NORTH AMERICAN
TUNGSTEN
CORPORATION LTD

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2014 AND 2013

NORTH AMERICAN TUNGSTEN CORPORATION LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT MARCH 31, 2014 AND SEPTEMBER 30, 2013
FIGURES IN THOUSANDS OF CANADIAN DOLLARS
UNAUDITED

	Note(s)	March 31, 2014	September 30, 2013
ASSETS			
Current assets			
Cash and cash equivalents		$ 2	$ 203
Accounts receivable	3	4,653	9,025
Inventories	4	11,724	7,642
Prepaid expenses		1,046	888
Derivative instruments		-	29
		17,425	17,787
Accounts receivable	3	3,317	5,358
Property, plant and equipment	5	26,289	25,494
Mineral property - Mactung		19,118	18,731
Reclamation deposits	13 & 15	5,700	5,469
		$ 71,849	$ 72,839
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	6	$ 15,724	$ 16,416
Bank loans	7	20,318	24,679
Current portion of customer advances	8	-	2,705
Current portion of customer loans	9	649	-
Current portion of debentures	10	-	2,917
Current portion of equipment loans and capital leases	11	1,522	2,807
Current portion of notes payable	12	2,000	4,934
Current portion of reclamation liabilities	13	144	963
		40,357	55,421
Customer advances	8	3,317	5,358
Customer loans	9	7,310	-
Debentures	10	11,116	-
Equipment loans and capital leases	11	212	482
Notes payable	12	-	2,000
Reclamation liabilities	13	8,360	7,480
		70,672	70,741
SHARE CAPITAL AND DEFICIT			
Share capital	14	64,836	64,836
Contributed surplus	14	7,408	6,267
Deficit		(71,067)	(69,005)
		1,177	2,098
		$ 71,849	$ 72,839

Going concern 1
Commitments and Contingencies 15 & 16

ON BEHALF OF THE BOARD

"signed"
Kurt E. Heikkila

"signed"
Bryce M. A. Porter

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

NORTH AMERICAN TUNGSTEN CORPORATION LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2014 AND 2013
FIGURES IN THOUSANDS OF CANADIAN DOLLARS
UNAUDITED

(figures in thousands of dollars except for per share amounts)	Note(s)	For the three months ended March 31, 2014	For the three months ended March 31, 2013	For the six months ended March 31, 2014	For the six months ended March 31, 2013
REVENUES					
Sales	21	$ 23,063	$ 24,939	43,525	$ 36,403
EXPENSES					
Cost of sales		17,694	26,138	39,771	39,743
Interest and financing costs	17	1,373	937	2,425	1,663
General and administrative		844	846	1,486	1,501
Accretion of financial liabilities	7, 10 & 13	147	347	719	696
Foreign exchange loss (gain)		595	(19)	1,113	(55)
Exploration		2	-	121	228
Share-based compensation	14	-	210	32	210
Loss on disposal of assets		-	-	-	16
Loss (gain) on revaluation of derivatives		-	(88)	29	(139)
Interest and other income		(59)	(19)	(109)	(35)
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)		$ 2,467	$ (3,413)	$ (2,062)	$ (7,425)
Income (Loss) per share	22				
Basic		$ 0.01	$ (0.01)	$ (0.01)	$ (0.03)
Diluted		$ 0.01	$ (0.01)	$ (0.01)	$ (0.03)
Weighted average number of shares (in thousands)					
Basic		238,123	237,123	238,123	237,123
Diluted		238,123	237,123	238,123	237,123

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

NORTH AMERICAN TUNGSTEN CORPORATION LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2014 AND 2013
FIGURES IN THOUSANDS OF CANADIAN DOLLARS
UNAUDITED

	Note(s)	For the three months ended March 31, 2014	For the three months ended March 31, 2013	For the six months ended March 31, 2014	For the six months ended March 31, 2013
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES					
Net income (loss)		$ 2,467	$ (3,413)	$ (2,062)	$ (7,425)
Items not affecting cash:					
Amortization and depreciation	5	1,787	1,978	3,531	3,781
Accretion of financial liabilities	7 & 10	148	347	720	696
Share-based compensation	14	-	210	32	210
Loss on disposal of assets		-	-	-	16
Foreign exchange loss (gain) on customer advances and loans		237	165	497	236
Foreign exchange loss on financial liabilities		358	75	678	120
Accretion of reclamation obligations	13	30	45	61	90
Loss (gain) on revaluation of derivatives		-	(88)	29	(139)
Interest and financing costs		1,389	722	2,441	1,413
		6,416	41	5,927	(1,002)
Adjustment for:					
Change in non-cash working capital	18	(4,522)	1,994	(1,725)	2,281
Increase in reclamation deposits	15	(100)	(100)	(200)	(200)
		1,794	1,935	4,002	1,079
CASH FLOWS USED IN INVESTING ACTIVITIES					
Expenditure on Mactung development		(315)	(223)	(556)	(528)
Purchase of property, plant and equipment	5	(1,989)	(520)	(3,859)	(2,585)
		(2,304)	(743)	(4,415)	(3,113)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net decrease in equipment loans and capital leases	11	(208)	(959)	(1,555)	(2,266)
Net increase in debentures	10	1,094	-	2,257	-
Net decrease in notes payable	12	-	-	(678)	-
Bank loan borrowings, net	7	(1,794)	634	(2,785)	147
Net increase in customer advances	8	-	-	-	3,996
Net increase in customer loans	9	2,762	-	5,421	-
Interest and financing costs paid		(1,389)	(722)	(2,441)	(1,413)
		465	(1,047)	219	464
Effect of exchange rate changes on cash and cash equivalents		31	-	(7)	-
CHANGE IN CASH AND CASH EQUIVALENTS		(14)	145	(201)	(1,570)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		16	409	203	2,124
CASH AND CASH EQUIVALENTS, END OF PERIOD		$ 2	$ 554	$ 2	$ 554
Represented by:					
Cash		$ 2	$ 519	$ 2	$ 519
Cash equivalents		-	35	-	35
		$ 2	$ 554	$ 2	$ 554
Supplemental cash flow information	18				

NORTH AMERICAN TUNGSTEN CORPORATION LTD.
CONSOLIDATED STATEMENTS OF EQUITY
FOR THE SIX MONTHS ENDED MARCH 31, 2014 AND 2013
FIGURES IN THOUSANDS OF CANADIAN DOLLARS EXCEPT NUMBER OF COMMON SHARES
UNAUDITED

For the six months ended March 31, 2013

	Note(s)	Number of Common Shares		Common Shares		Contributed Surplus		Deficit		Total Equity
Balance at October 1, 2012		237,123,058	$	64,673	$	5,667	$	(55,739)	$	14,601
Share-based compensation	14	-		-		210		-		210
Net loss		-		-		-		(7,425)		(7,425)
Balance at March 31, 2013		237,123,058	$	64,673	$	5,877	$	(63,164)	$	7,386

For the six months ended March 31, 2014

	Note(s)	Number of Common Shares		Common Shares		Contributed Surplus		Deficit		Total Equity
Balance at October 1, 2013		238,123,058	$	64,836	$	6,267	$	(69,005)	$	2,098
Conversion feature of convertible debentures	10	-		-		1,108		-		1,108
Share-based compensation	14	-		-		32		-		32
Net loss		-		-		-		(2,062)		(2,062)
Balance at March 31, 2014		238,123,058	$	64,836	$	7,407	$	(71,067)	$	1,176

1. Nature of operations and going concern:

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

These interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to continue operation for the foreseeable future and will be able to realise its assets and discharge its liabilities in the normal course of business. There are conditions and events that cast significant doubt on the validity of this assumption.

For the six months ended March 31, 2014 the Company recorded a net loss of $2.1 million (year ended September 30, 2013 the net loss was $13.3 million). At March 31, 2014 there was a deficiency of working capital of $22.9 million (September 30, 2013 - $37.6 million) and shareholders' equity was $1.2 million.

During the year ended September 30, 2013, the Company's bankers, HSBC Bank Canada ("HSBC"), informed the Company that the $24.0 million HSBC credit facilities (Note 7) are to be fully repaid not later than December 31, 2013. Subsequent to September 30, 2013 HSBC provided extensions to the credit facilities until June 30, 2014. Under the terms of the extensions, the guaranteed letter of credit along with the Put Agreement was extended.

Subsequent to March 31, 2014 the Company executed an $11.0 million loan with Callidus Capital Corporation ("Callidus") (Note 24). $5.8 million of the loan proceeds was used to pay out the balance of the HSBC Bank Operating Loan Facility which was then cancelled (Note 7) and $1.0 million was used to repay certain equipment loans and capital leases (Note 12). The Company continues discussions with other financial institutions to replace the HSBC Working Capital Loan Facility. Also subsequent to March 31, 2014 the Company entered into an agreement with the Sponsors, provided that, in the event HSBC puts the Working Capital Loan to the Sponsors, that the maturity of the loan will be extended to no earlier than April 1, 2015, the loan will bear interest at 12.0% per annum and a fee of $100 thousand will be paid to the Sponsors to cover the costs for the assignment of the Working Capital Loan.

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

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

2. Significant accounting policies:

a. Basis of preparation and measurement

Basis of preparation

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

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

The Board of Directors approved these financial statements on May 23, 2014.

b. Adoption of New IFRS Pronouncements:

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

FIGURES ARE IN THOUSANDS OF CANADIAN DOLLARS

The Company adopted the provisions of IFRS 10, IFRS 11, IFRS 12 and IFRS 13 effective October 1, 2013. The Company has determined that there is no material impact from the adoption of these new standards with the exception of additional note disclosures on the adoption of IFRS 13.

IFRS 10 – Consolidation

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

IFRS 11 – Joint Arrangements

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

IFRS 12 – Disclosure of Interests in Other Entities

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

IFRS 13 – Fair Value Measurement

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

3. Accounts receivable:

	March 31, 2014	September 30, 2013
Trade receivables	$ 7,367	$ 13,950
Taxes and other receivables	603	433
	7,970	14,383
Current portion of accounts receivable	(4,653)	(9,025)
Long-term portion of accounts receivable	$ 3,317	$ 5,358

4. Inventories:

	March 31, 2014	September 30, 2013
Tungsten concentrates	$ 4,798	$ 839
Copper concentrate	148	87
Ore stockpile	1,917	2,613
Materials and supplies	4,861	4,103
	$ 11,724	$ 7,642

FIGURES ARE IN THOUSANDS OF CANADIAN DOLLARS

5. Property, plant and equipment:

	Equipment under capital lease	Buildings, equipment and plant	Mine infrastructure assets	Tailings management	Total
Ending balance, September 30, 2013	$ 4,529	$ 15,520	$ 2,808	$ 2,637	$ 25,494
Opening cost, October 1, 2013	$ 7,999	$ 37,436	$ 40,147	$ 17,160	$ 102,742
Additions	439	1,822	-	2,065	4,326
Retirements	-	(97)	(11,088)	-	(11,185)
Transfer between categories	(1,229)	1,229	-	-	-
Ending cost, March 31, 2014	7,209	40,390	29,059	19,225	95,883
Opening balance, accumulated depreciation and impairments, October 1, 2013	3,470	21,916	37,339	14,523	77,248
Depreciation	638	1,471	922	500	3,531
Retirements	-	(97)	(11,088)	-	(11,185)
Transfer between categories	(490)	490	-	-	-
Ending balance, accumulated depreciation and impairments, March 31, 2014	3,618	23,780	27,173	15,023	69,594
Ending balance, March 31, 2014	$ 3,591	$ 16,610	$ 1,886	$ 4,202	$ 26,289

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

Included in tailings management is $1.9 million and in building, equipment and plant is $1.2 million for a waste water treatment facility totalling $3.1 million which was under development during the six months ended March 31, 2014 (year ended September 30, 2013 - $0.2 million). No depreciation will be taken on this asset until commissioned, which is expected to be completed in the third quarter of fiscal 2014.

Mine infrastructure assets include costs of access drifts, ramps, tunnels and infrastructure to access ore bodies underground and in the open-pit, 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. When the estimated recoverable tungsten units associated with the costs have been mined and it is determined that no future material benefit will be provided by the assets, a retirement is recorded to remove the costs and associated accumulated depreciation.

At March 31, 2014 the Company reviewed the indicators of impairment for the Cantung mine and though there remain indicators of impairment, the review suggests that there is no further impairment.

6. Accounts payable and accrued liabilities:

	March 31, 2014	September 30, 2013
Trade payables	$ 7,652	$ 9,287
Property, plant and equipment and Mactung development costs payable	1,112	812
Royalties payable	4,152	3,728
Other payables and accrued liabilities	2,808	2,589
	$ 15,724	$ 16,416

FIGURES ARE IN THOUSANDS OF CANADIAN DOLLARS

7. Bank loan and other credit facilities:

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

	March 31, 2014	September 30, 2013
Operating loan	$ 8,318	$ 11,103
Working capital loan [1]	12,000	13,576
	$ 20,318	$ 24,679

1 - The Working Capital Loan balance at March 31, 2014 includes nil of accreted liability (September 30, 2013 - $1.6 million).

HSBC Bank Canada Facilities ("HSBC" or the "Bank")

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

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

The credit facility contains the following financial covenants:

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

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

During the year ended September 30, 2013 HSBC informed the Company that the Bank Operating Loan and the Working Capital Loan are to be fully repaid not later than December 31, 2013. Subsequent to September 30, 2013 HSBC provided extensions to the credit facilities until June 30, 2014. Fees of $115 thousand were paid to HSBC for the extensions and forbearance.

Bank Operating Loan

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

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

Subsequent to March 31, 2014 the Company executed an $11.0 million loan with Callidus Capital Corporation ("Callidus") (Note 24). $5.8 million of the loan proceeds was used to pay out the balance of the operating loan facility which was then cancelled.

Working Capital Loan

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

A letter of credit that is guaranteed (the "Guarantee") by two directors (the "Sponsors") of the Company (Note 19) has been pledged as security for the Working Capital Loan, in the amount of USD$12.0 million. The facility requires that in the event that the CDN equivalent value of the letter of credit is equal to or below 95% of the outstanding balance of the loan, the Company will repay the loan balance in the amount of the shortfall or provide the bank cash collateral in the amount of the shortfall.

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

On June 14, 2013 the Company and HSBC agreed to terms for the extension of the $12.0 million Working Capital Loan facility to December 31, 2013. The agreement also extended the USD$12.0 million Letter of Credit for the same period. The Sponsors and HSBC have similarly extended the Put Agreement. See Note 19 for details on the compensation to the Sponsors for the Put.

In recognising the initial financial liability, it was assumed that the USD$2.0 million of fees (which includes the original USD$1.5 million fee plus an additional USD$0.5 million fee related to the extension) for the Guarantee would be paid at maturity of the Working Capital Loan in

FIGURES ARE IN THOUSANDS OF CANADIAN DOLLARS

December 2013. The Working Capital Loan and Guarantee at June 30, 2013 was initially recognised at fair value of $13.5 million less estimated transaction costs of $0.3 million which includes the value of 5,000,000 warrants issued to the Sponsors (Note 14). Subsequently it is carried at amortized cost using the effective interest method. As the HSBC loan is interest bearing at HSBC Bank prime + 0.25%, which is a reasonable rate for this type of loan, the carrying amount approximates fair value.

During the three months ended December 31, 2013 HSBC provided an extension to the credit facility to June 30, 2014. Under the extension, the guaranteed letter of credit and the Put Agreement were also extended. The interest rate on the Working Capital Loan was increased by 2.0% per annum. The USD$2.0 million fee for the Guarantee was rolled into the Debentures at December 31, 2013 (Note 10).

Subsequent to March 31, 2014 the Company entered into an agreement with the Sponsors, provided that, in the event HSBC puts the Working Capital Loan to the Sponsors, that the maturity of the loan will be extended to no earlier than April 1, 2015, the loan will bear interest at 12.0% per annum and a fee of $100 thousand will be paid to the Sponsors to cover the costs for the assignment of the Working Capital Loan.

8. Customer advances:

	March 31, 2014	September 30, 2013
Obligations for customer advances	$ 3,317	$ 8,063
Current portion of customer advances	-	(2,705)
Long-term portion of customer advances	$ 3,317	$ 5,358

During the three months ended December 31, 2013 the Company entered into a loan arrangement with an existing customer and pre-existing USD$2.2 million advance from that customer was rolled into a loan (Note 9).

During the three months ended March 31, 2014 the Company entered into a new tungsten delivery contract with another existing customer. Under the terms of the new supply agreement, the existing USD$3.0 million customer advance will bear interest at 3.0% per annum, with quarterly interest payments commencing on March 31, 2014. The customer advance is repayable by February 1, 2017 (the end of the initial contract term) or by mutual agreement by February 1, 2019 (the end of the optional contract renewal periods). See Note 21 for details of the tungsten delivery contract.

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

During the three months ended March 31, 2014 the Company applied an existing USD$2.6 million customer advance against the associated receivables on completion of the requirements under the tungsten delivery contract.

9. Customer loans:

	March 31, 2014	September 30, 2013
Customer loans	$ 7,959	$ -
Current portion of customer loans	(649)	-
Long-term portion of customer loans	$ 7,310	$ -

During the three months ended December 31, 2013 the Company entered into a new tungsten delivery contract with an existing customer (Note 21). In conjunction with the tungsten delivery contract a loan was arranged for USD$2.5 million and the existing USD$2.2 million advance from the customer (Note 8) was rolled into the loan arrangement. The combined USD $4.7 million loan matures on December 31, 2018 and bears interest at 3.0% per annum with quarterly interest payments commencing on March 31, 2014. Equal principal repayments of USD$293,750 per quarter commence on March 31, 2015 and continue each quarter thereafter with the final payment on December 31, 2018.

During the three months ended March 31, 2014 the Company entered into a new tungsten delivery contract with another existing customer (Note 21). In conjunction with the tungsten delivery contract a loan was arranged for USD$2.5 million. The loan matures on

FIGURES ARE IN THOUSANDS OF CANADIAN DOLLARS

March 31, 2017 and bears interest at 3.0% per annum with quarterly interest payments commencing on March 31, 2014. Equal principal repayments of USD$293,750 per quarter commence on March 31, 2015 and continue each quarter thereafter with the final payment of USD$150,000 on March 31, 2017.

The two customer loans have similar terms and conditions. Each of the loans may be required to be repaid in full on the expiry of the associated tungsten delivery contract. The loans provide the lender the right to convert the outstanding balance of the loan into a convertible note at any time, which in turn could be converted into common shares of the Company. The convertible note, if issued, would be convertible into common shares of the Company at either of the following: if the Company has defaulted under the terms of the loan, the conversion rate is the lowest price allowed by the stock exchange which the common share trade on; otherwise the rate is a 5% discount to the market price of the common share. The Company has the right, within 30 days of receiving notice for the loan to be converted into the convertible note, to either issue the convertible note or to pay the loan out in full. The loans are secured by a subordinate charge on the Company's Mactung property. The contingent conversion feature is an embedded derivative which has a nominal value. The embedded derivative liability has been included with the carrying value of the loans.

10. Debentures:

Balance at September 30, 2013	$	2,917
Accretion		41
Loss on foreign exchange		92
Repayments and roll-over into new convertible debentures		(3,050)
		-
Issuance of debentures and convertible debentures		11,728
Allocation of proceeds to equity for the conversion features		(1,108)
Transaction costs		(41)
Accretion		147
Loss on foreign exchange		390
Balance at March 31, 2014	$	11,116

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

The USD$2.7 million of the convertible debentures, along with the USD$2.0 million working capital loan guarantee fee (Note 7) and USD$4.0 million Queenwood Capital Partners II LLC (Queenwood II) notes payable (Note 12) all matured as of December 31, 2013. The Company refinanced these debts along with additional financing of USD$2.3 million from Queenwood II into USD$11 million of debentures. The conversion feature of the Convertible Debentures received approval by the non-participating shareholders on February 21, 2014. The regulators approved USD$9.0 million as convertible (“Convertible Debentures”) and USD$2.0 million as non-convertible (“Debentures”).

Queenwood Capital Partners LLC, Queenwood II and three directors of the Company combined hold USD$7.5 million of the Convertible Debentures and USD $2.0 million of the Debentures.

The Convertible Debentures bear interest at 11% per annum, payable quarterly and will mature on December 31, 2015. The Convertible Debentures can be converted at any time into common shares of the Company at a rate of CDN$0.12 per share with a fixed exchange rate of CND$1.00 = USD$0.94, for an effective conversion rate of CDN$0.1128. The Debentures bear interest at 18% per annum, payable quarterly and will mature on December 31, 2015. The Company has provided a general security agreement that has been subordinated to the Company’s senior indebtedness as security for the debentures.

The conversion feature in the Convertible Debentures meets the requirement for separate accounting as a component of shareholders’ equity.

The initial fair value of the Debentures were recognised at USD$2.0 million, which is the face value of the Debentures. Subsequent to initial recognition the Debentures are carried at fair value as they bear a market rate of interest.

FIGURES ARE IN THOUSANDS OF CANADIAN DOLLARS

11. Equipment loans and capital leases:

	March 31, 2014	September 30, 2013
Equipment loans	$ 728	$ 1,819
Capital leases	1,006	1,470
	1,734	3,289
Current portion of equipment loans and capital leases	(1,522)	(2,807)
Long-term portion of equipment loans and capital leases	$ 212	$ 482

See Note 15 for details of required payments for the equipment and capital leases.

Caterpillar Financial Services Corporation ("Caterpillar") Loan Facility

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

Subsequent to March 31, 2014 the $0.3 million remaining balance of the Caterpillar loans were paid out with proceeds from the Callidus loan (Note 24).

Capital leases

The Company has various capital leases for equipment with maturity dates that range from fiscal 2014 to 2017 with interest rates up to 19.9%. The Company has pledged the acquired assets as security for the capital leases.

Subsequent to March 31, 2014 capital leases with remaining balances of $0.6 million were paid out with proceeds from the Callidus loan (Note 24).

12. Notes Payable:

	March 31, 2014	September 30, 2013
Former mining contractor	$ 2,000	$ 2,679
Queenwood Capital Partners II LLC	-	4,255
	2,000	6,934
Current portion of notes payable	(2,000)	(4,934)
Long-term portion of notes payable	$ -	$ 2,000

Issuance of Promissory Notes

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

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

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

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

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

FIGURES ARE IN THOUSANDS OF CANADIAN DOLLARS

USD$4.0 million Note Payable

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

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

On October 31, 2013 the Queenwood II short-term credit facility matured and forbearance was provided to December 31, 2013 under the existing terms aside from the repayment date. On December 31, 2013 the USD$4.0 million note payable was refinanced in the USD$9 million Convertible Debentures financing (Note 10).

13. Reclamation liabilities:

The Company's total undiscounted amount of estimated future cash flows required to settle the Cantung mine reclamation obligation is $8.9 million (September 30, 2013 - $8.9 million). The reclamation liability has been measured using a market based pre-tax discount rate of 1.4% and inflation ranging from 0.9% to 1.9%. Based on the mine plan at September 30, 2013 the estimated timing of the reclamation work was revised with the majority of the reclamation work currently estimated to commence during fiscal 2017 through fiscal 2018.

	March 31, 2014	September 30, 2013
Opening balance, reclamation liabilities	$ 8,443	$ 8,404
Accretion	61	179
Change in estimates of future costs	-	(140)
Closing balance, reclamation liabilities	$ 8,504	$ 8,443
Current portion of reclamation liabilities	(144)	(963)
Long-term portion of reclamation liabilities	$ 8,360	$ 7,480

The Company has posted deposits of $5.7 million in cash and $6.3 million in the form of secured promissory notes which are held in escrow as security for the mine reclamation obligations under the water license for the Cantung mine issued by the Mackenzie Valley Land and Water Board (Note 15 a).

14. Share capital:

a. Common shares

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

b. Warrants

Warrants Outstanding as of September 30, 2013	Issued	Exercised	Expired	Warrants Outstanding as of March 31, 2014	Exercise Price	Expiry Date
2,000,000	-	-	-	2,000,000	$1.00	27-Oct-15
5,000,000	-	-	-	5,000,000	$0.20	30-Jun-14
7,000,000	-	-	-	7,000,000		

FIGURES ARE IN THOUSANDS OF CANADIAN DOLLARS

c. Share option plan

Options Outstanding as of September 30, 2013	Granted	Exercised	Forfeited	Cancelled	Expired	Options Outstanding as of March 31, 2014	Exercise Price	Expiry Date	Options Exercisable
75,000	-	-	-	-	-	75,000	$0.15	19-Oct-14	75,000
875,000	-	-	-	-	(50,000)	825,000	$0.19	1-Feb-15	825,000
100,000	-	-	-	-	-	100,000	$0.28	19-Jan-17	100,000
1,050,000	-	-	-	-	-	1,050,000	$0.42	8-Mar-17	1,050,000
1,866,667	-	-	(266,666)	-	(133,333)	1,466,668	$0.19	28-May-18	999,998
50,000	-	-	-	-	-	50,000	$0.19	10-Jul-18	33,333
-	100,000	-	-	-	-	100,000	$0.14	11-Oct-18	33,333
-	150,000	-	-	-	-	150,000	$0.10	4-Dec-18	-
4,016,667	250,000	-	(266,666)	-	(183,333)	3,816,668			3,116,664
Weighted Average Exercise Price									
$0.25	$0.12	N/A	$0.19	N/A	$0.19	$0.25			$0.27

The outstanding options have a weighted-average exercise price of $0.25 per share (September 30, 2013 - $0.25) and a weighted average remaining life of 3.0 years (September 30, 2013 – 3.5 years).

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

Share options granted during the period were valued using the Black-Scholes option pricing model with the following input values:	Six months ended March 31, 2014	Year ended September 30, 2013
Exercise price	$0.10 to $0.14	$0.185 to $0.19
Share price	$0.10 to $0.14	$0.185 to $0.19
Expected life	4.0 years	4.0 years
Dividend yield	0%	0%
Risk-free interest rate	1.6% to 1.7%	1.2% to 1.6%
Expected volatility	139%	138% to 139%
Calculated fair value per option	$0.05 to $0.07	$0.10

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

During the six months ended March, 31 2014 $32 thousand was recognised as share-based compensation expense for options that vested during the period (six months ended March 31, 2013 - $210 thousand).

FIGURES ARE IN THOUSANDS OF CANADIAN DOLLARS

15. Commitments:

Contractual Obligations and Commitments	Payments due in years ended September 30						
	2014 [1]	2015	2016	2017	2018	2019	TOTAL
Mactung leases	$ 10	$ 10	$ 10	$ 10	$ 10	$ 10	$ 60
Cantung leases	42	60	60	60	60	60	$ 342
Customer advances	-	-	-	3,317	-	-	$ 3,317
Equipment loans	414	344	-	-	-	-	$ 758
Capital leases	654	254	113	42	2	-	$ 1,065
Office leases [2]	112	233	245	251	84	-	$ 925
Equipment purchase and rental contracts	308	200	-	-	-	-	$ 508
	$ 1,540	$ 1,101	$ 428	$ 3,680	$ 156	$ 70	$ 6,975

1 - Commitments are for the remainder of fiscal 2014

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

a. Water license

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

The security deposit required under the Company's licenses is \$11.7 million. The Company has posted \$5.7 million in cash and \$6.3 million in the form of secured promissory notes pursuant to the Reclamation Security Agreement ("RSA"). The RSA further provides for:

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

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

During the six months ended March 31, 2014 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.

16. Contingencies:

The Company had agreements with officers whereby in the event of their contracts being terminated, the Company would be liable for payments totalling \$2.0 million. Due to changes in the officers of the Company during the year ended September 30, 2013, the Company recognised \$1.8 million in "Fees, wages and benefits" as employment contract settlement expense and the remaining employment agreement subsequently expired. At March 31, 2014 \$0.6 million remained in accounts payable for the future installments under the employment settlement agreements (September 30, 2013 - \$1.2 million).

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

FIGURES ARE IN THOUSANDS OF CANADIAN DOLLARS

17. Interest and financing costs:

	For the three months ended		For the six months ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Credit facility fees - HSBC	$ 3	$ -	$ 137	$ -
Customer advances	48	-	48	11
Customer loans	93	-	170	-
Debentures	344	72	432	144
Equipment loans and capital leases	46	157	104	334
Notes payable	40	88	221	88
Operating loan - HSBC	165	101	293	216
Other	175	211	270	256
Working capital loan - HSBC	151	95	259	192
Working capital loan - guarantee & put agreement	308	213	491	422
	$ 1,373	$ 937	$ 2,425	$ 1,663

18. Supplemental cash flow:

	For the three months ended		For the six months ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Change in non-cash working capital:				
Accounts receivable	$ 3,001	$ (3,075)	$ 3,708	$ 4,289
Prepaid expenses	(74)	74	(159)	199
Inventories	(4,984)	6,242	(4,082)	(1,328)
Accounts payable and accrued liabilities	(2,465)	(1,247)	(1,192)	(879)
Change in non-cash working capital	$ (4,522)	$ 1,994	$ (1,725)	$ 2,281

	For the three months ended		For the six months ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Expenditures on property, plant and equipment in accounts payable and accrued liabilities	$ 1,096	$ 4,382	$ 1,096	$ 4,382
Expenditures on Mactung development in accounts payable and accrued liabilities	$ 15	$ 161	$ 15	$ 161
Other supplemental information:				
Total interest received	$ -	$ -	$ -	$ -
Total interest and financing costs paid	$ 1,389	$ 721	$ 2,441	$ 1,423

19. Related party transactions:

Directors of the Company participated directly and indirectly in the USD$11.0 million Debenture and Convertible Debentures financing as to USD$9.5 million (Note 10).

On June 14, 2013 the Company and HSBC agreed to terms for the extension of the $12.0 million Working Capital Loan facility to December 31, 2013 (Note 7). The agreement also extended the USD$12.0 million Letter of Credit ("L/C") backing the Loan which was sponsored by two directors of the Company (the "Sponsors") and has been extended for the same period. The Sponsors and the Bank have similarly extended the Put Agreement that allows HSBC to exchange the outstanding balance of the Working Capital Loan with the Sponsors for up to the USD$12.0 million L/C.

In exchange for extending the Put Agreement (“Guarantee”) and backing the L/C, the Company agreed to compensate the Sponsors in the following manner;

a. pay the Sponsors (in US dollars) on the last day of each calendar quarter, an aggregate amount equal to 1.25% of the maximum outstanding principal amount of the L/C during the immediately preceding calendar quarter (or portion thereof), which payments will begin September 30, 2013;
b. pay to the Sponsors, an aggregate amount equal to USD$2.0 million (which amount includes the USD$1.5 million originally payable by June 30, 2013 under the original sponsor agreement) on the earlier of:
    (i) the date the Loan is paid in full;
    (ii) the date the Loan is put to the Sponsors pursuant to the Put Agreement; or
    (iii) the date the L/C is drawn upon for payment of the Loan;
c. the Company agreed to extend the General Security Agreement which grants security over the Company's assets including the Mactung project to the Sponsors. This is subordinated to the security under a Reclamation Security Agreement;
d. upon certain events of default the payments due to Sponsors on the last day of each quarter increase to an aggregate amount equal to 3.0% of the maximum outstanding principal amount of the L/C during the immediately preceding calendar quarter (or portion thereof); and the payment to the Sponsors will increase to USD$2.5 million from USD$2.0 million;
e. reimburse the Sponsors' expenses in respect of this transaction which totalled USD$45 thousand; and
f. the Company issued 5,000,000 share purchase warrants each of which is exercisable at $0.20 into one common share of the Company. The share purchase warrants expire on June 30, 2014 (Note 14).

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

During the six months ended March 31, 2014 the Company recognised an expense of $458 thousand in respect of the Guarantee to the Sponsors (six months ended March 31, 2013 - $422 thousand).

During the three months ended December 31, 2013 the USD$2.0 million fee for the Guarantee was refinanced into the USD$2.0 million Debentures (Note 7).

During the six months ended March 31, 2014 the Company recognised $224 thousand for professional and consulting fees to directors or companies related to director(s) (six months ended March 31, 2013 - $207 thousand).

The above transactions were in the normal course of operations.

Chief Executive Officer Employment Contract Settlement

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

FIGURES ARE IN THOUSANDS OF CANADIAN DOLLARS

20. Segmented information:

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

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

	For the six months ended					
	March 31, 2014			March 31, 2013		
TUNGSTEN:						
Europe	$	19,415	46%	$	5,702	16%
North America		19,073	45%		22,817	66%
Asia		3,883	9%		6,245	18%
		42,371	100%		34,764	100%
COPPER:						
North America		1,154	100%		1,639	100%
		1,154	100%		1,639	100%
	$	43,525		$	36,403	

21. Sales Contracts:

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

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

During the three months ended December 31, 2013 the Company negotiated a new tungsten delivery contract in conjunction with a USD$4.7 million loan arrangement (Note 9), with an existing customer that was effective February 1, 2014.

During the three months ended March 31, 2014 the Company negotiated a new tungsten delivery contract in conjunction with a USD$2.5 million loan arrangement (Note 9), with an existing customer that was effective March 1, 2014.

The tungsten delivery contracts have similar terms and conditions. Each contract is for an initial term of the later of 3 years to February 1, 2017 or the completion of the delivery quantity for the initial term. The customer has the right, at its sole discretion, to extend the contract under the initial term until all amounts under the related loan arrangements have been repaid in full. If neither party gives notice of termination of the contract by February 1, 2016 the contract automatically is extended for an additional year to February 1, 2018 (year 4). If neither party gives notice of termination of the contract by February 1, 2017 the contract automatically is extended for an additional year to February 1, 2019 (year 5). The contract contains quarterly and annual target delivery quantities and do not contain financial penalties for shortfalls in target delivery quantities. The contract contains provisions that could allow the customer to terminate the delivery contract if quantities or concentrate specifications are not achieved for three consecutive months or if target delivery quantities are not achieved. In the event of default by the Company under the terms of the delivery contract, the customer has the right to demand immediate fully repayment of the outstanding balance under the loan arrangement. In the event of termination of the delivery contract by the customer, the customer advances would become due on demand of the customer (Note 8).

22. Income (Loss) Per Share:

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

(in thousands except per share amounts)	For the three months ended March 31, 2014	March 31, 2013	For the six months ended March 31, 2014	March 31, 2013
Income (Loss) per share:				
Basic	$ 0.01	$ (0.01)	$ (0.01)	$ (0.03)
Diluted	$ 0.01	$ (0.01)	$ (0.01)	$ (0.03)
Net income (loss) for the period:				
Attributed to common shareholders - basic	$ 2,467	$ (3,413)	$ (2,062)	$ (7,425)
Attributed to common shareholders - diluted	$ 2,467	$ (3,413)	$ (2,062)	$ (7,425)
Weighted average shares outstanding:				
Weighted average shares outstanding - basic	238,123	237,123	238,123	237,123
Dilutive securities:				
Excluded	-	-	-	-
Weighted average shares outstanding - diluted	238,123	237,123	238,123	237,123
Shares excluded from the determination of diluted loss per share:				
Stock options	3,817	4,450	3,817	4,450
Warrants	7,000	2,000	7,000	2,000
Convertible debentures	79,787	6,506	79,787	6,506
	90,604	12,956	90,604	12,956

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

There have been no issuances of potentially dilutive securities subsequent to March 31, 2014.

23. Financial Instruments:

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

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

Level 1 - quoted prices in active markets for identical assets or liabilities;
Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and
Level 3 - inputs for the asset or liability that are not based upon observable market data.

Categories of Financial Assets and Liabilities

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

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

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

FIGURES ARE IN THOUSANDS OF CANADIAN DOLLARS

	March 31, 2014	September 30, 2013
Financial Assets		
Loans and Receivables		
Cash and cash equivalents	$ 2	$ 203
Accounts receivable	7,970	14,383
Reclamation deposits	5,700	5,469
Fair-value-through-profit or loss		
USD/CDN forward exchange rate contracts	-	29
Financial Liabilities		
Other Financial Liabilities		
Accounts payable and accrued liabilities	$ 15,724	$ 16,416
Bank loans	20,318	24,679
Customer loans	7,959	-
Debentures & convertible debentures (interest bearing portion)	11,116	2,917
Equipment loans and capital leases	1,734	3,289
Notes payable	2,000	6,934
Fair-value-through-profit or loss		
USD/CDN forward exchange rate contracts	-	-

24. Subsequent events:

Callidus Capital Corporation - Loan Facility

Subsequent to March 31, 2014 the Company executed an $11.0 million loan with Callidus Capital Corporation (“Callidus”). The loan is for a term of 1 year, repayable on demand and bears interest at 18% per annum with interest payable quarterly. Principal repayments of $150 thousand per month commence on July 31, 2014 with the remaining balance due on maturity. The loan is secured by a first charge over all assets of the Company, excluding Mactung and all mining and mineral leases, claims and tenures. $5.8 million of the loan proceeds was used to pay out the balance of the HSBC Bank Operating Loan Facility which was then cancelled (Note 7) and $1.0 million was used to repay certain equipment loans and capital leases (Note 11).