NORTH AMERICAN TUNGSTEN CORPORATION LTD

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INTERIM MANAGEMENT DISCUSSION AND ANALYSIS Q1 2014

This discussion and analysis of financial position and results of operations of North American Tungsten Corporation Ltd. (the "Company"), the "Management Discussion and Analysis" (MD&A), is prepared as of February 21, 2014, and should be read in conjunction with the audited consolidated financial statements for the year ended September 30, 2013. This MD&A reviews the business of North American Tungsten Corporation Ltd. and compares the Company's financial results for the quarter ended December 31, 2013 (Q1 2014) with those of the quarter ended December 31, 2012 (Q1 2013).

Additional information relating to the Company is available on SEDAR at www.sedar.com. The Company's common shares trade under the symbol NTC on the TSX Venture Exchange ("TSX-V").

North American Tungsten Corporation Ltd. is engaged in tungsten mining and related activities which includes the acquisition, exploration, development and processing of ores and concentrates. The Company owns the Cantung operating mine in the Northwest Territories; the Mactung mineral property on the border of the Yukon Territory and the Northwest Territories; and other exploration prospects.

The unaudited interim consolidated financial statements of the Company for the three month period ended December 31, 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". Note 2 of the consolidated financial statements for the year ended September 30, 2013 of the Company discloses a summary of the Company's significant accounting policies. All $ figures in the tables are in thousands of Canadian ("CDN") dollars unless otherwise specified (except per share, option prices, warrant prices and per unit information). The Company's presentation and functional currency is the CDN dollar.

Certain statements made may constitute forward-looking statements. Such statements involve a number of known and unknown risks, uncertainties and other factors. Actual results, performance and achievements may be materially different from those expressed or implied by these forward-looking statements.

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OVERVIEW

The Company is one of the most significant tungsten miners outside of China and expects to remain so for the foreseeable future. While established resources remaining at its Cantung operating mine in the Northwest Territories (NWT) are limited, the Company believes there is good potential to expand the resources and underground diamond drilling continues. The Company is also considering a project to extract significant quantities of tungsten concentrates from tailings accumulated in prior years. Favorable results of these projects could extend the Cantung mining operations for many years. In addition, the Company's large Mactung project when developed would enable the Company to continue to be a major world supplier of tungsten concentrates.

The Company sells its tungsten concentrates at a discount to published ammonium paratungstate ("APT") European Free Market Quotations in United States Dollars ("USD"). Accordingly, the Company's results of operations are subject to market fluctuations in APT prices that are beyond the control of the Company, as there is no market to hedge APT or tungsten concentrate prices.

Q1 2014 sales and revenue were significantly stronger than the comparable quarter in 2013 with 62,188 mtus sold and revenue of $20.5 million compared to 44,350 mtus sold and revenue of $11.5 million for Q1 2013, but the results for Q1 2014 were below desired levels for production and sales revenue. Q1 2014 had strong demand with all produced concentrates sold during the quarter. Production was below target due to temporary grade issues caused by unexpected inconsistent grade within stopes that were scheduled for production during the quarter and the time required for the completion of development work allowing production from alternate stopes. In the comparable quarter, production was good with 80,693 mtus produced but the results were weak due to the decline in APT quotations and realised prices during the quarter due to a temporary decline in demand. Accordingly sales volume declined significantly and tungsten concentrate inventories increased.

As a result of the low production and sales volume, Q1 2014 saw the return of negative cash flow from Cantung operations, which had turned positive for Q4 2013. Cash flows from operations before changes in non-cash working capital was an outflow of $489 thousand for Q1 2014 and a net loss of $4.5 million. Management continued to limit spending to essentials and capital outlays were held to $1.9 million for the quarter.

In order to close the gap from cash outflow to cash generation and profit and to address the challenge to be profitable when the tungsten price is close to market low-points, plans were established in Q2 2013 to improve the mill process and to implement other low-cost mill improvements with the objective of increasing production by increasing mill throughput and recoveries. Implementation of the plan is proceeding and continued throughout the current quarter, including the acquisition and installation of the necessary equipment related to the improvements in the mill. The planned improvements are to be completed in 2014 with a ramp-up of tonnage to a target of approximately 1,350 tons per day from the current 1,100 tons per day. To provide the additional tons required after the mill throughput is increased, an open-pit stripping and mining campaign occurred in the summer 2013 and was completed at the beginning of October 2013 with the mined tons stockpiled for use in fiscal 2014. It is expected that annual summer open-pit mining campaigns and stock-piling of mined tons will occur in the following years.

The Company is also in the process of finalizing its comprehensive tailings management program including upgrades to the current tailings ponds, enhancements to its waste water treatment plant and development of a long-term storage facility for tailings. The Company will work closely with regulatory agencies as it progresses through the process to obtain the necessary regulatory approvals.

The Company's debt level is very high, as is the cost of servicing the debt. On December 31, 2013 USD$8.7 million of maturing debt was refinanced along with additional financing of USD$1.3 million into USD$10 million of convertible debentures that mature on December 31, 2015. The conversion feature of the convertible debentures received approval by the non-participating shareholders on February 21, 2014 and is pending regulatory approval.

During the year ended September 30, 2013, the Company's bankers ("HSBC") informed the Company that the $24.0 million HSBC credit facilities were to be fully repaid by December 31, 2013. The Company worked with HSBC and subsequent to September 30, 2013 HSBC provided extensions to the credit facilities until June 30, 2014. The Company is currently in discussions with other financial institutions to replace the HSBC credit facilities. There is no guarantee such replacement financing will be available on terms acceptable to the Company.

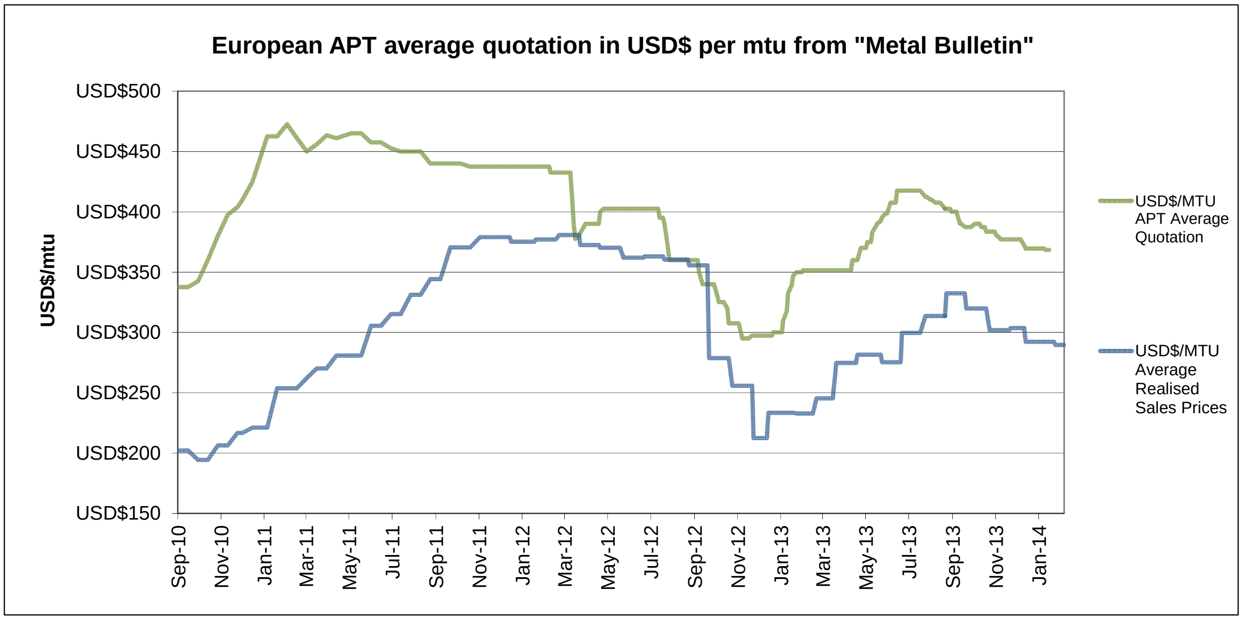
During Q1 2014 the Company entered into a new tungsten delivery contract with an existing customer. In conjunction with the tungsten delivery contract a loan was arranged for USD$2.5 million and an existing USD$2.2 million advance from the customer was rolled into the loan arrangement. The combined loan of USD$4.7 million matures on December 31, 2018. This arrangement strengthened the on-going relationship with an important customer and demonstrated the customer's continued support.

Despite the refinancing of debt and additional long-term debt obtained in Q1 2014, the Company still had a working capital deficit of $29.4 million at December 31, 2013. Additional steps are required to improve liquidity, reduce the working capital deficit, establish profitable operations and reduce outstanding debt.

Subsequent to December 31, 2013 the Company entered into a new tungsten delivery contract with an existing customer and arranged a USD$2.5 million customer loan, which matures on March 31, 2017.

TUNGSTEN PRICE

As previously mentioned, the Company sells its products based on the average Metal Bulletin ammonium paratungstate ("APT") European Free Market Quotations in United States Dollars ("USD"). The average quotation was USD$377.00/mtu at December 31, 2013 and was USD$372.75/mtu at February 14, 2014. The following table shows historical APT quotations and the Company's average realised sales prices since January 2011 in USD per mtu.



OPERATIONS UPDATE

Cantung Mine

The production results for Q1 2014 declined significantly from the comparable 2013 period. Production was negatively impacted due to temporary grade issues caused by unexpected inconsistent grade within stopes that were scheduled for production during the quarter and the time required for the completion of development work allowing production from alternate stopes. The metallurgical recovery declined primarily as a result of processing lower grade ore through the mill.

The following summary table highlights that, as compared to Q1 2013, the increase in tonnes of ore processed was more than offset by the decrease in mill feed grade and metallurgical recoveries.

	Q1 2014	Q1 2013
Tonnes Milled	94,887	90,625
Grade	0.87	1.12
Recovery %	76.6	79.5
MTUs produced	62,068	80,693

The Company continued its underground diamond drilling program to further define its resources and develop a two to three year mine plan. Geophysical surveys are also being employed to supplement and guide the diamond drilling.

The mill process improvement project that commenced in Q3 2013 is expected to continue into Q2 of fiscal 2014. The project plan is to increase the mill throughput by up to 20% and to increase the total metallurgical recovery by increasing the effectiveness of the gravity and flotation circuits. To provide the additional tons required after the mill throughput is increased, an open-pit stripping and mining campaign occurred in the summer and was completed at the beginning of October 2013 with the mined tons stockpiled for use in fiscal 2014. It is expected that annual summer open-pit mining campaigns and stock-piling of mined tons will occur in the following years.

The Company is in the process of finalizing its comprehensive tailings management program, including continuing upgrades to the current tailings ponds, enhancements to its waste water treatment plant and development of a long-term storage facility for tailings. The capital investment for these projects will be funded from operations and potentially from new financings.

Mactung Project Update

During fiscal 2013, NTC continued to work through the environmental assessment of the Mactung Project. Early in fiscal 2013, the Yukon Environment and Socio-economic Assessment Board ("YESAB") issued its draft screening report for public review. Comments from the public and government engendered supplementary information requests from YESAB. NTC's team completed its fieldwork in August 2013 and on October 15, 2013 NTC filed a comprehensive responses. YESAB sought clarification on a number of points and requested further supplementary information, to which NTC replied in writing within five days and shortly thereafter, in person at a technical meeting in Whitehorse. NTC believes that it has now satisfied all of YESAB's information requests and expects a final screening report early in 2014. When received, this will be an important milestone for Mactung.

Information on the Mactung project is available on the Company's website at http://www.natungsten.com/s/Mactung.asp.

FINANCE

In Q1 2014, the Company realised net loss of $4.5 million and had a cash outflow from operations before changes in non-cash working capital and adjustments of $0.5 million.

A cash conservation policy that was initiated in Q1 2013 continues and capital expenditures continue to be severely constrained. Capital expenditures for Q1 2014 were limited to $2.2 million and were mainly for the mill improvement project and the construction and purchase of the permanent waste water treatment facility. It is necessary for capital expenditures to increase for fiscal 2014 from the 2013 level; it will be closely managed and limited to projects necessary to achieve operational objectives.

In April 2013 the Company reached an agreement with a former mining contractor on a schedule of payments on the final amount due in respect of a contract under which mining services were provided to the Cantung mine. The Company issued two promissory notes totalling $4.0 million to settle the accounts payable. During Q1 2014 the Company completed the repayment of the first $2.0 million promissory note. The remaining $2.0 million promissory note is repayable in full on December 31, 2014.

In June 2013 the Company executed a USD$4.0 million short-term credit facility which matured on October 31, 2013, with Queenwood Capital Partners II LLC (Queenwood II), a company controlled by two directors of the Company. The facility was to provide cash for operations. Forbearance was provided until December 31, 2013.

In October 2013 the Company failed to repay USD$2.7 million of maturing convertible debentures.

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

During Q1 2014 the Company entered into a new tungsten delivery contract with an existing customer. In conjunction with the tungsten delivery contract a loan was arranged for USD$2.5 million and an existing USD$2.2 million advance from the customer was rolled into the loan arrangement. The combined loan of USD$4.7 million matures on December 31, 2018.

Subsequent to December 31, 2013 the Company entered into a new tungsten delivery contract with an existing customer and arranged a USD$2.5 million customer loan, which matures on March 31, 2017.

During the year ended September 30, 2013, HSBC informed the Company that the $24.0 million HSBC credit facilities are to be fully repaid not later than December 31, 2013. Subsequent to September 30, 2013 HSBC provided extensions to the credit facilities until June 30, 2014. Under the terms of the extensions, the guaranteed letter of credit along with the Put Agreement has been extended (see the Related Party Transaction section of this MD&A for additional details on the Put Agreement). The Company is currently in discussions with other financial institutions to replace the HSBC credit facilities.

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

The Company is dependent on continued support from shareholders, lenders and customers. The Company will need to substantially increase cash flows from operations which will require increased mill throughput and recovery from the Cantung mine. The Company implemented a mine and mill improvement plan during the year ended September 30, 2013 and this plan is being executed. Capital expenditures for fiscal 2014 will be funded from operations and potentially from new financings. In addition, it will be necessary to continue to roll-over, extend, replace or refinance existing loan facilities as they mature or arrange new financing. Future operations will also be impacted by market conditions and prices for tungsten concentrates and the ability of the Cantung mine to maintain positive cash flows from operations while containing non-operating outlays as necessary.

SUMMARIZED FINANCIAL RESULTS

Operating highlights	Three Months Ended December 31, 2013	Three Months Ended December 31, 2012
Tonnes Milled	94,887	90,625
Feed Grade %	0.87	1.12
Recovery %	76.6	79.5
Tungsten concentrate produced (mtu's)	62,068	80,693
Tungsten concentrate sold (mtu's)	62,188	44,350
Average realised sales price $USD/mtu	$ 306	$ 238
Costs of sales per mtu[1]	$ 355	$ 307
Copper sold (lbs)	124,625	248,081
Copper revenue (in $000's)	$ 520	$ 990
Quarterly average USD$ foreign exchange rate (USD$1 to CDN)	$ 1.050	$ 0.993
Financial Data (in $000's)		
Revenues	$ 20,462	$ 11,464
Cost of sales:		
Mine operating costs:		
Mine	6,928	6,942
Mill	3,265	2,977
Power generation and surface maintenance	4,830	4,831
Site administration and environmental	3,587	3,048
Mine operating costs:	18,610	17,798
Inventory change, adjustments and write-downs	1,095	(6,554)
Amortization and depreciation	1,744	1,803
Freight, handling and conversion	428	459
Royalties	200	99
Cost of sales:	22,077	13,605
Gross margin[2]	$ (1,615)	$ (2,141)
Net earnings (loss)	$ (4,529)	$ (4,012)
EBITDA[3]	$ (1,211)	$ (1,150)

NOTE: Gross margin, cost of sales per mtu and EBITDA are non-IFRS financial performance measures with no standard definition under IFRS

1) Cost of sales per mtu is determined by dividing the cost of sales by the number of mtus sold during the period

2) Gross margin is determined by taking revenue less cost of sales

3) EBITDA = Net income before taxes with interest and financing costs, interest income, depreciation and amortization, accretion and impairment removed

REVIEW OF FINANCIAL RESULTS

Q1 2014 compared to Q1 2013 for revenue and cost of sales

Q1 2014 sales and revenue were significantly stronger than the comparable quarter with 62,188 mtus sold and revenue of $20.5 million compared to 44,350 mtus sold and revenue of $11.5 million for Q1 2013, but the results for Q1 2014 were below desired levels for production and sales revenue. Q1 2014 had strong demand with all produced concentrates sold during the quarter. Production was below target due to temporary grade issues caused by unexpected inconsistent grade within stopes that were scheduled for production during the quarter and the time required for the completion of development work allowing production from alternate stopes. In the comparable quarter, production was good with 80,693 mtus produced but the results were weak due to the decline in APT quotations and realised prices during the quarter and due to a temporary decline in demand. Accordingly sales volume declined significantly and tungsten concentrate inventories increased.

Net loss for Q1 2014 was $4.5 million or ($0.02) per share (basic and diluted), compared to net loss of $4.0 million or ($0.02) per share in Q1 2013. The net loss for Q1 2014 was impacted by the following factors:

- Revenues were $20.5 million on sales of 62,188 mtus with an average realised sales price of $321/mtu (USD$306/mtu) and cost of sales of $355/mtu for a negative margin of $34/mtu compared to revenue of $11.5 million for Q1 2013 on the sale of 44,350 mtus with an average realised sales price of $236/mtu (USD$238/mtu) and cost of sales of $307/mtu for a negative margin of $71/mtu. Included in the revenue of $20.5 million was $0.5 million for the sale of 124,625 lbs of copper which is a by-product of the tungsten mining compared to $1.0 million for sales of 248,081 lbs of copper in Q1 2013.
- Mine operating costs were $18.6 million in Q1 2014 compared to $18.0 million in Q1 2013 and cost of sales was $22.0 million compared to $13.6 million in Q1 2013. While the production for Q1 2014 was below target levels, the cost of sales figures for Q1 2014 generally reflect a normal production cycle for the mine where all concentrates produced are sold and shipped shortly thereafter and inventory remains relatively flat. In Q1 2013 there was a temporary, but significant decline in demand for tungsten concentrates which resulted in a significant decrease in concentrate sales for the period and an increase in concentrate inventory levels.
- Tungsten concentrate production for Q1 2014 was 62,068 mtus from a mill feed of 94,887 tonnes with an average grade of 0.87% WO_3 and average mill recovery of 76.6% compared to production of 80,693 mtus from a mill feed of 90,625 tonnes with an average grade of 1.12% WO_3 and average mill recovery of 79.5% for Q1 2013.

Expenses

Financial data (in $000's)	Three Months Ended December 31, 2013	2012	Change
Interest and financing costs	$ 1,052	$ 726	$ 326
General and administrative	642	655	(13)
Accretion of financial liabilities	572	349	223
Foreign exchange loss (gain)	518	(36)	554
Exploration	119	228	(109)
Share-based compensation	32	-	32
Loss on disposal of assets	-	16	(16)
Loss (gain) on revaluation of derivatives	29	(51)	80
Interest and other income	(50)	(16)	(34)
Total	2,914	1,871	1,043

Q1 2014 compared to Q1 2013 for expenses

- Interest and financing costs increased for Q1 2014 as the Company debt level was higher than during Q1 2013 and due to financing costs incurred relating to the extension of the HSBC credit facility and for the arranging of the customer loans and convertible debenture issuance.
- The foreign exchange loss increased in Q1 2014 as the Company has USD denominated debts and the USD appreciated in value vs. the CDN from $1.0303 at September 30, 2013 to $1.0636 at December 31, 2013. In the comparable period, the USD/CDN exchange rate remained relatively stable.

SUMMARY OF QUARTERLY INFORMATION

In $000's, except per share amounts and realised sales price per mtu sold	2014 Q1	2013 Q4	2013 Q3	2013 Q2	2013 Q1	2012 Q4	2012 Q3	2012 Q2
Tungsten concentrate produced (mtu's)	62,068	67,728	67,433	71,178	80,693	70,713	53,516	71,729
Tungsten concentrate sold (mtu's)	62,188	66,264	71,563	101,723	44,350	71,551	56,662	82,862
Average realised sales price $USD/mtu	$ 306	$ 317	$ 277	$ 237	$ 238	$ 359	$ 369	$ 378
Revenue	$ 20,462	$ 22,461	$ 20,954	$ 24,939	$ 11,464	$ 25,964	$ 21,731	$ 33,407
Net income (loss)	$ (4,529)	$ 412	$ (6,253)	$ (3,413)	$ (4,012)	$ (16,786)	$ (2,172)	$ 2,522
Net income (loss) per share, basic and diluted	$ (0.02)	$ 0.00	$ (0.03)	$ (0.01)	$ (0.02)	$ (0.07)	$ (0.01)	$ 0.01
Cash flow from operations before changes in non-cash working capital	$ (489)	$ 2,997	$ (301)	$ 41	$ (1,185)	$ 7,334	$ 3,073	$ 9,584
Cash flow from operating activities	$ 2,208	$ 3,809	$ (1,158)	$ 999	$ 80	$ (362)	$ 6,002	$ 8,971

The Company's results are primarily driven by mtus produced and sold each quarter and the market quotations for APT. Other significant factors that impacted specific quarters are:

- Q3 2012 was affected by a 13 day suspension of production due to the closure of the Nahanni Range Road caused by multiple road washouts.
- Q4 2012 was affected by the recognition of an impairment of property, plant and equipment of $16.2 million.
- Q1 2013 was affected by expiring sales contracts and a softening in demand for tungsten concentrate which caused tungsten sales to decrease and concentrate inventories to build significantly.
- Q2 2013 was affected by the recovery in APT prices during the 2nd half of the quarter and tungsten concentrate inventories returning to normal levels.
- Q3 2013 was affected by the recognition of the $1.8 million of employment contract settlements to officers and an impairment of property, plant and equipment of $1.8 million.
- Q4 2013 was affected by higher realised sales prices on lower sales volume due to lower production mainly due to lower recoveries during the quarter.
- Q1 2014 was affected by lower production due to lower mill feed grades

LIQUIDITY, CAPITAL RESOURCES AND GOING CONCERN

Liquidity and Going Concern

Liquidity is a significant challenge in the months ahead and will persist until the mill process improvement plan comes to fruition, operations become significantly more profitable and positive cash flows are achieved for multiple periods. Capital expenditures for fiscal 2014 will be funded from operations and potentially from new financings. In addition, maturing debt must be rolled-over or refinanced. Until this is achieved, continued support from shareholders, lenders and customers, is necessary. Support continues but additional support is not guaranteed.

The Company has negative working capital of $29.4 million at December 31, 2013 which reflects the high current debt levels. The underlying cash outflow from operations in fiscal 2013 continued in Q1 2014 and costs to service debts remain high. All expenditures are under careful scrutiny and capital expenditures will continue to be at a minimal level until funding has been arranged.

In fiscal 2014, it will be necessary for a significant portion of debt to be rolled-over, replaced or otherwise extended; new financings to be arranged; capital expenditures strictly controlled; and cash flows from operations improved.

In the longer term, it will be important that higher levels of production be achieved. Other significant factors that may impact the Company's financial position include the possible level of future capital spending for the Mactung project and outlays that may be required at the Cantung mine particularly for tailings management and water treatment. Cash to be generated from future Cantung operations will be subject to the various risks associated with mining and continuing risks of fluctuating feed grades and output.

For the Company to continue as a going concern we draw your attention to Note 1 of the interim consolidated financial statements for the three months ended December 31, 2013 which provides details on the going concern assumption for the Company.

Liquidity Outlook

Factors that will impact liquidity in the forthcoming months:

- Discussions on replacement of existing maturing debt, including possible extensions, will be critical; however, related party support continues to be indicated.
- On a daily / monthly basis there is significant variability in the tonnes, grade and recovery. Significant fluctuations in monthly and quarterly results should be expected due to underground constraints in mining.
- Completion of the mill process improvement plan and achievement of higher levels of production to support profitable operations and positive cash flows from operations.
- Trade accounts payable will require close management, working with vendors, in the near term.
- Capital expenditures will be held to a minimum but will eventually rise as the Company moves to make further improvements at Cantung.
- The foundation for an extended economic life for Cantung is largely in place from the fiscal 2011 and 2012 capital investments.
- Changes in the market quotations for APT.
- The USD/CDN exchange rate

Cash flows for the three months ended December 31, 2013 and 2012

Summarized Cash Flow Activity (in $000's)	Three Months Ended December 31, 2013	2012	Change
Cash flow from operating activities before changes in non-cash working capital	$ (489)	$ (1,185)	$ 696
Change in non-cash working capital	2,797	1,365	1,432
Provided by (used in) operating activities	2,208	80	2,128
Provided by (used in) investing activities	(2,111)	(3,448)	1,337
Provided by (used in) financing activities	(246)	1,653	(1,899)
Effect of exchange rate changes on cash and cash equivalents	(38)	-	(38)
Increase (decrease) in cash and cash equivalents	(187)	(1,715)	1,528
Cash and cash equivalents, beginning of period	203	2,124	(1,921)
Cash and cash equivalents, end of period	$ 16	$ 409	$ (393)

Statement of Financial Position	As at		
(in $000's)	December 31, 2013	September 30, 2013	December 31, 2012
Cash and cash equivalents	$ 16	$ 203	$ 409
Current assets	18,213	17,787	19,842
Total assets	71,784	72,839	77,896
Current liabilities	47,597	55,421	51,540
Total liabilities	74,183	70,741	67,307
Total financial liabilities includes the following: [1]			
Current financial liabilities	28,555	38,042	32,734
Non-current financial liabilities	19,075	7,840	7,250
	47,630	45,882	39,984
Shareholders' equity (deficit)	(2,399)	2,098	10,589
Statistics:			
Working Capital [2]	(29,384)	(37,634)	(31,698)

1 - Total financial liabilities includes the following: current and long-term portions of the bank operating loan, working capital loan, bank loans, capital leases, equipment loans, customer advances, customer loans, convertible debentures, notes payable and other financial liabilities

2 - Current assets less current liabilities

At December 31, 2013 there was a deficiency of working capital of $29.4 million and negative shareholders' equity of $2.4 million compared to a working capital deficit of $31.7 million and shareholders' equity of $10.6 million at December 31, 2012.

Q1 2014 compared to Q1 2013 for liquidity and cash flows

Cash flow from operating activities was $2.2 million for Q1 2014, an increase of $2.1 million compared to cash flow from operations of $0.1 million for Q1 2013. There was a net loss of $4.5 million for Q1 2014. After adding back non-cash items the cash outflow from operating activities was $0.5 million. Production below target levels created cash constraints that led to an increase in accounts payable, while accounts receivable and inventory decreased for a net cash inflow from operating activities of $2.2 million

In the comparable period, due to a temporary but significant decline in demand for tungsten concentrates, accounts receivable decreased while inventory rose by similar amount and accounts payable increased due to the decline in cash flows from operations for net cash inflows from operating activities of $0.1 million.

Cash outflow for investing activities for property, plant and equipment and Mactung development was $2.1 million for Q1 2014 compared to $3.4 million in Q1 2013.

For Q1 2014 there was a net cash outflow from financing activities as $4.1 million was used to pay down equipment loans and capital leases, bank loans, notes payable and interest payments. This was offset by the net proceeds of $3.8 million from the additional funds provided in the convertible debenture financing and from the customer loan. In the comparable period $1.7 million was provided by financing activities as the Company received USD$4.2 million in customer advances partially offset by payments on equipment loans and capital leases, bank loans and interest payments.

Capital Resources

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

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.

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

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

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

Bank Operating Loan

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

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

Working Capital Loan

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

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

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

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.

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

Loans, capital leases and other debt finance

The Company has equipment loans and capital leases, an operating loan, a working capital loan, convertible debentures, notes payable and a customer loan outstanding at December 31, 2013, which the Company has executed to finance operations and the capital programs for the Cantung Mine.

Financial Debt	As at	
(in $000's)	December 31, 2013	September 30, 2013
Current financial debt		
Operating loan	$ 10,112	$ 11,103
Working capital loan [1]	12,000	13,576
Customer advances	2,792	2,705
Equipment loans and capital leases	1,651	2,807
Notes payable	2,000	4,934
Convertible debentures	-	2,917
Total	28,555	38,042
Non-current financial debt		
Customer advances	3,191	5,358
Notes payable	-	2,000
Convertible debentures	10,594	-
Customer loans	4,999	-
Equipment loans and capital leases	291	482
Total financial debt	47,630	45,882

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

The Company is dependent upon continued support from its shareholders, lenders and customers. The Company needs to generate positive cash flows from operations which will require increased mill throughput and recovery from the Cantung mine. In addition, it will be necessary to roll-over, extend, replace or refinance existing loan facilities as they mature or arrange new financing.

Subsequent to December 31, 2013 the Company entered into a new tungsten delivery contract with an existing customer and arranged a USD$2.5 million customer loan, which matures on March 31, 2017.

Share issuances

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.

There have been no issuances of common shares by the Company in fiscal 2014 or 2013 other than the above mentioned issuance.

Contractual Obligations

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

1 - Commitments are for the remainder of fiscal 2014

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

a. Water license

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

The security deposit required under the Company's licenses is $11.7 million. The Company has posted $5.6 million in cash and $6.1 million in the form of secured promissory notes pursuant to the Reclamation Security Agreement ("RSA"). The RSA further provides for:

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

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

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

b. Smelter royalties

The Cantung Mine is subject to a 1% net smelter royalty. Royalties accrued as at December 31, 2013 totalled $3.9 million.

OTHER INFORMATION

Equity

Outstanding Equity Securities	As of February 21, 2014	As of December 31, 2013
Common shares	238,123,058	238,123,058
Share options	3,891,666	3,891,666
Warrants	7,000,000	7,000,000

At December 31, 2013 the Company had USD$10 million of convertible debentures outstanding which mature on December 31, 2015. The conversion feature of the Convertible Debentures received approval by the non-participating shareholders on February 21, 2014 and is pending regulatory approval. The conversion of the debentures into common shares of the Company would be at $0.12 translated into USD at a fixed rate of CND$1 = USD$0.94. If the USD$10 million of convertible debentures are converted at the $0.12 conversion price, 88,652,482 common shares of the Company would be issued.

The Convertible Debenture offering includes a potential overallotment of up to USD$3.0 million which can be exercised until March 21, 2014, of which USD$1.0 million was funded subsequent to December 31, 2013.

Related Party Transactions

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

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

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

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

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

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

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

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

The above transactions were in the normal course of operations.

<u>Chief Executive Officer Employment Contract Settlement</u>

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.

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.

Subsequent Events

The following are significant events that occurred after December 31, 2013:

Customer Loan Arrangement

Subsequent to the three months ended December 31, 2013 the Company negotiated a new tungsten delivery contract in conjunction with a USD$2.5 million loan arrangement, with an existing customer that is effective March 1, 2014.

Convertible Debentures

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

Off-Balance Sheet Arrangements

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

Financial Instruments

The September 30, 2013 annual consolidated financial statements of the Company disclose the financial instruments of the Company and the associated financial risk exposure.

During the three months ended December 31, 2013, the Company issued USD$10 million convertible debentures and entered into a USD$4.7 million customer loan. These financial instruments have similar financial risk characteristics to the financial instruments held by the Company at September 30, 2013.

Capital Management

The Company defines its capital as convertible debentures, notes payables, short-term and long-term debt, share capital and contributed surplus. The Company's objectives when managing its capital are:

- to ensure that the Company will be able to continue as a going concern; and
- to maximize the return to shareholders while limiting risk exposure.

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

Additional information regarding capital management is discussed in the Liquidity and Going Concern section of this MD&A.

CAUTION ON FORWARD-LOOKING INFORMATION

This management discussion and analysis contains forward-looking statements, concerning the Company's operations and planned future developments and other matters. Any statements that involve discussions with respect to predictions, expectations, belief, plans, projections, objectives, assumptions or future events or performance (often but not always using phrases such as "expects", or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "estimates" or "intends", or "should", or "believes", or "possible", or stating that certain actions, events or results "may", "could", "might", or "will" be taken to occur or be achieved) are not statements of historical fact and may be "forward-looking statements" and are intended to identify forward-looking statements, which include statements relating to, among other things, the ability of the Company to continue to conduct business successfully. Such forward-looking statements are based on the beliefs of the Company's management as well as on assumptions made by and information currently available to the Company at the time such statements were made. Except as required under applicable securities legislation, the Company does not intend, and does not assume any obligation, to update this forward-looking information.

Forward-looking statements within the management discussion and analysis relating to the Cantung Mine and the Company, may include, but are not limited to, statements regarding the expectations and estimates as to the timing and estimated costs for the completion of capital projects and the effect thereof, projects planned for the future such as an open pit program, the estimated future quotations for APT and the effect thereof, the estimation of mineral reserves and mineral resources and the economic viability thereof, potential results of exploration activities, environmental risks, reclamation obligations and expenses, the availability of qualified employees, the possibility to refinance, roll-over, replace or otherwise extended financial debt as it matures, and the continued support of shareholders, lenders, customers and related parties.

Forward-looking statements within the management discussion and analysis relating to the Mactung Project, may include, but are not limited to, statements regarding the expectation and estimates to timing and estimated costs for feasibility and prefeasibility studies, permitting time-lines, evaluation of opportunities, requirements for additional capital, government regulation of mining operations and environmental risks.

In addition, forward-looking statements within this management discussion and analysis may include, without limitation, risks and uncertainties relating to foreign currency fluctuations; risks inherent in mining including environmental hazards, industrial accidents, unusual or unexpected geological formations, ground control problems and flooding; risks associated with the estimation of mineral resources and reserves and the geology, grade and continuity of mineral deposits; the possibility that future exploration, development or mining results will not be consistent with the Company's expectations; the potential for and effects of labour problems or other unanticipated difficulties with or shortages of labour or interruptions in production; actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; the uncertainty of production and cost estimates and the potential for unexpected costs and expenses, commodity price fluctuations; uncertain political and economic environments; changes in laws or policies, delays or the inability to obtain or renew necessary governmental permits; and other risks and uncertainties.

Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, the failure to obtain adequate financing on a timely basis and other risks and uncertainties. Actual results could differ materially from those projected in the forward-looking statements as a result of the matters set forth or incorporated in this management discussion and analysis generally and certain economic and business factors, some of which may be beyond the control of the Company. Some of the important risks and uncertainties that could affect forward-looking statements are described further in this document and in the Company's Annual Information Form.

NON-IFRS MEASURES

Throughout this document, we have provided measures prepared in accordance with IFRS, as well as some non-IFRS performance measures as additional information for users of the stakeholders who also use them to evaluate our performance.

Since there is no standard method for calculating non-IFRS measures, they are not a reliable way to compare us against other companies. Non-IFRS measures should be used along with other performance measures prepared in accordance with IFRS. We have defined our non-IFRS measures in the tables where they are presented and reconciled them with the IFRS measures we report.

These measures may differ from those used by other companies and may not be directly comparable to such measures as reported by other companies. We disclose these measures, which have been derived from our financial statements and applied on a consistent basis, because we believe they are of assistance in understanding the results of our operations and financial position and are meant to provide further information about our financial results to stakeholders.

RISK AND UNCERTAINTIES

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

The Company is subject to various risks and uncertainties in its business. In particular, the Company is subject to:

- fluctuating commodity markets, tungsten prices and currency exchange rates,
- risks relating to underground mining development, actual and estimated production and mineral resources and reserves,
- permitting risks and general mining risks,
- other risks affecting the operation and economic viability of the Cantung mine,
- environmental requirements and reclamation costs,
- risks regarding the settlement, refinancing or roll-over of existing debt upon maturity,
- possible difficulties in reducing or deferring capital outlays to ensure adequate net cash flows,
- risks regarding liquidity, availability of additional financing to fund capital expenditures and/or operations and going concern
- funding availability including the availability of funds to develop the Company's Mactung project, and
- availability of experienced and able management and operating personnel.

FINANCIAL AND DISCLOSURE CONTROLS

Disclosure Controls and Procedures and Internal Controls over Financial Reporting
In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109") the Chief Executive Officer and Chief Financial Officer have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the interim consolidated financial statements for the three months ended December 31, 2013 and this accompanying MD&A (together the "Annual Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company on SEDAR at www.sedar.com.

GLOSSARY OF TERMS

APT	Ammonium paratungstate is an intermediate product which is one of the principal chemical forms in which tungsten is traded
Concentrates	The valuable fraction of an ore that is left after waste material is removed in processing
Cu	Copper
MB	Metal Bulletin of London that issues high and low quotations for APT (as well as various other metals) on a frequent basis
MTU	Metric tonne unit of 1 percent of a metric tonne (22.046 pounds) of contained WO_3
NPV	Net present value
Scheelite	A brown tetragonal mineral, CaWO4. It is found in pneumatolytic veins associated with quartz, and fluoresces to show a blue color. Scheelite is a mineral of tungsten
STU	Short ton unit is 20 pounds of WO_3 contained in concentrate
Ton	An imperial unit equal to 2,000 pounds
Tonne	A metric unit equal to 2,204.6 pounds (1,000 kilograms)
Tungsten concentrates	Concentrates generally containing between 40 and 75 percent WO_3
W	The elemental symbol for tungsten
WO_3	Tungsten tri-oxide (containing 79.33% W) a compound of tungsten and oxygen
YESAA	Yukon Environmental and Socio-economic Assessment Act
YESAB	Yukon Environmental and Socio-economic Assessment Board