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 Q3 2013

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 August 23, 2013, and should be read in conjunction with the unaudited interim consolidated financial statements for the three and nine months ended June 30, 2013 and with the audited consolidated financial statements for the year ended September 30, 2012. This MD&A reviews the business of North American Tungsten Corporation Ltd. and compares the Company's financial results for the quarter ended June 30, 2013 (Q3 2013) with those of the quarter ended June 30, 2012 (Q3 2012) and the nine months ended June 30, 2013 with those of the nine months ended June 30, 2012. Additional information relating to the Company including its Annual Information Filing is available on SEDAR at www.sedar.com. The Company's common shares are listed on the TSX Venture Exchange (symbol: NTC) and the Company has share purchase warrants (symbol; NTC.WT) that trade on the TSX Venture Exchange ("TSX-V").

North American Tungsten Corporation Ltd. is engaged in scheelite 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 nine month period ended June 30, 2013 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, "Interim Financial Reporting". Note 2 of the consolidated financial statements for the year ended September 30, 2012 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. Accordingly, during Q3 2013 the Company expanded its exploration program to include additional surface and underground exploration. The results of such exploration should be available in Q4 2013. 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. In recent years, increased tungsten usage in Chinese processing and manufacturing plants combined with closure of some Chinese mines have created an improved outlook for western mining operations. However, management will continue to be challenged to achieve profitable operations and positive cash flows when the tungsten price is close to market low-points.

As shown in the financial statements and as discussed below, an underlying cash drain and operating losses from the Cantung operations persist at the sales prices realised for the three months ended June 30, 2013. Management has responded by limiting spending to essentials and has significantly reduced capital outlays in 2013. In addition, in order to close the gap from cash drain to cash generation and profit, 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, including the acquisition and installation of the necessary equipment related to the improvements in the mill. The planned improvements are to be completed by mid-fiscal 2014 with a gradual ramp-up of tonnage to a target of 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, in July 2013 an open-pit stripping and mining campaign commenced and the mined tons will be stockpiled for use in fiscal 2014.

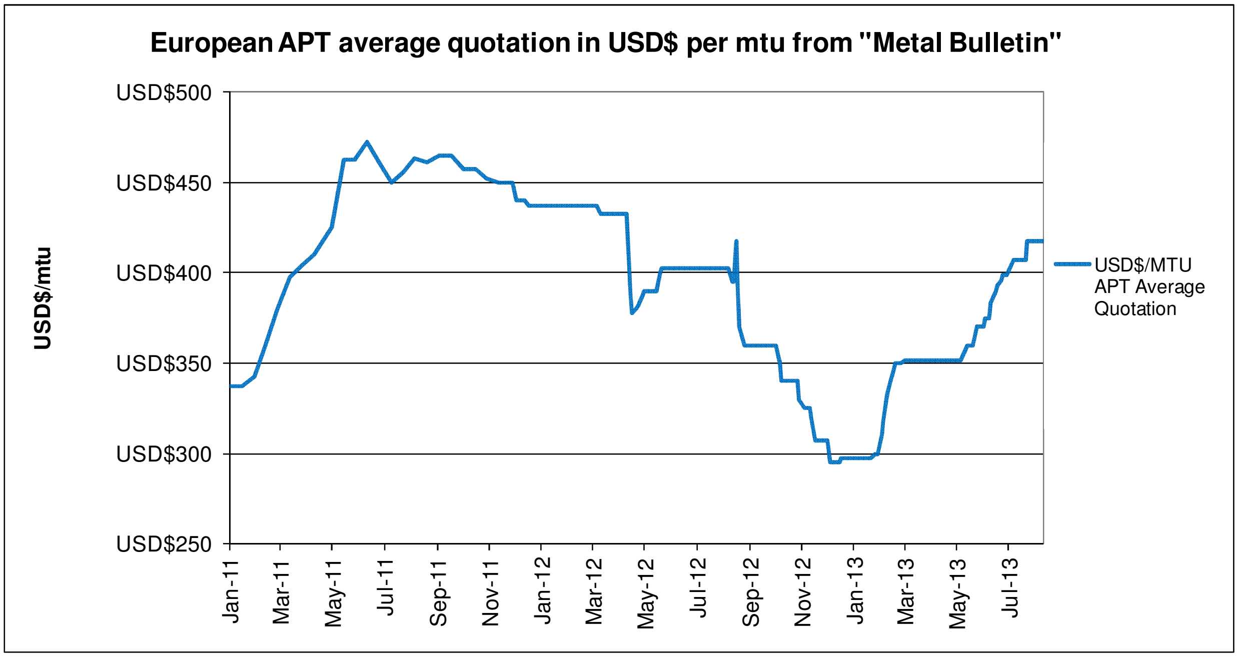
The Company is also in the process of finalizing its comprehensive tailings management program, including upgrades to the current tailings ponds, enhancements to its waste water treatment plant and development of a long-term storage facility for tailings. The Company will work closely with regulatory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

Management recognizes that the Company's debt level is very high, as is the cost of arranging and carrying the debt. During Q3 2013, additional short-term debt was obtained and debt that was scheduled to mature in June 2013 was extended to December 31, 2013. Discussions are in progress with lenders, potential lenders and related party shareholders. It is expected that additional financing will be obtained and the credit facility provided by the Company's bankers will be replaced in December 2013 but there is no guarantee such financing will be available on terms acceptable to the Company.

In July 2013, the Board of Directors of the Company (the "Board") appointed Kurt Heikkila, as Chief Executive Officer and President to replace Stephen Leahy who stepped down as CEO, President and as a member of the board of directors. Kurt Heikkila has served as a director on the Company's Board since 2009 and is the current Chairman of the Board. The Company also announced the appointment of Dennis Lindahl, a current board member, as Chief Financial Officer, succeeding Harold Schwenk who will undertake other duties with the Company.

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$398.50/mtu at June 30, 2013 and was USD$417.50/mtu at August 21, 2013. The following table shows historical quotations since January 2011.



OPERATIONS UPDATE

Cantung Mine

The Company continues to benefit from the 2012 capital program enhancements. The following summary table highlights that as compared to Q3 2012, tonnes of ore processed, ore grade and metallurgical recoveries all improved, even factoring in that Q3 2012 production of concentrates was negatively affected by a 13 day suspension of production due to the closure of the Nahanni Range Road caused by multiple road washouts in June 2012.

	Q3 2013	Q3 2012
Tonnes Milled	91,409	76,735
Grade	0.96%	0.93%
Recovery %	77.2%	75.1%
MTUs produced	67,433	53,516

The Company continued its underground diamond drilling program to further define its resources and develop a two to three year mine plan. In addition, it resumed its surface diamond drilling exploration with the objective of expanding the resources at Cantung. Results from such drilling should be available in Q4 2013. Geophysical surveys are also being employed to supplement and guide the diamond drilling.

A mill process improvement project commenced in Q3 2013 and will continue into Q2 of fiscal 2014. The project plan is to increase the mill throughput to 1,350 tons per day and to increase the total metallurgical recovery by increasing the effectiveness of the gravity and flotation circuits. To support the increased throughput, the Company has begun an open-pit campaign to stockpile ore this summer which will be utilized in fiscal 2014.

Construction of a raise on tailings pond 5 commenced at the beginning of Q3 2013 and was completed in July 2013. 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 mining industry in Northern Canada in recent years has been impacted by cost pressures with respect to labour, energy and supplies. The situation is improving. At present, it is possible to attract and retain qualified employees to the Cantung mine, resulting in reduced labour turnover.

Mactung Project Update

In October 2012 YESAB's (see Glossary of Terms) delivered a Draft Screening Report on the Mactung Project. In response to comments from the public and from government, YESAB then tendered a series of information requests that the Company would be expected to satisfy to finalize the environmental assessment required under YESAA (see Glossary of Terms). In March 2013, YESAB accepted the Company's proposed plan to satisfy the information requests and the Company is currently working to submit its final responses by late summer 2013.

In February 2013, the Company formally removed the proposed Yukon access road from the proposal and initiated consultation regarding the Land Use Permit in the NWT with the Sahtu First Nations, in anticipation of utilizing the existing 11-km spur road from the North Canol Road to the Mactung project at Mount Allan in the Yukon..

During the quarter, negotiations resumed with the Ross River Dena Council for a Social and Economic Participation Agreement covering Mactung; the Company started a process to engage more fully with the Kaska First Nations and received the traditional knowledge report from the Ross River Elders.

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

FINANCE

In Q3 2013, the Company realised a net loss of $6.3 million and a cash drain from operations before changes in non-cash working capital and adjustments of $1.2 million. A cash conservation policy that was initiated in Q1 2013 continues and capital expenditures continue to be severely constrained while the necessary mill improvement project is proceeding to address the cash short-fall. This policy will remain until cash is generated from operations or additional funding is available.

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 April 2013 the Company reached an agreement with Procon Mining & Tunnelling Ltd. ("Procon") on a schedule of payments on the final amount due in respect of a contract under which Procon provided mining services to the Cantung mine. The Company has issued two promissory notes totalling $4.0 million to Procon to settle the accounts payable.

The $12.0 million HSBC Working Capital Loan along with an associated USD$1.5 million loan guarantee fee was due to mature on June 30, 2013. In June 2013 the Company and HSBC agreed to terms for the extension of the Working Capital Loan facility to December 31, 2013 and the associated guarantee was extended for the same period.

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

In June 2013 the Company executed a USD$4.0 million short-term credit facility with Queenwood Capital Partners II LLC (Queenwood II), a company controlled by two Directors of the Company. The facility matures on October 31, 2013 and was to cover the cash drain from operations. It is believed that the short-term credit facility will be rolled-over on maturity.

The present upwards trend in the market quotations for tungsten is encouraging; however it will be important that the planned higher levels of production be achieved and that expenditures, including capital spending, be carefully controlled. 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.

Following the recognition of the $16.2 million impairment provision at September 30, 2012 (Q4 2012), the Company was in breach of the debt to tangible net worth covenant of the HSBC credit facility. On January 25, 2013, HSBC waived all previous covenant breaches to September 30, 2012 and to December 31, 2012. At March 31, 2013 the Company was in breach of the covenants and subsequently HSBC waived the breaches. At June 30, 2013 the Company was in breach of the covenants and subsequently HSBC waived the breaches.

SUMMARIZED FINANCIAL RESULTS

Operating highlights	Three Months Ended June 30 2013	Three Months Ended June 30 2012	Nine Months Ended June 30 2013	Nine Months Ended June 30 2012
Tonnes Milled	91,409	76,735	272,880	249,112
Feed Grade %	0.96	0.93	1.03	1.06
Recovery %	77.2	75.1	78.1	76.2
Tungsten concentrate produced (mtu's)	67,433	53,516	219,304	201,873
Tungsten concentrate sold (mtu's)	71,563	56,662	217,636	210,513
Average realised sales price $USD/mtu	$ 277	$ 369	$ 250	$ 370
Costs of sales per mtu[1]	$ 293	$ 403	$ 279	$ 329
Copper sold (lbs)	180,417	160,158	579,066	658,363
Copper revenue	$ 668	$ 553	$ 2,306	$ 2,579
Quarterly average USD$ foreign exchange rate (USD$1 to CDN)	$ 1.024	$ 1.010	$ 1.011	$ 0.992
Financial Data (in $000's)				
Revenues	$ 20,954	$ 21,731	$ 57,357	$ 81,560
Cost of sales:				
Mine operating costs:				
Mine	6,763	7,045	19,915	21,301
Mill	2,990	2,408	8,276	7,841
Power generation and surface maintenance	4,104	3,856	13,574	12,672
Site administration and environmental	3,314	3,324	9,569	9,784
Mine operating costs:	17,171	16,633	51,334	51,598
Inventory change, adjustments and write-downs	1,072	869	1,513	2,323
Amortization and depreciation	1,933	4,605	5,714	12,770
Freight, handling and conversion	581	518	1,596	1,707
Royalties	203	213	546	799
Cost of sales:	20,960	22,838	60,703	69,197
Gross margin[2]	$ (6)	$ (1,107)	$ (3,346)	$ 12,363
Net earnings (loss)	$ (6,253)	$ (2,172)	$ (13,678)	$ 6,943
EBITDA[3]	$ (1,307)	$ 3,504	$ (2,627)	$ 22,798

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

Q3 2013 compared to Q3 2012 for revenue and cost of sales

Net loss for Q3 2013 was $6.3 million or ($0.03) per share (basic and diluted), compared to a net loss of $2.2 million or ($0.01) per share in Q3 2012. The comparative figures for three months ended Q3 2012 were affected by a 13 day suspension of production due to the closure of the Nahanni Range Road caused by multiple road washouts, which reduced operating costs and production for the quarter and caused the cost of sales per mtu to increase significantly. The net loss for Q3 2013 was impacted by the following factors:

- APT quotations declined significantly in the 2nd half of calendar 2012 which led to a decline in realised sales prices. Revenues were $21.0 million on sales of 71,563 mtus with an average realised sales price of $283/mtu (USD$277/mtu) and cost of sales of $293/mtu for a negative margin of $10/mtu compared to $21.7 million for Q3 2012 on the sale of 56,662 mtus with an average realised sales price of $372/mtu (USD$369/mtu) and cost of sales of $403/mtu for a negative margin of $31/mtu. Included in the revenue of $21.0 million was $0.7 million for the sale of 180,417lbs of copper which is a by-product of the tungsten mining compared to $0.6 million for sales of 160,158lbs of copper in Q3 2012.

- Mine operating costs were $17.2 million in Q3 2013 compared to $16.6 million in Q3 2012 and cost of sales was $293/mtu compared to $403/mtu in Q3 2012. The Q3 2012 figures reflected lower production and cost effects due to the 13 day suspension of production.

- Tungsten concentrate production for Q3 2013 was 67,433 mtus from a mill feed of 91,409 tonnes with an average grade of 0.96% WO_3 and average mill recovery of 77.2% compared to production of 53,516 mtus from a mill feed of 76,735 tonnes with an average grade of 0.93% WO_3 and average mill recovery of 75.1%. The improved recovery reflected the detailed mill improvements, while production was affected by the 13 day suspension of production.

- Following the impairment that reduced the carrying value of Cantung assets as of September 30, 2012, depreciation and amortization charges have been reduced. Depreciation and amortization in Q3 2013 was $1.9 million compared to $4.6 million in Q3 2012. With depreciation and amortization excluded, cost of sales for Q3 2013 was $266/mtu compared to $322/mtu for Q3 2012.

- Based on updated mine plans, as at June 30, 2013 a cemented back-fill plant and an underground ramp were determined to be surplus to requirements. An impairment of $1.8 million was recognised to reduce carrying values to recoverable amounts.

- General and administrative costs for Q3 2013 included $1.8 million accrued for employment contract settlements pursuant to negotiated packages for former officers of the Company.

Nine months ended June 30, 2013 compared to June 30, 2012 for revenue and cost of sales

Net loss for the nine months ended June 30, 2013 was $13.7 million or ($0.06) per share (basic and diluted), compared to a net income of $6.9 million or $0.03 per share for the nine months ended June 30, 2012. The net loss for was impacted by the following factors:

- APT quotations declined significantly in the 2nd half of calendar 2012 which led to a decline in realised sales prices for the nine months ended June 30, 2013. Revenues were $57.4 million on sales of 217,636 mtus with an average realised sales price of $253/mtu (USD$250/mtu) and cost of sales of $279/mtu for a negative margin of $26/mtu for the nine months ended June 30, 2013; compared to $81.6 million on the sale of 249,112 mtus with an average realised sales price of $374/mtu (USD$370/mtu) and cost of sales of $329/mtu for a margin of $45/mtu for the nine months ended June 30, 2012. Included in the revenue of $57.4 million was $2.3 million for the sale of 579,066lbs of copper which is a by-product of the tungsten mining compared to $2.6 million for sales of 658,363lbs of copper in the nine months ended June 30, 2013.

- Tungsten concentrate production for the nine month period was 219,304 mtus from a mill feed of 272,880 tonnes with an average grade of 1.03% WO_3 and average mill recovery of 78.1%; compared to production of 201,873 mtus from a mill feed of 249,112 tonnes with an average grade of 1.06% WO_3 and average mill recovery of 76.2%. Improvements in production, mill feed tonnages and grade reflect detailed improvements and increased efficiency.

- For the nine months ended June 30, 2013 mine operating costs were $51.3 million on production of 217,636 mtus compared to $51.6 million for the nine months ended June 30, 2012 on production of 201,873 mtus. Following the impairment that reduced the carrying value of Cantung assets as of September 30, 2012, depreciation and amortization charges have been reduced. Depreciation and amortization for the nine months ended June 30, 2013 was $5.7 million compared to $12.8 million for the nine months ended June 30, 2012. With depreciation and amortization excluded, cost of sales was $253/mtu for the nine months ended June 30, 2013 compared to $268/mtu for the nine months ended June 30, 2012.

- Based on updated mine plans, as at June 30, 2013 a cemented back-fill plant and an underground ramp were determined to be surplus to requirements. An impairment of $1.8 million was recognised to reduce carrying values to recoverable amounts.

- General and administrative costs for Q3 included $1.8 million accrued for employment contract settlements pursuant to negotiated packages for former officers of the Company

Expenses

Financial data (in $000's)	Three Months Ended June 30 2013	2012	Change	Nine Months Ended June 30 2013	2012	Change
General and administrative	$ 2,756	$ 823	$ 1,933	$ 4,257	$ 2,445	$ 1,812
Interest and financing costs	845	797	48	2,508	2,402	106
Impairment of property, plant and equipment	1,757	-	1,757	1,757	-	1,757
Accretion of financial liabilities	426	352	74	1,122	1,030	92
Stock-based compensation	102	4	98	312	204	108
Exploration	48	-	48	276	53	223
Loss (gain) on revaluation of derivatives	248	(660)	908	109	(385)	494
Foreign exchange loss (gain)	80	(227)	307	25	(240)	265
Loss (gain) on disposal of assets	-	(14)	14	16	(14)	30
Equity loss of associate	-	68	(68)	-	272	(272)
Interest and other income	(15)	(78)	63	(50)	(347)	297
Total	6,247	1,065	5,182	10,332	5,420	4,912

Q3 2013 compared to Q3 2012 for expenses – material changes

- General and administrative costs for Q3 2013 included $1.8 million accrued for employment contract settlements pursuant to negotiated packages for former officers of the Company.
- Based on updated mine plans, as at June 30, 2013 a cemented back-fill plant and an underground ramp were determined to be surplus to requirements. An impairment of $1.8 million was recognised to reduce carrying values to recoverable amounts.
- The Company enters forward exchange rate sales contracts when rates are considered favourable, that correspond to the receipt of USD from the collection of trade accounts receivables, to lock in the USD/CDN exchange rates and mitigate the foreign exchange risk. In Q3 2013 a loss on revaluation of derivatives was recognised which was due to the strengthening of the USD which generated a loss on the USD/CDN forward exchange rate sales contracts of the Company while in the comparable period the Company did not have any outstanding forward exchange rate sales contracts. In addition, for Q3 2012, a gain on the revaluation of derivatives was recognised on the conversion feature of the convertible debenture as the Company's share price declined during the period which caused the value of the conversion feature to decrease while in Q3 2013 the convertible debenture is approaching maturity in October 2013 and the conversion price is significantly above the current share price of the Company therefore the conversion feature has nearly no value.

Nine months ended June 30, 2013 compared to the nine months ended June 30, 2012 for expenses – material changes

- General and administrative costs for Q3 2013 included $1.8 million accrued for employment contract settlements pursuant to negotiated packages for former officers of the Company.
- Based on updated mine plans, as at June 30, 2013 a cemented back-fill plant and an underground ramp were determined to be surplus to requirements. An impairment of $1.8 million was recognised to reduce carrying values to recoverable amounts.
- The Company enters forward exchange rate sales contracts when rates are considered favourable, that correspond to the receipt of USD from the collection of trade accounts receivables, to lock in the USD/CDN exchange rates and mitigate the foreign exchange risk. In the nine months ended June 30, 2013 a gain on revaluation of derivatives was recognised which was due to the strengthening of the USD which generated a gain on the USD/CDN forward exchange rate sales contracts of the Company while in the comparable period the Company did not have any outstanding forward exchange rate sales contracts. In addition, for Q3 2012, a gain on the revaluation of derivatives was recognised on the conversion feature of the convertible debenture as the Company's share price declined during the period which caused the value of the conversion feature to decrease while in Q3 2013 the convertible debenture is approaching maturity in October 2013 and the share price of the Company is significantly below the conversion price therefore the conversion feature has nearly no value.
- Equity loss of associate was $nil in Q3 2013 as the Company disposed of the investment in Q4 2012.

SUMMARY OF QUARTERLY INFORMATION

in $000's, except per share amounts and realised sales price per mtu sold	2013 Q3	2013 Q2	2013 Q1	2012 Q4	2012 Q3	2012 Q2	2012 Q1	2011 Q4
Tungsten concentrate produced (mtu's)	67,433	71,178	80,693	70,713	53,516	71,729	76,628	52,927
Tungsten concentrate sold (mtu's)	71,563	101,723	44,350	71,551	56,662	82,862	70,989	55,540
Average realised sales price $USD/mtu	$ 277	$ 237	$ 238	$ 359	$ 369	$ 378	$ 362	$ 317
Revenue	$ 20,954	$ 24,939	$ 11,464	$ 25,964	$ 21,731	$ 33,407	$ 26,422	$ 17,549
Net income (loss)	$ (6,253)	$ (3,413)	$ (4,012)	$ (16,786)	$ (2,172)	$ 2,522	$ 6,593	$ (4,904)
Net income (loss) per share, basic and diluted	$ (0.03)	$ (0.01)	$ (0.02)	$ (0.07)	$ (0.01)	$ 0.01	$ 0.03	$ (0.02)
Cash flow from operations before changes in non-cash working capital	$ (1,231)	$ (681)	$ (1,734)	$ 6,777	$ 2,358	$ 8,636	$ 9,717	$ 1,145

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.

LIQUIDITY, CAPITAL RESOURCES AND GOING CONCERN

Liquidity and Going Concern

Without support from shareholders, which continues to be indicated, liquidity is critical problem in the months ahead, due to the need to replace maturing debt and to finance the persistent cash drain from operations and capital expenditures, which continue to be limited to necessary maintenance capital and investment.

The Company has negative working capital of $36.4 million as at Q3 2013 and high debt levels. There are significant factors that may impact liquidity. Through Q3 2013 there is an underlying cash drain from operations and essential capital expenditures. Debt outstanding remains high. All expenditures are under careful scrutiny and capital expenditures will continue to be at a minimal level until funding has been arranged

This year, 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 April 2013 the Company reached an agreement with Procon Mining & Tunnelling Ltd. ("Procon") on a schedule of payments on the final amount due in respect of a contract under which Procon provided mining services to the Cantung mine. The Company has issued two promissory notes totalling $4.0 million to Procon to settle the accounts payable.

The $12.0 million HSBC Working Capital Loan along with an associated USD$1.5 million loan guarantee fee was due to mature on June 30, 2013. In June 2013 the Company and HSBC agreed to terms for the extension of the Working Capital Loan facility to December 31, 2013 and the associated guarantee was extended for the same period. The Company is investigating alternate sources of financing to replace the HSBC credit facility on maturity.

In June 2013 the Company executed a USD$4.0 million short-term credit facility with Queenwood Capital Partners II LLC (Queenwood II), a company controlled by two Directors of the Company. The facility matures on October 31, 2013 and was to cover the cash drain from operations.

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.

Note 1 of the consolidated interim financial statement discloses the following that relates to going concern:

> "These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to continue operation for the foreseeable future and will be able to realise its assets and discharge its liabilities in the normal course of business. There are conditions and events that cast significant doubt on the validity of this assumption.
>
> For the nine months ended June 30, 2013 there was a net loss of $13.7 million (year ended September 30, 2012 the net loss was $9.8 million) and there was a deficiency of working capital of $36.4 million (September 30, 2012 - $26.0 million). HSBC credit facilities mature on December 31, 2013 (Note 12).
>
> As described in Note 12, following the recognition of the $16.2 million impairment provision at September 30, 2012, the Company was in breach of the debt to tangible net worth covenant of the HSBC credit facility. On January 25, 2013, HSBC waived all previous covenant breaches to September 30, 2012 and to December 31, 2012. At March 31, 2013 the Company was in breach of the covenants and HSBC waived the breaches. At June 30, 2013 the Company was in breach of the covenants and subsequently HSBC waived the breaches.
>
> The ability of the Company to continue as a going concern depends upon continued support from its shareholders, lenders and customers. In addition, the Company will need to generate positive cash flows from operations and to roll-over, extend, replace or refinance existing loan facilities as they mature or arrange new financing. Future operations will also be impacted by market conditions and prices for tungsten concentrates and the ability of the Cantung mine to maintain positive cash flows from operations while containing non-operating outlays if and as necessary.
>
> If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary to the carrying values of assets and liabilities, the reported revenue and expenses and the statement of financial position classifications used. The adjustments would be material."

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.
- 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.

Cash flows for the three and nine months ended June 30, 2013 and 2012

Summarized Cash Flow Activity (in $000's)	Three Months Ended June 2013	Three Months Ended June 2012	Change	Nine Months Ended June 2013	Nine Months Ended June 2012	Change
Cash flow from operating activities before changes in non-cash working capital	$ (1,231)	$ 2,360	$ (3,591)	$ (3,646)	$ 20,713	$ (24,359)
Change in non-cash working capital	(757)	3,027	(3,784)	1,524	(1,165)	2,689
Provided by (used in) operating activities	(1,158)	6,002	(7,160)	(79)	21,497	(21,576)
Provided by (used in) investing activities	(774)	(6,428)	5,654	(3,887)	(25,129)	21,242
Provided by (used in) financing activities	1,581	(7,707)	9,288	2,045	1,850	195
Increase (decrease) in cash and cash equivalents	(351)	(8,133)	7,782	(1,921)	(1,782)	(139)
Cash and cash equivalents, beginning of period	554	9,351	(8,797)	2,124	3,000	(876)
Cash and cash equivalents, end of period	$ 203	$ 1,218	$ (1,015)	$ 203	$ 1,218	$ (1,015)

Statement of Financial Position (in $000's)	As at June 30 2013	March 31 2013	December 31 2012	September 30 2012	June 30 2012
Cash and cash equivalents	$ 203	$ 554	$ 409	$ 2,124	$ 1,218
Current assets	17,112	16,713	19,842	26,649	20,116
Total assets	72,324	74,796	77,896	80,968	90,766
Current liabilities	53,550	51,979	51,540	52,619	45,494
Total liabilities	70,683	67,410	67,307	66,367	59,607
Total liabilities includes the following: [1]					
Current financial liabilities	39,002	33,366	32,734	32,024	26,250
Non-current financial liabilities	8,527	6,869	7,250	5,344	6,338
	47,529	40,235	39,984	37,368	32,588
Shareholders' equity	1,641	7,386	10,589	14,601	31,159
Statistics:					
Working Capital [2]	(36,438)	(35,266)	(31,698)	(25,970)	(25,378)
Working Capital ratio [3]	0.32	0.32	0.38	0.51	0.44

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

2 - Current assets less current liabilities

3 - Current assets divided by current liabilities

At June 30, 2013 the Company had cash and cash equivalents of $0.2 million and a working capital deficiency of $36.4 million compared to cash and cash equivalents at September 30, 2012 of $2.1 million and a working capital deficiency of $26.0 million. The net operating loss of $6.3 million and the increase in the working capital deficit occurred primarily due to market quotations for APT.

Q3 2013 compared to Q3 2012 for liquidity and cash flows
Cash flow from operations was negative $1.2 million for Q3 2013, a decrease of $7.2 million compared to cash flow from operations of $6.0 million for Q3 2012. In Q3 2013 accounts receivables increased while accounts payable decreased with the signing of the $4.0 million notes payable with Procon to settle their payables balance. In the comparable period accounts receivable decreased due to the decline in sales in the period caused by the 13 day suspension of production.

Cash outflow for investing activities for property plant and equipment and Mactung development was $0.8 million for Q3 2013 compared to $6.4 million in Q3 2012.

Cash inflow from financing activities was $1.6 million for Q3 2013 compared to a cash outflow of $7.7 million for Q3 2012. During Q3 2013 the Company received the proceeds of the USD$4.0 million Queenwood II notes payable which was partially offset by the installment payments on equipment loans and leases. In Q3 2012 the Company drew on the bank operating loan for $6.1 million to fund operations due to the decline in revenues from the 13 day suspension of production.

Nine months ended June 30, 2013 compared to the nine months ended June 30, 2012 for liquidity and cash flows
Cash flow from operations was negative $0.1 million for the nine months ended June 30, 2013, a decrease of $21.6 million compared to cash flow from operations of $21.5 million in the comparable period. In the nine months ended June 30, 2013 accounts receivables decreased by $2.5 million and trade accounts payables decreased by $1.6 million with the signing of the $4.0 million notes payable with Procon to settle their payables balance. In the nine months ended June 30, 2012 operations were strong due to high realised sales prices which resulted in net income of $6.9 million for the period and $20.7 million cash inflow from operations before change in non-cash working capital and adjustments.

Cash outflow for investing activities was $3.9 million for the nine months ended June 30, 2013, a decrease of $21.2 million compared to $25.1 million in the comparable period. During the nine months ended June 30, 2013 the Company reduced the accounts payable balance with Procon which related to underground mine development with the signing of the $4.0 million notes payable. In the comparable period there was significant underground development and investment in mining equipment.

Cash inflow from financing activities was $2.0 million for the nine months ended June 30, 2013 compared to $1.9 million for the nine months ended June 30, 2012. During the nine months ended June 30, 2013 the Company received $4.2 million in customer advances, $4.1 million proceeds from the Queenwood II notes payable, increased the bank operating loan by $1.1 million, paid down equipment loans and capital leases by $4.2 million, paid installments on the Procon notes payable of $0.7 million and paid $2.3 million of interest and financing costs. In the comparable period the Company drew $12.0 million on the working capital loan, paid down the bank operating loan by $3.4 million, paid down equipment loans and capital leases by $3.2 million, paid down customer advances by $1.3 million and paid $2.3 million of interest and financing costs.

Capital Resources

HSBC Bank Canada Facilities (“HSBC” or the “Bank”)

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

HSBC informed the Company that the Bank Operating Loan and the Working Capital Loan are to be fully repaid not later than December 31, 2013. The Company is investigating alternate sources of financing to replace the HSBC credit facilities on maturity.

The Company was in breach of the debt to tangible net worth covenant of the HSBC credit facility. On January 25, 2013, HSBC waived all previous covenant breaches to September 30, 2012 and to December 31, 2012. At March 31, 2013 the Company was in breach of the covenants and HSBC subsequently waived the breaches. At June 30, 2013 the Company was in breach of the covenants and subsequently HSBC waived the breaches

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

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

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

The borrowing base for the bank operating loan is a percentage of applicable trade accounts receivable and product inventory. The loan is supported by the Accounts Receivable Insurance Program of Export Development Canada ("EDC"). In periods when trade receivables and/or product inventory levels decline the credit available to the Company on the bank operating loan is reduced and as such the outstanding balance of the bank operating loan is required to be reduced to the credit limit.

Loans, capital leases and other debt finance

The Company has equipment loans and capital leases, an operating loan, a working capital loan and convertible debentures outstanding at June 30, 2013, which the Company has executed to finance operations and the capital programs for the Cantung Mine.

Financial Debt			As at		
	June 30	March 31	December 31	September 30	June 30
(in $000's)	2013	2013	2012	2012	2012
Current financial debt					
Operating loan	$ 10,129	$ 9,165	$ 8,531	$ 9,018	$ 5,132
Working capital loan	13,317	13,304	13,063	12,832	12,637
Customer advances	2,761	2,667	2,612	768	1,273
Equipment loans and capital leases	4,249	5,604	6,068	7,053	4,779
Notes payable	5,527	-	-	-	-
Convertible debentures	2,845	2,626	2,460	2,353	2,429
Total	38,828	33,366	32,734	32,024	26,250
Non-current financial debt					
Customer advances	5,469	5,283	5,173	2,950	3,054
Notes payable	2,000	-	-	-	-
Equipment loans and capital leases	777	1,309	1,804	2,126	3,020
Other obligations	281	277	273	268	264
Total financial debt	47,355	40,235	39,984	37,368	32,588

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 2013 or 2012 other than the above mentioned issuance.

Contractual Obligations

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

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

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

Water license

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

The security deposit required under the Company's license is $11.7 million. The Company has posted $5.3 million in cash and $6.4 million in the form of secured promissory notes pursuant to the Reclamation Security Agreement ("RSA"). The RSA further provides for:

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

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

During the nine months ended June 30, 2013 the Company posted $300 thousand of cash and reduced the posted secured promissory notes by $300 thousand.

Capital Management

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

- to ensure that the Company will be able to continue as a going concern; 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 with different characteristics to replace existing debt, selling assets to reduce debt and reducing operating and capital expenditure levels.

Additional information regarding capital management is disclosed in Note 1 to the June 30, 2013 unaudited interim consolidated financial statements and long-term debt covenants which could restrict the Company's capital management options are disclosed in Note 12.

OTHER INFORMATION

Equity

Outstanding Equity Securities	As of August 23, 2013	As of June 30, 2013
Common shares	238,123,058	238,123,058
Share options	5,408,333	5,408,333
Warrants	7,000,000	7,000,000

At June 30, 2013 the Company had USD$2.87 million of convertible debentures outstanding which mature on October 27, 2013. The holders of the convertible debentures can convert them to common shares at any time. If fully converted, the Company would be required to issue 6,506,290 common shares.

Related Party Transactions

A director of the Company guaranteed the issuance of a letter of credit for a fee of 10% per annum of the outstanding amount of the letter of credit relating to a customer advance. The guarantee expired on December 1, 2012. For the nine months ended June 30, 2013 the Company recognised an expense of $11 thousand (nine months ended June 30, 2012 - $154 thousand) in respect to the guarantee (Note 11) to a director.

Directors of the Company participated directly and indirectly in the USD$2.87 million convertible debentures financing as to USD$1.37 million (Note 10). For the nine months ended June 30, 2013 the Company recognised an expense of $107 thousand (nine months ended June 30, 2012 - $104 thousand) of interest on these convertible debentures.

On October 13, 2011, two directors of the Company sponsored (the “Sponsors”) the Company for the HSBC Working Capital Loan (Note 12), by backing a letter of credit to HSBC in the amount of USD$12.0 million and entered into a Put Agreement with HSBC. The Put Agreement may be exercised by HSBC, at its sole discretion, which allows HSBC to exchange the outstanding balance of the Working Capital Loan with the Sponsors for up to the USD$12.0 million of the letter of credit.

In exchange for entering into the Put Agreement (“Guarantee”) and backing the letter of credit, the Company agreed to compensate the two Sponsors in the following manner;

a. pay the Sponsors in USD on the last day of each calendar quarter, an aggregate amount equal to 1.75% of the maximum outstanding principal amount of the line of credit during the immediately preceding calendar quarter (or portion thereof), which payments began on December 31, 2011;
b. pay to the Sponsors, an aggregate amount equal to USD$1.5 million on the earlier of:
    (i) the date the Loan is paid in full;
    (ii) the date the Loan is put to the Sponsors pursuant to the Put Agreement; or
    (iii) the date the letter of credit is drawn upon for payment of the Loan;
c. upon certain events of default of the payments due to Sponsors on the last day of each quarter, increase to an aggregate amount equal to 3.0% of the maximum outstanding principal amount of the line of credit during the immediately preceding calendar quarter (or portion thereof); and the payment to the Sponsors will increase to USD$2.0 million from USD$1.5 million;
d. the Company entered a General Security Agreement which grants security over the Company's assets including the Mactung project, which is subordinated to the security under the Reclamation Security Agreement (Note 17 a).

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

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

a. pay the Sponsors (in US dollars) on the last day of each calendar quarter, an aggregate amount equal to 1.25% of the maximum outstanding principal amount of the L/C during the immediately preceding calendar quarter (or portion thereof), which payments will begin September 30, 2013;

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

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

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

The above transactions were in the normal course of operations.

Chief Executive Officer Employment Contract Settlement

On June 6, 2013 the Company announced the departure of the CEO and the details of a negotiated employment contract settlement. In accordance with the terms of the employment contract, the former CEO will receive compensation equal to three years of his base salary which totals $1.4 million, which is payable in instalments of $458 thousand in June 2013 (paid), on December 6, 2013 and June 6, 2014. The $1.4 million expense was recognised in Fees, wages and benefits with General and administrative costs for the three months ended June 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 settlement package. The fair value of the common shares net of issuance costs was $163 thousand and was recognised in Fees, wages and benefits in the period.

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, 2012 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 June 30, 2013, the Company and HSBC agreed to extend an existing HSBC Working Capital Loan and associated Guarantee from sponsors, issued $4.0 million of notes payable to Procon and issued USD$4.0 million of notes payable to Queenwood II. These financial instruments have similar financial risk characteristics to the financial instruments held by the Company at September 30, 2012.

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 includes, but is 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 includes, but is 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's Annual Information Form (available on www.sedar.com) details the various risks and uncertainties that apply to the Company. In particular, the Company is subject to:

- fluctuating commodity markets, tungsten prices and currency exchange rates,
- risks affecting underground mining development, actual and estimated production and mineral resources and reserves,
- 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,
- funding availability including the availability of funds to develop the Company's Mactung project,
- availability of experienced and able management and operating personnel and
- various other risks detailed in the Company's AIF.

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 June 30, 2013 and this accompanying MD&A (together the "Interim 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

AIF	Annual Information Form
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