UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED DECEMBER 31, 2013 AND 2012

NORTH AMERICAN TUNGSTEN CORPORATION LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2013 AND SEPTEMBER 30, 2013
FIGURES IN THOUSANDS OF CANADIAN DOLLARS
UNAUDITED

	Note(s)	December 31, 2013	September 30, 2013
ASSETS			
Current assets			
Cash and cash equivalents		$ 16	$ 203
Accounts receivable	3	10,485	9,025
Inventories	4	6,740	7,642
Prepaid expenses		972	888
Derivative instruments		-	29
		18,213	17,787
Accounts receivable	3	3,191	5,358
Property, plant and equipment	5	25,910	25,494
Mineral property - Mactung	6	18,886	18,731
Reclamation deposits	14 & 16	5,584	5,469
		$ 71,784	$ 72,839
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	$ 18,079	$ 16,416
Bank loans	11	22,112	24,679
Current portion of customer advances	9	2,792	2,705
Current portion of equipment loans and capital leases	12	1,651	2,807
Current portion of notes payable	13	2,000	4,934
Current portion of reclamation liability	14	963	963
Current portion of convertible debentures	8	-	2,917
		47,597	55,421
Customer advances	9	3,191	5,358
Notes payable	13	-	2,000
Convertible debentures	8	10,594	-
Customer loan	10	4,999	-
Equipment loans and capital leases	12	291	482
Reclamation liabilities	14	7,511	7,480
		74,183	70,741
SHARE CAPITAL AND DEFICIT			
Share capital	15	64,836	64,836
Contributed surplus	15	6,299	6,267
Deficit		(73,534)	(69,005)
		(2,399)	2,098
		$ 71,784	$ 72,839
Going concern	1		
Commitments and Contingencies	16 & 17		

ON BEHALF OF THE BOARD

"signed"

Kurt E. Heikkila

"signed"

Bryce M. A. Porter

The accompanying notes are an integral part of these consolidated financial statements

NORTH AMERICAN TUNGSTEN CORPORATION LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2013 AND 2012
FIGURES IN THOUSANDS OF CANADIAN DOLLARS
UNAUDITED

(figures in thousands of dollars except for per share amounts)	Note(s)	For the three months ended December 31, 2013	December 31, 2012
REVENUES			
Sales	24	$ 20,462	$ 11,464
EXPENSES			
Cost of sales	18	22,077	13,605
Interest and financing costs	20	1,052	726
General and administrative	19	642	655
Accretion of financial liabilities	8, 11 & 13	572	349
Foreign exchange loss (gain)		518	(36)
Exploration		119	228
Share-based compensation	15	32	-
Loss on disposal of assets		-	16
Loss (gain) on revaluation of derivatives		29	(51)
Interest and other income		(50)	(16)
NET LOSS AND COMPREHENSIVE LOSS		$ (4,529)	$ (4,012)
Loss per share	25		
Basic		$ (0.02)	$ (0.02)
Diluted		$ (0.02)	$ (0.02)
Weighted average number of shares (in thousands)			
Basic		238,123	237,123
Diluted		238,123	237,123

NORTH AMERICAN TUNGSTEN CORPORATION LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2013 AND 2012
FIGURES IN THOUSANDS OF CANADIAN DOLLARS
UNAUDITED

	Note(s)	For the three months ended December 31, 2013	December 31, 2012
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Net loss		$ (4,529)	$ (4,012)
Items not affecting cash:			
Amortization and depreciation	5 & 18	1,744	1,803
Accretion of financial liabilities	8, 11 & 13	572	349
Share-based compensation	15	32	-
Loss on disposal of assets		-	16
Foreign exchange loss (gain) on customer advances	9	260	(71)
Foreign exchange loss on financial liabilities		320	45
Accretion of reclamation obligations	14	31	45
Loss (gain) on revaluation of derivatives		29	(51)
Interest and financing costs		1,052	691
		(489)	**(1,185)**
Adjustment for:			
Change in non-cash working capital	21	2,797	1,365
Increase in reclamation deposits	16	(100)	(100)
		2,208	**80**
CASH FLOWS USED IN INVESTING ACTIVITIES			
Expenditure on Mactung development	6	(241)	(305)
Purchase of property, plant and equipment	5	(1,870)	(3,143)
		(2,111)	**(3,448)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net decrease in equipment loans and capital leases	12	(1,347)	(1,307)
Issuance of convertible debenture	8	1,163	-
Net decrease in notes payable	13	(678)	-
Bank loan borrowings, net	11	(991)	(487)
Net increase in customer advances	9	-	4,138
Net increase in customer loan	10	2,659	-
Interest and financing costs paid		(1,052)	(691)
		(246)	**1,653**
Effect of exchange rate changes on cash and cash equivalents		**(38)**	**-**
CHANGE IN CASH AND CASH EQUIVALENTS		**(187)**	**(1,715)**
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		203	2,124
CASH AND CASH EQUIVALENTS, END OF PERIOD		**$ 16**	**$ 409**
Represented by:			
Cash		$ 16	$ 374
Cash equivalents		-	35
		$ 16	$ 409
Supplemental cash flow information	21		

The accompanying notes are an integral part of these consolidated financial statements

NORTH AMERICAN TUNGSTEN CORPORATION LTD.
CONSOLIDATED STATEMENTS OF EQUITY
FOR THE THREE MONTHS ENDED DECEMBER 31, 2013 AND 2012
FIGURES IN THOUSANDS OF CANADIAN DOLLARS EXCEPT NUMBER OF COMMON SHARES
UNAUDITED

For the three months ended December 31, 2012

	Note(s)	Number of Common Shares		Common Shares		Contributed Surplus		Deficit		Total Equity
Balance at October 1, 2012		237,123,058	$	64,673	$	5,667	$	(55,739)	$	14,601
Net loss		-		-		-		(4,012)		(4,012)
Balance at December 31, 2012		237,123,058	$	64,673	$	5,667	$	(59,751)	$	10,589

For the three months ended December 31, 2013

	Note(s)	Number of Common Shares		Common Shares		Contributed Surplus		Deficit		Total Equity
Balance at October 1, 2013		238,123,058	$	64,836	$	6,267	$	(69,005)	$	2,098
Share-based compensation	15	-		-		32		-		32
Net loss		-		-		-		(4,529)		(4,529)
Balance at December 31, 2013		238,123,058	$	64,836	$	6,299	$	(73,534)	$	(2,399)

1. Nature of operations and going concern:

North American Tungsten Corporation Ltd. (the "Company") is engaged in tungsten mining and related activities including acquisition, exploration, development and processing of ore and concentrates. The Company owns the Cantung mine in the Northwest Territories; the Mactung mineral property in the Yukon Territory; and other tungsten exploration prospects. The Company is incorporated under the Canadian Business Corporations Act. The address of the head office is suite 1640 - 1188 West Georgia Street, Vancouver, British Columbia, Canada.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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 realise 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.

For the three months ended December 31, 2013 there was a net loss of $4.5 million (year ended September 30, 2013 the net loss was $13.3 million). At December 31, 2013 there was a deficiency of working capital of $29.4 million (September 30, 2013 - $37.6 million) and negative shareholders' equity of $2.4 million.

As described in Note 11, following the recognition of the $16.2 million impairment provision at September 30, 2012, the Company was in breach of the debt to tangible net worth covenant of the HSBC credit facility. On January 25, 2013 HSBC waived all previous covenant breaches to December 31, 2012. During fiscal 2013 and at September 30, 2013 the Company was in breach of the covenants and subsequently HSBC waived the breaches to December 31, 2013.

During the year ended September 30, 2013, HSBC informed the Company that the $24.0 million HSBC credit facilities are to be fully repaid not later than December 31, 2013 (Note 11). Subsequent to September 30, 2013 HSBC provided extensions to the credit facilities until June 30, 2014. Under the terms of the extensions, the guaranteed letter of credit along with the Put Agreement has been extended. The Company continues discussions with other financial institutions to replace the HSBC credit facilities.

In October 2013 the Company failed to redeem USD$2.7 million of outstanding convertible debentures (Note 8) and USD$4.0 million notes payables (Note 13). Forbearance was provided until December 31, 2013.

The USD$2.0 million working capital loan guarantee fee (Note 11), USD$2.7 million convertible debentures (Note 8) and USD$4.0 million Queenwood Capital Partners II LLC (Queenwood II) notes payable (Note 13) all matured as of December 31, 2013. As of that date, the Company refinanced these debts along with additional financing of USD$1.3 million from Queenwood II into USD$10 million of Convertible Debentures. Queenwood Capital Partners LLC, Queenwood II and three directors of the Company combined hold USD$8.5 million of the Convertible Debentures. The Convertible Debentures will mature on December 31, 2015 (Note 8). The Convertible Debenture offering includes a potential overallotment of up to USD$3.0 million from Queenwood II, of which USD$1.0 million was funded in January 2014. The conversion feature of the Convertible Debentures received approval by the non-participating shareholders on February 21, 2014 and is pending regulatory approval.

The ability of the Company to continue as a going concern depends upon continued support from its shareholders, lenders and customers. The Company will need to generate positive cash flows from operations which will require increased mill throughput and recovery from the Cantung mine. The Company implemented a mine and mill improvement plan during the year ended September 30, 2013 and this plan is being executed. In addition, it will be necessary to roll-over, extend, replace or refinance existing loan facilities as they mature or arrange new financing. Future operations will also be impacted by market conditions and prices for tungsten concentrates and the ability of the Cantung mine to maintain positive cash flows from operations while containing non-operating outlays as necessary.

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 statement of financial position classifications used. The adjustments would be material.

2. Significant accounting policies:

a. Basis of preparation and measurement

Basis of preparation

The unaudited interim consolidated financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, "Interim Financial Reporting. These interim financial statements should be read in conjunction with the Company's most recently issued annual audited consolidated financial statements which includes information useful to understanding the Company's business and financial statement presentation. In particular, the Company's significant accounting policies were presented in Note 2 of the consolidated financial statements for the year ended September 30, 2013, and have been

consistently applied in the preparation of these interim financial statements.

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as fair-value-through profit and loss which are stated at their fair value.

The Board of Directors approved these financial statements on February 21, 2014.

b. Adoption of New IFRS Pronouncements:

In May 2011, the IASB issued IFRS 10, Consolidated Financial Statements ("IFRS 10"), IFRS 11, Joint Arrangements ("IFRS 11"), IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12") and IFRS 13, Fair Value Measurement ("IFRS 13"). Each of the new standards is effective for annual periods beginning on or after April 1, 2013 with early adoption permitted.

The Company has determined that there is no material impact from the adoption of these new standards with the exception of additional note disclosures on the adoption of IFRS 13.

IFRS 10 – Consolidation

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, Consolidation – Special Purpose Entities, and parts of IAS 27, Consolidated and Separate Financial Statements.

IFRS 11 – Joint Arrangements

IFRS 11 requires a venture to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognise its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities-Non-monetary Contributions by Venturers.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off-balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 – Fair Value Measurement

IFRS 13 is a comprehensive standard for the fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

3. Accounts receivable:

	December 31, 2013	September 30, 2013
Trade receivables	$ 13,231	$ 13,950
Taxes and other receivables	445	433
	13,676	14,383
Current portion of accounts receivable	(10,485)	(9,025)
Long-term portion of accounts receivable	**$ 3,191**	**$ 5,358**

The Company has an operating loan from HSBC, guaranteed by the Accounts Receivable Insurance Program of Export Development Canada ("EDC"), under which it borrows up to 90% of the value of applicable trade receivables from approved customers (Note 11). The

Company has received prepayments from these customers that amounted to $6.0 million at December 31, 2013 (September 30, 2013 - $8.1 million) (Note 9).

4. Inventories:

	December 31, 2013	September 30, 2013
Tungsten concentrates	$ 958	$ 839
Copper concentrate	122	87
Ore stockpile	1,430	2,613
Materials and supplies	4,230	4,103
	$ 6,740	**$ 7,642**

5. Property, plant and equipment:

	Equipment under capital lease	Plant and buildings	Mine development costs	Mining equipment	Tailings Management	Reclamation assets	Total
Ending balance, September 30, 2013	**$ 7,513**	**$ 7,053**	**$ 2,693**	**$ 5,088**	**$ 2,429**	**$ 718**	**$ 25,494**
Opening cost, October 1, 2013	$ 13,867	$ 17,558	$ 39,308	$ 11,139	$ 15,650	$ 5,220	$ 102,742
Additions	42	904	-	10	1,204	-	2,160
Disposals	-	(97)	(11,088)	-	-	-	(11,185)
Ending cost, December 31, 2013	13,909	18,365	28,220	11,149	16,854	5,220	93,717
Opening balance, accumulated depreciation and impairments, October 1, 2013	6,354	10,505	36,615	6,051	13,221	4,502	77,248
Depreciation	478	277	493	198	232	66	1,744
Disposals	-	(97)	(11,088)	-	-	-	(11,185)
Ending balance, accumulated depreciation and impairments, December 31, 2013	6,832	10,685	26,020	6,249	13,453	4,568	67,807
Ending balance, December 31, 2013	**$ 7,077**	**$ 7,680**	**$ 2,200**	**$ 4,900**	**$ 3,401**	**$ 652**	**$ 25,910**

The Company has pledged the equipment under capital lease as security to the leasing company. As part of the HSBC and other credit facilities, the Company has entered into general security agreements which include all property, plant and equipment.

Included in tailings management is a waste water treatment facility totalling $1.6 million which was under development during the three months ended December 31, 2013 (year ended September 30, 2013 - $0.2 million). No depreciation will be taken on this asset until commissioned.

Included in mine development costs is $0.4 million of deferred stripping costs from the fiscal 2013 open pit mining program (September 30, 2013 - $0.4 million).

At December 31, 2013 the Company reviewed the indicators of impairment for the Cantung mine and though there remain indicators of impairment, the review suggests that there is no further impairment.

6. Mineral property - Mactung:

The following table summarizes the Company's investment in the Mactung property.

Balance October 1, 2012	$	**17,668**
Expenditures during the year		1,063
Balance September 30, 2013	$	**18,731**
Expenditures during the period		155
Balance December 31, 2013	$	**18,886**

The Mactung mineral leases are located on the border of the Yukon and Northwest Territories and are held under various mineral lease agreements and claims.

On January 31, 2005 the Company entered into an Amended Royalty Agreement on the Mactung Property with Teck Resources Limited ("Teck"). For $100 thousand Teck granted the Company an option (the "Option") to reduce the Mactung Royalty from a 4% net smelter return ("NSR") to a 1% NSR, such Option to be exercisable by the Company upon:

Paying to Teck an additional $1.0 million by the earlier of:

- March 30, 2015; and
- 60 days after the receipt of a water license issued in connection with any proposed development of the properties (as such term is defined in the Mactung Royalty Agreement) for mineral production.

As the Company did not exercise the Option by March 30, 2010, it paid $200 thousand to Teck to maintain the Option.

The $300 thousand paid by the Company has been treated as a deferred royalty and will be amortized over the life of the mine once the Mactung property is brought into production. The balance at December 31, 2013, was $300 thousand (September 30, 2013 - $300 thousand).

7. Accounts payable and accrued liabilities:

	December 31, 2013	September 30, 2013
Trade payables	$ 10,808	$ 9,287
Property, plant and equipment and Mactung development costs payable	1,017	812
Royalties payable	3,928	3,728
Other payables and accrued liabilities	2,326	2,589
	$ 18,079	**$ 16,416**

8. Convertible Debentures:

Balance at September 30, 2013	$	**2,917**
Interest accreted		41
Loss on foreign exchange		92
Repayments and roll-over into new convertible debentures		(3,050)
Issuance of convertible debentures		10,594
Balance at December 31, 2013	$	**10,594**

On October 29, 2013 the Company repaid USD$170 thousand of the maturing convertible debentures and forbearance was provided for the remaining $2.7 million until December 31, 2013 under the existing terms aside from the repayment date.

The USD$2.7 million of the convertible debentures, along with the USD$2.0 million working capital loan guarantee fee (Note 11) and

USD$4.0 million Queenwood Capital Partners II LLC (Queenwood II) notes payable (Note 13) all matured as of December 31, 2013. As of that date, the Company refinanced these debts along with additional financing of USD$1.3 million from Queenwood II into USD$10 million of Convertible Debentures. Queenwood Capital Partners LLC, Queenwood II and three directors of the Company combined hold USD$8.5 million of the Convertible Debentures. The Convertible Debenture offering includes a potential overallotment of up to USD$3.0 million which can be exercised until March 21, 2014, of which USD$1.0 million was funded subsequent to December 31, 2013. The Convertible Debentures bear interest at 11% per annum, payable quarterly and will mature on December 31, 2015. At December 31. 2013 the then contingent conversion feature was recorded as a liability with the carrying value of the loan. The conversion feature of the Convertible Debentures received approval by the non-participating shareholders on February 21, 2014 and is pending regulatory approval. The Convertible Debentures can be converted at any time into common shares of the Company at a rate of CDN$0.12 per share with a fixed exchange rate of CND$1.00 = USD$0.94, for an effective conversion rate of CDN$0.1128. The Company has provided a general security agreement that has been subordinated to the Company's senior indebtedness as security for the debentures.

When the conversion feature is approved, the portion of the initial fair value representing the conversion feature will be allocated to equity.

9. Customer advances:

	December 31, 2013	September 30, 2013
Obligations for customer advances	$ 5,983	$ 8,063
Current portion of customer advances	(2,792)	(2,705)
Long-term portion of customer advances	**$ 3,191**	**$ 5,358**

During the year ended September 30, 2013 an advance of USD$2.0 million was received from an existing customer on execution of a new tungsten delivery contract and is repayable at the end of the contract which expires on December 31, 2013. An advance of USD$2.2 million was received in December 2012 from a customer on execution of a new tungsten delivery contract repayable by October 31, 2014 (the end of the initial contract term) or by October 31, 2016 (the end of the renewal term) if the renewal option is exercised on mutual agreement by the parties.

The tungsten delivery contracts contain provisions that could allow the customer to terminate the delivery contract if delivery quantities or concentrate specifications are not achieved for three consecutive months. In the event of termination of the delivery contract by the customer, the customer advances would become due on demand.

During the three months ended December 31, 2013 the Company entered into a loan arrangement with an existing customer and the USD$2.2 million advance from the customer was transferred into a loan (Note 10).

10. Customer loan:

	December 31, 2013	September 30, 2013
Customer loan	$ 4,999	$ -
Current portion of customer loan	-	-
Long-term portion of customer loan	**$ 4,999**	**$ -**

During the three months ended December 31, 2013 the Company entered into a new tungsten delivery contract with an existing customer (Note 24). In conjunction with the tungsten delivery contract a loan was arranged for USD$2.5 million and an existing USD$2.2 million advance from the customer was rolled into the loan arrangement (Note 9). The combined loan of USD$4.7 million matures on December 31, 2018, bears interest of 3% per annum with quarterly interest payments commencing on March 31, 2014. Equal principal repayments of USD$293,750 per quarter commence on March 31, 2015 and continue each quarter thereafter with the final payment on December 31, 2018. The loan could be required to be repaid in full on the expiry of the tungsten delivery contract. The loan provides the lender the right to convert the outstanding balance of the loan into a convertible note at any time, which in turn could be converted into common shares of the Company. The convertible loan, if issued, would be convertible into common shares of the Company at either of the following: if the Company has defaulted under the terms of the loan, the conversion rate is the lowest price allowed by the stock exchange which the common share trade on; otherwise the rate is a 5% discount to the market price of the common share. The Company has the

right, within 30 days of receiving notice for the loan to be converted into the convertible loan, to either issue the convertible loan or to pay the loan out in full. The loan is secured by a subordinate charge on the Company's Mactung property. The contingent conversion feature is an embedded derivative which has a nominal value. The embedded derivative liability has been included with the carrying value of the loan.

Subsequent to December 31, 2013 the Company entered into a new tungsten delivery contract with an existing customer (Note 24). In conjunction with the tungsten delivery contract a loan was arranged for USD$2.5 million. The loan matures on March 31, 2017, bears interest of 3% per annum with quarterly interest payments commencing on March 31, 2014. Equal principal repayments of USD$293,750 per quarter commence on March 31, 2015 and continue each quarter thereafter with the final payment of USD$150,000 on March 31, 2017.

11. Bank loan and other credit facilities:

The balance of the Operating and Working Capital loans are as follows:

	December 31, 2013	September 30, 2013
Operating loan	$ 10,112	$ 11,103
Working capital loan [1]	12,000	13,576
	$ 22,112	**$ 24,679**

1 - The Working Capital Loan balance at December 31, 2013 includes $nil of accreted liability (September 30, 2013 - $1.6 million).

HSBC Bank Canada facilities

On May 14, 2012 the Company entered into an amendment of its credit facility with HSBC.

The credit facility contains the following financial covenants:

- the debt to tangible net worth ratio does not exceed 3.5:1 to June 30, 2013 and 2.5:1 thereafter;
- the consolidated current assets to current liabilities ratio at no time is less than 0.5:1 to June 30, 2013 and 1.1:1 thereafter.

For the HSBC covenant calculations, the secured working capital loan of $12.0 million and the $2.9 million undiscounted face value of the convertible debentures (Note 8) are classified as equity.

Following the recognition of the $16.2 million impairment provision at September 30, 2012, the Company was in breach of the debt to tangible net worth covenant of the HSBC credit facility and remained in breach throughout fiscal 2013. HSBC has waived all previous covenant breaches to December 31, 2013.

The credit facility contains a general security agreement in favour of HSBC over the Cantung mine and associated assets.

The credit facilities are subject to periodic review by HSBC.

During the year ended September 30, 2013 HSBC informed the Company that the Bank Operating Loan and the Working Capital Loan are to be fully repaid not later than December 31, 2013. Subsequent to September 30, 2013 HSBC provided extensions to the credit facilities until June 30, 2014. The interest rate on the Operating Loan and Working Capital Loan were increased by 2.0% per annum. The Company is investigating alternate sources of financing to replace the HSBC credit facilities on maturity. Fees of $115 thousand were paid to HSBC for the extensions and forbearance. Under the extension, the guaranteed letter of credit along with the Put Agreement has been extended. The Company has agreed to compensate the Sponsors by paying a fee of 2.25% of the amount of the outstanding balance of the letter of credit each quarter that the letter of credit remains outstanding.

Bank Operating Loan

The amended operating loan facility has a maximum of $12.0 million, of which up to USD$5.0 million of the facility may be in USD.

The borrowing base is a percentage of applicable trade accounts receivable and product inventory. The loan is supported by the Accounts Receivable Insurance Program of EDC. The loan carries interest at HSBC Bank prime rate + 2.0% per annum.

Working Capital Loan

On October 13, 2011, the Company executed a Working Capital Loan facility with HSBC to a maximum of $12.0 million. The loan requires monthly interest payments at HSBC Bank prime + 0.25%, the balance is due on demand and the original agreement required full repayment by June 30, 2013.

A letter of credit that is guaranteed (the "Guarantee") by two directors (the "Sponsors") of the Company (Note 22) has been pledged as security for the Working Capital Loan, in the amount of USD$12.0 million. The facility requires that in the event that the CDN 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 exercised 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 Note 22 for details on the compensation to the Sponsors for the Put.

On June 14, 2013 the Company and HSBC agreed to terms for the extension of the $12.0 million Working Capital Loan facility to December 31, 2013. The agreement also extended the USD$12.0 million Letter of Credit ("L/C") backing the Loan that is guaranteed (the "Guarantee") which was sponsored by two directors of the Company (the "Sponsors") and has been extended for the same period. The Sponsors and the Bank have similarly extended the "Put" Agreement that allows HSBC to exchange the outstanding balance of the Working Capital Loan with the Sponsors for up to the USD$12.0 million L/C. See Note 22 for details on the compensation to the Sponsors for the Put.

In recognising the initial financial liability, it was assumed that the fee of USD$2.0 million (which includes the original USD$1.5 million plus an additional USD$0.5 million related to the extension) for the Guarantee will be paid at maturity of the Working Capital Loan in December 2013. The Working Capital Loan and Guarantee at June 30, 2013 was initially recognised at fair value of $13.5 million less estimated transaction costs of $0.3 million which includes the value of the 5,000,000 warrants issued to the Sponsors (Note 15) and is subsequently carried at amortized cost using the effective interest method. As the HSBC loan is interest bearing at HSBC Bank prime + 0.25%, which is a reasonable rate for this type of loan, the carrying amount approximates fair value.

During the three months ended December 31, 2013 HSBC provided an extension to the credit facility to June 30, 2014. Under the extension, the guaranteed letter of credit along with the Put Agreement has been extended. The interest rate on the Working Capital Loan was increased by 2.0% per annum.

12. Equipment loans and capital leases:

	December 31, 2013	September 30, 2013
Equipment loans	$ 917	$ 1,819
Capital leases	1,025	1,470
	1,942	3,289
Current portion of equipment loans and capital leases	(1,651)	(2,807)
Long-term portion of equipment loans and capital leases	**$ 291**	**$ 482**

See Note 16 for details of required payments for the equipment and capital leases.

HSBC Non-revolving Equipment Loans

The Company has entered into equipment loans that carry interest at rates that range from HSBC Bank Prime + 1.75% to 3.75% and mature in 2014. The Company has pledged the acquired assets of the loans as security for the loans. During the three months ended December 31, 2013 the Company repaid the balance of the loans.

Caterpillar Financial Services Corporation Loan Facility

During the year ended September 30, 2010, the Company entered into loans to purchase power generation, heat recovery equipment and electrical control systems for $3.5 million. The loans mature in fiscal 2015 with interest rates of 8.5% per annum. The Company has pledged the acquired assets as security for the loans.

Capital leases

The Company has various capital leases for equipment with maturity dates that range from fiscal 2014 to 2017 and with interest rates that range from 8.5% to 13.3%. The Company has pledged the acquired assets as security for the capital leases.

13. Notes Payable

	December 31, 2013	September 30, 2013
Former mining contractor	$ 2,000	$ 2,679
Queenwood Capital Partners II LLC	-	4,255
	2,000	6,934
Current portion of notes payable	(2,000)	(4,934)
Long-term portion of notes payable	$ -	$ **2,000**

Issuance of Promissory Notes

In April 2013 the Company reached an agreement with a former mining contractor on a schedule of payments on the final amount due in respect of a contract under which mining services were provided to the Cantung mine.

The Company has issued two promissory notes to the former mining contractor to settle the accounts payable amount with the following terms:

i. A $2.0 million note bearing interest at 8.0%, with interest only payable on the last day of the month commencing on April 30, 2013 up to and including December 31, 2014, with the principal then due.
ii. A $2.0 million note bearing interest at 6.0% per annum, with equal monthly principal installments of $226 thousand on the last day of the month commencing on April 30, 2013 up to and including December 31, 2013. Interest is payable on the last day of the month commencing April 30, 2013.

The Company has pledged certain mobile equipment as security for the promissory notes.

The initial financial liability was recognised at the $4.0 million accounts payable balance that was settled with the issuance of the notes payable and is subsequently carried at amortized cost using the effective interest method.

USD$4.0 million Note Payable

In June 2013 the Company executed a USD$4.0 million short-term credit facility with Queenwood Capital Partners II LLC (Queenwood II), a company controlled by two Directors of the Company. The facility bears interest at 12.5% annually, matures October 31, 2013 and is secured by a fixed charge over the Mactung property and a floating charge over all other assets of the Company. The security granted is subordinated to security previously granted. Financing fees of USD$100 thousand were paid to Queenwood II to execute the credit facility and legal fees of $77 thousand were incurred.

The initial financial liability was recognised at fair value of USD$4.0 million (CDN$4.2 million) less estimated transaction costs of USD$174 thousand and subsequently carried at amortized cost using the effective interest method.

On October 28, 2013 the Queenwood II short-term credit facility matured and forbearance was provided to December 31, 2013 under the existing terms aside from the repayment date. On December 31, 2013 the USD$4.0 million note payable was refinanced in the USD$10 million Convertible Debentures financing (Note 8).

14. Reclamation liabilities:

The Company's total undiscounted amount of estimated future cash flows required to settle the Cantung mine reclamation obligation is $8.9 million (September 30, 2013 - $8.9 million). For financial statement purpose this has been estimated with a market based pre-tax discount rate of 1.4% and with inflation ranging from 0.9% to 1.9%. Based on the mine plan at September 30, 2013 the estimated timing of the reclamation work was revised with the majority of the reclamation work estimated to commence during fiscal 2017 through fiscal 2018, but this timing may be deferred if a longer life is warranted, however this is not included in the current life assumptions.

The Cantung mine future reclamation cost was estimated by an independent engineering firm at each of September 30, 2013 and 2012.

The September 30, 2013 estimate included additional costs for reclaiming an apartment block and for the recontouring of the open-pit. The reclamation cost estimate from the engineering firm was used as the basis for the Company's estimate of the reclamation liability.

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.

	December 31, 2013	September 30, 2013
Opening balance, reclamation liabilities	$ 8,443	$ 8,404
Accretion	31	179
Change in estimates of future costs	-	(140)
Closing balance, reclamation liabilities	**$ 8,474**	**$ 8,443**
Current portion of reclamation liability	(963)	(963)
Long-term portion of reclamation liability	**$ 7,511**	**$ 7,480**

During the three months ended December 31, 2013 the Company recognised accretion expense of $31 thousand (three months ended December 31, 2012 - $45 thousand). The accretion expense is included in interest and financing costs on the statement of comprehensive loss for the period.

The Company has posted deposits of $5.6 million in cash and $6.1 million in the form of secured promissory notes which are held in escrow as security for the mine reclamation obligations under the water license for the Cantung mine issued by the Mackenzie Valley Land and Water Board (Note 16 a).

15. Share capital:

a. Common shares

An unlimited number of common shares without par value are authorized.

On June 12, 2013 1,000,000 common shares were issued to the former Chief Executive Officer of the Company as part of his employment contract settlement. The fair value of the common shares, net of issuance costs, was $163 thousand (note 17).

b. Warrants

Warrants Outstanding as of September 30, 2013	Issued	Exercised	Expired	Warrants Outstanding as of December 31, 2013	Exercise Price	Expiry Date
2,000,000	-	-	-	2,000,000	$1.00	27-Oct-15
5,000,000	-	-	-	5,000,000	$0.20	30-Jun-14
7,000,000	**-**	**-**	**-**	**7,000,000**		

On June 27, 2013 the Company issued 5,000,000 warrants, each exercisable at $0.20 into one common share and expiring on June 30, 2014. The warrants were issued to the Sponsors of the Working Capital Loan Guarantee (the "Guarantee") as part of the compensation to extend the Guarantee to December 31, 2013 (Note 11 and Note 22). The value of the warrants was calculated using the Black-Scholes option pricing model based on an expected life of 1.0 years, a dividend yield of 0%, a risk-free interest rate of 1.2%, an expected volatility of 69.0% based on the Company's share trading history and a share price of $0.19, giving a per warrant fair value of $0.05 and a total value for the warrants of $242 thousand. The value of the warrants is included in the determination of the fair value of the Guarantee.

c. Share option plan

Options Outstanding as of September 30, 2013	Granted	Exercised	Forfeited	Cancelled	Expired	Options Outstanding as of December 31, 2013	Exercise Price	Expiry Date	Options Exercisable
75,000	-	-	-	-	(75,000)	-	$0.15	19-Oct-14	-
875,000	-	-	-	-	(50,000)	825,000	$0.19	1-Feb-15	825,000
100,000	-	-	-	-	-	100,000	$0.28	19-Jan-17	100,000
1,050,000	-	-	-	-	-	1,050,000	$0.42	8-Mar-17	1,050,000
1,866,667	-	-	(233,334)	-	(16,667)	1,616,666	$0.19	28-May-18	1,116,664
50,000	-	-	-	-	-	50,000	$0.19	10-Jul-18	16,666
-	100,000	-	-	-	-	100,000	$0.14	11-Oct-18	33,333
-	150,000	-	-	-	-	150,000	$0.10	4-Dec-18	-
4,016,667	**250,000**	**-**	**(233,334)**	**-**	**(141,667)**	**3,891,666**			**3,141,663**
Weighted Average Exercise Price									
$0.25	$0.12	N/A	$0.19	N/A	$0.17	$0.25			$0.27

Option pricing models require the input of highly subjective assumptions including the expected price volatility and expected life. Changes in the subjective input assumptions can materially affect the fair value estimate and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's share options at the date of grant.

Share options granted during the period were valued using the Black-Scholes option pricing model with the following input values:	Three months ended December 31, 2013	Year Ended September 30, 2013
Exercise price	$0.10 to $0.14	$0.185 to $0.19
Share price	$0.10 to $0.14	$0.185 to $0.19
Expected life	4.0 years	4.0 years
Dividend yield	0%	0%
Risk-free interest rate	1.6% to 1.7%	1.2% to 1.6%
Expected volatility	139%	138% to 139%
Calculated fair value per option	$0.05 to $0.07	$0.10

The share options generally vest in thirds over 12 to 18 months.

During the three months ended December, 31 2013 $32 thousand was recognised as share-based compensation expense for options that vested during the period (three months ended December 31, 2012 - nil).

The outstanding options have a weighted-average exercise price of $0.25 per share (September 30, 2013 - $0.25) and the weighted-average remaining life of 3.4 years (September 30, 2013 – 3.5 years).

16. Commitments:

Contractual Obligations and Commitments	Payments due in years ended September 30						
	2014 [1]	2015	2016	2017	2018	2019	TOTAL
Mactung leases	$ 10	$ 10	$ 10	$ 10	$ 10	$ 10	$ 60
Cantung leases	60	60	60	60	60	60	$ 360
Customer advances	2,792	-	-	-	3,191	-	$ 5,983
Equipment loans	621	344	-	-	-	-	$ 965
Capital leases	885	116	44	3	-	-	$ 1,048
Office leases [2]	167	233	245	251	84	-	$ 980
Equipment purchase and rental contracts	919	-	-	-	-	-	$ 919
	$ 5,454	**$ 763**	**$ 359**	**$ 324**	**$ 3,345**	**$ 70**	**$ 10,315**

1 - Commitments are for the remainder of fiscal 2014

2 - Includes basic rent and associated common costs under the lease

a. Water license

The Mackenzie Valley Land and Water Board ("MVLWB") issued the Company's type "A" Water License ("license"), which expires January 29, 2016.

The security deposit required under the Company's licenses is $11.7 million. The Company has posted $5.6 million in cash and $6.1 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.

The Company has provided a Reclamation Security Agreement which pledges the Mactung Property as security for any amounts owing under the license and monies owed by way of secured promissory notes. Any funds in excess of ultimate reclamation costs will be returned to the Company.

During the three months ended December 31, 2013 the Company posted $100 thousand of cash and reduced the posted secured promissory notes by $100 thousand.

b. Smelter royalties

The Cantung Mine is subject to a 1% net smelter royalty.

17. Contingencies:

The Company had agreements with officers whereby in the event of their contracts being terminated, the Company would be liable for payments totalling $2.0 million. Due to changes in the officers of the Company during the year ended September 30, 2013, the Company recognised $1.8 million in "Fees, wages and benefits" as employment contract settlement expense and the remaining employment agreement subsequently expired. At December 31, 2013 $0.7 million remained in accounts payable for the future installments under the employment settlement agreements (September 30, 2013 - $1.2 million).

Pursuant to contracts with directors, in the event of a change in control of the Company, the Company would be liable for payments totalling $0.3 million.

18. Cost of sales:

	For the three months ended	
	December 31, 2013	December 31, 2012
Mine operating costs	$ 18,610	$ 17,798
Amortization and depreciation	1,744	1,803
Inventory changes, adjustments and write-downs	1,095	(6,554)
Freight, handling and conversion	428	459
Royalties	200	99
	$ 22,077	**$ 13,605**

The amount of inventory sold and recognised as cost of sales in the period ended December 31, 2013, constitutes the cost of sales.

Mine operating costs by function:

	For the three months ended	
	December 31, 2013	December 31, 2012
Mine	$ 6,928	$ 6,942
Mill	3,265	2,977
Power generation and surface maintenance	4,830	4,831
Site administration and environmental	3,587	3,048
	$ 18,610	**$ 17,798**

Mine operating costs by nature:

	For the three months ended	
	December 31, 2013	December 31, 2012
Salaries and wages	$ 5,177	$ 4,936
Employee benefits	1,158	1,120
Fuel and lubricants	4,165	3,967
Materials and supplies	4,159	4,058
Mine and drill contractors	958	1,040
Freight, expediting and support services	1,844	1,598
Other costs	1,149	1,079
	$ 18,610	**$ 17,798**

19. General and administrative costs:

	For the three months ended	
	December 31, 2013	December 31, 2012
Fees, wages and benefits	$ 301	$ 416
Office expenses	110	122
Accounting and audit	62	60
Legal fees	56	4
Investor relations, travel and business development	37	24
Consulting	73	25
Filing fees and transfer agent fees	3	4
	$ 642	**$ 655**

20. Interest and financing costs:

	For the three months ended	
	December 31, 2013	December 31, 2012
Convertible debentures	$ 74	$ 72
Customer loans and advances	77	10
Equipment loans and capital leases	58	177
HSBC credit facility fees	140	-
Notes payable	181	-
Operating loan	128	115
Other	129	45
Working capital loan	107	97
Working capital loan - guarantee fee	158	210
	$ 1,052	**$ 726**

21. Supplemental cash flow:

	For the three months ended	
	December 31, 2013	December 31, 2012
Change in non-cash working capital:		
Accounts receivable	$ 707	$ 7,364
Prepaid expenses	(85)	125
Inventories	902	(7,570)
Accounts payable and accrued liabilities	1,273	1,446
Change in non-cash working capital	**$ 2,797**	**$ 1,365**

	For the three months ended			
	December 31, 2013		December 31, 2012	
Expenditures on property, plant and equipment in accounts payable and accrued liabilities	$	919	$	2,222
Expenditures on Mactung development in accounts payable and accrued liabilities	$	98	$	202
Other supplemental information:				
Total interest received	$	-	$	-
Total interest and financing costs paid	$	1,052	$	702

22. Related party transactions:

Directors of the Company participated directly and indirectly in the USD$2.87 million convertible debentures financing as to USD$1.37 million (Note 8). For the three months ended December 31, 2013 the Company recognised an expense of $37 thousand (three months ended December 31, 2012 - $34 thousand) of interest on these convertible debentures.

On June 14, 2013 the Company and HSBC agreed to terms for the extension of the $12.0 million Working Capital Loan facility to December 31, 2013 (Note 11). The agreement also extended the USD$12.0 million Letter of Credit ("L/C") backing the Loan which was sponsored by two directors of the Company (the "Sponsors") and has been extended for the same period. The Sponsors and the Bank have similarly extended the "Put" Agreement that allows HSBC to exchange the outstanding balance of the Working Capital Loan with the Sponsors for up to the USD$12.0 million L/C.

In exchange for extending the Put Agreement ("Guarantee") and backing the L/C, 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 1.25% of the maximum outstanding principal amount of the L/C during the immediately preceding calendar quarter (or portion thereof), which payments will begin September 30, 2013;
b. pay to the Sponsors, an aggregate amount equal to USD$2.0 million (which amount includes the USD$1.5 million originally payable by June 30, 2013 under the original sponsor agreement) 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 L/C is drawn upon for payment of the Loan;
c. the Company agreed to extend the General Security Agreement which grants security over the Company's assets including the Mactung project to the Sponsors. This is subordinated to the security under a Reclamation Security Agreement;
d. 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 L/C during the immediately preceding calendar quarter (or portion thereof); and the payment to the Sponsors will increase to USD$2.5 million from USD$2.0 million;
e. reimburse the Sponsors' expenses in respect of this transaction which totalled USD$45 thousand; and
f. the Company issued 5,000,000 share purchase warrants each of which is exercisable at $0.20 into one common share of the Company. The share purchase warrants expire on June 30, 2014 (Note 15).

During the three months ended December 31, 2013 HSBC provided an extension to the credit facility to June 30, 2014. Under the extension, the guaranteed letter of credit along with the Put Agreement has been extended and the rate for the guarantee increased to 2.25% per quarter.

During the three months ended December 31, 2013 the Company recognised an expense of $158 thousand in respect of the Guarantee to the Sponsors (three months ended December 31, 2012 - $210 thousand).

During the three months ended December 31, 2013 the USD$2.0 million fee for the Guarantee was refinanced in the USD$10 million Convertible Debentures financing (Note 8).

During the three months ended December 31, 2013 the Company recognised $129 thousand for professional and consulting fees to directors or companies related to director(s) (three months ended December 31, 2012 - $74 thousand).

The above transactions were in the normal course of operations.

Chief Executive Officer Employment Contract Settlement

On June 6, 2013 the Company announced the departure of the CEO and the details of a negotiated employment contract settlement. In accordance with the terms of the employment settlement, the former CEO received compensation equal to three years of his base salary which totals $1.4 million, payable in instalments of $458 thousand in June 2013 (paid), on December 6, 2013 (paid) and June 6, 2014. The $1.4 million settlement expense was recognised in Fees, wages and benefits within General and administrative costs for the year ended September 30, 2013 with $916 thousand of the remaining settlement was included in other payables and accrued liabilities. During the three months ended December 31, 2013 nil was recognised in Fees, wages and benefits within General and administrative costs and at December 31, 2013 $458 thousand of the remaining settlement was included in other payables and accrued liabilities. On June 12, 2013 1,000,000 common shares were issued to the former CEO as part of his employment contract settlement. The fair value of the common shares net of issuance costs was $163 thousand and was recognised in Fees, wages and benefits during the year ended September 30, 2013.

23. Segmented information:

The Company operates in the single business segment of tungsten mining and processing. Copper production is a by-product of that segment.

The geographical distribution of the Company's sales revenue is as follows:

	For the three months ended					
	December 31, 2013			December 31, 2012		
TUNGSTEN:						
Europe	$	8,776	44%	$	-	0%
North America		7,234	36%		4,014	38%
Asia		3,932	20%		6,460	62%
		19,942	**100%**		**10,474**	**100%**
COPPER:						
North America		520	100%		990	100%
		520	**100%**		**990**	**100%**
	$	**20,462**		**$**	**11,464**	

Substantially all of the Company's assets are located in Canada.

24. Sales Contracts:

During the year ended September 30, 2013 the Company negotiated new tungsten delivery contracts with an existing customer as well as a new customer. Thereafter the Company had three main delivery contracts for tungsten concentrate which expire during fiscal 2014 and 2015, as well as the copper delivery contract which expired in December 2013. The contracts contain target delivery quantities and do not contain financial penalties for shortfalls in target delivery quantities.

The tungsten delivery contracts contained provisions that could allow the customer to terminate the delivery contract if quantities or concentrate specifications were not achieved for three consecutive months. In the event of termination of the delivery contract by the customer, the customer advances would become due on demand of the customer (Note 9).

During the three months ended December 31, 2013 the existing copper delivery contract was extended under similar terms to December 31, 2015.

During the three months ended December 31, 2013 the Company negotiated a new tungsten delivery contract in conjunction with a USD$4.7 million loan arrangement (Note 10), with an existing customer that is effective February 1, 2014. The tungsten delivery contract is for an initial term of the latter of 3 years to February 1, 2017 or the completion of the delivery quantity for the initial term. The customer has the right, at its sole discretion, to extend the contract under the initial term until all amounts under the loan arrangement have been repaid in full. If neither party gives notice of termination of the contract by February 1, 2016 the contract automatically is extended for an additional year to February 1, 2018 (year 4). If neither party gives notice of termination of the contract by February 1, 2017 the contract automatically is extended for an additional year to February 1, 2019 (year 5). In the event of default by the Company under the terms of

the delivery contract, the customer has the right to demand immediate fully repayment of the outstanding balance under the loan arrangement. The contracts contain quarterly and annual target delivery quantities and do not contain financial penalties for shortfalls in target delivery quantities. The customer contains provisions that could allow the customer to terminate the delivery contract if quantities or concentrate specifications are not achieved for three consecutive months or if target delivery quantities are not achieved.

Subsequent to the three months ended December 31, 2013 the Company negotiated a new tungsten delivery contract in conjunction with a USD$2.5 million loan arrangement (Note 10), with an existing customer that is effective March 1. 2014. The tungsten delivery contract is for an initial term of the latter of 3 years to February 1, 2017 or the completion of the delivery quantity for the initial term. The customer has the right, at its sole discretion, to extend the contract under the initial term until all amounts under the loan arrangement have been repaid in full. If neither party gives notice of termination of the contract by February 1, 2016 the contract automatically is extended for an additional year to February 1, 2018 (year 4). If neither party gives notice of termination of the contract by February 1, 2017 the contract automatically is extended for an additional year to February 1, 2019 (year 5). In the event of default by the Company under the terms of the delivery contract, the customer has the right to demand immediate fully repayment of the outstanding balance under the loan arrangement. The contracts contain quarterly and annual target delivery quantities and do not contain financial penalties for shortfalls in target delivery quantities. The customer contains provisions that could allow the customer to terminate the delivery contract if quantities or concentrate specifications are not achieved for three consecutive months or if target delivery quantities are not achieved. In the event of termination of the delivery contract by the customer, the customer advances would become due on demand of the customer (Note 9).

25. Loss Per Share:

Loss per share, calculated on the basic and diluted basis, is as follows:

(in thousands except per share amounts)	For the three months ended December 31, 2013	December 31, 2012
Loss per share:		
Basic	$ (0.02)	$ (0.02)
Diluted	$ (0.02)	$ (0.02)
Net loss for the period:		
Attributed to common shareholders - basic	$ (4,529)	$ (4,012)
Attributed to common shareholders - diluted	$ (4,529)	$ (4,012)
Weighted average shares outstanding:		
Weighted average shares outstanding - basic	238,123	237,123
Dilutive securities:		
Stock options	-	-
Weighted average shares outstanding - diluted	238,123	237,123
Shares excluded from the determination of diluted loss per share:		
Stock options	3,892	4,500
Warrants	7,000	14,750
Convertible debentures	88,652	6,506
	99,544	25,756

The weighted average shares that were excluded from the determination of diluted earnings per share represent shares that would be anti-dilutive if they were included in the calculation.

There have been no significant issuances of new potentially dilutive securities subsequent to December 31, 2013. The conversion feature of the Convertible Debentures received shareholder approval subsequent to December 31, 2013 (Note 8).

26. Financial Instruments:

The Company has financial assets which include cash and cash equivalents, derivative instruments, reclamation deposits, trade and other receivables, the carrying value of which approximates fair value. The Company has financial liabilities which include accounts payable and accrued liabilities, bank loans, equipment loans, capital leases, notes payable, customer loans and the interest bearing component of the convertible debentures, the carrying values of which approximates fair value.

The Company's financial assets and liabilities are measured and recognised 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 estimated fair values 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.

The Company has determined the estimated fair values of its financial instruments based upon appropriate valuation methodologies.

The following table shows the carrying value of financial assets and liabilities for each category of financial instruments:

	December 31, 2013	September 30, 2013
Financial Assets		
Loans and Receivables		
Cash and cash equivalents	$ 16	$ 203
Accounts receivable	13,676	14,383
Reclamation deposits	5,584	5,469
Fair-value-through-profit or loss		
USD/CDN forward exchange rate contracts	-	29
Financial Liabilities		
Other Financial Liabilities		
Accounts payable and accrued liabilities	$ 18,079	$ 16,416
Bank loans	22,112	24,679
Equipment loans and capital leases	1,942	3,289
Notes payable	2,000	6,934
Customer loans	4,999	-
Convertible debentures (interest bearing portion)	10,594	2,917
Fair-value-through-profit or loss		
USD/CDN forward exchange rate contracts	-	-
Conversion feature of convertible debentures	-	-

27. Subsequent events:

Customer Loan Arrangement

Subsequent to the three months ended December 31, 2013 the Company negotiated a new tungsten delivery contract in conjunction with a USD$2.5 million loan arrangement (Note 10), with an existing customer that is effective March 1, 2014. See note 24 for details of the tungsten concentrate delivery contract.

Convertible Debentures

On December 31, 2013 the Company issued USD$10 million Convertible Debentures (Note 8). The Convertible Debenture offering includes a potential overallotment of up to USD$3.0 million which can be exercised until March 21, 2014, of which USD$1.0 million was funded subsequent to December 31, 2013. The conversion feature of the Convertible Debentures received approval by the non-participating shareholders on February 21, 2014 and is pending regulatory approval.