NORTH AMERICAN TUNGSTEN CORPORATION LTD

Suite 1640 – 1188 West Georgia Street,
Vancouver, B.C. V6E 4A2
Tel: 604-684-5300 Fax: 604-684-2992
www.natungsten.com

INTERIM MANAGEMENT DISCUSSION AND ANALYSIS Q2 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 May 23, 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 March 31, 2014 (Q2 2014) with those of the quarter ended March 31, 2013 (Q2 2013) and the six months ended March 31, 2014 (H1 2014) with those of the six months ended March 31, 2013 (H1 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 and six month periods ended March 31, 2014 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.

Table of Contents

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.

The Company's production increased to 89,000 mtus during the second quarter of 2014, driven primarily by relatively high grade material from the mine. Mill recovery and throughput were relatively consistent with historical production. Reflecting the later recognition of sales as a result of new sales contracts, the Company recognized sales of 70,000 mtus during the period, with the remaining production in inventory at quarter end. APT prices held steady during the second quarter around USD$360 per mtu which resulted in the Company recognizing an average sales price of approximately USD$291 per mtu or approximately CDN$321 per mtu. As a result, the Company had net income of $2.5 million in the second quarter. This was a significant improvement over the loss of $4.5 million in the first quarter, primarily due to the processing of low grade material from the mine during that quarter.

The improved production produced cash flows from operations before changes in non-cash working capital of $6.4 million, a significant improvement from an outflow of $0.5 million in quarter one. Management continues to limit spending to essentials and capital outlays were $2.0 million for the quarter.

In addition, management recognizes that it must continue to improve operating results into the future. Consistent with that, during 2013 the Company began to improve the mill process and to implement other low cost improvements with the objective of increasing production by increasing throughput and recoveries. The improvements are proceeding. It is anticipated that upon successful completion of the project, tonnage processed by the mill will increase from the current 1,100 tons per day to an ultimate target of approximately 1,350 tons per day, increasing production by up to 20%. To support the enhanced throughput, the Company is utilizing materials from its open pit operations in addition to its underground mining operations.

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 ("WWTP") 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 WWTP is expected to commence regular operations in fiscal 2014.

The Company's debt level is very high, as is the cost of servicing the debt. USD$8.7 million of debts matured as of December 31, 2013. The Company refinanced these debts along with additional financing of USD$2.3 million into USD$11.0 million of debentures. The conversion feature of the convertible debentures received approval by the non-participating shareholders on February 21, 2014. The regulators approved USD$9.0 million as convertible ("Convertible Debentures") and USD$2.0 million as non-convertible ("Debentures").

In addition, the Company's bankers ("HSBC") have informed the Company that the $24.0 million HSBC credit facilities are to be fully repaid by June 30, 2014. Subsequent to March 31, 2014, the Company executed an $11.0 million loan with Callidus Capital Corporation ("Callidus"). $5.8 million of the loan proceeds was used to pay out the balance of the HSBC Bank Operating Loan Facility which was then cancelled and $1.0 million was used to repay certain equipment loans and capital leases. The Company continues discussions with other financial institutions to replace the $12.0 million HSBC Working Capital Loan Facility.

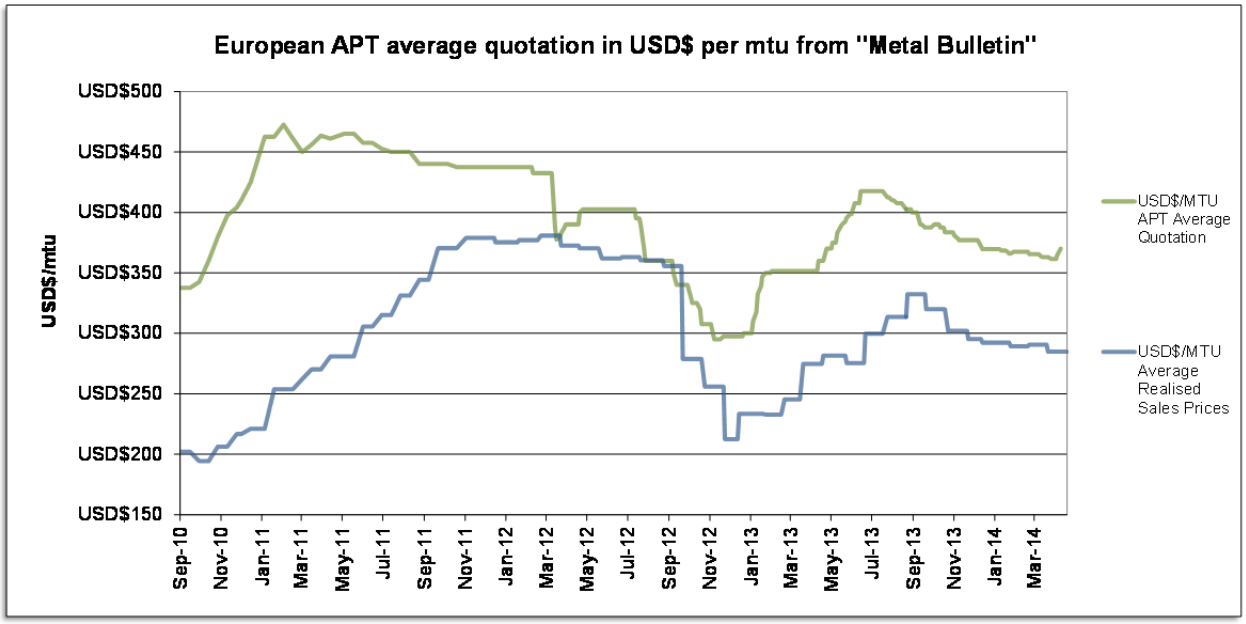
In the first six months of fiscal 2014 the Company negotiated two new tungsten delivery contracts with existing customers and arranged additional loans from these customers totalling USD$5.0 million. These arrangements strengthened the on-going relationships with important customers and demonstrated the customers' continued support.

Despite the refinancing of debt and additional long-term debt obtained in fiscal 2014, the Company still had a working capital deficit of $22.9 million at March 31, 2014. Additional steps are required to improve liquidity, reduce the working capital deficit, establish profitable operations and reduce outstanding debt.

During Q2 2014 the final screening report into the Mactung Project was issued by the Yukon Environment and Socio-economic Assessment Board ("YESAB") which recommended that the project "be allowed to proceed without a review" subject to 65 terms and conditions. This is a crucial milestone in an environmental review process that started in December 2008. It is expected that the Yukon Government will issue its Decision Document on the Mactung Project this summer.

TUNGSTEN PRICE

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$365.50/mtu at March 31, 2014 and was USD$370/mtu at May 21, 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 Q2 2014 increased significantly from the comparable 2013 period mainly due to higher grade mill feed for the quarter which also contributed to the increase in metallurgical recovery.

The following summary table highlights that H1 2014 had similar production compared to H1 2013, with slightly higher mill feed tonnage in H1 2014 offset by slightly lower average mill feed grade and metallurgical recovery.

	Q2 2014	Q2 2013	H1 2014	H1 2013
Tonnes Milled	93,499	90,846	188,386	181,471
Grade	1.22	1.01	1.04	1.07
Recovery %	78.4	77.5	77.2	78.5
MTUs produced	89,116	71,178	151,184	151,871

The Company continued its underground diamond drilling program to further define its resources and develop a two year mine plan. A second underground diamond drill will commence drilling in June 2014 for a planned 13,000 foot drill program. Geophysical surveys are also being employed to supplement and guide the diamond drilling. A surface exploration drill program is planned to occur in Q4 2014 to follow up on results from the prior summer's drill program and to enable the exploration and evaluation of potential ore targets in the vicinity of the Cantung ore body.

The mill process improvement project that commenced in Q3 2013 is proceeding. All of the equipment necessary for the project is now on site at Cantung and implementation is in process.

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 future years. The 2014 open-pit mining campaign is scheduled to commence in July and continue until October 2014.

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 Q2 2014 the Yukon Environment and Socio-economic Assessment Board ("YESAB") issued its final screening report into the Mactung Project; with its publication, NTC reached a crucial milestone in an environmental review process that started in December 2008. YESAB recommended that the Mactung Project "be allowed to proceed without a review," subject to a series of 65 terms and conditions that are listed in the final screening report. In early May 2014 the Yukon Government referred the final screening report back to YESAB with two minor requests for clarification. Once YESAB reports back to the Yukon Government, which is due in June 2014, the Yukon Government will have until mid-summer to issue its Decision Document on the Mactung Project. If the Decision Document is positive, the document will form the basis upon which the Yukon Water Board will regulate mining at Mactung.

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

FINANCE

In Q2 2014 the Company realised net income of $2.5 million and had a cash inflow from operations before change in non-cash working capital and adjustments of $6.4 million.

A cash conservation policy that was initiated in Q1 2013 continues and capital expenditures continue to be constrained. Capital expenditures for Q2 2014 were limited to $2.2 million and were mainly for the construction and purchase of the permanent waste water treatment plant (WWTP) and the mill improvement project. 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.

USD$2.7 million convertible debentures, USD$4.0 million Queenwood Capital Partners II LLC (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. The Company refinanced these debts along with additional financing of USD$2.3 million from Queenwood II into USD$11.0 million of debentures. The conversion feature of the convertible debentures received approval by the non-participating shareholders on February 21, 2014. The regulators approved USD$9.0 million as convertible ("Convertible Debentures") and USD$2.0 million as non-convertible ("Debentures"). Queenwood Capital Partners LLC, Queenwood II and three directors of the Company combined hold USD$7.5 million of the Convertible Debentures and USD$2.0 million of Debentures. The debentures will mature on December 31, 2015.

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 the pre-existing USD$2.2 million advance from that customer was rolled into the loan arrangement. The combined loan of USD$4.7 million matures on December 31, 2018.

During Q2 2014 the Company entered into a new tungsten delivery contract with another existing customer. In conjunction with the tungsten delivery contract a loan was arranged for USD$2.5 million which matures on March 31, 2017.

During the year ended September 30, 2013, the Company's bankers ("HSBC") informed the Company that the $24.0 million HSBC credit facilities are 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. Subsequent to March 31, 2014 the Company executed an $11.0 million loan with Callidus Capital Corporation ("Callidus"). $5.8 million of the loan proceeds was used to pay out the balance of the HSBC Bank Operating Loan Facility which was then cancelled and $1.0 million was used to repay certain equipment loans and capital leases. The Company continues discussions with other financial institutions to replace the HSBC Working Capital Loan Facility.

A letter of credit that is guaranteed (the "Guarantee") by two directors (the "Sponsors") of the Company had previously been pledged as security for the Working Capital Loan, in the amount of USD$12.0 million. In addition, the Sponsors and HSBC had previously 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, which expires on June 30, 2014. Subsequent to March 31, 2014 the Company entered into an agreement with the Sponsors, provided that, in the event HSBC puts the Working Capital Loan to the Sponsors, that the maturity of the loan will be extended to no earlier than April 1, 2015, the loan will bear interest at 12.0% per annum and a fee of $100 thousand will be paid to the Sponsors to cover the costs for the assignment of the Working Capital Loan

The Company is dependent on continued support from shareholders, lenders and customers. The Company will need to maintain strong cash flows from operations which is expected to 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 March 31, 2014	Three Months Ended March 31, 2013	Six Months Ended March 31, 2014	Six Months Ended March 31, 2013
Tonnes Milled	93,499	90,846	188,386	181,471
Feed Grade %	1.22	1.01	1.04	1.07
Recovery %	78.4	77.50	77.2	78.5
Tungsten concentrate produced (mtu's)	89,116	71,178	151,184	151,871
Tungsten concentrate sold (mtu's)	69,934	101,723	132,152	146,073
Average realised sales price $USD/mtu	$ 291	$ 237	$ 298	$ 238
Costs of sales per mtu[1]	$ 253	$ 257	$ 301	$ 272
Copper sold (lbs)	168,135	150,568	292,760	398,649
Copper revenue (in $000's)	$ 634	$ 648	$ 1,154	$ 1,638
Quarterly average USD$ foreign exchange rate (USD$1 to CDN)	$ 1.102	$ 1.009	$ 1.077	$ 0.993
Financial Data (in $000's)				
Revenues	$ 23,063	$ 24,939	$ 43,525	$ 36,403
Cost of sales:				
Mine operating costs:				
Mine	7,564	6,210	14,492	13,152
Mill	3,224	2,309	6,489	5,286
Power generation and surface maintenance	5,002	4,639	9,832	9,470
Site administration and environmental	3,605	3,207	7,192	6,255
Mine operating costs:	19,395	16,365	38,005	34,163
Inventory change, adjustments and write-downs	(4,358)	6,995	(3,263)	441
Amortization and depreciation	1,787	1,978	3,531	3,781
Freight, handling and conversion	645	556	1,073	1,015
Royalties	225	244	425	343
Cost of sales:	17,694	26,138	39,771	39,743
Gross margin[2]	$ 5,369	$ (1,199)	$ 3,754	$ (3,340)
Net earnings (loss)	$ 2,467	$ (3,413)	$ (2,062)	$ (7,425)
EBITDA[3]	$ 5,715	$ (170)	$ 4,504	$ (1,320)

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. For additional information, see the "Non-IFRS Measures" section of this MD&A.

REVIEW OF FINANCIAL RESULTS

In Q1 2013 the Company realised a net loss of $4.0 million due to lower realised sales prices and low sales volume of 44,350 mtus, as a result of the fall in APT prices and a temporary softening in demand during that quarter. In Q2 2013 demand returned and inventory which accumulated during Q1 2013 was sold down to normal levels with 101,723 mtus sold, but still at lower realised sales prices which resulted in a net loss of $3.4 million for that quarter. Q1 2014 sales and revenue were significantly stronger than the comparable quarter in 2013 with 62,218 mtus sold and revenue of $20.5 million. Results were below desired levels with a net loss of $4.5 million for Q1 2014, as production was below target due to temporary grade issues caused by unexpected inconsistent grade within stopes that were scheduled for production during the quarter. In Q2 2014 production was strong with 89,116 mtus produced as the grade issues that occurred in Q1 2014 were resolved and metallurgical recovery improved. Q2 2014 sales and revenue were better than Q1 2014 with 69,934 mtus sold, revenue of $23.1 million and net income of $2.5 million. The Company shipped essentially all of the Q2 2014 production by March 31, 2014. Due to the new tungsten delivery contracts that became effective during the quarter, the point of sales recognition moved from mine gate or customer designated location, to delivery at the customer's facility or loading at ship terminal. This resulted in 19,030 mtus remaining in inventory at March 31, 2014 that had been shipped, but will not be recognised as sales until Q3 2014. Under these new contracts the Company will have higher inventory levels as concentrate shipments will remain in inventory for approximately 10 to 15 days. Accounts receivable will decrease by a similar amount, as the payment period starts upon shipment from mine gate which will result in a reduction of the number of days shipments remain in accounts receivable. These factors resulted in a net loss of $2.1 million for H1 2014 compared to a loss of $7.4 million for H1 2013.

Q2 2014 compared to Q2 2013 for revenue and cost of sales

Net income for Q2 2014 was $2.5 million or $0.01 per share (basic and diluted), compared to net loss of $3.4 million or ($0.01) per share in Q2 2013. The net income for Q2 2014 was impacted by the following factors:

- Revenue was $23.1 million on sales of 69,934 mtus with an average realised sales price of $321/mtu (USD$291/mtu) and cost of sales of $253/mtu for a margin of $68/mtu compared to revenue in Q2 2013 of $24.9 million on sales of 101,723 mtus with an average realised sales price of $239/mtu (USD$237/mtu) and cost of sales of $257/mtu for a negative margin of $18/mtu Included in the revenue of $23.1 million was $0.6 million for the sale of copper which is a by-product of the tungsten mining compared to $0.6 million in Q2 2013.

- Tungsten concentrate production for Q2 2014 was 89,116 mtus from a mill feed of 93,499 tonnes with an average grade of 1.22% WO_3 and average mill recovery of 78.4% compared to production of 71,178 mtus from a mill feed of 90,846 tonnes with an average grade of 1.01% WO_3 and average mill recovery of 77.5%.

- Mine operating costs were $19.4 million in Q2 2014 compared to $16.4 million in Q2 2013 and cost of sales was $17.7 million compared to $26.1 million in Q2 2013. Mine operating costs have increased from Q2 2013 due to higher fuel prices, higher production volumes, costs for reagents relating to the WWTP, more feet of mine development in the period and higher costs for workforce due to higher levels of production, gain sharing based on the higher production and increased benefit costs. Production for Q2 2014 was above target levels due to better than planned mill feed grade. Due to the new tungsten delivery contracts that became effective during Q2 2014 19,030 mtus produced and shipped from mine gate during the quarter will not be recognised as sales until Q3 2014. The higher production during the quarter contributed to the significant decrease in cost of sales per mtu, while the sales deferred to Q3 2014 increased inventory for the period. In Q1 2013 tungsten concentrate inventory increased due to a temporary decline in demand. In Q2 2013 inventory returned to normal levels on increased demand and sales volume.

H1 2014 compared to H1 2013 for revenue and cost of sales

Net loss for the six months ended March 31, 2014 (H1 2014) was $2.1 million or ($0.01) per share (basic and diluted), compared to net loss of $7.4 million or ($0.03) per share for the six months ended March 31, 2013 (H1 2013). The net loss for H1 2014 was impacted by the following factors:

- APT quotations were USD$400/mtu at the beginning of October 2013, then slowly declined during H1 2014 and have flattened in Q2 2014, with the average APT quotation of USD$365.50/mtu at March 31, 2014. The average realised sales price was USD$298/mtu for H1 2014 compared to the average realised sales price of USD$238/mtu in H1 2013.

- Revenue was $43.5 million on sales of 132,152 mtus with an average realised sales price of $321/mtu (USD$298/mtu) and cost of sales of $301/mtu for a margin of $20/mtu for H1 2014 compared revenue of $36.4 million on sales of 146,073 mtus with an average realised sales price of $238/mtu (USD$238/mtu) and cost of sales of $272/mtu for a negative margin of $34/mtu. Included in the revenue of $43.5 million was $1.2 million for the sale of copper for which is a by-product of the tungsten mining compared to $1.6 million for the sale of copper in H1 2013.

- Tungsten concentrate production for H1 2014 was 151,184 mtus from a mill feed of 188,386 tonnes with an average grade of 1.04% WO_3 and average mill recovery of 77.2% compared to production of 151,871 mtus from a mill feed of 181,471 tonnes with an average grade of 1.07% WO_3 and average mill recovery of 78.5%.

- For H1 2014 mine operating costs increased to $38.0 million from $34.2 million in H1 2013 while production was 151,184 mtus which was down slightly from 151,871mtus for H1 2013. Mine operating costs increased due to higher fuel prices, higher production volumes, costs for reagents relating to the WWTP, more feet of mine development in the period and higher costs for workforce due to higher levels of production, gain sharing based on the higher production and increased benefit costs.

Expenses

Financial data (in $000's)	Three Months Ended March 31, 2014	2013	Change	Six Months Ended March 31 2014	2013	Change
Interest and financing costs	$ 1,373	$ 937	$ 436	$ 2,425	$ 1,663	$ 762
General and administrative	844	846	(2)	1,486	1,501	(15)
Accretion of financial liabilities	147	347	(200)	719	696	23
Foreign exchange loss (gain)	595	(19)	614	1,113	(55)	1,168
Exploration	2	-	2	121	228	(107)
Share-based compensation	-	210	(210)	32	210	(178)
Loss on disposal of assets	-	-	-	-	16	(16)
Loss (gain) on revaluation of derivatives	-	(88)	88	29	(139)	168
Interest and other income	(59)	(19)	(40)	(109)	(35)	(74)
Total	$ 2,902	$ 2,214	$ 688	$ 5,816	$ 4,085	$ 1,731

Q2 2014 compared to Q2 2013 for expenses

- Interest and financing costs have increased for Q2 2014 as the level of debt has increased from Q2 2013. In addition, the Company incurred costs to arrange the new customer loan and the interest rates on the debt instruments have increased from the comparable period.
- Accretion of financial liabilities was higher in Q2 2013 as the guarantee fee relating to the HSBC working capital loan was being accreted during the period, while in Q2 2014, the guarantee fee had been repaid by rolling it into the Debentures.
- The foreign exchange loss increased in Q2 2014 as the Company has USD denominated debts and the USD appreciated in value vs. the CDN from $1.0636 at December 31, 2013 to $1.1055 at March 31, 2014. In the comparable period the USD/CDN exchange rate remained relatively stable.

H1 2014 compared to H1 2013 for expenses

- Interest and financing costs have increased for H1 as the level of debt has increased from Q2 2013. In addition, the Company incurred costs to arrange the new customer loan and new tungsten supply agreements and the interest rates on the debt instruments have increased from the comparable period.
- The foreign exchange loss increased in H1 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 $1.1055 at March 31, 2014. 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 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2	2013 Q1	2012 Q4	2012 Q3
Tungsten concentrate produced (mtu's)	89,116	62,068	67,728	67,433	71,178	80,693	70,713	53,516
Tungsten concentrate sold (mtu's)	69,934	62,218	66,264	71,563	101,723	44,350	71,551	56,662
Average realised sales price $USD/mtu	$ 291	$ 305	$ 317	$ 277	$ 237	$ 238	$ 359	$ 369
Revenue	23,063	20,462	22,461	20,954	24,939	11,464	25,964	21,731
Net income (loss)	2,467	(4,529)	412	(6,253)	(3,413)	(4,012)	(16,786)	(2,172)
Net income (loss) per share, basic and diluted	$ 0.01	$ (0.02)	$ 0.00	$ (0.03)	$ (0.01)	$ (0.02)	$ (0.07)	$ (0.01)
Cash flow from operations before changes in non-cash working capital	6,415	(489)	2,997	(301)	41	(1,185)	7,334	3,073
Cash flow from operating activities	1,794	2,208	3,809	(1,158)	999	80	(362)	6,002

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.
- Q2 2014 had higher production due to improved mill feed grade and sales of 19,030 mtus were deferred to Q3 2014 due to the new tungsten supply contracts

LIQUIDITY, CAPITAL RESOURCES AND GOING CONCERN

Liquidity and Going Concern

Liquidity will continue to be a challenge in the months ahead and will persist until the mill process improvement plan comes to fruition, operations become 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 $22.9 million at March 31, 2014 which reflects the high current debt levels. The underlying cash outflow from operations in fiscal 2013 continued in Q1 2014 and the cost to service debts remain high. In Q2 2014 the Company produced positive cash flows from operations on strong production. All expenditures are under scrutiny and capital expenditures will continue to be at a minimal level until funding has been arranged.

In the longer term, it will be important that high levels of production be regularly 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. 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 and six months ended March 31, 2014 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 will be critical; however, related party support continues to be indicated.
- On a daily / monthly basis there is significant variability in the mill feed tonnes, grade and metallurgical 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.
- Capital expenditures will be held to a minimum but will eventually rise as the Company moves to make further improvements at Cantung.
- Changes in the market quotations for APT.
- The USD/CDN exchange rate

Statement of Financial Position (in $000's)	March 31, 2014	As at September 30, 2013	March 31, 2013
Cash and cash equivalents	$ 2	$ 203	$ 554
Current assets	17,425	17,787	16,713
Total assets	71,849	72,839	74,796
Current liabilities	40,357	55,421	51,979
Total liabilities	70,672	70,741	67,410
Total financial liabilities includes the following: [1]			
Current financial liabilities	24,489	38,042	33,366
Non-current financial liabilities	21,955	7,840	6,869
	46,444	45,882	40,235
Shareholders' equity (deficit)	1,177	2,098	7,386
Statistics:			
Working Capital [2]	(22,932)	(37,634)	(35,266)

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

2 - Current assets less current liabilities

Cash flows for the three and six months ended March 31, 2014 and 2013

Summarized Cash Flow Activity (in $000's)	Three Months Ended March 31, 2014	2013	Change	Six Months Ended March 31, 2014	2013	Change
Cash flow from operating activities before changes in non-cash working capital	$ 6,416	$ 41	$ 6,375	$ 5,927	$ (1,002)	$ 6,929
Change in non-cash working capital	(4,522)	1,994	(6,516)	(1,725)	2,281	(4,006)
Provided by (used in) operating activities	1,794	1,935	(141)	4,002	1,079	2,923
Provided by (used in) investing activities	(2,304)	(743)	(1,561)	(4,415)	(3,113)	(1,302)
Provided by (used in) financing activities	466	(1,047)	1,513	219	464	(245)
Effect of exchange rate changes on cash and cash equivalents	31	-	31	(7)	-	(7)
Increase (decrease) in cash and cash equivalents	(14)	145	(159)	(201)	(1,570)	1,369
Cash and cash equivalents, beginning of period	16	409	(393)	203	2,124	(1,921)
Cash and cash equivalents, end of period	$ 2	$ 554	$ (552)	$ 2	$ 554	$ (552)

Q2 2014 compared to Q2 2013 for liquidity and cash flows

Cash flow from operating activities was $1.8 million for Q2 2014, a decrease of $0.1 million compared to cash flow from operations of $1.9 million for Q2 2013.

In Q1 2013 due to a temporary but significant decline in demand for tungsten concentrates, accounts receivable decreased while inventory rose and accounts payable increased due to the decline in cash flows from operations. Then in Q2 2013 demand returned and inventory was sold down to normal levels and accounts receivable was collected but due to the lower realised sales prices accounts payable remained high. In Q2 2014 there was net income of $2.5 million and cash flows from operating activities before changes in non-cash working capital of $6.4 million. Due to the change over to the new tungsten delivery contracts and the deferral of sales to Q3 2014, inventory increased, accounts receivable decreased and accounts payable was paid down with the cash flows from operations and proceeds from the new financings.

Cash outflow for investing activities for property, plant and equipment and Mactung development was $2.3 million for Q2 2014 compared to $0.7 million in Q2 2013. During Q2 2014 the WWTP and the mill improvement projects were on-going while in the comparable quarter no major project occurred.

For Q2 2014 there was a net cash inflow from financing activities of $0.5 million as the net proceeds of $2.8 million from the new customer loan and $1.1 million from the debenture issued were received and the bank operating loan decreased by $1.8 million, equipment loans and capital leases were paid down and $1.4 million of interest and financing costs were paid. In the comparable quarter there was a cash outflow from financing activities of $1.0 million as equipment loans and capital leases were paid down, interest and financing costs of $0.7 million were paid and the bank operating loan increased slightly.

H1 2014 compared to H1 2013 for liquidity and cash flows

Cash flow from operating activities before change in non-cash working capital was $5.9 million for H1 2014, an increase of $6.9 million compared to H1 2013 where there was a cash outflow of $1.0 million. Due to the change over to the new tungsten delivery contracts and the deferral of sales to Q3 2014, inventory increased, accounts receivable decreased and accounts payable was paid down with the cash flows from operations and proceeds from the new financings. In the comparable period there was $1.0 million cash outflow from operations before change in non-cash working capital, inventory increased, accounts payable decreased and accounts receivable was collected.

Cash flow from financing activities was $0.2 million for H1 2014 and in the comparable period there was cash flow of $0.5 million. In H1 2014 the maturing debts were refinanced into the debenture issuance with net new funds of $2.3 million received, new funds of $5.4 million were received in the form of customer loans while equipment loans and capital leases were paid down by $1.6 million, the bank operating loan was paid down by $2.8 million and interest and financing costs of $2.4 million were paid. In H1 2013 the Company received $4.0 million of customer advances while equipment loans and capital leases were paid down by $2.3 million and interest and financing costs of $1.4 million were paid.

Capital Resources

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

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

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

The credit facility contains the following financial covenants:

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

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

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

Bank Operating Loan

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

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

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

Working Capital Loan

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

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

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

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

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. Subsequent to March 31, 2014 the Company entered into an agreement with the Sponsors, provided that, in the event HSBC puts the Working Capital Loan to the Sponsors, that the maturity of the loan will be extended to no earlier than April 1, 2015, the loan will bear interest at 12.0% per annum and a fee of $100 thousand will be paid to the Sponsors to cover the costs for the assignment of the Working Capital Loan. The interest rate on the Working Capital Loan was increased by 2.0% per annum.

Loans, capital leases and other debt finance

The Company has executed the following financial debts to finance operations and the capital programs for the Cantung Mine.

Financial Debt	As at		
(in $000's)	March 31, 2014	September 30, 2013	March 31, 2013
Current financial debt			
Operating loan	$ 8,318	$ 11,103	$ 9,165
Working capital loan [1]	12,000	13,576	13,304
Customer advances	-	2,705	2,667
Customer loans	649	-	-
Debentures	-	2,917	2,626
Equipment loans and capital leases	1,522	2,807	5,604
Notes payable	2,000	4,934	-
Total	24,489	38,042	33,366
Non-current financial debt			
Customer advances	3,317	5,358	5,283
Customer loans	7,310	-	-
Debentures	11,116	-	-
Equipment loans and capital leases	212	482	1,309
Notes payable	-	2,000	-
Other obligations	-	-	277
Total financial debt	$ 46,444	$ 45,882	$ 40,235

1 - The Working Capital Loan balance at March 31, 2014 includes nil of accreted liability (September 30, 2013 - $1.6 million, March 31, 2013 - $1.3 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, replace or refinance existing loan facilities as they mature or arrange new financing.

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	42	60	60	60	60	60	$ 342
Customer advances	-	-	-	3,317	-	-	$ 3,317
Equipment loans	414	344	-	-	-	-	$ 758
Capital leases	654	254	113	42	2	-	$ 1,065
Office leases [2]	112	233	245	251	84	-	$ 925
Equipment purchase and rental contracts	308	200	-	-	-	-	$ 508
	$ 1,540	$ 1,101	$ 428	$ 3,680	$ 156	$ 70	$ 6,975

1 - Commitments are for the remainder of fiscal 2014

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

a. Water license

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

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

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

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

During the six months ended March 31, 2014 the Company posted $200 thousand of cash and reduced the posted secured promissory notes by $200 thousand.

b. Smelter royalties

The Cantung Mine is subject to a 1% net smelter royalty. Royalties accrued as at March 31, 2014 totalled $4.2 million.

OTHER INFORMATION

Equity

Outstanding Equity Securities	As of May 23, 2014	As of March 31, 2014
Common shares	238,123,058	238,123,058
Share options	3,816,668	3,816,668
Warrants	7,000,000	7,000,000

At March 31, 2014 the Company had USD$9.0 million of convertible debentures outstanding which mature on December 31, 2015. The conversion of these convertible 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 for an effective conversion rate of CDN$0.1128. If the USD$9.0 million of convertible debentures are converted at the $0.12 conversion price, 79,787,234 common shares of the Company would be issued.

Related Party Transactions

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

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

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

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

The above transactions were in the normal course of operations.

Chief Executive Officer Employment Contract Settlement

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

Subsequent Events

The following are significant events that occurred after March 31, 2014:

Callidus Capital Corporation - Loan Facility

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

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 six months ended March 31, 2014, the Company issued USD$11.0 million of debentures including USD$9.0 million Convertible Debentures and entered into a USD$7.2 million of customer loans. Subsequent to March 31, 2014 the Company entered into the $11.0 million Callidus 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 debentures, 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, the Company has provided measures prepared in accordance with IFRS, as well as some non-IFRS performance measures as additional information for stakeholders.

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. The Company has defined its non-IFRS measures in the tables where they are presented and reconciled them with the reported IFRS measures.

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

Reconciliation of Net Income (Loss) with EBITDA

EBITDA is calculated as net income (loss) before taxes, with interest and financing costs, interest income, depreciation and amortization, accretion and impairment of property, plant and equipment removed.

	Three Months Ended		Six Months Ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Net Income (Loss)	$ 2,467	$ (3,413)	$ (2,062)	$ (7,425)
Add back:				
Interest income	(59)	(19)	(109)	(35)
Interest and financing costs	1,373	937	2,425	1,663
Taxes	-	-	-	-
Depreciation and amortization	1,787	1,978	3,531	3,781
Accretion of financial liabilities	147	347	719	696
EBITDA	$ 5,715	$ (170)	$ 4,504	$ (1,320)

Management believes that EBITDA provides useful information as a measure of the results from operations, as it has the non-cash items and the cost of financing the debt removed, which otherwise masks the results.

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 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 and six months ended March 31, 2014 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 35 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