. Due to currency fluctuations, construction, development and other costs may also be higher than the Company anticipates. The Company has facilities in place to hedge a portion of its cash flows against currency exchange risks. A five percent change in Canadian dollar in relation to the US dollar prices would have a significant impact under full production conditions.

The Company has assets in the United States and may, in future, acquire properties in other countries. Foreign operations will be subject to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results.

Other Information

Management has identified various other risk factors which are set out in detail in the Annual Information Form for the year ended September 30, 2010, which is available on SEDAR at www.sedar.com.

Glossary of Terms

APT	Ammonium paratungstate is an intermediate product which is one of the principal chemical forms in which tungsten is traded
Capex	Capital expenditure requirement to develop a project
Concentrates	The valuable fraction of an ore that is left after waste material is removed in processing
Cu	Copper
MB	Metal Bulletin of London that issues high and low quotations for APT (as well as various other metals) on a frequent basis
MTU	Metric tonne unit of 1 percent of a metric tonne (22.046 pounds) of contained WO_3
NPV	Net present value
Scheelite	A brown tetragonal mineral, CaWO4. It is found in pneumatolytic veins associated with quartz, and fluoresces to show a blue color. Scheelite is a mineral of tungsten
STU	Short ton unit is 20 pounds of WO_3 contained in concentrate
TBO	Tungsten blue oxide is a finely divided blue-violet crystalline powder used primarily for the production of tungsten metal powder and tungsten carbide
Ton	An imperial unit equal to 2,000 pounds
Tonne	A metric unit equal to 2,204.6 pounds (1,000 kilograms)
Tungsten concentrates	Concentrates generally containing between 40 and 75 percent WO_3
W	The elemental symbol for tungsten
West Extension	A continuation (down dip and to the west) of the main E-Zone ore body
WO_3	Tungsten tri-oxide (containing 79.33% W) a compound of tungsten and oxygen