



**UNAUDITED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED
MARCH 31, 2012 AND 2011**

NORTH AMERICAN TUNGSTEN CORPORATION LTD.
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2012 AND SEPTEMBER 30, 2011
FIGURES IN THOUSANDS OF CANADIAN DOLLARS
UNAUDITED

(in thousands of dollars)	Note(s)	March 31, 2012	September 30, 2011
ASSETS			
			(restated - note 29)
Current assets			
Cash and cash equivalents	5	\$ 9,351	\$ 3,000
Accounts receivable	6	14,111	7,622
Inventories	7	6,782	7,701
Prepaid expenses		1,232	721
		<u>31,476</u>	<u>19,044</u>
Investment in Tungsten Diversified Industries, LLC ("TDI")	8 & 29	348	568
Property, plant and equipment	9 & 29	47,571	42,592
Mineral properties - Mactung	10	16,967	16,196
Mineral properties - other		9	9
Reclamation deposits	16 & 18	4,781	4,566
		<u>\$ 101,152</u>	<u>\$ 82,975</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	11	\$ 20,362	\$ 23,229
Bank loans	14	11,224	8,521
Current portion of customer advances	13	1,559	2,621
Current portion of loans and capital leases	14, 15 & 29	4,888	5,349
Convertible debentures	12 & 29	2,915	2,451
		<u>40,948</u>	<u>42,171</u>
Bank loans	14	12,406	-
Customer advances	13	2,993	3,145
Loans and capital leases	14, 15 & 29	3,480	5,699
Reclamation liabilities	16 & 29	7,746	7,688
Other obligations		260	252
		<u>67,833</u>	<u>58,955</u>
SHARE CAPITAL AND DEFICIT			
Share capital	17 & 29	64,673	64,673
Contributed surplus	17	5,426	5,226
Accumulated other comprehensive income (loss)	29	(1)	15
Deficit	29	(36,779)	(45,894)
		<u>33,319</u>	<u>24,020</u>
		<u>\$ 101,152</u>	<u>\$ 82,975</u>
Going concern	1		
Commitments and contingencies	18 & 21		
ON BEHALF OF THE BOARD			
<i>"signed"</i>			
Stephen M. Leahy			
<i>"signed"</i>			
Bryce M. A. Porter			

NORTH AMERICAN TUNGSTEN CORPORATION LTD.
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2012 AND 2011
FIGURES IN THOUSANDS OF CANADIAN DOLLARS
UNAUDITED

(in thousands of dollars except for per share amounts)	Note(s)	For the three months ended		For the six months ended	
		March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
			(restated - note 29)		(restated - note 29)
REVENUES					
Sales	22 & 27	\$ 33,407	\$ 11,446	\$ 59,829	\$ 18,816
EXPENSES					
Mine site cost of sales	23	26,995	17,473	44,584	27,963
Freight, handling and conversion		782	224	1,189	387
Royalties		326	109	586	184
		<u>28,103</u>	<u>17,806</u>	<u>46,359</u>	<u>28,534</u>
General and administrative	24	873	723	1,675	1,457
Accretion of financial liabilities	12, 14 & 29	349	132	678	222
Interest and financing costs		854	442	1,605	745
Equity loss of TDI	8 & 29	120	135	204	377
Stock based compensation	17	188	41	200	54
Loss (gain) on disposal of assets		-	(2)	-	(2)
Interest and other income		(123)	(7)	(269)	(15)
Foreign exchange loss (gain)	29	99	44	(13)	(67)
		<u>30,463</u>	<u>19,314</u>	<u>50,439</u>	<u>31,305</u>
OTHER ITEMS		<u>2,944</u>	<u>(7,868)</u>	<u>9,390</u>	<u>(12,489)</u>
Loss on revaluation of derivative liability	12 & 29	(422)	(144)	(275)	(20)
NET INCOME (LOSS) BEFORE INCOME TAXES		<u>2,522</u>	<u>(8,012)</u>	<u>9,115</u>	<u>(12,509)</u>
Deferred income tax recovery		-	60	-	171
NET INCOME (LOSS)		<u>2,522</u>	<u>(7,952)</u>	<u>9,115</u>	<u>(12,338)</u>
OTHER COMPREHENSIVE INCOME (LOSS)					
Cumulative translation adjustment	8 & 29	1	(124)	(16)	(257)
NET COMPREHENSIVE INCOME (LOSS)		<u>\$ 2,523</u>	<u>\$ (8,076)</u>	<u>\$ 9,099</u>	<u>\$ (12,595)</u>
Earnings/(loss) per share	28				
Basic		\$ 0.01	\$ (0.04)	\$ 0.04	\$ (0.06)
Diluted		\$ 0.01	\$ (0.04)	\$ 0.04	\$ (0.06)
Weighted average number of shares (in thousands)					
Basic		237,123	213,823	237,123	212,821
Diluted		238,066	213,823	237,817	212,821

NORTH AMERICAN TUNGSTEN CORPORATION LTD.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2012 AND 2011
FIGURES IN THOUSANDS OF CANADIAN DOLLARS
UNAUDITED

(in thousands of dollars except for per share amounts)	Note(s)	For the three months ended		For the six months ended	
		March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
			(restated - note 29)		(restated - note 29)
CASH FLOWS USED IN OPERATING ACTIVITIES					
Net income (loss) for the period		\$ 2,522	\$ (7,952)	\$ 9,115	\$ (12,338)
Items not affecting cash:					
Amortization and depreciation	9	5,150	607	8,165	1,016
Equity loss of TDI	8 & 29	120	135	204	377
Stock based compensation	17	188	41	200	54
Accretion of financial liabilities	12, 14 & 29	348	132	676	222
Loss (gain) on disposal of assets		-	(2)	-	(2)
Foreign exchange loss (gain) on customer advances	13	(96)	(160)	(265)	(406)
Foreign exchange loss (gain) on financial liabilities	29	(46)	(43)	(73)	(68)
Loss on revaluation of derivative liability	12 & 29	422	144	275	20
Deferred income tax recovery		-	(61)	-	(172)
		<u>8,608</u>	<u>(7,159)</u>	<u>18,297</u>	<u>(11,297)</u>
Adjustment for:					
Interest and financing costs		854	368	1,605	757
Change in non-cash working capital	25	(981)	3,284	(5,141)	(1,602)
Increase in reclamation deposits	18	(105)	(100)	(215)	(200)
		<u>8,376</u>	<u>(3,607)</u>	<u>14,546</u>	<u>(12,342)</u>
CASH FLOWS USED IN INVESTING ACTIVITIES					
Proceeds on disposal of assets		-	5	-	5
Expenditure on Mactung development	25	(295)	(236)	(600)	(378)
Purchase of property, plant and equipment	25	(5,697)	(6,531)	(18,101)	(9,830)
		<u>(5,992)</u>	<u>(6,762)</u>	<u>(18,701)</u>	<u>(10,203)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Issuance of capital stock units	17	-	10,716	-	13,347
Net increase (decrease) in loans and capital leases	14 & 15	(1,346)	4,706	(2,680)	9,906
Issuance of convertible debentures	12 & 29	-	-	-	2,893
Working capital loan borrowings	14	-	-	12,000	-
Bank loan borrowings, net	14	4,392	(68)	2,703	-
Interest and financing costs paid		(795)	(331)	(1,517)	(683)
		<u>2,251</u>	<u>15,023</u>	<u>10,506</u>	<u>25,463</u>
INCREASE IN CASH AND CASH EQUIVALENTS		4,635	4,654	6,351	2,918
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		4,716	540	3,000	2,276
CASH AND CASH EQUIVALENTS, END OF PERIOD		\$ 9,351	\$ 5,194	\$ 9,351	\$ 5,194
<u>Represented by:</u>					
Cash		\$ 9,316	\$ 5,159	\$ 9,316	\$ 5,159
Cash equivalents	5	35	35	35	35
		<u>\$ 9,351</u>	<u>\$ 5,194</u>	<u>\$ 9,351</u>	<u>\$ 5,194</u>
Supplemental cash flow information	25				

NORTH AMERICAN TUNGSTEN CORPORATION LTD.
INTERIM CONSOLIDATED STATEMENT OF EQUITY
FOR THE SIX MONTHS ENDED MARCH 31, 2012 AND 2011
FIGURES IN THOUSANDS OF CANADIAN DOLLARS
UNAUDITED

For the six months ended March 31, 2011

(in thousands of dollars except number of common shares)	Note(s)	Number of Common Shares	Common Shares	Contributed Surplus	Accumulated other comprehensive income (loss)	Deficit	Total Equity
Balance at October 1, 2010	29	206,790,058	\$ 53,546	\$ 3,135	\$ -	\$ (30,420)	\$ 26,261
Stock based compensation	17	-	-	54	-	-	54
Exercise of stock options		33,000	7	(2)	-	-	5
Private placement of units	17	30,000,000	12,197	1,963	-	-	14,160
Share issuance costs		-	(1,111)	77	-	-	(1,034)
Net loss for the period	29	-	-	-	-	(12,338)	(12,338)
Comprehensive loss for the period	29	-	-	-	(257)	-	(257)
Balance at March 31, 2011	29	236,823,058	\$ 64,639	\$ 5,227	\$ (257)	\$ (42,758)	\$ 26,851

For the six months ended March 31, 2012 and the year ended September 30, 2011

(in thousands of dollars except number of common shares)	Note(s)	Number of Common Shares	Common Shares	Contributed Surplus	Accumulated other comprehensive income (loss)	Deficit	Total Equity
Balance at October 1, 2010	29	206,790,058	\$ 53,546	\$ 3,135	\$ -	\$ (30,420)	\$ 26,261
Stock based compensation	17	-	-	78	-	-	78
Exercise of stock options	17	333,000	77	(27)	-	-	50
Private placement of units	17	30,000,000	12,197	1,963	-	-	14,160
Share issuance costs		-	(1,147)	77	-	-	(1,070)
Net loss for the year	29	-	-	-	-	(15,474)	(15,474)
Comprehensive income for the year	29	-	-	-	15	-	15
Balance at September 30, 2011	29	237,123,058	\$ 64,673	\$ 5,226	\$ 15	\$ (45,894)	\$ 24,020
Stock based compensation	17	-	-	200	-	-	200
Net income for the period		-	-	-	-	9,115	9,115
Comprehensive loss for the period		-	-	-	(16)	-	(16)
Balance at March 31, 2012		237,123,058	\$ 64,673	\$ 5,426	\$ (1)	\$ (36,779)	\$ 33,319

NORTH AMERICAN TUNGSTEN CORPORATION LTD.
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2012 AND 2011
FIGURES ARE IN THOUSANDS OF CANADIAN DOLLARS
UNAUDITED

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, and development and processing of ore and concentrate. The Company owns the Cantung mine in the Northwest Territories; the Mactung mineral property in the Yukon Territory; other tungsten exploration prospects; and a 43.2% interest in Tungsten Diversified Industries, LLC, which is located in the United States of America and has the ability to upgrade tungsten products. The Company is domiciled and incorporated in British Columbia, Canada. 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 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 six months ended March 31, 2012, the net income was \$9.1 million (year ended September 30, 2011, the net loss was \$15.5 million) and there was a deficiency of working capital of \$9.5 million (September 30, 2011 - \$23.1 million). As described in Note 14, the Company acknowledged a breach with the conditions of its bank operating loan during the year ended September 30, 2011 and the Company's bank has agreed to forbear certain covenant breaches provided that amended covenants are met in the future. At March 31, 2012, the Company was not in breach of the amended covenants.

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 (the "Bank" or "HSBC"), continued shareholder support and its ability to generate positive cash flows from the Cantung operations. Additional funding may be required for development and working capital. Eventual development of the Mactung project will require further major external funding. While the market quotations for tungsten remain strong, there is no assurance that the Company will succeed in arranging all necessary finance or maintain the continuing support of its creditors. During the three months ended December 31, 2011, the Company executed a Working Capital Loan facility with HSBC to a maximum of \$12.0 million.

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.

2. Significant accounting policies:

a. Basis of preparation and first-time adoption of IFRS

The financial statements are prepared in accordance with Canadian generally accepted accounting principles as stated in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these interim consolidated financial statements. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting ("IAS 34") and IFRS 1, First-Time Adoption of International Financial Reporting Standards ("IFRS 1"). Subject to certain transition elections disclosed below, the accounting policies have been consistently applied in the opening IFRS statement of financial position as at October 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 29 discloses the impact of the transition to IFRS on our reported statement of financial position, statement of comprehensive income and statement of cash flows, including the nature and effect of significant changes in accounting policies from those used in the consolidated financial statements of the Company, for the year ended September 30, 2010, prepared in accordance with Canadian GAAP.

The policies applied in these consolidated financial statements are presented below and are based on IFRS issued and outstanding as of May 14, 2012, the date the Board of Directors approved the financial statements. Any subsequent changes to IFRS that are given effect in our annual consolidated financial statements for the year ending September 30, 2012, could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

The interim consolidated financial statements should be read in conjunction with the Canadian GAAP annual financial statements for the year ended September 30, 2011. Note 29 disclose IFRS information for the year ended September 30, 2011, that is material to the understanding of these consolidated interim financial statements.

NORTH AMERICAN TUNGSTEN CORPORATION LTD.
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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b. Basis of measurement

These unaudited interim 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.

c. Principles of consolidation

These unaudited interim consolidated financial statements include the financial statements of the Company and the entities controlled by the Company (its subsidiaries). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Company.

Intercompany balances and transactions, including any unrealised income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

The consolidated financial statements include the accounts of the Company and its subsidiaries. The significant subsidiaries are 100% owned and include Numbered Company incorporated in Delaware (functional currency is US Dollars "USD") and International Carbitech Industries Inc., incorporated in British Columbia (functional currency is CND).

d. Investment in associates

The Company has a 43.2% interest in Tungsten Diversified Industries, LLC incorporated in Minnesota, USA (functional currency is USD), which is considered an associate. The financial statements of TDI are prepared in United States GAAP, which is not significantly different from IFRS. No adjustments to the TDI financial statements have been required to enable the Company to recognize its share of equity income from the Investment in TDI.

Associates are entities over which the Company has significant influence, but not control. The financial results of the Company's investments in its associates are included in the Company's results according to the equity method. Subsequent to the acquisition date, the Company's share of profits or losses of associates is recognized in the statement of income and its share of other comprehensive income (loss) of associates is included in the other comprehensive income (loss) account.

Unrealized gains on transactions between the Company and an associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising from changes in interests in investments in associates are recognized in the statement of income.

The Company assesses at each year-end whether there is any objective evidence that its interests in associates are impaired. If impaired, the carrying value of the Company's share of the underlying assets of associates is written down to its estimated recoverable amount (being the higher of fair value less cost to sell and value in use) and charged to the statement of comprehensive income.

e. Inventories

Concentrate inventory is comprised of tungsten and copper concentrates. Intermediates comprise products that have been further upgraded to ammonium paratungstate (APT), tungsten blue oxide (TBO) and other tungsten products. Tungsten inventories include all direct costs incurred in production including labour, materials, cost of freight to the mine site, depreciation and attributable overhead costs of administration at the mine site. Net realizable value for intermediates and tungsten concentrate inventories is determined based on the Company's average realized tungsten sales price for the month.

Copper concentrate is a by-product of the tungsten production process. The cost of copper inventory is determined based on the relative sales value approach, where the total production costs for the period when the copper was produced are allocated based on the estimated sales value of the copper compared to the estimated sales value of the tungsten. Net realizable value for copper inventories is determined based on the market sales price for copper at the end of the reporting period less the costs to sell.

Ore stockpile inventory consists of stockpiled ore on the surface and includes all directly attributable costs up to that point of production.

Supplies inventory is valued at average cost.

All inventories are carried at the lower of cost and net realizable value. If the net realizable value of an item of inventory is below its cost, it is written down to net realizable value in the period. In subsequent periods, if the circumstances that caused the inventory to be written down below cost no longer exist or there is clear evidence of an increase in net realizable value has occurred, the write down can be reversed to the extent that the new carrying amount is the lower of the original cost or the revised net realizable value.

NORTH AMERICAN TUNGSTEN CORPORATION LTD.
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2012 AND 2011
FIGURES ARE IN THOUSANDS OF CANADIAN DOLLARS
UNAUDITED

f. Property, plant and equipment

Property, plant and equipment are initially recorded at fair value and are carried at cost less accumulated depreciation and write-downs. Property, plant and equipment are amortized using the unit of production method. Reclamation assets are amortized on the straight-line basis over the remaining life of the mine. The Company does not have any property, plant and equipment that are accounted for under the revaluation model.

Repairs and maintenance costs are charged to expense as incurred, except when these repairs significantly extend the life of an asset or result in an operating improvement. In these instances the portion of these repairs relating to the betterment is capitalized as part of plant and equipment. Major overhauls are capitalized to each asset in the period that they are incurred and the costs associated with the original asset derecognized.

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statement of income during the period in which they are incurred.

The major categories of property, plant and equipment are as follows:

Major categories	Depreciation base
Mine development costs	Unit of production
Mining equipment	Unit of production
Plant and buildings	Unit of production
Equipment under capital lease	Unit of production
Reclamation assets	Straight-line over remaining life of mine

Mine development costs include costs of access drifts, ramps, tunnels and infrastructure to access ore bodies, which are estimated to provide benefits to the Company for future production. Costs are assigned to individual ore bodies and are amortized using the unit of production method based on the estimated recoverable tungsten units associated with the ore body.

The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant components and depreciates separately each component over its useful life. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate. Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds.

g. Capital leases

Assets under capital leases are capitalized as part of property, plant and equipment and the outstanding lease obligations are shown in loans and capital leases. The interest element of leasing payments is expensed over the term of the lease and is reported in profit or loss as a financing cost.

h. Asset impairment

Property, plant and equipment and any intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

i. Borrowing costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expense in the statement of income in the period in which they are incurred.

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j. Mineral property interests

Mineral property costs for the acquisition, exploration, evaluation and development of mineral property interests are capitalized on a property-by-property basis. Such expenditures include direct costs and an appropriate portion of related overhead expenditures, but do not include general overhead or administrative expenditures that do not have a specific connection with a particular area of interest. Mineral property costs are considered to be intangible assets with indefinite lives. Mineral property costs are not amortized. Each property is evaluated each reporting period or if there are indicators of impairment, in order to determine if the costs incurred to date continue to be recoverable. Capitalized costs that exceed estimated recoveries are charged to earnings in the period of determination. Upon sale or abandonment of mineral properties, the accumulated costs are written off and any gains or losses thereon are included in the statement of income.

When a mineral property moves from exploration into development, the costs of the property are transferred to property, plant and equipment.

k. Provisions

Provisions are made for all known obligations not otherwise recorded. These are recognized in liabilities when the Company has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

l. Reclamation liabilities

Provision is made for closure, restoration and environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the financial period when the related obligation arises, based on the estimated future costs using the best information available at the balance sheet date. At the time of establishing the provision, a corresponding asset is capitalised to property, plant and equipment as a reclamation asset, where it gives rise to a future benefit. The provision is discounted using a current market based pre-tax discount rate and the unwinding of the discount is included in finance costs.

The provision is reviewed each reporting period for changes to obligations, legislation or discount rates that impact estimated costs or lives of operations. The cost of the related asset is adjusted for changes in the provision resulting from changes in the estimated cash flows or discount rate and the adjusted cost of the asset is depreciated prospectively.

m. Use of estimates

The preparation and consolidation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Actual results could differ from these estimates. Significant areas where management's judgment is applied include costs and net realizable value for concentrate and ore stockpile inventory, property, plant and equipment (asset valuations and asset useful lives), reclamation liabilities, amortization and depreciation, stock based compensation expense, deferred income taxes, impairment calculations, fair value determinations for financial instruments and ore reserve determinations as they relate to the amortization bases. Ore reserve determinations involve estimates of future costs and future commodity prices.

n. Measurement uncertainty – specific items

Certain amounts recognized in the financial statements are subject to measurement uncertainty. The recognized amounts of such items are based on the Company's best information and judgment. Such amounts are not expected to change materially in the near term but changes in assumptions could materially affect the estimates.

- The amounts recorded for depreciation, amortization, impairment of property, plant and equipment and mine development costs depend on estimates of tungsten reserves, the estimated economic lives of the assets, estimated salvage values, future cash flow from assets and discount rates where applicable.
- Provision for future site restoration costs depends on estimates of costs, rates of inflation, discount rates, estimated timing of progressive and future reclamation work, the regulatory environment and mine development plans which are all dependent on the life of mine assumptions. Changes in the life of mine or any of the assumptions could materially affect the estimated liability.
- Costs that have been deferred in relation to mineral property interests have been deferred to the extent that they are expected to be recovered. The viability of exploration properties depends on the quantity and grade of mineralization, the location of the deposit in relation to infrastructure, the estimated future market prices of the minerals.
- Future income tax assets and liabilities are dependent on estimated timing of future events, cash flows, income tax rates and profitability of operations.

NORTH AMERICAN TUNGSTEN CORPORATION LTD.
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- The determination of the fair value of financial instruments that are not traded in active markets requires the use of valuation techniques and subjective assumptions derived from observable data. Changes in the assumptions could generate materially different results.

o. Foreign currencies

Functional and Presentation Currency

Items included in the financial statements of each consolidated entity are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars ("CND"), which is the functional currency of North American Tungsten Corporation, the parent company. The financial statements of entities that have a functional currency different from that of the Parent ("foreign operations") are translated into Canadian dollars as follows: assets and liabilities – at the closing rate at the date of the statement of financial position, and income and expenses – at the average rate of the period (as this is considered a reasonable approximation to actual rates). All resulting changes are recognized in other comprehensive income as cumulative translation adjustments.

When an entity disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive income related to the foreign operation are recognized in profit or loss. If an entity disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive income related to the subsidiary is reallocated between controlling and non-controlling interests.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in the statement of income.

p. Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Company and delivery has occurred, the sales price is fixed or determinable, and collectability is reasonably assured. These criteria are generally met at the time the product is shipped and delivered to the customer and, depending on the delivery conditions, title and risk have passed to the customer and acceptance of the product, when contractually required, has been obtained.

Tungsten concentrates are sold under pricing arrangements where final prices are determined by quoted market prices in a period prior to the date of sale.

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.

q. Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of income except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are presented as non-current.

Tax on income in interim periods is accrued using the tax rate that would be applicable to expected total annual earnings.

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r. Stock based compensation

The Company grants stock options to directors, employees and consultants. Stock options are granted with varying vesting terms over the life of the option. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately. Stock options that are granted to consultants (non-employees) are fair valued based on the fair value of the products and services received by the Company from the consultant. If the fair value of the products and services received cannot be reliably measured, the options are fair valued using Black-Scholes.

s. Earnings per share

Basic earnings (loss) per share ("EPS") is calculated by dividing the net income (loss) for the period attributable to equity owners of the Company by the weighted average number of common shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method. The Company's potentially dilutive common shares comprise stock options granted to employees, warrants and convertible financial liabilities. When a net loss is incurred for a period, basic and diluted earnings per share are the same because the exercises of options, warrants and convertible financial liabilities are anti-dilutive.

t. Share capital

The Company records proceeds from share issuances net of share issuance costs. Share capital issued for non-monetary consideration is recorded at the fair value of the products or services received unless the fair value cannot be reasonably determined in which case the share capital is recognized at the fair value of the shares on the date the shares are issued.

3. IFRS Pronouncements – issued but not yet effective:

In November 2009, the IASB issued IFRS 9, Financial Instruments, which become effective for the Company for annual periods beginning on or after April 1, 2015.

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"), IAS 27, Separate Financial Statements ("IAS 27"), IFRS 13, Fair Value Measurement ("IFRS 13"), and amended IAS 28, Investments in Associates and Joint Ventures ("IAS 28"). Each of the new standards is effective for annual periods beginning on or after April 1, 2013 with early adoption permitted.

IFRS 9 – Financial Instruments

IFRS 9 was issued in November 2009. It addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated as fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 is required to be applied for accounting periods beginning on or after January 1, 2015, with earlier adoption permitted.

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.

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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 recognize 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.

The Company is in the process of assessing the impact of these new standards.

4. Financial instruments:

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. Financial assets Held-to-Maturity, Loans and Receivables and Other Financial Liabilities are initially recognized at fair value net of transaction costs and 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.

A contract that will or may be settled in the Company's own equity and is a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity is classified as a financial liability at FVTPL. When a financial liability contains a feature that allows the holder of the financial liability to call for the settlement of the liability at any time (due on demand or callable at the option of the holder), the entire financial liability is classified as current.

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
Accounts payable and accrued liabilities	Other Financial Liabilities
Bank operating and working capital loans	Other Financial Liabilities
Equipment loans	Other Financial Liabilities
Convertible debentures - interest bearing portion	Other Financial Liabilities
Other obligations	Other Financial Liabilities
Derivatives	Fair-Value-Through Profit or Loss

5. Cash and cash equivalents:

Cash and cash equivalents include cash in bank account, demand deposits, money-market investments and bankers' acceptances with maturities from the date of acquisition of 90 days or less.

The HSBC operating loan facility allows the Company to borrow up to \$4.0 million in excess of the \$8.0 million borrowing limit with the excess secured by USD cash deposits at HSBC (see Note 14). The USD cash deposits are restricted from use, until the operating loan

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balance is paid down to the \$8.0 million borrowing limit. At March 31, 2012, cash of USD\$3.3 million was required to be kept on deposit in relation to this loan facility (September 30, 2011 – USD\$0.5 million).

6. Accounts Receivable:

	March 31, 2012	September 30, 2011
Trade receivables	\$ 12,822	\$ 6,862
Taxes and other receivables	1,289	760
	\$ 14,111	\$ 7,622

7. Inventories:

	March 31, 2012	September 30, 2011
Tungsten concentrates	\$ 1,791	\$ 3,066
Tungsten intermediaries	714	1,121
Copper concentrate	236	-
Materials and supplies	4,041	3,514
	\$ 6,782	\$ 7,701

The amount of inventory expense for the year is the equivalent of the mine site cost of sales (see Note 23).

At March 31, 2012, TDI held \$0.7 million of intermediates on behalf of the Company, which TDI has authority to sell on the Company's behalf (September 30, 2011 - \$0.9 million).

8. Investment in Tungsten Diversified Industries, LLC:

43.2% of Tungsten Diversified Industries, LLC ("TDI") is owned by the Company. 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. The 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 was recorded as an equity loss of \$4.6 million which reduced its net investment in TDI at September 30, 2011 to \$0.57 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 further impairment at September 30, 2011 and determined that the investment at \$0.57 million is not impaired.

For the six months ended March 31, 2012, the Company's share of the equity loss of TDI was \$204 thousand (six months ended March 31, 2011 - \$377 thousand), which reduced the investment in TDI to \$348 thousand.

The Company reviewed the Investment in TDI for indicators of impairment at March 31, 2012, and determined that there had been no significant changes in the financial condition of TDI and as such concluded that there is no impairment.

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The Company's net investment in TDI is as follows:

Balance - October 1, 2010	\$ 5,137
Share of losses for the year	(4,554)
Cumulative translation adjustment on foreign operations	(15)
Balance - September 30, 2011	568
Share of losses for the period	(204)
Cumulative translation adjustment on foreign operations	(16)
Balance - March 31, 2012	\$ 348

9. Property, plant and equipment:

	Equipment under capital lease	Plant and buildings	Mine development costs	Mining equipment	Tailings	Reclamation assets	Total
Opening cost, October 1, 2010	\$ 4,811	\$ 14,706	\$ 13,073	\$ 5,909	\$ 8,704	\$ 1,199	\$ 48,402
Additions	5,799	2,487	12,453	1,689	2,878	3,561	28,867
Disposals	-	(2,228)	-	(626)	-	-	(2,854)
Ending cost, September 30, 2011	10,610	14,965	25,526	6,972	11,582	4,760	74,415
Opening balance, accumulated depreciation and impairments, October 1, 2010	1,231	8,130	11,088	2,093	7,554	822	30,918
Depreciation	1,033	514	-	772	801	377	3,497
Disposals	-	(2,080)	-	(512)	-	-	(2,592)
Ending balance, accumulated depreciation and impairments, September 30, 2011	2,264	6,564	11,088	2,353	8,355	1,199	31,823
Ending balance, September 30, 2011	\$ 8,346	\$ 8,401	\$ 14,438	\$ 4,619	\$ 3,227	\$ 3,561	\$ 42,592
Opening cost, October 1, 2011	\$ 10,610	\$ 14,965	\$ 25,526	\$ 6,972	\$ 11,582	\$ 4,760	\$ 74,415
Additions	102	589	8,601	2,790	1,062	-	13,144
Ending cost, March 31, 2012	10,712	15,554	34,127	9,762	12,644	4,760	87,559
Opening balance, accumulated depreciation and impairments, October 1, 2011	2,264	6,564	11,088	2,353	8,355	1,199	31,823
Depreciation	1,065	577	5,144	326	476	577	8,165
Impairment	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Ending balance, accumulated depreciation and impairments, March 31, 2012	3,329	7,141	16,232	2,679	8,831	1,776	39,988
Ending balance, March 31, 2012	\$ 7,383	\$ 8,413	\$ 17,895	\$ 7,083	\$ 3,813	\$ 2,984	\$ 47,571

For the six months ended March 31, 2012, \$8.2 million of amortization and depreciation was recognized as an expense (six months ended March 31, 2011 - \$1.0 million).

Included in plant and building is a tailings back-fill system and plant which was under development during the year ended September 31, 2011 and the current period. No amortization will be taken on the asset until it is commissioned.

Property, plant and equipment was reviewed for indicators of impairment at March 31, 2012 and it was determined that there were no indicators of impairment.

Equipment under capital lease are pledged as security to the leasing company. As part of the HSBC credit facilities, the Company and HSBC entered into a general security agreement which includes all property, plant and equipment. The convertible debentures are secured by a general security agreement that has been subordinated to the Company's senior indebtedness.

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10. Mactung and deferred royalty purchases:

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

Balance October 1, 2010	\$ 15,182
Expenditures during the year	1,014
Balance September 30, 2011	\$ 16,196
Expenditures during the period	771
Balance March 31, 2012	\$ 16,967

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 March 31, 2012, was \$300 thousand (September 30, 2011 - \$300 thousand).

11. Accounts Payable:

	March 31, 2012	September 30, 2011
Trade payables	\$ 8,489	\$ 9,113
Property, plant and equipment and Mactung development costs payable	5,707	10,493
Royalties payable	2,499	1,912
Other payables and accrued liabilities	3,667	1,711
	\$ 20,362	\$ 23,229

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12. Convertible Debentures:

	<u>Debt component</u>	<u>Derivative liability</u>	<u>Total Liability</u>
Balance at October 1, 2010	\$ -	\$ -	\$ -
Initial recognition	1,377	1,519	2,896
Interest accreted	461	-	461
Loss (gain) on revaluation of derivative liability	-	(945)	(945)
Loss (gain) on foreign exchange	39	-	39
Balance at September 30, 2011	\$ 1,877	\$ 574	\$ 2,451
Interest accreted	257	-	257
Loss (gain) on revaluation of derivative liability	-	275	275
Loss (gain) on foreign exchange	(68)	-	(68)
Balance at March 31, 2012	\$ 2,066	\$ 849	\$ 2,915

On October 28, 2010 the Company issued USD Convertible Debentures ("debentures") in the principal amount of USD\$2.87 million (CDN\$2.93 million) for a three year term. The interest rate on the outstanding debt portion is fixed at 10% per annum compounded quarterly. Each USD\$1,000 principal is convertible into 2,267 common shares at the option of the holder. The debentures are secured by a general security agreement that has been subordinated to the Company's senior indebtedness.

When a compound financial liability is issued by the Company that contains an option to convert a portion or the entire amount into equity, on the date of issuance the debt and equity components are separated. If the conversion feature meets the fixed-for-fixed requirements the carrying amount of the financial liability component is first determined by discounting the stream of future principal and interest payments at the rate of interest prevailing at the date of issue for instruments of similar term and risk. The conversion component is classified as equity and is equal to the residual amount determined by deducting the carrying amount of the debt from the face value of the compound financial liability. Subsequent to the initial recognition, the debt component is carried at amortized cost and the equity component is carried at the initial recognized amount and is not fair valued at each reporting date. Fixed-for-fixed means that a specified amount of debt is converted into a specified amount of equity and that ratio does not vary based on changes in other factors.

If the conversion feature does not meet the fixed-for-fixed requirement and the amount of debt converted or equity to be issued varies based on change in other factors, the conversion feature is considered to be an embedded derivative. The derivative is fair valued at the date of issuance using an option pricing model and is classified as a liability. The interest bearing portion of the compound financial instrument is equal to the residual amount determined by deducting the fair value of the derivative from the face value of the compound financial liability. Subsequent to the initial recognition, the derivative is fair valued at each reporting date with changes in fair value recognized in profit or loss and the carrying amount of the interest bearing component is measured using the effective interest method.

When a compound financial instrument contains a conversion feature that allows the holder to convert the financial liability at the holder's option without any restriction, this is the equivalent of the liability being due on demand and as such the amount of the financial liability that can be converted is classified as a current liability.

The fair value of the derivative at issuance was determined to be USD\$1.49 million (CDN\$1.52 million) and was determined with the Black-Scholes option pricing model with the following assumptions; share price at date of issuance \$0.42, exercise price of \$0.45 per share, expected life of three years, risk-free rate of 0.56%, volatility of 90.6% and a zero dividend rate.

The interest bearing portion was allocated the residual amount of USD\$1.35 million (CDN\$1.38 million) net of transaction costs of USD\$31 thousand (CDN\$32 thousand).

At March 31, 2012, the fair value of the derivative was determined to be US\$0.85 million (CDN\$0.85 million) and was determined with the Black-Scholes option pricing model with the following assumptions; share price at the reporting date of \$0.41, exercise price of \$0.44 per share, expected life of 1.5 years, risk-free rate of 0.33%, volatility of 70.0% and a zero dividend rate.

Interest expense on the debentures is composed of the interest calculated on the face value of the debentures at 10% per annum which amounted to \$145 thousand for the six months ended March 31, 2012, a notional interest representing the accretion of the carrying value of the debentures due to the passage of time of \$257 thousand and a foreign exchange gain of \$68 thousand. A loss on revaluation of the derivative liability of \$275 thousand was recognized for the period due to changes in the USD/CND foreign exchange rates and changes in the price of the Company's shares.

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At September 30, 2011, the fair value of the derivative was determined to be USD\$0.56 million (CDN\$0.57 million) and was determined with the Black-Scholes option pricing model with the following assumptions; share price at the reporting date of \$0.26, exercise price of \$0.46 per share, expected life of 2.1 years, risk-free rate of 0.42%, volatility of 90.0% and a zero dividend rate.

For the six months ended March 31, 2011, the Company recognized interest expense of \$120 thousand, a notional interest representing the accretion of the carrying value of the debentures due to the passage of time of \$213 thousand and a foreign exchange gain of \$70 thousand. A loss on revaluation of the derivative liability of \$20 thousand was recognized for the period.

Five directors participated directly and indirectly in the debentures financing for a total principal amount of USD\$1.37 million (See Note 26).

13. Customer advances:

During the year ended September 30, 2010, the Company received customer advances totalling \$7.975 million (USD\$7.75 million). The advances are repayable by 2015.

During the six months ended March 31, 2012, the Company repaid \$949 thousand of the advances and recognized a foreign exchange gain of \$265 thousand. During the six months ended March 31, 2011, the Company repaid \$1,933 thousand of the advances and recognized a foreign exchange gain of \$406 thousand.

At March 31, 2012, USD\$1.6 million (CND\$1.6 million) is secured by a letter of credit which is guaranteed by a related party (see Note 26).

	<u>March 31, 2012</u>	<u>September 30, 2011</u>
Obligations for customer advances	\$ 4,552	\$ 5,766
Current portion of customer advances	(1,559)	(2,621)
Long-term portion of customer advances	<u>\$ 2,993</u>	<u>\$ 3,145</u>

14. Bank loan and other credit facilities:

HSBC Bank Canada facilities

As part of the credit facilities the Company and HSBC Bank Canada (the "Bank" or "HSBC") entered into a general security agreement over the Company's assets.

The Company acknowledged a breach of each of the net tangible worth ratio and the current assets to current liabilities ratio during fiscal 2011. The Bank has agreed to forbear these breaches provided that:

- the debt to tangible net worth ratio does not exceed 3.5:1 for fiscal 2012;
- the consolidated current assets to current liabilities ratio at no time is less than 0.5:1 for fiscal 2012.

For the HSBC covenant calculations, the secured working capital loan of \$12.0 million and the convertible debentures of \$2.9 million (note 12) are classified as equity.

The Company has not breached the bank covenant during fiscal 2012.

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

Bank Operating Loan

The operating loan facility has a nominal maximum of \$8.0 million but the amount drawn has been increased by arrangement with HSBC and was \$11.2 million at March 31, 2012. Up to USD\$5.0 million may be in USD.

The borrowing base is based on a percentage of trade accounts receivable and product inventory. The loan is supported by the Accounts Receivable Insurance Program of Export Development Canada ("EDC"). The loan carries interest at HSBC Bank prime rate + 2.0% per annum.

Subsequent to March 31, 2012, an amended facility has been negotiated with HSBC (see Note 30).

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As at March 31, 2012, CDN\$11.2 million is outstanding under the bank operating loan (September 30, 2011 - \$8.5 million). The Company has cash deposits on hand with HSBC which offset under the borrowing agreement.

For the six months ended March 31, 2012, interest expense of \$169 thousand was recognized on the loan (six months ended March 31, 2011 - \$nil, as the operating loan had not been drawn on during the period).

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 shall be repaid in full by June 30, 2013. 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 CAD 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. During the six months ended March 31, 2012, an application fee of \$75,000 was paid to HSBC.

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. As part of the compensation to the Sponsors for entering into the Put Agreement ("Guarantee") and funding the letter of credit, the Company agreed to compensate the two Sponsors by making a payment 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.

See note 26 for further details on the compensation for the Put Agreement.

The Company has estimated that the fee of USD\$1.5 million for the Guarantee will be paid at the maturity of the Working Capital Loan in June 2013. The Working Capital Loan and Guarantee was initially recognized at fair value of \$12.0 million and is subsequently carried at amortized cost using the effective interest method. As the 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.

For the six months ended March 31, 2012, accretion of \$411 thousand and a foreign exchange gain of \$5 thousand was recognized and interest expense of \$197 thousand was recognized on the loan.

The Working Capital Loan balance at March 31, 2012, includes \$406 thousand of accreted liability.

The balance of the operating and working capital loans are as follows:

	<u>March 31, 2012</u>	<u>September 30, 2011</u>
Operating loan	\$ 11,224	\$ 8,521
Working capital loan	12,406	-
	<u>23,630</u>	<u>8,521</u>
Current portion of bank loans	(11,224)	(8,521)
Long-term portion of bank loans	<u>\$ 12,406</u>	<u>\$ -</u>

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 between 2013 and 2014. For the six months ended March 31, 2012, the Company recognized interest expense of \$179 thousand (six months ended March 31, 2011 - \$169 thousand).

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 loans") in the amount of USD\$2.8 million for a term of 48 months 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. The facility is secured by the financed equipment. During the six months ended March 31, 2012, the Company recognized interest expense of \$97 thousand (six months ended March 31, 2011 - \$58 thousand).

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15. Capital leases and equipment loans:

	<u>March 31, 2012</u>	<u>September 30, 2011</u>
Equipment loans	\$ 6,823	\$ 8,595
Capital leases	1,545	2,453
	8,368	11,048
Current portion of equipment loans and capital leases	(4,888)	(5,349)
Long-term portion of equipment loans and capital leases	<u>\$ 3,480</u>	<u>\$ 5,699</u>

The maturity dates of the capital leases range from fiscal 2012 to 2015 with interest rates ranging from 6.2% to 13.3%. See Note 18 for details of required payments.

Interest expense in the amount of \$75 thousand was recognized on capital leases for the six months ended March 31, 2012 (six months ended March 31, 2011 - \$43 thousand).

16. Reclamation liabilities:

At September 30, 2011, the Company reviewed the reclamation liability. The Company estimated that additional third party specialists would 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. The Company increased the estimated costs of erosion protection for tailings ponds and for post closure site monitoring activities. 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's total undiscounted amount of estimated cash flows required to settle the Cantung mine reclamation obligation is \$8.0 million (September 30, 2011 - \$8.0 million) which has been discounted using a current market based pre-tax discount rate of 1.3%. The majority of the reclamation work is estimated to commence during fiscal 2014 through fiscal 2016 but this timing could be deferred if the life of the mine is extended due to the discovery of additional reserves or due to the reprocessing of tailings. 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.

There were no changes to the reclamation during the six months ended March 31, 2012.

	<u>March 31, 2012</u>	<u>September 30, 2011</u>
Opening balance, asset retirement obligation	\$ 7,688	\$ 3,979
Accretion	58	148
Change in estimates of future costs	-	89
Additions	-	3,472
Closing asset retirement obligation	<u>\$ 7,746</u>	<u>\$ 7,688</u>

Deposits of \$4.8 million in cash and \$6.9 million in the form of secured promissory notes are held in escrow to secure mine reclamation obligations under the water license for the Cantung mine issued by the Mackenzie Valley Land and Water Board (See Note 18 a.)

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17. Share capital:

a. Capital stock

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

b. Bought-Deal Private Placement

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 Company paid the Underwriters a cash fee of \$625 thousand 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 \$375 thousand were incurred in connection with the financing.

The net proceeds from the unit offering were allocated between the common shares and the warrants based on the relative fair value method. The warrants were valued using the following assumptions:

- Share price of \$0.43
- Exercise price of \$0.75
- Risk free interest rate of 1.73%
- Dividend yield of 0%
- Expected volatility of 84.16%
- Expected warrant life of 2 years

c. Warrants

No. of Warrants Outstanding as of September 30, 2011	Issued	Exercised	Expired	No. of Warrants Outstanding as of March 31, 2012	Exercise Price	Expiry Date
2,000,000	-	-	-	2,000,000	\$1.00	27-Oct-15
11,500,000	-	-	-	11,500,000	\$0.75	31-Mar-13
1,250,000	-	-	-	1,250,000	\$0.75	31-Mar-13
14,750,000	-	-	-	14,750,000		

d. Stock option plan

The Company has a rolling Stock Option Plan which reserves up to a maximum of 10% of the issued and outstanding shares for the granting of options to eligible participants. The Option Plan provides that the Company's Board of Directors may from time to time grant stock options to acquire common shares to any participant who is an employee, officer or director of the Company or a consultant to the Company. The total number of common shares that may be reserved for issuance to any one participant pursuant to options granted under the Option Plan may not exceed 5% of the issued and outstanding shares of the Company on the date of the grant of the stock options in any twelve month period. The maximum number of options granted to any one consultant may not exceed 2% of the issued and outstanding shares of the Company on the date of the grant of the options in any twelve month period and the options granted to persons employed to provide investor relation services may not exceed 2% of the issued and outstanding shares of the Company on the date of grant of the options in any 12 month period. No more than an aggregate of 10% of the issued shares of the Company, within any 12 month period may be granted to insiders; unless the Company has received disinterested shareholder approval. The options may not be granted at prices that are less than the Discounted Market Price as defined in the TSX Venture Exchange policy. Each option is exercisable, subject to vesting terms as may be determined by the Board, into one common share of the Company. In general, stock options are subject to portions of the option grant vesting over a two year period.

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During the six months ended March 31, 2012:

- 150,000 options were granted to an employee with an exercise price of \$0.18, expiring on November 29, 2016. The option valuation for the issue was calculated using the Black-Scholes option pricing model based on an expected option life of 4.0 years, a dividend yield of 0%, a risk free interest rate of 1.0%, an expected volatility of 85% and a share price of \$0.18, giving a per option fair value of \$0.10. The options vest 1/3rd after 6 months, 1/3rd after a year and 1/3rd after 18 months.
- 150,000 options were granted to employees with an exercise price of \$0.28, expiring on January 19, 2017. The option valuation for the issue was calculated using the Black-Scholes option pricing model based on an expected option life of 4.0 years, a dividend yield of 0%, a risk free interest rate of 1.0%, an expected volatility of 87% and a share price of \$0.18, giving a per option fair value of \$0.16. The options vest in tranches between 4 to 18 months.
- 2,135,000 options were granted to directors, officers and employees with an exercise price of \$0.42, expiring on March 8, 2017. The option valuation for the issue was calculated using the Black-Scholes option pricing model based on an expected option life of 4.0 years, a dividend yield of 0%, a risk free interest rate of 1.33%, an expected volatility of 89% and a share price of \$0.42, giving a per option fair value of \$0.27. The options vest in tranches between immediately to 18 months.

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 stock options at the date of grant.

No. of Options Outstanding as of September 30, 2011	Granted	Exercised	Forfeited	Cancelled	Expired	No. of Options Outstanding as of March 31, 2012	Exercise Price	Expiry Date	Options Exercisable
1,056,700	-	-	-	(51,700)	(1,005,000)	-	\$1.25	19-Mar-12	-
75,000	-	-	-	-	-	75,000	\$1.28	14-Jun-12	75,000
175,000	-	-	-	-	-	175,000	\$0.15	19-Oct-14	175,000
1,650,000	-	-	-	-	-	1,650,000	\$0.19	1-Feb-15	1,650,000
240,000	-	-	-	-	-	240,000	\$0.41	5-Jan-16	160,000
150,000	-	-	(150,000)	-	-	-	\$0.32	7-Jul-16	-
-	150,000	-	(150,000)	-	-	-	\$0.18	29-Nov-16	-
-	150,000	-	-	-	-	150,000	\$0.28	19-Jan-17	-
-	2,135,000	-	-	-	-	2,135,000	\$0.42	8-Mar-17	685,333
3,346,700	2,435,000	-	(300,000)	(51,700)	(1,005,000)	4,425,000			2,745,333
Weighted Average Exercise Price	\$0.57	\$0.40	N/A	\$0.25	\$1.25	\$1.25	\$0.33		\$0.29

The outstanding options have a weighted-average exercise price of \$0.33 per share (September 30, 2011 - \$0.57) and the weighted-average remaining life of 3.91 years (September 30, 2011 - 2.57 years).

During the six months ended March 31, 2012, \$200 thousand was recognized as share-based compensation expense (six months ended March 31, 2011 - \$54 thousand).

Subsequent to March 31, 2012, 150,000 options were granted with an exercise price of \$0.415.

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18. Commitments:

Contractual Obligations	Payments due in years ended September 30						
	2012¹	2013	2014	2015	2016	2017	TOTAL
Mactung leases	\$ 8	\$ 8	\$ 8	\$ 8	\$ 8	\$ 8	48
Cantung leases	18	43	43	43	43	43	233
Customer advances	1,559	-	-	2,993	-	-	4,552
Equipment loans	633	5,313	1,238	357	-	-	7,541
Capital leases	956	705	24	4	-	-	1,689
Office leases ²	110	55	-	-	-	-	165
Mactung royalty agreement ³	-	-	-	1,000	-	-	1,000
	\$ 3,284	\$ 6,124	\$ 1,313	\$ 4,405	\$ 51	\$ 51	\$ 15,228

1 - Figures in the 2012 column represent payments for the remainder of fiscal 2012.

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

3 - See note 10 for details of the Mactung royalty agreement requirements

The Company also has commitments of \$0.5 million relating to capital projects at March 31, 2012.

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 license is \$11.7 million, of which the Company has posted \$4.8 million in cash and \$6.9 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 six months ended March 31, 2012, the Company posted \$200 thousand of cash and reduced the posted secured promissory notes by \$200 thousand.

b. Smelter royalties

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

c. Mactung option

The Company is committed to payments to keep its option agreement in good standing as disclosed in Note 10.

19. Capital management:

The Company defines its capital as shareholders' equity, consisting of share capital, 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 while limiting risk exposure.

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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. Long-term debt covenants which could restrict the Company's capital management options are disclosed in Note 14.

20. Financial risk factors:

a. Fair value

The Company has financial assets and liabilities which include cash and cash equivalents, reclamation deposits, accounts receivable, accounts payable, bank loans, equipment loans and capital leases and the interest bearing component of the convertible debentures, the carrying values of which approximate fair values.

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.

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, accounts payable and accrued liabilities, bank operating loan, bank working capital loan and other obligations approximate their carrying values due to their short-term nature and high level of liquidity. The interest bearing portion of the convertible debentures and the equipment loans are carried at amortized cost which approximates the fair value of the liabilities.

b. 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 USD dollar ("USD"). The cash flows from Canadian ("CND") operations are exposed to foreign exchange risk as commodity sales are denominated in USD, and the majority of operating expenses are in Canadian dollars. For the six months ended March 31, 2012, with other variables unchanged a \$0.01 strengthening (weakening) of the Canadian dollar against the USD would result in a decrease (increase) of \$0.8 million on net earnings.

At March 31, 2012, the Company held USD denominated bank balances of \$9.3 million, accounts receivable of \$12.8 million, accounts payable of \$0.5 million and loans and other financial liabilities of \$5.5 million. At September 30, 2011, the Company held USD denominated bank balances of \$2.7 million, accounts receivable of \$6.5 million, accounts payable of \$0.4 million and loans and other financial liabilities of \$4.8 million.

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 five of the primary customers totalled \$12.8 million at March 31, 2012 (September 30, 2011 – four customers totalled \$6.9 million), all of which is current.

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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 March 31, 2012, \$0.03 million (September 30, 2011 - \$0.03 million) of guarantee investment certificates carried floating interest rates of under 1.0%. For financial liabilities, interest is payable on the equipment loans and capital leases, with interest rates ranging from 4.50% to 16.00%. \$4.7 million of the equipment loans carry rates of Bank Prime + from 1.75% to 3.75%. HSBC bank financing carry rates of Bank Prime + from 0.25% to 2.0% (see Note 14).

For the six months ended March 31, 2012, with other variables unchanged, a 1.0% increase in the HSBC Bank prime rate would decrease net earnings by \$0.3 million for the period.

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 cash equivalents. The Company's cash and cash equivalents are invested in bank accounts and bankers' acceptances which are available on demand for the Company's programs. Additional information regarding liquidity risk is disclosed in Note 1 and Note 14. The Company's contractual obligations are disclosed in Note 18.

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.

For the six months ended March 31, 2012, with other variables unchanged, a USD\$10.00 increase or decrease in the realized price per MTU (Metric Tonne Unit) of tungsten concentrate would increase (decrease) net earnings by \$1.6 million based on the sales volume for the period. The Company has not hedged any of its sales and has not entered into forward sales contracts with fixed tungsten concentrate prices.

21. Contingencies:

Pursuant to agreements with officers, in the event of their contracts being terminated, the Company would be liable for payments totalling \$1.8 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 \$0.4 million.

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22. Sales and concentration of receivables:

The Company has delivery contracts for tungsten concentrate which expire during 2012 and 2013, that contain target delivery quantities. The contracts do not contain any penalties for shortfalls in target delivery quantities. Under these contracts, the Company sells tungsten concentrates together with smaller quantities of copper concentrates and some tungsten intermediate products. Sales to seven customers accounted for 100% of sales made in the six months ended March 31, 2012 (year ended September 30, 2011 – 100% to five customers).

As at March 31, 2012, \$12.8 million in receivables was due from five customers (September 30, 2011 - \$6.9 million from four customers).

23. Mine site cost of sales:

	For the three months ended		For the six months ended	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Mine operating costs	\$ 18,612	\$ 16,040	\$ 34,965	\$ 29,591
Amortization and depreciation	5,150	603	8,165	1,016
Inventory changes, adjustments and write-downs	3,233	830	1,454	(2,644)
	\$ 26,995	\$ 17,473	\$ 44,584	\$ 27,963

Mine operating costs by function:

	For the three months ended		For the six months ended	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Mine	\$ 8,140	\$ 6,475	\$ 14,256	\$ 12,293
Mill	2,647	2,826	5,433	5,023
Power generation and surface maintenance	4,523	3,740	8,816	6,921
Site administration and environmental	3,302	2,999	6,460	5,354
	\$ 18,612	\$ 16,040	\$ 34,965	\$ 29,591

Mine operating costs by nature:

	For the three months ended		For the six months ended	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Salaries and wages	\$ 4,492	\$ 4,219	\$ 8,938	\$ 8,043
Employee benefits	906	943	1,752	1,715
Fuel and lubricants	4,644	3,684	8,816	6,704
Materials and supplies	3,551	3,443	6,609	5,933
Mine and drill contractors	2,280	1,311	3,292	2,923
Freight, expediting and support services	1,923	1,626	3,712	3,025
Other costs	816	814	1,846	1,248
	\$ 18,612	\$ 16,040	\$ 34,965	\$ 29,591

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24. General and administrative costs:

	For the three months ended		For the six months ended	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Fees, wages and benefits	\$ 450	\$ 380	\$ 866	\$ 692
Office expenses	199	125	340	259
Accounting and audit	103	39	151	69
Legal fees	(12)	39	112	106
Investor relations, travel and business development	100	60	132	119
Consulting	10	63	31	191
Filing fees and transfer agent fees	23	17	43	21
	\$ 873	\$ 723	\$ 1,675	\$ 1,457

25. Supplemental cash flow:

	For the three months ended		For the six months ended	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Changes in non-cash working capital:				
Accounts receivable	\$ (5,288)	\$ (761)	\$ (6,489)	\$ (5,562)
Prepaid expenses	333	(229)	(511)	(194)
Inventories	2,976	(176)	919	9,506
Accounts payable and accrued liabilities	1,467	5,395	1,889	(3,916)
Repayment of customer advances	(469)	(945)	(949)	(1,436)
Change in non-cash working capital	\$ (981)	\$ 3,284	\$ (5,141)	\$ (1,602)

	For the three months ended		For the six months ended	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Changes non-cash investing activities:				
Expenditures on property plant and equipment in accounts payable and accrued liabilities	\$ 1,409	\$ 4,141	\$ 5,364	\$ 4,141
Expenditures on Mactung development in accounts payable and accrued liabilities	\$ 171	\$ 78	\$ 343	\$ 78
Changes non-cash financing activities:				
Transaction costs included in issuance of convertible debentures	\$ -	\$ -	\$ -	\$ 32
Transaction costs included in issuance of share capital	\$ -	\$ 784	\$ -	\$ 813
liabilities	\$ -	\$ 216	\$ 36	\$ 216
Other supplemental information:				
Total interest received	\$ 10	\$ 4	\$ 10	\$ 15
Total interest and financing costs paid	\$ 795	\$ 331	\$ 1,517	\$ 683
Included in cash flows from operations	\$ 52	\$ 87	\$ 113	\$ 184

26. Related party transactions:

A director of the Company guaranteed the issuance of a letter of credit for a fee of 10% per annum of the outstanding amount of the letter of credit relating to a customer advance. For the six months ended March 31, 2012, the Company recognized an expense of \$113 thousand (six months ended March 31, 2011 - \$181 thousand) in respect to the guarantee (See Note 13) to a director.

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

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million (See Note 12).

On October 13, 2011, two directors of the Company sponsored (the "Sponsors") the Company for the HSBC Working Capital Loan (see Note 14), 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 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 of the letter of credit.

In exchange for entering into the Put Agreement ("Guarantee") and funding the letter of credit, the Company agreed to compensate the two Sponsors in the following manner:

- a. pay the Sponsors in USD 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 began 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 granted a security interest over the Mactung project to the Sponsors which is subordinated to the security under the Reclamation Security Agreement.

During the six months ended March 31, 2012, the Company recognized an expense of \$397 thousand in respect to the letter of credit to these directors. A fee of \$12 thousand was paid to Queenwood, which has directors in common and common ownership interests in the Company, to arrange the letter of credit for the Company.

During the six months ended March 31, 2012, the Company recognized \$268 thousand for professional and consulting fees to directors or companies related to director(s) (six months ended March 31, 2011 - \$38 thousand).

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.

27. 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 Company's sales terms are such that all revenue is earned in Canada. The geographical distribution of revenue is as follows:

	For the six months ended			
	March 31, 2012		March 31, 2011	
TUNGSTEN:				
Asia	\$ 38,531	67%	\$ 13,294	70%
Europe	19,124	33%	5,522	30%
North America	175	0%	-	0%
	57,830	100%	18,816	100%
COPPER:				
Asia	923	46%	-	0%
North America	1,076	54%	-	0%
	1,999	100%	-	0%
TOTAL	\$ 59,829		\$ 18,816	

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

At March 31, 2012

	Canada	United States	Total
Current assets	\$ 30,762	\$ 714	\$ 31,476
Non-current assets	69,328	348	69,676
Total assets	\$ 100,090	\$ 1,062	\$ 101,152

At September 30, 2011

	Canada	United States	Total
Current assets	\$ 18,151	\$ 893	\$ 19,044
Non-current assets	63,363	568	63,931
Total assets	\$ 81,514	\$ 1,461	\$ 82,975

28. Earnings Per Share:

Earnings (loss) per share, calculated on the basic and diluted basis, is as follows:

(in thousands except per share amounts)	For the three months ended		For the six months ended	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Earnings (loss) per share:				
Basic	\$ 0.01	\$ (0.04)	\$ 0.04	\$ (0.06)
Diluted	\$ 0.01	\$ (0.04)	\$ 0.04	\$ (0.06)
Net income (loss) for the period:				
Attributed to common shareholders - basic	\$ 2,522	\$ (7,952)	\$ 9,115	\$ (12,338)
Attributed to common shareholders - diluted	\$ 2,522	\$ (7,952)	\$ 9,115	\$ (12,338)
Weighted average shares outstanding:				
Weighted average shares outstanding - basic	237,123	213,823	237,123	212,821
Dilutive securities:				
Stock options	943	-	694	-
Weighted average shares outstanding - diluted	238,066	213,823	237,817	212,821
Shares excluded from the determination of diluted earnings per share:				
Stock options	3,468	3,497	3,709	3,497
Warrants	14,750	14,750	14,750	14,750
Convertible debentures	6,506	6,506	6,506	6,506
	24,724	24,753	24,965	24,753

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 potentially dilutive securities subsequent to March 31, 2012.

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29. Transition to International Financial Reporting Standards:

First-time Adoption Exemptions Applied

IFRS 1, which governs the first-time adoption of IFRS, generally requires accounting policies to be applied retrospectively to determine the opening statement of financial position on our transition date of October 1, 2010 and allows certain elective exemptions from retrospective application on the transition to IFRS. The elections the Company has chosen to apply and that are considered significant to the Company include decisions to:

- Not restate previous business combinations and the accounting thereof under "IFRS 3 - Business Combinations";
- Not apply "IFRS 2 - Share-based Payments" to liabilities arising from share-based payment transactions that had vested before October 1, 2010;
- Apply "IFRIC 1 - Changes in Existing Decommissioning, Restoration and Similar Liabilities" as of the date of transition to IFRS. IFRIC 1 requires specified changes in decommissioning, restoration or similar liabilities to be added to or deducted from the cost of the asset to which it relates and the adjusted depreciable amount of the asset to then be depreciated prospectively over its remaining useful life;
- Apply the requirements of "IAS 23 -Borrowing Costs" to capitalize borrowing costs on qualifying assets effective October 1, 2010; and
- Apply the "IAS 21 - The Effect of Changes in Foreign Exchange Rates" election to reset the cumulative translation adjustment reserve for all foreign operations to zero at October 1, 2010; and
- Apply the "IAS 17 – Leases" election which allows entities to determine whether an arrangement contains a lease based on the facts and circumstances at the transition date rather than at the lease inception date.

Reconciliation between Canadian GAAP and IFRS

IFRS employs a conceptual framework that is similar to Canadian GAAP. However, significant differences exist in certain matters of recognition, measurement and disclosure. While adoption of IFRS has not changed the Company's actual cash flows, it has resulted in changes to the Company's reported financial position and results of operations. In order to allow the users of the financial statements to better understand these changes, the Company's opening statement of financial position at October 1, 2010, the statements of financial position at March 31, 2011 and September 30, 2011, and statements of comprehensive income for the three and six months ended March 31, 2011 and the year ended September 30, 2011, have been reconciled to IFRS and presented below, along with explanations of the resulting differences.

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Reconciliation of the Statement of Financial Position from Canadian GAAP to IFRS:

	Reference	September 30, 2011			March 31, 2011			October 1, 2010		
		CND GAAP	Adjustments	IFRS	CND GAAP	Adjustments	IFRS	CND GAAP	Adjustments	IFRS
ASSETS										
Investment in TDI	v	\$ 950	(382)	568	\$ 5,896	(1,409)	4,487	\$ 6,268	(1,131)	5,137
Property, plant and equipment	i	41,932	660	42,592	28,283	-	28,283	17,484	-	17,484
Total assets		82,697	278	82,975	73,439	(1,409)	72,030	49,927	(1,131)	48,796
Current liabilities										
Current portion of loans and capital leases	ii	\$ 5,349	-	5,349	\$ 5,163	3,950	9,113	\$ 1,034	182	1,216
Convertible debentures	iii	-	2,451	2,451	-	3,059	3,059	-	-	-
Total current liabilities		39,720	2,451	42,171	26,251	7,009	33,260	11,138	182	11,320
Convertible debentures	iii	2,884	(2,884)	-	2,639	(2,639)	-	-	-	-
Loans and capital leases	ii	5,699	-	5,699	7,578	(3,950)	3,628	1,801	(182)	1,619
Reclamation liabilities	i	7,028	660	7,688	4,053	-	4,053	3,979	-	3,979
Deferred income taxes	v	-	-	-	183	(5)	178	355	10	365
Total liabilities		58,728	227	58,955	44,765	415	45,180	22,525	10	22,535
SHARE CAPITAL AND DEFICIT										
Share capital	iv	\$ 64,362	311	64,673	\$ 64,328	311	64,639	\$ 53,235	311	53,546
Equity component of convertible debenture	iii	181	(181)	-	181	(181)	-	-	-	-
Contributed surplus		5,226	-	5,226	5,227	-	5,227	3,135	-	3,135
Accumulated other comprehensive income	v	-	15	15	-	(257)	(257)	-	-	-
Deficit	iii	(45,800)	614	(45,186)	(41,062)	(239)	(41,301)	(28,968)	-	(29,217)
	iv	-	(311)	(311)	-	(311)	(311)	-	(311)	(311)
	v	-	(397)	(45,894)	-	(1,147)	(42,758)	-	(1,141)	(30,420)
Total shareholders equity		23,969	51	24,020	28,674	(1,824)	26,851	27,402	(1,141)	26,261
Total shareholders equity and liabilities		\$ 82,697	278	82,975	\$ 73,439	(1,409)	72,030	\$ 49,927	(1,131)	48,796

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Reconciliation of the Statement of Comprehensive Income from Canadian GAAP to IFRS:

	Reference	Year ended September 30, 2011			Six months ended March 31, 2011			Three months ended March 31, 2011		
		CND GAAP	Adjustments	IFRS	CND GAAP	Adjustments	IFRS	CND GAAP	Adjustments	IFRS
Accretion of financial liabilities	iii	\$ 76	401	477	\$ 38	184	222	\$ 23	109	132
Accretion of reclamation obligation	i	148	(148)	-	74	(74)	-	37	(37)	-
Interest and financing costs	iii	1,644	116	1,760	703	42	745	298	37	442
Foreign exchange loss (gain)	iii	(211)	(39)	(250)	(134)	67	(67)	18	26	44
Equity loss on TDI	v	5,318	(750)	4,568	372	5	377	134	1	135
Gain (loss) on revaluation of derivative liability	iii	-	944	944	-	(20)	(20)	-	(144)	(144)
NET INCOME (LOSS) AFTER INCOME TAXES		\$ (16,832)	1,358	(15,474)	\$ (12,094)	(244)	(12,338)	\$ (7,671)	(281)	(7,952)
OTHER COMPREHENSIVE INCOME (LOSS)										
Cumulative translation adjustment	v	-	15	15	-	(257)	(257)	-	(124)	(124)
NET COMPREHENSIVE INCOME (LOSS)		\$ (16,832)	1,373	(15,459)	\$ (12,094)	(501)	(12,595)	\$ (7,671)	(405)	(8,076)

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Explanation of the Adjustments between Canadian GAAP to IFRS

The following paragraphs explain the significant differences between Canadian GAAP and the current IFRS accounting policies applied by the Company. These differences result in the adjustments in the reconciliations above.

i. Reclamation liabilities

The adjustment on transition to IFRS measures the reclamation liabilities in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The Company applied the IFRS 1 exemption to not retrospectively apply IFRIC 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities. This optional exemption allowed the Company to apply a short-cut method and record an adjustment for the opening depreciated cost of the decommissioning and restoration asset under IFRS on transition. Under IFRS, the reclamation liability is required to be recalculated using a period ending discount rate at each reporting period. The change in the discount rate is adjusted through the reclamation asset and liability. Accordingly, at October 1, 2010 and March 31, 2011 no adjustment was required due to assumptions and discount rates under CND GAAP being immaterially different from the assumptions required by IFRS. At September 30, 2011, the Company recorded an adjustment to increase the reclamation asset relating to the Cantung Mine by \$0.66 million with an offsetting increase the reclamation liability by \$0.66 million. With the adjustment to the reclamation asset occurring on September 30, 2011, there is no impact to the Statement of Comprehensive Income for the year ended September 30, 2011 for the increase in the reclamation asset.

Under IFRS, accretion of a reclamation liability is considered a financing activity and as such the accretion expense is included in interest and financing costs rather than being disclosed as a separate expense. The impact in the Statement of Other Comprehensive Income for the year ended September 30, 2011 is to reduce the accretion on reclamation obligation and to increase the interest and financing costs by \$148 thousand and for the three and six months ended March 31, 2011 to decrease the accretion of reclamation obligation and to increase the interest and financing costs by \$37 thousand and \$74 thousand respectively.

ii. Current portion of loans and capital leases

As detailed in Note 14, the Company has a credit facility with HSBC which contained debt covenants. The Company acknowledged a breach of the net tangible worth ratio and the current assets to current liabilities ratio during the 1st quarter of fiscal 2011 and HSBC provided a waiver of the breach subsequent to December 31, 2010. Under IFRS, a covenant breach that provides the lender the right to demand repayment of the loan that is not remedied prior to the reporting date requires that the entire amount of the affected loan be classified as a current liability until the default is remedied. As such, the \$182 thousand long-term portion of the equipment loans has been classified as current at October 1, 2010 and \$3.95 million at March 31, 2011.

iii. Convertible debentures

Under CND GAAP, the debentures had been classified into the debt and equity components using the credit adjusted rate. The carrying amount of the financial liability was first determined by discounting the stream of future principal and interest payments at the rate of interest (12.5%) prevailing at the date of issue for instruments of similar term and risk. The equity component equalled the amount determined by deducting from the carrying amount of the compound instrument the amount of the debt component. For accounting purposes, the debt component was assigned a value of \$2.744 million (USD\$2.693 million) and the conversion rights were assigned a value of \$0.181 million (USD\$0.177 million).

Note 12 details the accounting treatment for the Convertible Debentures under IFRS, with the conversion feature treated as an embedded derivative (liability) and fair valued at inception and the residual allocated to the interest bearing portion of the liability. In addition, when a conversion feature allows the holder to convert the financial liability at the holder's option without any restriction, this is the equivalent of the liability being due on demand and as such the amount of the financial liability that can be converted is classified as a current liability.

As the convertible debentures were not issued until October 28, 2010, there is no impact to the October 1, 2010, opening IFRS statement of financial position. At March 31, 2011, in the IFRS statement of financial position, current liabilities increased by \$3.0 million, long-term liabilities decreased by \$2.6 million and equity decreased by \$0.2 million. For the six months ended March 31, 2011, in the statement of comprehensive income, accretion increased by \$184 thousand, foreign exchange gain decreased by \$67 thousand and \$32 thousand of transaction costs were capitalized into the determination of the fair value of the convertible debentures, a loss on revaluation of the derivative liability of \$20 thousand was recognized with the net comprehensive loss increasing by \$239 thousand. For the three months ended March 31, 2011, in the statement of comprehensive income, accretion increased by \$109 thousand, foreign exchange loss increased by \$26 thousand and \$32 thousand of transaction costs were capitalized into the determination of the fair value of the convertible debentures, a loss on revaluation of the derivative liability of \$144 thousand was recognized with the net comprehensive loss increasing by \$279 thousand. At September 30, 2011, in the IFRS statement of financial position, current liabilities increased by \$2.5 million, long-term liabilities decreased by

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\$2.9 million and equity decreased by \$0.2 million. For the year ended September 30, 2011, in the statement of comprehensive income, accretion increased by \$401 thousand, foreign exchange gain increased by \$39 thousand and \$32 thousand of transaction costs were capitalized into the determination of the fair value of the convertible debentures, a gain on revaluation of the derivative liability of \$614 thousand was recognized with the net comprehensive loss decreasing by \$614 thousand

iv. Share capital

Under CND GAAP, the Company issued flow-through shares prior to the date of transition to IFRS. Under CND GAAP, the flow-through shares were recognized in share capital at the issuance price. When the tax benefits of the exploration expenditures are renounced to the flow-through shareholders, the Company recognizes a reduction of share capital for the renounced tax assets at the applicable tax rate.

Under IFRS, the flow-through shares are recognized into share capital at the closing price on the date of issuance with the premium paid for the flow-through shares recognized as a liability. When the tax benefits of the exploration expenditures are renounced to the flow-through shareholders, the Company recognizes a deferred income tax expense in the statement of comprehensive income with the offset to Deferred Income Taxes on the statement of financial position.

As the flow-through share issuances and renouncements occurred prior to the date of transition to IFRS, the impact that would have occurred in the statement of comprehensive income is recognized in the opening Deficit in the statement of financial position. At October 1, 2010, the Company recognized an increase to share capital of \$561 thousand with an increase in the deficit of \$561 thousand.

v. Accumulated Other Comprehensive Income ("AOCI")

Under CND GAAP, stand-alone foreign subsidiaries are translated into the Parent's functional currency using the temporal method where monetary items are translated at the closing rate, non-monetary items and equity are translated at historical rates and net income is translated at the average rate.

Under IFRS, items included in the financial statements of each consolidated entity are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars ("CND"), which is the functional currency of North American Tungsten Corporation, the Parent Company. The financial statements of entities that have a functional currency different from that of the Parent ("foreign operations") are translated into Canadian dollars as follows: assets and liabilities – at the closing rate at the date of the statement of financial position, and income and expenses – at the average rate of the period (as this is considered a reasonable approximation to actual rates). All resulting changes are recognized in other comprehensive income as cumulative translation adjustments ("CTA").

Due to the different methodologies, the Company foreign operations were retranslated at October 1, 2010, and under the IFRS 1 election for "IAS 21 - The Effect of Changes in Foreign Exchange Rates", the Company elected to reset the cumulative translation adjustment reserve for all foreign operations to zero at October 1, 2010. The net effect was to reduce the carrying value of the Investment in TDI by \$1.1 million and to increase the opening deficit by \$1.1 million. For the six months ended March 31, 2011, the effect was to reduce the Investment in TDI by \$1.4 million, increase the equity loss on TDI by \$5 thousand, recognized a CTA of \$257 thousand and a net reduction to the deficit of \$1.1 million. For the three months ended March 31, 2011, the effect was to reduce the Investment in TDI by \$132 thousand, reduce the deferred income tax liability by \$5 thousand, increase the equity loss on TDI by \$1 thousand recognized a CTA of \$124 thousand and a net increase to the deficit of \$2 thousand. For the year ended September 30, 2011, the effect was to reduce the Investment in TDI by \$382 thousand with a net reduction to the deficit of \$400 thousand. In addition, 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. Under CND GAAP, the Company's share was to record as an equity loss of \$5.3 million which reduced its net investment in TDI to \$0.95 million. Due to the change in methodologies under IFRS, the Company's share of the equity loss was reduced by \$750 thousand to \$4.6 million which reduced its net investment in TDI to \$0.6 million.

Statement of Cash Flows

The IFRS transition adjustments noted above did not have an impact on cash and cash equivalents. The adjustments noted above were non-cash in nature which affected the non-cash items included in net income (loss) for the periods and as such did not affect the cash flows from investing and financing activities.

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30. Subsequent event:

HSBC Bank Canada facilities

Subsequent to March 31, 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 for periods to and including 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 for periods to and including June 30, 2013 and 1.1:1 thereafter.

Bank Operating Loan

The amended operating loan facility has a maximum of \$12.0 million (previously \$8.0 million with up to \$4.0 million excess borrowings permitted with the excess secured by USD cash deposits at HSBC). The \$12.0 million maximum can be exceeded by up to \$3.0 million with the excess secured by USD cash deposits at HSBC.

Up to USD\$5.0 million of the facility may be in USD.

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

Non-revolving equipment loans

Subsequent to March 31, 2012, HSBC agreed to accept interest only payments from April 30, 2012 up to and including September 30, 2012 on two of the equipment loans, with the deferred principal repayments (totalling \$1.4 million) added to the remaining amortization term of the loans.