NORTH AMERICAN TUNGSTEN CORPORATION LTD

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2013 AND 2012

NORTH AMERICAN TUNGSTEN CORPORATION LTD.
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT JUNE 30, 2013 AND SEPTEMBER 30, 2012
FIGURES IN THOUSANDS OF CANADIAN DOLLARS
UNAUDITED

	Note(s)	June 30, 2013	September 30, 2012
ASSETS			
Current assets			
Cash and cash equivalents		$ 203	$ 2,124
Accounts receivable	4	9,225	17,153
Inventories	5	6,814	6,556
Prepaid expenses		870	816
		17,112	26,649
Accounts receivable	4	5,469	-
Property, plant and equipment	7	25,955	31,630
Mineral property - Mactung	8	18,425	17,668
Mineral properties - other		9	9
Reclamation deposits	15 & 17	5,354	5,012
		$ 72,324	**$ 80,968**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	9	$ 14,548	$ 20,595
Bank loans	12	23,446	21,850
Derivative instruments	6	174	-
Current portion of customer advances	11	2,761	768
Current portion of equipment loans and capital leases	13	4,249	7,053
Current portion of notes payable	14	5,527	-
Convertible debentures	10	2,845	2,353
		53,550	52,619
Customer advances	11	5,469	2,950
Notes payable	14	2,000	-
Equipment loans and capital leases	13	777	2,126
Reclamation liabilities	15	8,606	8,404
Other obligations		281	268
		70,683	66,367
SHARE CAPITAL AND DEFICIT			
Share capital	16	64,836	64,673
Contributed surplus	16	6,222	5,667
Deficit		(69,417)	(55,739)
		1,641	14,601
		$ 72,324	**$ 80,968**
Going concern	1		
Commitments and Contingencies	17 & 18		

ON BEHALF OF THE BOARD

"signed"

Kurt E. Heikkila

"signed"

Bryce M. A. Porter

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

NORTH AMERICAN TUNGSTEN CORPORATION LTD.
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2013 AND 2012
FIGURES IN THOUSANDS OF CANADIAN DOLLARS
UNAUDITED

(figures in thousands of dollars except for per share amounts)	Note(s)	For the three months ended June 30, 2013	For the three months ended June 30, 2012	For the nine months ended June 30, 2013	For the nine months ended June 30, 2012
REVENUES					
Sales	23	$ 20,954	$ 21,731	$ 57,357	$ 81,560
EXPENSES					
Cost of sales	19	20,960	22,838	60,703	69,197
General and administrative	20	2,756	823	4,257	2,445
Interest and financing costs		845	797	2,508	2,402
Impairment of property, plant and equipment	7	1,757	-	1,757	-
Accretion of financial liabilities	10, 12 & 14	426	352	1,122	1,030
Stock-based compensation	16	102	4	312	204
Exploration		48	-	276	53
Loss (gain) on revaluation of derivatives	6 & 10	248	(660)	109	(385)
Foreign exchange loss (gain)		80	(227)	25	(240)
Loss (gain) on disposal of assets		-	(14)	16	(14)
Equity loss of associate		-	68	-	272
Interest and other income		(15)	(78)	(50)	(347)
NET INCOME (LOSS)		**(6,253)**	**(2,172)**	**(13,678)**	**6,943**
OTHER COMPREHENSIVE INCOME (LOSS)					
Cumulative translation adjustment		-	8	-	(8)
NET COMPREHENSIVE INCOME (LOSS)		**$ (6,253)**	**$ (2,164)**	**$ (13,678)**	**$ 6,935**
Earnings/(loss) per share	24				
Basic		$ (0.03)	$ (0.01)	$ (0.06)	$ 0.03
Diluted		$ (0.03)	$ (0.01)	$ (0.06)	$ 0.03
Weighted average number of shares (in thousands)					
Basic		237,881	237,123	237,376	237,123
Diluted		237,881	237,123	237,376	237,821

NORTH AMERICAN TUNGSTEN CORPORATION LTD.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2013 AND 2012
FIGURES IN THOUSANDS OF CANADIAN DOLLARS
UNAUDITED

	Note(s)	For the three months ended June 30, 2013	For the three months ended June 30, 2012	For the nine months ended June 30, 2013	For the nine months ended June 30, 2012
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES					
Net income (loss)		$ (6,253)	$ (2,172)	$ (13,678)	$ 6,943
Items not affecting cash:					
Amortization and depreciation	7 & 19	1,933	4,605	5,714	12,770
Equity loss of associate		-	68	-	272
Stock-based compensation	16	102	4	312	204
Accretion of financial liabilities	10, 12 & 14	427	352	1,123	1,030
Impairment of property, plant and equipment	7	1,757	-	1,757	-
Loss (gain) on disposal of assets		-	(14)	16	(14)
Accretion of reclamation obligations	15	44	31	134	87
Foreign exchange loss (gain) on customer advances	11	280	90	516	(177)
Foreign exchange loss (gain) on financial liabilities		231	56	351	(17)
Loss (gain) on revaluation of derivatives	6 & 10	248	(660)	109	(385)
		(1,231)	**2,360**	**(3,646)**	**20,713**
Adjustment for:					
Interest and financing costs paid		930	715	2,343	2,249
Change in non-cash working capital	21	(757)	3,027	1,524	(1,165)
Increase in reclamation deposits	17	(100)	(100)	(300)	(300)
		(1,158)	**6,002**	**(79)**	**21,497**
CASH FLOWS USED IN INVESTING ACTIVITIES					
Proceeds on disposal of assets		-	14	-	14
Expenditure on Mactung development	8	(408)	(376)	(936)	(976)
Purchase of property, plant and equipment	7	(366)	(6,066)	(2,951)	(24,167)
		(774)	**(6,428)**	**(3,887)**	**(25,129)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Net decrease in equipment loans and capital leases	13	(1,887)	(569)	(4,153)	(3,249)
Net increase in notes payable	14	3,433	-	3,433	-
Working capital loan borrowings	12	-	-	-	12,000
Bank loan borrowings, net	12	965	(6,092)	1,112	(3,389)
Net increase (decrease) in customer advances	11	-	(314)	3,996	(1,263)
Interest and financing costs paid		(930)	(732)	(2,343)	(2,249)
		1,581	**(7,707)**	**2,045**	**1,850**
CHANGE IN CASH AND CASH EQUIVALENTS		**(351)**	**(8,133)**	**(1,921)**	**(1,782)**
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		554	9,351	2,124	3,000
CASH AND CASH EQUIVALENTS, END OF PERIOD		**$ 203**	**$ 1,218**	**$ 203**	**$ 1,218**
Represented by:					
Cash		$ 168	$ 1,183	$ 168	$ 1,183
Cash equivalents	3	35	35	35	35
		$ 203	$ 1,218	203	$ 1,218
Supplemental cash flow information	21				

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

NORTH AMERICAN TUNGSTEN CORPORATION LTD.
INTERIM CONSOLIDATED STATEMENTS OF EQUITY
FOR THE NINE MONTHS ENDED JUNE 30, 2013 AND 2012
FIGURES IN THOUSANDS OF CANADIAN DOLLARS EXCEPT NUMBER OF COMMON SHARES
UNAUDITED

For the nine months ended June 30, 2012

(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, 2011		**237,123,058**	**$**	**64,673**	**$**	**5,226**	**$**	**15**	**$**	**(45,896)**	**$**	**24,018**
Stock based compensation	16	-		-		204		-		-		**204**
Net income		-		-		-		-		6,943		**6,943**
Comprehensive loss for the period		-		-		-		(8)		-		**(8)**
Balance at June 30, 2012		**237,123,058**	**$**	**64,673**	**$**	**5,430**	**$**	**7**	**$**	**(38,953)**	**$**	**31,157**

For the nine months ended June 30, 2013

	Note(s)	Number of Common Shares		Common Shares		Contributed Surplus		Accumulated other comprehensive income (loss)		Deficit		Total Equity
Balance at October 1, 2012		**237,123,058**	**$**	**64,673**	**$**	**5,667**	**$**	**-**	**$**	**(55,739)**	**$**	**14,601**
Common shares issued	16	1,000,000		163		-		-		-		**163**
Warrants issued	16					243						**243**
Stock based compensation	16	-		-		312		-		-		**312**
Net loss		-		-		-		-		(13,678)		**(13,678)**
Balance at June 30, 2013		**238,123,058**	**$**	**64,836**	**$**	**6,222**	**$**	**-**	**$**	**(69,417)**	**$**	**1,641**

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 concentrate. 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 CBCA. The address of the head office is suite 1640 - 1188 West Georgia Street, Vancouver, British Columbia, Canada.

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

For the nine months ended June 30, 2013 there was a net loss of $13.7 million (year ended September 30, 2012 the net loss was $9.8 million) and there was a deficiency of working capital of $36.4 million (September 30, 2012 - $26.0 million). HSBC credit facilities mature on December 31, 2013 (Note 12).

As described in Note 12, following the recognition of the $16.2 million impairment provision at September 30, 2012, the Company was in breach of the debt to tangible net worth covenant of the HSBC credit facility. On January 25, 2013, HSBC waived all previous covenant breaches to September 30, 2012 and to December 31, 2012. At March 31, 2013 the Company was in breach of the covenants and subsequently HSBC waived the breaches. At June 30, 2013 the Company was in breach of the covenants and subsequently HSBC waived the breaches.

The ability of the Company to continue as a going concern depends upon continued support from its shareholders, lenders and customers. In addition, the Company will need to generate positive cash flows from operations and to roll-over, extend, replace or refinance existing loan facilities as they mature or arrange new financing. Future operations will also be impacted by market conditions and prices for tungsten concentrates and the ability of the Cantung mine to maintain positive cash flows from operations while containing non-operating outlays if and 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:

Basis of preparation

The unaudited interim consolidated financial statements of the Company for the three and nine month period ended June 30, 2013 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, 2012, and have been consistently applied in the preparation of these interim financial statements.

The Board of Directors approved these financial statements on August 23, 2013.

3. Cash and cash equivalents:

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

FIGURES ARE IN THOUSANDS OF CANADIAN DOLLARS

4. Accounts receivable:

	June 30, 2013	September 30, 2012
Trade receivables	$ 13,986	$ 16,359
Taxes and other receivables	708	794
	14,694	17,153
Current portion of accounts receivable	(9,225)	(17,153)
Long-term portion of accounts receivable	**$ 5,469**	**$ -**

The Company has an operating loan from HSBC, guaranteed by the Accounts Receivable Insurance Program of Export Development Canada ("EDC"), under which it borrows up to 90% of the value of applicable trade receivables from approved customers (Note 12). The Company has received prepayments from these customers that amounted to $8.2 million at June 30, 2013 (September 30, 2012 - $3.7 million) (Note 11).

5. Inventories:

	June 30, 2013	September 30, 2012
Tungsten concentrates	$ 808	$ 472
Copper concentrate	214	372
Ore stockpile	1,099	1,380
Materials and supplies	4,693	4,332
	$ 6,814	**$ 6,556**

6. Derivative instruments:

	June 30, 2013	September 30, 2012
USD/CND forward exchange rate sale contracts	$ 174	$ -
	$ 174	**$ -**

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 as sales are denominated in USD.

From time to time the Company enters into US Dollar / Canadian Dollar ("CDN") forward exchange rate sales contracts to manage its exposure to fluctuations in USD/CDN dollar exchange rates as they relate to the USD accounts receivables. The Company accounts for these contracts as investments and records changes in the fair value of these derivative instruments as an asset or liability at each reporting date with a corresponding gain or loss recognised in profit or loss for the period.

At June 30, 2013 the Company held USD$7.5 million (CDN$7.9 million) of USD/CDN forward exchange rate sales contracts with maturities over the following 61 days with exchange rates of USD/CDN1.027 to USD/CDN1.032. The settlement date value of the contracts at June 30, 2013 was CDN$7.7 million. For the nine months ended June 30, 2013 a loss on revaluation of derivative instruments of CDN$174 thousand was recognised (for the nine months ended June 30, 2012 - nil was recognised). There were no outstanding forward exchange rate contracts at September 30, 2012.

FIGURES ARE IN THOUSANDS OF CANADIAN DOLLARS

7. Property, plant and equipment:

	Equipment under capital lease	Plant and buildings	Mine development costs	Mining equipment	Tailings Management	Reclamation assets	Total
Opening cost, October 1, 2011	$ 10,610	$ 14,965	$ 25,526	$ 6,972	$ 11,582	$ 4,760	$ 74,415
Additions	2,350	1,616	14,027	4,039	2,540	600	25,172
Ending cost, September 30, 2012	12,960	16,581	39,553	11,011	14,122	5,360	99,587
Opening balance, accumulated depreciation and impairments, October 1, 2011	2,264	6,564	11,088	2,353	8,355	1,199	31,823
Depreciation	1,634	1,374	13,773	604	1,394	1,155	19,934
Impairment	723	1,457	9,095	383	2,680	1,862	16,200
Ending balance, accumulated depreciation and impairments, September 30, 2012	4,621	9,395	33,956	3,340	12,429	4,216	67,957
Ending balance, September 30, 2012	**$ 8,339**	**$ 7,186**	**$ 5,597**	**$ 7,671**	**$ 1,693**	**$ 1,144**	**$ 31,630**
Opening cost, October 1, 2012	$ 12,960	$ 16,581	$ 39,553	$ 11,011	$ 14,122	$ 5,360	$ 99,587
Additions	921	503	-	128	796	68	2,416
Project cost adjustment	-	-	(602)	-	-	-	(602)
Disposals	-	(30)	-	-	-	-	(30)
Ending cost, June 30, 2013	13,881	17,054	38,951	11,139	14,918	5,428	101,371
Opening balance, accumulated depreciation and impairments, October 1, 2012	4,621	9,395	33,956	3,340	12,429	4,216	67,957
Depreciation	1,298	758	2,131	978	435	114	5,714
Impairment	-	-	244	1,513	-	-	1,757
Disposals	-	(12)	-	-	-	-	(12)
Ending balance, accumulated depreciation and impairments, June 30, 2013	5,919	10,141	36,331	5,831	12,864	4,330	75,416
Ending balance, June 30, 2013	**$ 7,962**	**$ 6,913**	**$ 2,620**	**$ 5,308**	**$ 2,054**	**$ 1,098**	**$ 25,955**

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.

At September 30, 2012, due to significant decline in market quotations for tungsten in the second half of calendar 2012 and other indicators of possible impairment, the Company reviewed the carrying value of the Cantung assets for impairment. As a result of the review, it was determined that the Cantung assets were impaired and an impairment charge of $16.2 million was recognised to reduce the carrying value to the recoverable amount. The recoverable amount was determined based on the value-in-use method using discounted future cash flows at a discount rate of 12.5%. The estimated future cash flows utilized in the value-in-use models incorporated the Company's best estimates of future tungsten production based on the mine plans, estimates of future APT quotations, operating costs and residual values. The recognition of the impairment reduced the amount of amortization to be recognized over the estimated remaining life of the property, plant and equipment by $16.2 million.

Following the impairment that reduced the carrying value of Cantung assets as of September 30, 2012, depreciation and amortization charges have been reduced. The impairment calculation was based on management's best estimate that operations will continue through fiscal 2016. A longer life is possible, particularly as improvements are under investigation, but are not included in the current life assumptions.

Based on updated mine plans, as at June 30, 2013 a cemented back-fill plant and an underground ramp were determined to be surplus to requirements. An impairment of $1.8 million was recognised to reduce carrying values to recoverable amounts. After recognising the impairment of these specific assets, the Company reviewed for changes since September 30, 2012 in the value-in-use model and the indicators of impairment for the Cantung assets and determined there was no additional impairment of the Cantung assets.

During the three months ended December 31, 2012 the Company negotiated a $0.6 million reduction to the final project cost for mine development.

FIGURES ARE IN THOUSANDS OF CANADIAN DOLLARS

8. Mineral property - Mactung:

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

Balance October 1, 2011	**$**	**16,196**
Expenditures during the year		1,472
Balance September 30, 2012	**$**	**17,668**
Expenditures during the period		757
Balance June 30, 2013	**$**	**18,425**

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 June 30, 2013, was $300 thousand (September 30, 2012 - $300 thousand).

9. Accounts payable and accrued liabilities:

		June 30, 2013		September 30, 2012
Trade payables	$	7,843	$	10,602
Property, plant and equipment and Mactung development costs payable		252		5,673
Royalties payable		3,509		2,962
Other payables and accrued liabilities		2,944		1,358
	$	**14,548**	**$**	**20,595**

In April 2013, the Company reached an agreement with Procon Mining & Tunnelling Ltd. ("Procon") on a schedule of payments on the final amount due in respect of a contract under which Procon provided mining services to the Cantung mine (Note 14).

FIGURES ARE IN THOUSANDS OF CANADIAN DOLLARS

10. Convertible Debentures:

	Debt component	Derivative liability	Total liability
Balance at September 30, 2011	**$ 1,877**	**$ 574**	**$ 2,451**
Interest accreted	512	-	512
Loss (gain) on revaluation of derivative instrument	-	(509)	(509)
Loss (gain) on foreign exchange	(101)	-	(101)
Balance at September 30, 2012	**$ 2,288**	**$ 65**	**$ 2,353**
Interest accreted	382	-	382
Loss (gain) on revaluation of derivative instrument	-	(64)	(64)
Loss (gain) on foreign exchange	174	-	174
Balance at June 30, 2013	**$ 2,844**	**$ 1**	**$ 2,845**

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 at any time. The Company has provided a general security agreement that has been subordinated to the Company's senior indebtedness as security for the debentures.

At June 30, 2013, the fair value of the derivative was determined to be USD$1 thousand (CDN$1 thousand) and was determined with the Black-Scholes option pricing model with the following assumptions; share price at the reporting date of $0.16, exercise price of $0.46 per share, expected life of 0.33 years, risk-free rate of 0.04%, volatility of 40.2% 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 $219 thousand for the nine months ended June 30, 2013, a notional interest representing the accretion of the carrying value of the debentures due to the passage of time of $382 thousand and a foreign exchange loss of $174 thousand. A gain on revaluation of the derivative liability of $64 thousand was recognised for the period due to changes in fair value and changes in the price of the Company's shares.

At September 30, 2012, the fair value of the derivative was determined to be USD$66 thousand (CDN$65 thousand) and was determined with the Black-Scholes option pricing model with the following assumptions; share price at the reporting date of $0.18, exercise price of $0.43 per share, expected life of 1.1 years, risk-free rate of 0.17%, volatility of 72.0% 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 $218 thousand for the nine months ended June 30, 2012, a notional interest representing the accretion of the carrying value of the debentures due to the passage of time of $384 thousand and a foreign exchange gain of $21 thousand. A gain on revaluation of the derivative liability of $385 thousand was recognised for the period due to changes in fair value and changes in the price of the Company's shares.

Five directors participated directly and indirectly in the debentures financing for a total principal amount of USD$1.37 million (Note 22).

11. Customer advances:

	June 30, 2013	September 30, 2012
Obligations for customer advances	$ 8,230	$ 3,718
Current portion of customer advances	(2,761)	(768)
Long-term portion of customer advances	**$ 5,469**	**$ 2,950**

During the year ended September 30, 2010, the Company received customer advances totalling USD$7.8 million (CDN$8.0 million), of which USD$4.1 million (CDN$4.1 million) has been repaid as of June 30, 2013. The remaining balances are repayable by 2015. A related party (Note 22) provided a guarantee of a letter of credit as security for one of these advances totalling USD$781 thousand at September 30, 2012 (CDN$768 thousand). The guarantee expired on December 1, 2012.

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

FIGURES ARE IN THOUSANDS OF CANADIAN DOLLARS

During the nine months ended June 30, 2013, the Company repaid $154 thousand of the advances and recognised a foreign exchange loss of $516 thousand. During the nine months ended June 30, 2012, the Company repaid $1.3 million of the advances and recognised a foreign exchange gain of $406 thousand. See Note 17 for commitments for the customer advances.

12. Bank loan and other credit facilities:

HSBC Bank Canada facilities

The Bank Operating Loan is based on a percentage of trade accounts receivable and product inventory, a letter of credit that is guaranteed by two directors of the Company (Note 22) has been pledged as security for the Working Capital Loan and the Company has pledged the associated assets of the Non-revolving Equipment Loans as security for the Non-revolving Equipment Loans (Note 13). In the event that the Company is unable to repay the Working Capital Loan when it matures, HSBC has the option to exercise the guarantee and the guarantors would become the creditors of the Working Capital Loan.

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. The Company is investigating alternate sources of financing to replace the HSBC credit facilities on maturity.

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

	June 30, 2013	September 30, 2012
Operating loan	$ 10,129	$ 9,018
Working capital loan	13,317	12,832
	$ 23,446	**$ 21,850**

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

The credit facility contains the following financial covenants:

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

For the HSBC covenant calculations, the secured working capital loan of $12.0 million and the $2.9 million undiscounted face value of the convertible debentures (Note 10) are classified as equity.

HSBC provided waivers of past covenant breaches to June 30, 2013 conditional on compliance of amended covenants in future periods. 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. At September 30, 2012 the long-term portion of the HSBC equipment loans totalling $397 thousand were classified as current (Note 13). On January 25, 2013, HSBC waived all previous covenant breaches to September 30, 2012 and to December 31, 2012. At March 31, 2013 the Company was in breach of the covenants and subsequently HSBC waived the breaches. At June 30, 2013 the Company was in breach of the covenants and subsequently HSBC waived the breaches.

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

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

Bank Operating Loan

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

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.

For the nine months ended June 30, 2013 interest expense of $332 thousand was recognised on the loan (nine months ended June 30, 2012 - $280 thousand).

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. The loan facility was subsequently amended to extend the maturity to December 31, 2013.

A letter of credit that is guaranteed (the "Guarantee") by two directors (the "Sponsors") of the Company (Note 22) has been pledged as security for the Working Capital Loan, in the amount of USD$12.0 million. The facility requires that in the event that the CDN equivalent value of the letter of credit is equal to or below 95% of the outstanding balance of the loan, the Company will repay the loan balance down in the amount of the shortfall or provide the bank cash collateral in the amount of the shortfall. During the year ended September 30, 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. See Note 22 for details on the compensation to the Sponsors for the Put.

In recognising the initial financial liability, it was assumed that the fee of USD$1.5 million for the Guarantee would be paid at maturity of the Working Capital Loan in June 2013. The Working Capital Loan and Guarantee was initially recognised at fair value of $12.0 million and is subsequently carried at amortized cost using the effective interest method. As the HSBC loan is interest bearing at HSBC Bank prime + 0.25%, which is a reasonable rate for this type of loan, the carrying amount approximates fair value.

For the nine months ended June 30, 2013, the Company recognised accretion of $699 thousand, a foreign exchange loss of $83 thousand and interest expense of $290 thousand on the loan. For the nine months ended June 30, 2012, the Company recognised accretion of $632 thousand, a foreign exchange gain of $5 thousand and interest expense of $294 thousand on the loan.

The Working Capital Loan balance at June 30, 2013 includes $1.3 million of accreted liability (September 30, 2012 - $852 thousand).

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

In recognising the initial financial liability, it was assumed that the fee of USD$2.0 million (which includes the original USD$1.5 million plus an additional USD$0.5 million related to the extension) for the Guarantee will be paid at maturity of the Working Capital Loan in December 2013. The Working Capital Loan and Guarantee at June 30, 2013 was initially recognised at fair value of $13.5 million less estimated transaction costs of $0.3 million which includes the value of the 5,000,000 warrants issued to the Sponsors (Note 16) and is subsequently carried at amortized cost using the effective interest method. As the HSBC loan is interest bearing at HSBC Bank prime + 0.25%, which is a reasonable rate for this type of loan, the carrying amount approximates fair value.

FIGURES ARE IN THOUSANDS OF CANADIAN DOLLARS

13. Equipment loans and capital leases:

	June 30, 2013	September 30, 2012
Equipment loans	$ 3,078	$ 6,443
Capital leases	1,948	2,736
	5,026	9,179
Current portion of equipment loans and capital leases	(4,249)	(7,053)
Long-term portion of equipment loans and capital leases	**$ 777**	**$ 2,126**

See Note 17 for details of required payments for the equipment and capital leases.

HSBC Non-revolving Equipment Loans

The Company has entered into equipment loans that carry interest at rates that range from HSBC Bank Prime + 1.75% to 3.75% and mature between 2013 and 2014. The Company has pledged the associated assets of the loans as security for the loans. For the nine months ended June 30, 2013 the Company recognised interest expense of $149 thousand (nine months ended June 30, 2012 - $252 thousand).

At September 30, 2012 the long-term portion of the HSBC equipment loans totalling $397 thousand has been classified as current (Note 12). At June 30, 2013 the remaining balance of the HSBC equipment loans are classified as current as they mature within 12 months.

Caterpillar Financial Services Corporation Loan Facility

During the year ended September 30, 2010, the Company entered into loans to purchase power generation, heat recovery equipment and electrical control systems for $3.5 million. The loans mature in fiscal 2015 with interest rates of 8.5% per annum. The Company has pledged the associated assets of the loans as security for the loans. During the nine months ended June 30, 2013 the Company recognised interest expense of $98 thousand (nine months ended June 30, 2012 - $141 thousand).

Capital leases

The Company has various capital leases for equipment with maturity dates that range from fiscal 2013 to 2016 with interest rates that range from 8.5% to 20.5%. The Company has pledged the associated assets of the capital leases as security for the capital leases.

During the nine months ended June 30, 2013, the Company recognised interest expense of $224 thousand (nine months ended June 30, 2012 - $101 thousand).

14. Notes Payable

	June 30, 2013	September 30, 2012
Procon Mining & Tunnelling Ltd.	$ 3,357	$ -
Queenwood Capital Partners II LLC	4,170	-
	7,527	-
Current portion of notes payable	(5,527)	-
Long-term portion of notes payable	**$ 2,000**	**$ -**

Issuance of Promissory Notes

In April 2013 the Company reached an agreement with Procon Mining & Tunnelling Ltd. ("Procon") on a schedule of payments on the final amount due in respect of a contract under which Procon provided mining services to the Cantung mine.

FIGURES ARE IN THOUSANDS OF CANADIAN DOLLARS

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

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

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

The initial financial liability was recognised at the $4.0 million accounts payable balance that was settled with the issuance of the notes payable and is subsequently carried at amortized cost using the effective interest method. As the notes payable is interest bearing at a reasonable rate for this type of loan, the carrying amount approximates fair value.

During the nine months ended June 30, 2013 the Company recognised interest expense of $58 thousand (nine months ended June 30, 2012 – nil).

USD$4.0 million Note Payable

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

The initial financial liability was recognised at fair value of USD$4.0 million (CDN$4.2 million) less estimated transaction costs of USD$100 thousand and is subsequently carried at amortized cost using the effective interest method. As the note payable is interest bearing at a reasonable rate for this type of loan, the carrying amount approximates fair value.

During the nine months ended June 30, 2013 the Company recognised $39 thousand of interest expense on the face value of the note at 12.5% per annum, a notional interest representing the accretion of the carrying value of the note payable due to the passage of time of $28 thousand and a foreign exchange loss of $98 thousand (nine months ended June 30, 2012 – nil).

15. Reclamation liabilities:

The Company's total undiscounted amount of estimated future cash flows required to settle the Cantung mine reclamation obligation is $9.2 million (September 30, 2012 - $8.7 million) which has been discounted using a current market based pre-tax discount rate of 1.3%. During the three months period ended December 31, 2012 the mine life assumption was updated with operations estimated to continue through fiscal 2016. Due to this extension the reclamation liability increased by $68 thousand with a corresponding increase to the reclamation asset. The majority of the reclamation work is estimated to commence during fiscal 2017 through fiscal 2019 but this timing could be deferred as a longer life is possible, particularly as improvements are under investigation, but are not included in the current life assumptions.

The reclamation obligation reflects the Company’s best estimates of costs and timing of reclamation work. The estimated liability will be revised in the future for changes to the mine reclamation plan, changes in regulations and the on-going discussions with the regulators. Changes may become necessary as a result of continuing reviews of site conditions, estimated costs and contingencies provided and could result in increases or decreases in the amount of the provision.

The Cantung mine future reclamation cost was estimated by an independent engineering firm at September 30, 2012. The estimate included additional costs for post-closure monitoring, sampling and reporting activities. The reclamation cost estimate from the engineering firm was used as the basis for the Company’s estimate of the reclamation liability.

	June 30, 2013	September 30, 2012
Opening balance, reclamation liabilities	$ 8,404	$ 7,688
Accretion	134	116
Change in estimates of future costs	68	600
Closing balance, reclamation liabilities	**$ 8,606**	**$ 8,404**

During the nine months ended June 30, 2013, the Company recognised accretion expense of $134 thousand (nine months ended June 30, 2012 - $87 thousand). The accretion expense is included in interest and financing costs on the statement of comprehensive income (loss) for the period.

FIGURES ARE IN THOUSANDS OF CANADIAN DOLLARS

The Company has posted deposits of $5.3 million in cash and $6.4 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 17 a.)

16. Share capital:

a. Capital stock

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

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

b. Warrants

Number of Warrants Outstanding as of September 30, 2012	Issued	Exercised	Expired	Number of Warrants Outstanding as of June 30, 2013	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)	-	$0.50	31-Mar-13
-	5,000,000	-	-	5,000,000	$0.20	30-Jun-14
14,750,000	**5,000,000**	**-**	**(12,750,000)**	**7,000,000**		

On June 27, 2013 the Company issued 5,000,000 warrants, each exercisable at $0.20 into one common share and expire on June 30, 2014. The warrants were issued to the Sponsors of the Working Capital Loan Guarantee (the "Guarantee") as part of the compensation to extend the Guarantee to December 31, 2013 (Note 12 and Note 22). The warrants' value was calculated using the Black-Scholes option pricing model based on an expected life of 1.0 years, a dividend yield of 0%, a risk-free interest rate of 1.2%, an expected volatility of 69.0% based on the Company's share trading history and a share price of $0.19, giving a per warrant fair value of $0.05 and a total value for the warrants of $243 thousand. The value of the warrants is included in the determination of the fair value of the Guarantee.

c. 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 12 month period.

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.

FIGURES ARE IN THOUSANDS OF CANADIAN DOLLARS

	Number of Options Outstanding as of September 30, 2012	Granted	Exercised	Forfeited	Cancelled	Expired	Number of Options Outstanding as of June 30, 2013	Exercise Price	Expiry Date	Options Exercisable
	175,000	-	-	-	-	-	175,000	$0.15	19-Oct-14	175,000
	1,650,000	-	-	-	(275,000)	-	1,375,000	$0.19	1-Feb-15	1,375,000
	240,000	-	-	-	(240,000)	-	-	$0.41	5-Jan-16	-
	150,000	-	-	-	(50,000)	-	100,000	$0.28	19-Jan-17	66,666
	2,135,000	-	-	-	(335,000)	-	1,800,000	$0.42	8-Mar-17	1,800,000
	150,000	-	-	-	(150,000)	-	-	$0.42	5-Apr-17	-
	-	2,075,000	-	(116,667)	-	-	1,958,333	$0.19	28-May-18	691,665
	4,500,000	**2,075,000**	**-**	**(116,667)**	**(1,050,000)**	**-**	**5,408,333**			**4,108,331**
Weighted Average Exercise Price	$0.32	$0.19	N/A	$0.19	$0.35	N/A	$0.27			$0.29

During the three months ended June 30, 2013 2,075,000 options were granted to employees with an exercise price of $0.185, expiring May 28, 2018. 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 1.2%, an expected volatility of 137.7% based on the Company's share trading history and a share price of $0.185, giving a per option fair value of $0.10. The options vest 1/3rd immediately, 1/3rd after six months and 1/3rd after a year.

The 2,075,000 options granted included 550,000 options issued to replace 550,000 options cancelled during the period. The cancellation and replacement of the options is considered a modification of stock-options under IFRS. The fair value of the cancelled options at the date of cancellation was determined with the Black-Scholes option pricing model. The incremental increase in fair value between the cancelled options and the replacement options was $31 thousand and will be recognised over the vesting period of the replacement options. Stock-based compensation expense for the three months ended June 30, 2013 was $103 thousand which includes $28 thousand for the options that had not vested at the date of cancellation and was required to be recognised on cancellation of the options.

During the nine months ended June 30, 2013 $312 thousand was recognised as stock-based compensation expense for options that vested during the period (nine months ended June 30, 2012 - $204 thousand).

The outstanding options have a weighted-average exercise price of $0.27 per share (September 30, 2012 - $0.32) and the weighted-average remaining life of 3.5 years (September 30, 2011 – 3.5 years).

FIGURES ARE IN THOUSANDS OF CANADIAN DOLLARS

17. Commitments:

Contractual Obligations and Commitments	Payments due in years ended September 30						
	2013 [1]	2014	2015	2016	2017	2018	TOTAL
Mactung leases	$ -	$ 8	$ 8	$ 8	$ 8	$ 8	$ 40
Cantung leases	20	43	43	43	43	43	$ 235
Customer advances	-	2,761	5,469	-	-	-	$ 8,230
Equipment loans	1,317	1,567	344	-	-	-	$ 3,228
Capital leases	543	1,418	108	40	-	-	$ 2,109
Office leases [2]	55	223	233	245	251	84	$ 1,091
Equipment rental contracts	345	191	-	-	-	-	$ 536
	$ 2,280	**$ 6,211**	**$ 6,205**	**$ 336**	**$ 302**	**$ 135**	**$ 15,469**

1 - Figures in the 2013 column are for the remainder of fiscal 2013

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 license is $11.7 million. The Company has posted $5.3 million in cash and $6.4 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 specific assets 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 nine months ended June 30, 2013 the Company posted $300 thousand of cash and reduced the posted secured promissory notes by $300 thousand.

b. Smelter royalties

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

18. Contingencies:

Pursuant to agreements with officers, 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, at June 30, 2013 the Company remained liable for payments totalling $0.2 million under the agreements, with $1.8 million recognised during the period in "Fees, wages and benefits" as employment contract settlement expense (Note 20). At June 30, 2013 $1.3 million remained in accounts payable for the future settlement installments. Subsequent to June 30, 2013 the remaining agreement expired.

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.

FIGURES ARE IN THOUSANDS OF CANADIAN DOLLARS

19. Cost of sales:

	For the three months ended		For the nine months ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Mine operating costs	$ 17,171	$ 16,633	$ 51,334	$ 51,598
Amortization and depreciation	1,933	4,605	5,714	12,770
Inventory changes, adjustments and write-downs	1,072	869	1,513	2,323
Freight, handling and conversion	581	518	1,596	1,707
Royalties	203	213	546	799
	$ 20,960	**$ 22,838**	**$ 60,703**	**$ 69,197**

The amount of inventory sold and recognised as cost of sales in the period, together with the $0.8 million write-down of tungsten concentrate inventories to the estimated recoverable amount in the nine months ended June 30, 2013, constitutes the cost of sales.

Inventory changes, adjustments and write-downs for the nine months ended June 30, 2013 included accounts receivables write-offs of $1.1 million related to previous sales.

Mine operating costs by function:

	For the three months ended		For the nine months ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Mine	$ 6,763	$ 7,045	$ 19,915	$ 21,301
Mill	2,990	2,408	8,276	7,841
Power generation and surface maintenance	4,104	3,856	13,574	12,672
Site administration and environmental	3,314	3,324	9,569	9,784
	$ 17,171	**$ 16,633**	**$ 51,334**	**$ 51,598**

Mine operating costs by nature:

	For the three months ended		For the nine months ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Salaries and wages	$ 5,136	$ 4,732	$ 15,001	$ 13,670
Employee benefits	1,219	1,196	3,646	2,948
Fuel and lubricants	3,339	3,046	11,326	11,862
Materials and supplies	3,764	3,597	10,729	10,206
Mine and drill contractors	838	1,520	2,444	4,812
Freight, expediting and support services	1,762	1,864	5,084	5,576
Other costs	1,113	678	3,104	2,524
	$ 17,171	**$ 16,633**	**$ 51,334**	**$ 51,598**

FIGURES ARE IN THOUSANDS OF CANADIAN DOLLARS

20. General and administrative costs:

	For the three months ended		For the nine months ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Fees, wages and benefits	$ 2,256	$ 486	$ 3,139	$ 1,352
Office expenses	131	230	343	517
Accounting and audit	60	60	182	211
Legal fees	153	5	267	117
Investor relations, travel and business development	72	17	148	149
Consulting	77	7	141	38
Filing fees and transfer agent fees	7	18	37	61
	$ 2,756	**$ 823**	**$ 4,257**	**$ 2,445**

Fees, wages and benefits for the three and nine months ended June 30, 2013 includes $1.8 million of employment contract settlement expense (Notes 18 & 23) (three and nine months ended June 30, 2012 – nil).

21. Supplemental cash flow:

	For the three months ended		For the nine months ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Change in non-cash working capital:				
Accounts receivable	$ (1,830)	$ 2,561	$ 2,459	$ (3,928)
Prepaid expenses	(253)	48	(54)	(463)
Inventories	1,070	618	(258)	1,537
Accounts payable and accrued liabilities	256	(200)	(623)	1,689
Change in non-cash working capital	**$ (757)**	**$ 3,027**	**$ 1,524**	**$ (1,165)**

	For the three months ended		For the nine months ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Expenditures on property plant and equipment in accounts payable and accrued liabilities	$ 217	$ 4,490	$ 217	$ 4,490
Expenditures on Mactung development in accounts payable and accrued liabilities	$ 35	$ 297	$ 35	$ 297
Other supplemental information:				
Total interest received	$ -	$ -	$ -	$ 10
Total interest and financing costs paid	$ 931	$ 885	$ 2,354	$ 2,402
Included in cash flows from operations	$ -	$ 41	$ 11	$ 154

22. 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. The guarantee expired on December 1, 2012. For the nine months ended June 30, 2013 the Company recognised an expense of $11 thousand (nine months ended June 30, 2012 - $154 thousand) in respect to the guarantee (Note 11) 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 million (Note 10). For the nine months ended June 30, 2013 the Company recognised an expense of $107 thousand (nine months ended June 30, 2012 - $104 thousand) of interest on these convertible debentures.

On October 13, 2011, two directors of the Company sponsored (the “Sponsors”) the Company for the HSBC Working Capital Loan (Note 12), by backing 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 backing 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 of 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 entered a General Security Agreement which grants security over the Company's assets including the Mactung project, which is subordinated to the security under the Reclamation Security Agreement (Note 17 a).

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

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

a. pay the Sponsors (in US dollars) on the last day of each calendar quarter, an aggregate amount equal to 1.25% of the maximum outstanding principal amount of the L/C during the immediately preceding calendar quarter (or portion thereof), which payments will begin September 30, 2013;
b. pay to the Sponsors, an aggregate amount equal to USD$2.0 million (which amount includes the USD$1.5 million originally payable by June 30, 2013 under the original sponsor agreement) on the earlier of:
    (i) the date the Loan is paid in full;
    (ii) the date the Loan is put to the Sponsors pursuant to the Put Agreement; or
    (iii) the date the L/C is drawn upon for payment of the Loan;
c. the Company agreed to extend the General Security Agreement which grants security over the Company's assets including the MacTung project to the Sponsors. This is subordinated to the security under a Reclamation Security Agreement;
d. upon certain events of default the payments due to Sponsors on the last day of each quarter increase to an aggregate amount equal to 3.0% of the maximum outstanding principal amount of the L/C during the immediately preceding calendar quarter (or portion thereof); and the payment to the Sponsors will increase to USD$2.5 million from USD$2.0 million;
e. reimburse the Sponsors' expenses in respect of this transaction which totalled USD$45 thousand; and
f. the Company issued 5,000,000 share purchase warrants each of which is exercisable at $0.20 into one common share of the Company. The share purchase warrants will expire one year after issuance (Note 16).

During the nine months ended June 30, 2013 the Company recognised an expense of $639 thousand in respect of the original and extension of the Guarantee to these Sponsors (nine months ended June 30, 2012 - $612 thousand).

During the nine months ended June 30, 2013 the Company recognised $433 thousand for professional and consulting fees to directors or companies related to director(s) and $186 thousand included in interest and finance costs. During the nine months ended June 30, 2012 the Company recognised $360 thousand of professional and consulting fees to directors or companies related to directors(s) and nil included in interest and finance costs.

FIGURES ARE IN THOUSANDS OF CANADIAN DOLLARS

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 contract, the former CEO will receive compensation equal to three years of his base salary which totals $1.4 million, which is payable in instalments of $458 thousand in June 2013 (paid), on December 6, 2013 and June 6, 2014. The $1.4 million settlement expense was recognised in Fees, wages and benefits with General and administrative costs for the three months ended June 30, 2013 (Note 20), 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 in the period.

23. Segmented information:

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

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

	For the nine months ended					
	June 30, 2013			June 30, 2012		
TUNGSTEN:						
North America	$	30,413	55%	$	221	0%
Asia		12,657	23%		50,939	65%
Europe		11,981	22%		27,801	35%
		55,051	**100%**		**78,961**	**100%**
COPPER:						
North America		2,306	100%		1,676	64%
Asia		-	0%		923	36%
		2,306	**100%**		**2,599**	**100%**
	$	**57,357**		**$**	**81,560**	

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

24. 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 June 30, 2013	For the three months ended June 30, 2012	For the nine months ended June 30, 2013	For the nine months ended June 30, 2012
Earnings (loss) per share:				
Basic	$ (0.03)	$ (0.01)	$ (0.06)	$ 0.03
Diluted	$ (0.03)	$ (0.01)	$ (0.06)	$ 0.03
Net income (loss) for the period:				
Attributed to common shareholders - basic	$ (6,253)	$ (2,172)	$ (13,678)	$ 6,943
Attributed to common shareholders - diluted	$ (6,253)	$ (2,172)	$ (13,678)	$ 6,943
Weighted average shares outstanding:				
Weighted average shares outstanding - basic	237,881	237,123	237,376	237,123
Dilutive securities:				
Stock options	-	-	-	698
Weighted average shares outstanding - diluted	237,881	237,123	237,376	237,821
Shares excluded from the determination of diluted earnings per share:				
Stock options	5,408	4,500	5,408	3,197
Warrants	7,000	14,750	7,000	14,750
Convertible debentures	6,506	6,506	6,506	6,506
	18,914	25,756	18,914	24,453

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 June 30, 2013.