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ANNUAL MANAGEMENT DISCUSSION AND ANALYSIS 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 January 14, 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 September 30, 2013 (Q4 2013) with those of the quarter ended September 30, 2012 (Q4 2012) and the results for the year ended September 30, 2013 with those for the year ended September 30, 2012. 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 September 30, 2013 consolidated financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). 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.

REMARKS FROM THE CEO

At NTC, we weathered a difficult year. Challenges remain but we look forward with confidence.

After starting fiscal 2013 on a weak note, the tungsten market recovered and ended strong. As a result, although we achieved our production goals for the year, we fell short of our revenue goals. As we start 2014 we are encouraged by strengthened global demand for our product and pricing of our product. We remain cautiously optimistic that global market conditions will support continued investment in the Company and ultimately, growth in share value.

During the year we made a number of changes – some dramatic, others incremental – to the organization's infrastructure to align with and execute on our operating strategy. I talk to the frontline workers during my trips to our Cantung mine site. They are encouraged by the changes. Their commitment to the Company and pride in their work inspire me.

With renewed energy, our team is focused on strengthening operational and financial performance through improvements every day. We share a belief that we can make our operations work better. We constantly learn from our customers and each other. We seek solutions together. That is why we remain confident.

Following two years of extraordinary investment, the Company tapered capital expenditures in 2013 to primarily maintenance capital. The 2014 capital plan reflects a more 'normalized' level of spending that has been allocated between maintenance and growth investment. The restructuring and investments made during the year, and continuing into 2014, are directed to build and sustain profitability through increased production with minimal increase in costs.

Working together, we recognized we could increase mill capacity and had sufficient ore resources to support throughput increases. Higher production levels leverage our fixed operating costs and reduce our cost per ton mined, milled and sold.

The mill enhancement project which began in 2013 and to be completed mid-year 2014 enables throughput expansion of up to 20% while maintaining, potentially improving, recovery levels and enhancing flotation circuit productivity. Based on current resources, we expect Cantung to be in operation for years to come. Additionally, we have successfully advanced the MacTung project in the regulatory permitting process.

Executing on the operational and overall financial plan sets the foundation to operate through a broader range of market volatility – surviving downturns and thriving during growth periods. We are investing time, expertise and capital to expand capacity and increase margins over the longer term. Progress has been made on strengthening the capital structure of the Company, and this work continues.

We have reset our plans with a clearer focus on what's important for sustained profitability. We are building the team, sharpening execution on goals and deepening customer relationships. We are building to ensure our Company continues to be one of the largest producers of the world's supply of tungsten concentrates outside of China.

This is my first time to write to you in my new role and I want to take this opportunity to thank you for your continued support. I can assure you, together, we are building to enhance shareowner value for the long-term.

Kurt Heikkila
Chairman and CEO

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OVERVIEW

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

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

Due to lower tungsten market prices, sales revenues were $27.7 million lower in fiscal 2013 than in 2012. There was an underlying cash drain and operating losses from the Cantung operations in fiscal 2013. Management responded by limiting spending to essentials and significantly reduced capital outlays. Cash outlays for capital items were reduced to $4.1 million in fiscal 2013 from $29.4 million in fiscal 2012.

As a result of these efforts and a partial recovery in realised sales prices, there was positive cash flow from operations before changes in non-cash working capital for the three months ended September 30, 2013. Net earnings were marginally positive for the Q4 2013.

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

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

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

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 to June 30, 2014. The Company is currently in discussions with other financial institutions to replace the HSBC credit facilities. There is no guarantee such replacement financing will be available on terms acceptable to the Company.

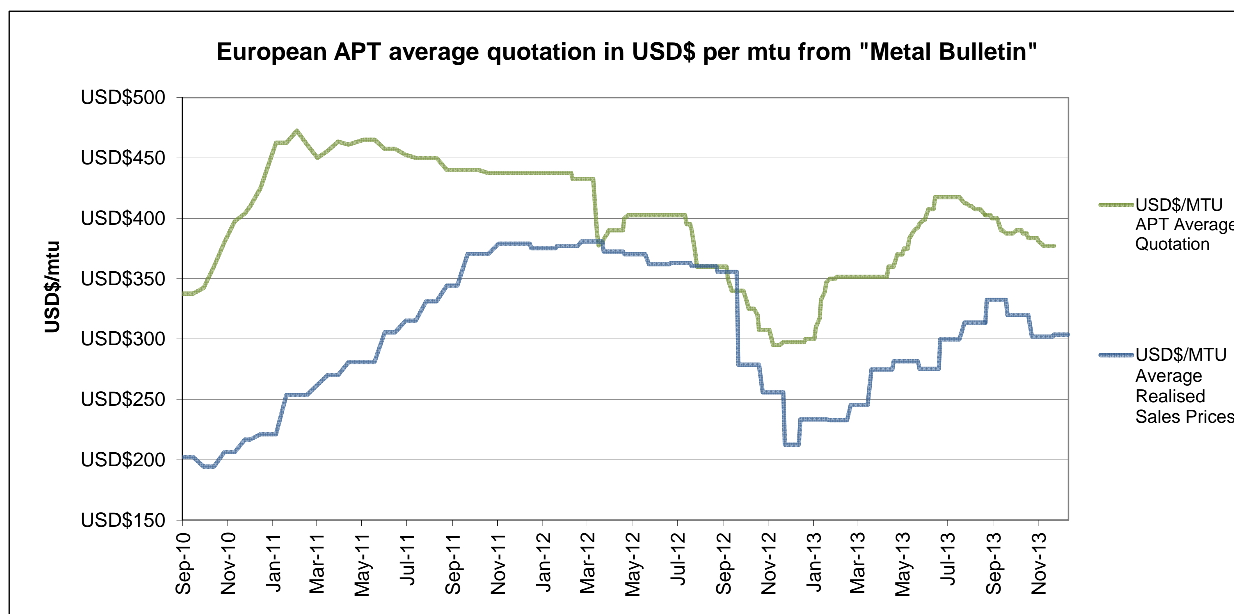
Subsequent to September 30, 2013 the Company entered into a new tungsten delivery contract with an existing customer. In conjunction with the tungsten delivery contract a loan was arranged for USD$2.5 million and an existing USD$2.2 million advance from the customer was rolled into the loan arrangement. The combined loan of USD$4.7 million matures on December 31, 2018. This arrangement strengthens the on-going relationship with an important customer and demonstrates the customer's continued support.

The refinancing of the maturing debt along with the additional financing into convertible debentures and the additional financing from the customer along with the rolled-in customer advance into a term loan, converted these debts into long-term financial arrangements which improved the working capital position of the Company. Additional steps are required to improve liquidity, reduce the working capital deficit, establish profitable operations and reduce outstanding debt.

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$402.50/mtu at September 30, 2013 and was USD$377.00/mtu at January 8, 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 Q4 2013 declined slightly from the comparable 2012 period. During the quarter, the mill process improvement project required temporary modifications to mill process flows with some temporary adverse impact on metallurgical recoveries. This was necessary to permit maintenance and enhancements of existing mill equipment and integration of new equipment. Temporary adverse impacts continued during Q1 2014. After the modification to the mill process is complete and the process stabilizes, the recovery is expected to improve significantly.

The following summary table highlights that, as compared to Q4 2012, the increase in tonnes of ore processed was more than offset by the decrease in metallurgical recoveries which negatively impacted production of concentrates.

	Q4 2013	Q4 2012	Fiscal 2013	Fiscal 2012
Tonnes Milled	91,853	89,614	364,733	338,726
Grade	0.98	1.00	1.02	1.05
Recovery %	75.5	79.0	77.5	76.9
MTUs produced	67,728	70,713	287,032	272,586

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

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

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

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

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

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

FINANCE

In Q4 2013, the Company realised net income of $0.4 million and positive cash flows from operations before changes in non-cash working capital and adjustments of $2.0 million. Prior to Q4, there were net losses and operating cash drains in fiscal 2013. The net loss for the year was $13.3 million and the cash drain from operations before changes in non-cash working capital was $1.7 million.

A cash conservation policy that was initiated in Q1 2013 continues and capital expenditures continue to be severely constrained. Capital expenditures in fiscal 2013 were reduced to $3.8 million, well down from $25.2 million in fiscal 2012. 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 the operational objectives.

In April 2013 the Company reached an agreement with a former mining contractor on a schedule of payments on the final amount due in respect of a contract under which mining services were provided to the Cantung mine. The Company issued two promissory notes totalling $4.0 million to settle the accounts payable.

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

In October 2013 the Company failed to repay USD$2.7 million of the maturing convertible debentures and the USD$4.0 million notes payables. Forbearance was provided until December 31, 2013.

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

Subsequent to September 30, 2013 the Company entered into a new tungsten delivery contract with an existing customer. In conjunction with the tungsten delivery contract a loan was arranged for USD$2.5 million and an existing USD$2.2 million advance from the customer was rolled into the loan arrangement. The combined loan of USD$4.7 million matures on December 31, 2018.

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

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

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

SUMMARIZED FINANCIAL RESULTS

Operating highlights	Year Ended September 30, 2013	Three Months Ended September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012	Year Ended September 30, 2012
Tonnes Milled	364,733	91,853	91,409	90,846	90,625	338,726
Feed Grade %	1.02	0.98	0.96	1.01	1.12	1.05
Recovery %	77.5	75.5	77.2	77.50	79.5	76.9
Tungsten concentrate produced (mtu's)	287,032	67,728	67,433	71,178	80,693	272,586
Tungsten concentrate sold (mtu's)	283,900	66,264	71,563	101,723	44,350	282,064
Average realised sales price $USD/mtu	$ 266	$ 317	$ 277	$ 237	$ 238	$ 367
Costs of sales per mtu[1]	$ 282	$ 290	$ 293	$ 257	$ 307	$ 332
Copper sold (lbs)	800,480	221,414	180,417	150,568	248,081	806,843
Copper revenue	$ 2,993	$ 687	$ 668	$ 648	$ 990	$ 3,139
Quarterly average USD$ foreign exchange rate (USD$1 to CDN)	$ 1.019	$ 1.038	$ 1.024	$ 1.009	$ 0.993	$ 1.008
Financial Data (in $000's)						
Revenues	$ 79,818	$ 22,461	$ 20,954	$ 24,939	$ 11,464	$ 107,524
Cost of sales:						
Mine operating costs:						
Mine	26,371	6,456	6,763	6,210	6,942	27,954
Mill	11,789	3,513	2,990	2,309	2,977	10,585
Power generation and surface maintenance	17,926	4,352	4,104	4,639	4,831	17,144
Site administration and environmental	13,436	3,867	3,314	3,207	3,048	13,453
Mine operating costs:	69,522	18,188	17,171	16,365	17,798	69,136
Inventory change, adjustments and write-downs	(47)	(1,560)	1,072	6,995	(6,554)	1,306
Amortization and depreciation	7,546	1,832	1,933	1,978	1,803	19,934
Freight, handling and conversion	2,165	569	581	556	459	2,241
Royalties	765	219	203	244	99	1,051
Cost of sales:	79,951	19,248	20,960	26,138	13,605	93,668
Gross margin[2]	$ (133)	$ 3,213	$ (6)	$ (1,199)	$ (2,141)	$ 13,856
Net earnings (loss)	$ (13,266)	$ 412	$ (6,253)	$ (3,413)	$ (4,012)	$ (9,843)
EBITDA[3]	$ 763	$ 3,390	$ (1,307)	$ (170)	$ (1,150)	$ 30,303

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

SUMMARY OF ANNUAL FINANCIAL INFORMATION

Financial Data (in $000's, except per share amounts)	For the years ended September 30, 2013	September 30, 2012	September 30, 2011
Statement of Financial Position			
Total assets	$ 72,839	$ 80,968	$ 82,973
Total long-term liabilities	$ 15,320	$ 13,748	$ 16,784
Earnings and Cash Flow			
Revenue	$ 79,818	$ 107,524	$ 55,652
Cash flow from operating activities	$ 3,730	$ 21,135	$ (12,820)
Net earnings (loss)	$ (13,266)	$ (9,843)	$ (15,475)
Net earnings (loss) per share			
- basic	$ (0.06)	$ (0.04)	$ (0.07)
- diluted	$ (0.06)	$ (0.04)	$ (0.07)
Dividends			
Cash Dividends declared per share	nil	nil	nil

REVIEW OF FINANCIAL RESULTS

APT quotations declined significantly in the 2nd half of calendar 2012 which led to a decline in realised sales prices. Accordingly, the average realised sales price decreased from USD$367/mtu in fiscal 2012 to average USD$266/mtu in fiscal 2013, with an overall impact of a decrease in revenue by USD$28.7 million. The most significant offsetting factors were the decrease of $14.4 million relating to impairment and $12.4 million of depreciation.

Q4 2013 compared to Q4 2012 for revenue and cost of sales

Net income for Q4 2013 was $0.4 million or ($0.00) per share (basic and diluted), compared to a net loss of $16.8 million or ($0.07) per share in Q4 2012. The comparative figures for three months ended Q4 2012 reflects the recognition of $16.2 million of impairment on property, plant and equipment of the Cantung Mine. The net loss for Q4 2012 before the recognition of the impairment was $0.6 million. The net loss for Q4 2013 was impacted by the following factors:

- Revenues were $22.5 million on sales of 66,264 mtus with an average realised sales price of $329/mtu (USD$317/mtu) and cost of sales of $290/mtu for a margin of $19/mtu compared to revenue of $26.0 million for Q4 2012 on the sale of 71,551 mtus with an average realised sales price of $355/mtu (USD$359/mtu) and cost of sales of $342/mtu for a margin of $13/mtu. Included in the revenue of $22.5 million was $0.7 million for the sale of 221,414 lbs of copper which is a by-product of the tungsten mining compared to $0.6 million for sales of 148,480 lbs of copper in Q4 2012.
- Mine operating costs were $18.2 million in Q4 2013 compared to $17.5 million in Q4 2012 and cost of sales was $290/mtu compared to $342/mtu in Q4 2012. The Q4 2012 figures reflect higher depreciation costs before the recognition of the $16.2 million impairment of property, plant and equipment at September 30, 2012.
- Tungsten concentrate production for Q4 2013 was 67,728 mtus from a mill feed of 91,853 tonnes with an average grade of 0.98% WO_3 and average mill recovery of 75.5% compared to production of 70,713 mtus from a mill feed of 89,614 tonnes with an average grade of 1.00% WO_3 and average mill recovery of 79.0%. The mill process improvement project continued throughout Q4 2013 where necessary maintenance and enhancements occurred to existing mill equipment, modifications to mill process flows occurred and new mill equipment was integrated. These changes negatively impacted on metallurgical recovery which resulted in the lower production for the period.
- 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 Q4 2013 was $1.8 million compared to $7.2 million in Q4 2012. With depreciation and amortization excluded, cost of sales for Q4 2013 was $263/mtu compared to $242/mtu for Q4 2012, which reflects lower production in Q4 2013 than Q4 2012.

Year ended September 30, 2013 compared to September 30, 2012 for revenue and cost of sales

Net loss for the year ended September 30, 2013 was $13.3 million or ($0.06) per share (basic and diluted), compared to a net loss of $9.8 million or $0.04 per share for the year ended September 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 year ended September 30, 2013. Revenues were $79.8 million on sales of 283,900 mtus with an average realised sales price of $270/mtu (USD$266/mtu) and cost of sales of $282/mtu for a negative margin of $12/mtu for the year ended September 30, 2013; compared to $107.5 million on the sale of 282,064 mtus with an average realised sales price of $369/mtu (USD$367/mtu) and cost of sales of $342/mtu for a margin of $27/mtu for the year ended September 30, 2012. Included in the revenue of $79.8 million was $3.0 million for the sale of 800,480 lbs of copper which is a by-product of the tungsten mining compared to $3.1 million for sales of 806,843 lbs of copper for the year ended September 30, 2012.
- Tungsten concentrate production for the year ended September 30, 2013 was 287,032 mtus from a mill feed of 364,733 tonnes with an average grade of 1.02% WO_3 and average mill recovery of 77.5%; compared to production of 272,586 mtus from a mill feed of 338,726 tonnes with an average grade of 1.05% WO_3 and average mill recovery of 76.9%. The increase in production for fiscal 2013 reflects the increase in tons milled and higher average recovery.
- For the year ended September 30, 2013 mine operating costs were $69.5 million on production of 287,032 mtus compared to $69.1 million for the year ended September 30, 2012 on production of 272,586 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 year ended September 30, 2013 was $7.5 million compared to $19.9 million for the year ended September 30, 2012. With depreciation and amortization excluded, cost of sales was $255/mtu for the year ended September 30, 2013 compared to $261/mtu for the year ended September 30, 2012.
- Based on updated mine plans in the current year, 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. In the year ended September 30, 2012 an impairment of $16.2 million was recognised on the property, plant and equipment of the Cantung mine to reduce the carrying value to the estimated recoverable amount.
- General and administrative costs for the year ended September 30, 2013 included $1.8 million accrued for employment contract settlements pursuant to negotiated packages for former officers of the Company (nil for the year ended September 30, 2012). General and administrative costs for the year ended September 30, 2013 included $1.1 million for a loss on renegotiation of a sales contract (nil for the year ended September 30, 2012). After removing these items, general and administrative costs for the year ended September 30, 2013 was $3.0 million compared to $3.5 million for the year ended September 30, 2012.

Expenses

Financial data (in $000's)	Three Months Ended September 30,			Year Ended September 30,		
	2013	2012	Change	2013	2012	Change
General and administrative	$ 503	$ 955	$ (452)	5,893	3,453	2,440
Interest and financing costs	891	717	174	3,399	3,119	280
Impairment of property, plant and equipment	-	16,200	(16,200)	1,757	16,200	(14,443)
Accretion of financial liabilities	287	350	(63)	1,409	1,380	29
Exploration	202	-	202	514	-	514
Share-based compensation	82	237	(155)	358	441	(83)
Equity loss of associate	-	31	(31)	-	303	(303)
Loss (gain) on disposal of assets	-	-	-	16	(14)	30
Gain on disposal of associate	-	(78)	78	-	(78)	78
Foreign exchange loss (gain)	(62)	131	(193)	(37)	(109)	72
Interest and other income	(32)	(140)	108	(82)	(487)	405
Gain on revaluation of derivatives	(203)	(124)	(79)	(94)	(509)	415
Total	1,668	18,279	(16,611)	13,133	23,699	(10,566)

Q4 2013 compared to Q4 2012 for expenses

- In Q4 2012 an impairment of $16.2 million was recognised on the property, plant and equipment of the Cantung mine to reduce the carrying value to the estimated recoverable amount. In Q4 2013 it was determined that the property, plant and equipment of the Cantung mine were not impaired.

- Interest and financing costs increased for Q4 2013 mainly due to the addition of $8.2 million of notes payable during fiscal 2013 that were not outstanding during Q4 2012.

Year ended September 30, 2013 compared to the year ended September 30, 2012 for expenses

- General and administrative costs for the year ended September 30, 2013 included $1.8 million accrued for employment contract settlements pursuant to negotiated packages for former officers of the Company (nil for the year ended September 30, 2012). General and administrative costs for the year ended September 30, 2013 included $1.1 million for a loss on renegotiation of a sales contract (nil for the year ended September 30, 2012). After removing these items, general and administrative costs for the year ended September 30, 2013 was $3.0 million compared to $3.5 million for the year ended September 30, 2012.
- Based on updated mine plans in the current year, 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. In the year ended September 30, 2012 an impairment of $16.2 million was recognised on the property, plant and equipment of the Cantung mine to reduce the carrying value to the estimated recoverable amount.
- Interest and financing costs increased for the year ended September 30, 2013 mainly due to the addition of $8.2 million of notes payable during fiscal 2013 that were not outstanding during Q4 2012, which was partially offset by lower costs for equipment loans and leases that had lower outstanding balances in fiscal 2013.
- 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 year ended September 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 the year ended September 30,2012 a gain on the revaluation of derivatives was recognised on the conversion feature of the convertible debentures as the Company's share price declined during the period which caused the value of the conversion feature to decrease while during the year ended September 30, 2013 the convertible debentures were approaching maturity in October 2013 and the share price of the Company was significantly below the conversion price therefore the conversion feature had nearly no value.
- Equity loss of associate was $nil for the year ended September 30, 2013 verses $0.3 million in the comparable period as the Company disposed of the investment in fiscal 2012.

SUMMARY OF QUARTERLY INFORMATION

in $000's, except per share amounts and	2013				2012			
realised sales price per mtu sold	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Tungsten concentrate produced (mtu's)	67,728	67,433	71,178	80,693	70,713	53,516	71,729	76,628
Tungsten concentrate sold (mtu's)	66,264	71,563	101,723	44,350	71,551	56,662	82,862	70,989
Average realised sales price $USD/mtu	$ 317	$ 277	$ 237	$ 238	$ 359	$ 369	$ 378	$ 362
Revenue	$ 22,461	$ 20,954	$ 24,939	$ 11,464	$ 25,964	$ 21,731	$ 33,407	$ 26,422
Net income (loss)	$ 412	$ (6,253)	$ (3,413)	$ (4,012)	$ (16,786)	$ (2,172)	$ 2,522	$ 6,593
Net income (loss) per share, basic and diluted	$ 0.00	$ (0.03)	$ (0.01)	$ (0.02)	$ (0.07)	$ (0.01)	$ 0.01	$ 0.03
Cash flow from operations before changes in non-cash working capital	$ 1,993	$ (1,231)	$ (681)	$ (1,734)	$ 6,779	$ 2,358	$ 8,636	$ 9,717

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 2014 was affected by higher realised sales prices on lower sales volume due to lower production mainly due to lower recoveries during the quarter.

LIQUIDITY, CAPITAL RESOURCES AND GOING CONCERN

Liquidity and Going Concern

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

The Company has negative working capital of $37.6 million at September 30, 2013 which reflects the high debt levels. There are significant factors that may impact liquidity. During fiscal 2013 there was an underlying cash drain from operations and costs to service debts remain high. All expenditures are under careful scrutiny and capital expenditures will continue to be at a minimal level until funding has been arranged.

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

In April 2013 the Company reached an agreement with a former mining contractor on a schedule of payments on the final amount due in respect of a contract under which mining services were provided to the Cantung mine. The Company issued two promissory notes totalling $4.0 million to settle the accounts payable.

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

In October 2013 the Company failed to repay USD$2.7 million of the maturing convertible debentures and the USD$4.0 million notes payables. Forbearance was provided until December 31, 2013.

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

Subsequent to September 30, 2013 the Company entered into a new tungsten delivery contract with an existing customer. In conjunction with the tungsten delivery contract a loan was arranged for USD$2.5 million and an existing USD$2.2 million advance from the customer was rolled into the loan arrangement. The combined loan of USD$4.7 million matures on December 31, 2018.

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

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 year ended September 30, 2013 there was a net loss of $13.3 million (year ended September 30, 2012 the net loss was $9.8 million) and there was a deficiency of working capital of $37.6 million (September 30, 2012 - $26.0 million).

As described in Note 15, 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 December 31, 2012. During fiscal 2013 and at September 30, 2013 the Company was in breach of the covenants and subsequently HSBC waived the breaches to December 31, 2013.

In October 2013 the Company failed to redeem USD$2.7 million of the outstanding convertible debentures and USD$4.0 million notes payables. Forbearance was provided until December 31, 2013.

During the year ended September 30, 2013, HSBC informed the Company that the $24.0 million HSBC credit facilities are to be fully repaid not later than December 31, 2013. Subsequent to September 30, 2013 HSBC provided extensions to the credit facilities to June 30, 2014. Under the terms of the extensions, the guaranteed letter of credit along with the put agreement has been extended. The Company is currently in discussions with other financial institutions to replace the HSBC credit facilities.

The USD$2.0 million working capital loan guarantee fee, USD$2.7 million convertible debentures and USD$4.0 million Queenwood Capital Partners II LLC (Queenwood II) notes payable all matured as of December 31, 2013. As of this date, the Company refinanced these debts along with additional financing of USD$1.3 million from Queenwood II into USD$10 million of convertible debentures. Queenwood Capital Partners LLC, Queenwood II and three directors of the Company hold USD$8.5 million of the convertible debentures. The convertible debentures will mature on December 31, 2015. The convertible debenture offering includes a potential overallotment of up to USD$3.0 million. The conversion feature of the convertible debentures is pending approval by the non-participating shareholders.

Subsequent to September 30, 2013 the Company entered into a new tungsten delivery contract with an existing customer. In conjunction with the tungsten delivery contract a loan was arranged for USD$2.5 million and an existing USD$2.2 million advance from the customer was rolled into the loan arrangement. The combined loan of USD$4.7 million matures on December 31, 2018.

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

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.
- Completion of the mill process improvement plan and achievement of higher levels of production to support profitable operations and positive cash flows from operations.
- Trade accounts payable will require close management, working with vendors, in the near term.
- Capital expenditures will be held to a minimum but will eventually rise as the Company moves to make further improvements at Cantung.

- The foundation for an extended economic life for Cantung is largely in place from the fiscal 2011 and 2012 capital investments.
- Changes in the market quotations for APT.

Cash flows for the three months and years ended September 30, 2013 and 2012

Summarized Cash Flow Activity (in $000's)	Three Months Ended September 30, 2013	2012	Change	Year Ended September 30, 2013	2012	Change
Cash flow from operating activities before changes in non-cash working capital	$ 1,993	$ 6,777	$ (4,784)	$ (1,653)	$ 27,490	$ (29,143)
Change in non-cash working capital	1,816	(5,876)	7,692	5,383	(6,355)	11,738
Provided by (used in) operating activities	3,809	901	2,908	3,730	21,135	(17,405)
Provided by (used in) investing activities	(1,324)	(4,706)	3,382	(5,211)	(29,835)	24,624
Provided by (used in) financing activities	(2,485)	4,711	(7,196)	(440)	7,824	(8,264)
Increase (decrease) in cash and cash equivalents	-	906	(906)	(1,921)	(876)	(1,045)
Cash and cash equivalents, beginning of period	203	1,218	(1,015)	2,124	3,000	(876)
Cash and cash equivalents, end of period	$ 203	$ 2,124	$ (1,921)	$ 203	$ 2,124	$ (1,921)

Statement of Financial Position (in $000's)	As at September 30, 2013	September 30, 2012	September 30 2011
Cash and cash equivalents	$ 203	$ 2,124	$ 3,000
Current assets	17,787	26,649	19,042
Total assets	72,839	80,968	82,973
Current liabilities	55,421	52,619	42,171
Total liabilities	70,741	66,367	58,955
Total liabilities includes the following: [1]			
Current financial liabilities	38,042	32,024	18,942
Non-current financial liabilities	7,840	5,344	9,096
	45,882	37,368	28,038
Shareholders' equity	2,098	14,601	24,018
Statistics:			
Working Capital [2]	(37,634)	(25,970)	(23,129)

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, notes payable and other financial liabilities

2 - Current assets less current liabilities

At September 30, 2013 the Company had cash and cash equivalents of $0.2 million and a working capital deficiency of $37.6 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 $13.3 million and the increase in the working capital deficit occurred primarily due to market quotations for APT.

Q4 2013 compared to Q4 2012 for liquidity and cash flows
Cash flow from operations was $3.8 million for Q4 2013, an increase of $2.9 million compared to cash flow from operations of $0.9 million for Q4 2012. In Q4 2013, there was net income of $0.4 million and accounts receivables decreased while accounts payable increased as the Company tried to conserve capital due to liquidity issues. In the comparable period accounts receivable increased and there was a net loss from operation.

Cash outflow for investing activities for property plant and equipment and Mactung development was $1.3 million for Q4 2013 compared to $4.7 million in Q4 2012.

Cash outflow from financing activities was $2.5 million for Q4 2013 compared to a cash inflow of $4.7 million for Q4 2012. During Q4 2013 the Company made the scheduled payments on notes payables and equipment loans and leases while not receiving any additional proceeds from financings during the period. In Q4 2012 the Company drew on the bank operating loan and received the proceeds from new equipment loans and leases.

Year ended September 30, 2013 compared to the year ended September 30, 2012 for liquidity and cash flows
Cash flow from operations was $3.7 million for the year ended September 30, 2013, a decrease of $17.4 million compared to cash flow from operations of $21.1 million in the comparable period. In the year ended September 30, 2013 accounts receivables decreased by $2.8 million and trade accounts payables decreased by $4.2 million with the signing of the $4.0 million notes payable to settle a former mining contractor accounts payable balance, while inventory increased by $1.1 million which was offset by cash outflows before the changes in non-cash working capital. In the year ended September 30, 2012 operations were strong due to high realised sales prices which were offset by the recognition of the $16.2 million impairment for a net loss of $9.8 million. After adding back the non-cash impairment and depreciation there was $27.5 million of cash flows from operations before the change in non-cash working capital.

Cash outflow for investing activities was $5.2 million for the year ended September 30, 2013, a decrease of $24.6 million compared to $29.8 million in the comparable period. During the year ended September 30, 2013 the Company reduced capital expenditures to essential to conserve capital after the significant decline in the market price for APT. In the comparable period there was significant underground development and investment in mining equipment.

Cash inflow from financing activities was $0.4 million for the year ended September 30, 2013 compared to $7.8 million for the year ended September 30, 2012. During the year ended September 30, 2013 the Company received $4.2 million in customer advances, $4.2 million proceeds from the Queenwood II notes payable, increased the bank operating loan by $2.0 million, paid down equipment loans and capital leases by $5.9 million, paid installments on notes payable of $1.4 million and paid $3.2 million of interest and financing costs. In fiscal 2012 the Company drew $12.0 million on the working capital loan, increased the bank operating loan by $0.5 million, paid down equipment loans and capital leases by $1.9 million and paid $2.8 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 (the "Sponsors") has been pledged as security for the Working Capital Loan. 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 "Put Agreement" with the guarantors or HSBC can draw on the line of credit provided by the guarantors.

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 to June 30, 2014. The interest rate on the Operating Loan and Working Capital Loan were increased by 2.0% per annum. The Company is investigating alternate sources of financing to replace the HSBC credit facilities on maturity. Fees of $115 thousand were paid to HSBC for the extension and forbearance. Under the extension, the guaranteed letter of credit along with the Put Agreement has been extended. The Company has agreed to compensate the Sponsors by paying a fee of 2.25% of the amount of the outstanding balance of the letter of credit each quarter that the letter of credit remains outstanding.

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 the Related Party Transaction section of this MD&A for details on the compensation to the Sponsors for the Put Agreement.

Subsequent to September 30, 2013 HSBC provided extensions to the credit facilities to June 30, 2014. Under the extensions, the guaranteed letter of credit along with the Put Agreement has been extended. The interest rate on the Working Capital Loan was increased by 2.0% per annum.

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

Subsequent to September 30, 2013 the USD$2.0 million fee for the Guarantee was refinanced in the USD$10 million convertible debentures financing.

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 throughout fiscal 2013. HSBC has waived all previous covenant breaches to December 31, 2013.

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 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.

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

Loans, capital leases and other debt finance

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

Financial Debt	As at		
(in $000's)	September 30, 2013	September 30, 2012	September 30, 2011
Current financial debt			
Operating loan	$ 11,103	$ 9,018	$ 8,521
Working capital loan [1]	13,576	12,832	-
Customer advances	2,705	768	2,621
Equipment loans and capital leases	2,807	7,053	5,349
Notes payable	4,934	-	-
Convertible debentures	2,917	2,353	2,451
Total	38,042	32,024	18,942
Non-current financial debt			
Customer advances	5,358	2,950	3,145
Notes payable	2,000	-	-
Equipment loans and capital leases	482	2,126	5,699
Other obligations	-	268	252
Total financial debt	45,882	37,368	28,038

1 -The Working Capital Loan balance at September 30, 2013 includes $1.6 million of accreted liability (September 30, 2012 - $852 thousand).

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						
	2014	2015	2016	2017	2018	2019	TOTAL
Mactung leases	$ 8	$ 8	$ 8	$ 8	$ 8	$ 8	$ 48
Cantung leases	43	43	43	43	43	43	$ 258
Customer advances	2,705	5,358	-	-	-	-	$ 8,063
Equipment loans	1,553	344	-	-	-	-	$ 1,897
Capital leases	1,418	108	40	-	-	-	$ 1,566
Office leases [1]	223	233	245	251	84	-	$ 1,036
Equipment rental contracts	1,782	-	-	-	-	-	$ 1,782
	$ 7,732	**$ 6,094**	**$ 336**	**$ 302**	**$ 135**	**$ 51**	**$ 14,650**

1 - 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 $5.5 million in cash and $6.2 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 year ended September 30, 2013 the Company posted $400 thousand of cash and reduced the posted secured promissory notes by $400 thousand.

b. Smelter royalties

The Cantung Mine is subject to a 1% net smelter royalty. Royalties accrued as at September 30, 2013 totalled $3.7 million.

OTHER INFORMATION

Equity

Outstanding Equity Securities	As of January 14, 2014	As of September 30, 2013
Common shares	238,123,058	238,123,058
Share options	4,083,334	4,016,667
Warrants	7,000,000	7,000,000

At September 30, 2013 the Company had USD$2.87 million of convertible debentures outstanding which mature on October 28, 2013. The holders of the convertible debentures could convert them to common shares at any time. If fully converted, the Company would be required to issue 6,506,290 common shares. Subsequent to September 30, 2013 the remaining outstanding convertible debentures were refinanced within the USD$10 million convertible debentures. The conversion feature of the debentures is subject to regulatory and shareholder approval. The conversion of the debentures into common shares of the Company would be at the lesser of $0.12 or the volume weighted average closing price of the Company's common shares for the ten trading days prior to the date of shareholder approval, both translated into USD at a fixed rate of CND$1 = USD$0.94. If approved, assuming the USD$10 million of convertible debentures are converted at the $0.12 conversion price, 88,652,482 common shares of the Company would be issued.

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 year ended September 30, 2013 the Company recognised an expense of $11 thousand (year ended September 30, 2012 - $182 thousand) in respect to the guarantee 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. For the year ended September 30, 2013 the Company recognised an expense of $144 thousand (year ended September 30, 2012 - $132 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, 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.

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.

During the year ended September 30, 2013 the Company recognised an expense of $794 thousand in respect of the original and extension of the Guarantee to these Sponsors (year ended September 30, 2012 - $820 thousand).

During the year ended September 30, 2013 the Company recognised $613 thousand for professional and consulting fees to directors or companies related to director(s) and $201 thousand included in interest and finance costs. During the year ended September 30, 2012 the Company recognised $375 thousand of professional and consulting fees to directors or companies related to directors(s) and nil included in interest and finance costs.

During the year ended September 30, 2013, the Company recognised compensation for key management personnel of $3.4 million which includes salaries and fees, benefits and directors fees and $0.2 million of share-based compensation. Included in the $3.4 million is $1.8 million of employment contract settlements to former executives of the Company. During the year ended September 30, 2012, the Company paid key management personnel compensation of $1.4 million which includes salaries and fees, benefits and directors fees and $0.4 million of share-based compensation.

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 receive compensation equal to three years of his base salary which totals $1.4 million, which is payable in instalments of $458 thousands 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 with 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 September 30, 2013:

Customer Loan Arrangement

Subsequent to September 30, 2013 the Company entered into a new tungsten delivery contract with an existing customer. In conjunction with the tungsten delivery contract a loan was arranged for USD$2.5 million and an existing USD$2.2 million advance from the customer was rolled into the loan arrangement. The combined loan of USD$4.7 million matures on December 31, 2018, bears interest of 3.0% per annum with quarterly interest payments commencing on March 31, 2014. Equal principal repayments of USD$293,750 per quarter commence on March 31, 2015 and continue each quarter thereafter with the final payment on December 31, 2018. The loan could be required to be repaid in full on the expiry of the tungsten delivery contract. The loan provides the lender the right to convert the outstanding balance of the loan into a convertible note at any time, which in turn could be converted into commons shares of the Company at specified rates. The loan is secured by a subordinate charge on the Company's Mactung property. The USD$2.5 million loan proceeds are required to be used for the development of the production of tungsten concentrates at the Cantung mine.

Convertible Debentures

The USD$2.0 million working capital loan guarantee fee, USD$2.7 million convertible debentures and USD$4.0 million Queenwood Capital Partners II LLC (Queenwood II) notes payable all became due and payable as of December 31, 2013. As of that date, the Company refinanced these debts along with additional financing of USD$1.3 million from Queenwood II into USD$10 million of convertible debentures. Queenwood Capital Partners LLC, Queenwood II and three directors of the Company hold USD$8.5 million of the convertible debentures. The convertible debentures bear interest at 11% per annum, payable quarterly and mature on December 31, 2015. The convertible debenture offering includes

a potential overallotment of up to USD$3.0 million. The conversion feature of the convertible debentures is pending regulatory approval, which is anticipated to require approval by the non-participating shareholders. If approved, the convertible debentures can be converted into common shares of the Company at any time at the greater of $0.12 per share and the 10 day volume weighted average closing price of the Company shares on the date of shareholder approval. If the conversion feature is not approved by the shareholders, the interest rate of the debenture increases to 18% and becomes payable monthly including arrears. The Company has provided a general security agreement that has been subordinated to the Company's senior indebtedness as security for the debentures.

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.

International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board ("AcSB") announced that 2011 was the changeover date for publicly accountable enterprises to use IFRS, replacing Canada's own GAAP. The changeover was effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The year ended September 30, 2012 was the first annual reporting period under IFRS for the Company. All figures presented in the audited consolidated financial statements of the Company for the year ended September 30, 2013 including the figures for the year ended September 30, 2012 and opening balances at September 30, 2011 are all presented in accordance with IFRS.

Full disclosure of the Company's accounting policies in accordance with IFRS can be found in Note 2 of the September 30, 2013 annual financial statements.

The September 30, 2012 annual financial statements of the Company include reconciliations of the previously disclosed comparative periods financial statements prepared in accordance with Canadian generally accepted accounting principles to IFRS as set out in Note 31.

Critical Accounting Estimates and Judgments

The preparation of consolidation financial statements in accordance with IFRS requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgement in applying the Company's accounting policies. These judgments and estimates are based on management's best knowledge of the relevant facts, circumstances and past experiences. Significant areas where management's judgment is applied include the assessment of going-concern, costs and net realisable value for concentrate and ore stockpile inventory, property, plant and equipment (asset valuations and asset useful lives), reclamation liabilities, amortization and depreciation, impairment assessment inputs and ore reserve determinations as they relate to the amortization bases. Ore reserve determinations involve estimates of future costs and future commodity prices.

Certain amounts recognized in the financial statements are subject to measurement uncertainty. The recognized amounts of such items are based on the Company's best information and judgment. Such amounts are not expected to change materially in the near term but changes in assumptions could materially affect the estimates.

- The amounts recorded for depreciation, amortization, impairment of property, plant and equipment depend on estimates of tungsten reserves, the estimated economic lives of the assets, estimated salvage values, future cash flow from assets and discount rates where applicable.
- The allocation of waste stripping between ore stockpiles and deferred stripping depends on the estimate of tungsten reserves in the open pit.
- Provision for future site restoration costs depends on estimates of costs, rates of inflation, discount rates, estimated timing of progressive and future reclamation work, the regulatory environment and mine development plans which are all dependent on the life of mine assumptions. Changes in the life of mine or any of the assumptions could materially affect the estimated liability.
- Costs that have been deferred in relation to mineral property interests have been deferred to the extent that they are expected to be recovered. The viability of exploration properties depends on the quantity and grade of mineralization, the location of the deposit in relation to infrastructure, the estimated future market prices of the minerals and political, social and environmental considerations.
- Review of asset carrying values and assessment of impairment - In accordance with the Company's accounting policy, each asset or cash generating unit is evaluated at each reporting date to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating unit is measured at the higher of fair value less costs to sell and value in use. The determination of fair value and value in use requires management to make estimates and assumptions about expected production and sales volumes, realised sales prices, reserves, operating costs, mine closure and restoration costs, future capital expenditures and appropriate discount rates for future cash flows. The estimates and assumptions are subject to risk and uncertainty, and as such there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be further impaired or the impairment charge reduced with the impact recorded in the statement of income.

Impairment of property, plant and equipment

At September 30, 2012, due to significant decline in market quotations for tungsten in the second half of calendar 2012 and other indicators of possible impairment, the Company reviewed the carrying value of the Cantung assets for impairment. As a result of the review, it was determined that the Cantung assets were impaired and an impairment charge of $16.2 million was recognized to reduce the carrying value to the recoverable amount. The recoverable amount was determined based on the value in use method using discounted future cash flows at a discount rate of 12.5%. Sensitivities for the key assumptions in the value in use calculation are as follows:

- Forecast realised sales prices - with other variables unchanged, a 10% increase in the forecast realised sales price would produce no impairment and a 10% decrease in the forecast realised sales price would produce $41.2 million impairment.
- Tons of ore available to be mined - with other variables unchanged, a 10% increase in the forecast tons of ore available to be mined would produce no impairment and a 10% decrease in the tons available to be mined would produce $38.7 million impairment.
- Discount rate - with other variables unchanged, a 1.0% increase in the discount rate would produce $17.3 million impairment and a 1.0% decrease in the discount rate would produce $15.1 million impairment.

During the year ended September 30, 2013, based on updated mine plans a cemented back-fill plant and an underground ramp were determined to be surplus to requirements and a write down of $1.8 million was recognised in the current year to reduce carrying values to recoverable amounts.

After recognising the impairment of these specific assets, the Company reviewed for changes since September 30, 2012 in the value-in-use model and the indicators of impairment for the Cantung assets and determined there was no additional impairment of the Cantung assets. The recoverable amount at September 30, 2013 was determined based on the value-in-use method using discounted future cash flows at a discount rate of 13.0%. The estimated future cash flows utilized in the value-in-use models incorporated the Company's best estimates of future tungsten production based on the mine plans, estimates of future APT quotations, operating costs and residual values. Sensitivities for the key assumptions in the value in use calculation are as follows:

- Forecast realised sales prices - with other variables unchanged, a 10% decrease in the forecast realised sales price would produce $17.0 million impairment.
- Tons of ore available to be mined - with other variables unchanged, a 10% decrease in the tons available to be mined would produce $16.5 million impairment.
- Discount rate - with other variables unchanged, a 10% increase in the discount rate would produce no impairment.

Financial Instruments

Financial assets and financial liabilities, including derivatives, are recognised on the statement of financial position when the Company becomes a party to contractual provisions of the financial instrument or derivative contract. All financial instruments are measured at fair value on initial recognition except for certain related party transactions. Measurement in subsequent periods depends on the category of financial instruments. Fair-Value-Through Profit or Loss ("FVTPL") financial assets and liabilities are subsequently measured at fair value with gains, losses and transactions costs recognised in the Company's net earnings for the period. Financial assets Held-to-Maturity, Loans and Receivables and Other Financial Liabilities are initially recognised at fair value net of transaction costs and are subsequently measured at amortized cost using the effective interest method of amortization. Available-For-Sale financial assets are subsequently measured at fair value with unrealised gains and losses, including changes in foreign exchange rates, are recognised in other comprehensive income.

A contract that will or may be settled in the Company's own equity and is a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity is classified as a financial liability at FVTPL. When a financial liability contains a feature that allows the holder of the financial liability to call for the settlement of the liability at any time (due on demand or callable at the option of the holder), the entire financial liability is classified as current.

The Company has designated each of its significant categories of financial instruments as follows:

Cash and cash equivalents	Loans and Receivables
Accounts receivable	Loans and Receivables
Reclamation deposits	Loans and Receivables
Accounts payable and accrued liabilities	Other Financial Liabilities
Bank loans	Other Financial Liabilities
Equipment loans and capital leases	Other Financial Liabilities
Convertible debentures - interest bearing portion	Other Financial Liabilities
Notes payable	Other Financial Liabilities
Derivative instruments	Fair-Value-Through Profit or Loss

a. Fair value

The Company has financial assets which include cash and cash equivalents, derivative instruments, reclamation deposits, trade and other receivables, the carrying value of which approximates fair value. The Company has financial liabilities which include accounts payable and accrued liabilities, bank loans, equipment loans, capital leases, notes payable and the interest bearing component of the convertible debentures, the carrying values of which may be higher than their fair value due to the Company's liquidity position.

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

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

Categories of Financial Assets

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

The Company has determined the estimated fair values of its financial instruments based upon appropriate valuation methodologies. The fair values of the cash and cash equivalents, trade and other receivables and reclamation deposits approximate their carrying value due to their short-term nature and high level of liquidity.

b. Risk exposure and risk management

The Company is exposed in varying degrees to a variety of financial risks. The type of risk exposures and the way in which such exposure is managed is provided as follows:

i. Foreign Exchange Risk

The Company operates on an international basis and therefore foreign exchange risk exposures arise from transactions denominated in a foreign currency. The foreign exchange risk arises primarily with respect to the USD dollar ("USD") as sales are denominated in USD. For the year ended September 30, 2013, with other variables unchanged a $0.01 strengthening (weakening) of the Canadian dollar against the USD would result in a decrease (increase) of $0.8 million on net earnings.

At September 30, 2013, the Company held USD denominated bank overdraft balances of $2.5 million, accounts receivable of $13.5 million, USD/CDN forward exchange rate sales contracts of $7.5 million, accounts payable of $0.3 million and loans and other financial liabilities of $5.4 million and notes payable of $4.1 million. At September 30, 2012, the Company held USD denominated bank balances of $1.9 million, accounts receivable of $16.6 million, accounts payable of $0.4 million and loans and other financial liabilities of $5.1 million.

ii. Credit Risk

The Company is exposed to credit-related losses in the event of non-performance by counterparties to the financial instruments. Credit exposure is minimized by dealing with only credit worthy counterparties and by having Economic Development Canada ("EDC") insure the Company's receivables from its primary customers for up to 90% of the total outstanding amounts. Accounts receivable for three of the primary customers totalled $13.8 million at September 30, 2013 (September 30, 2012 – four customers totalled $16.3 million). At September 30, 2013, no trade and other receivables were past due or impaired.

The maximum exposure of the Company to credit risk is represented by all financial assets as shown in the statement of financial position. Cash and cash equivalents are deposited with high credit quality financial institution as determined by ratings agencies.

iii. Interest Rate Risk

The Company's interest rate risk mainly arises from the interest earned on cash and cash equivalents and floating rate interest paid on debt. The interest rate management policy is generally to borrow at fixed rates to match the duration of the long lived assets. In some circumstances, floating rate funding may be used for short-term borrowing. Cash and cash equivalents receive interest based on market rates.

At September 30, 2013, $0.35 thousand (September 30, 2012 - $0.35 thousand) of guarantee investment certificates carried floating interest rates of under 1.0%. For financial liabilities, interest is payable at fixed or variable rates on the equipment loans, capital leases, HSBC bank loans, notes payables and convertible debentures.

For the year ended September 30, 2013, with other variables unchanged, a 1.0% increase in the HSBC Bank prime rate would decrease net earnings by $0.2 million for the year.

iv. Liquidity Risk

The Company manages liquidity risk by maintaining adequate cash and cash equivalent balances and by utilizing lines of credit to meet short-term cash requirements while managing accounts payable and accounts receivables. Management continuously monitors and reviews both actual and forecasted cash flows and also matches the maturity profile of financial assets and liabilities. The Company's cash and cash equivalents are invested in bank accounts and demand deposits which are available on demand for the Company's programs.

Contractual undiscounted cash flow requirements for financial liabilities as at September 30, 2013 are as follows:

	Payments due in years ended September 30						
	2014	2015	2016	2017	2018	More than 5 years	TOTAL
Bank operating loan	$ 11,103	$ -	$ -	$ -	$ -	$ -	$ 11,103
Bank working capital loan and guarantee	14,065	-	-	-	-	-	$ 14,065
Accounts payable and accrued liabilities	16,416	-	-	-	-	-	$ 16,416
Notes payable	5,020	2,000	-	-	-	-	$ 7,020
Convertible debentures	2,963	-	-	-	-	-	$ 2,963
Equipment loans and capital leases	2,971	452	40	-	-	-	$ 3,463
	$ 52,538	**$ 2,452**	**$ 40**	**$ -**	**$ -**	**$ -**	**$ 55,030**

Refer to the Liquidity section of this MD&A for further discussion.

v. Commodity Price Risk

The value of the Company's mineral resource properties is related to the price of tungsten.

Tungsten prices historically have fluctuated and are affected by numerous factors outside of the Company's control, including, but not limited to, changes in short and long-term supply and demand, forward sales by producers and traders and levels of worldwide production. The profitability of the Company's operations is highly correlated to the market price of tungsten. If the metal price were to decline for a prolonged period below the cost of production of the Company's mine, it might not be economically feasible to continue operations.

For the year ended September 30, 2013, with other variables unchanged, a USD$10.00 increase or decrease in the realised price per MTU (Metric Tonne Unit) of tungsten concentrate would increase (decrease) net earnings by $2.9 million based on the sales volume for the period. The Company has not entered into forward sales contracts with fixed tungsten concentrate prices, has not hedged any of its sales and does not have any hedging or other commodity based risk protections respecting its operations.

Capital Management

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

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

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

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

CAUTION ON FORWARD-LOOKING INFORMATION

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

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

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

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

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

NON-IFRS MEASURES

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

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

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

RISK AND UNCERTAINTIES

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

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

- fluctuating commodity markets, tungsten prices and currency exchange rates,
- risks relating to underground mining development, actual and estimated production and mineral resources and reserves,
- permitting risks and general mining risks,

- other risks affecting the operation and economic viability of the Cantung mine,
- environmental requirements and reclamation costs,
- risks regarding the settlement, refinancing or roll-over of existing debt upon maturity,
- possible difficulties in reducing or deferring capital outlays to ensure adequate net cash flows,
- risks regarding liquidity, availability of additional financing to fund capital expenditures and/or operations and going concern
- funding availability including the availability of funds to develop the Company's Mactung project, and
- availability of experienced and able management and operating personnel.

FINANCIAL AND DISCLOSURE CONTROLS

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109") the Chief Executive Officer and Chief Financial Officer have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the annual consolidated financial statements for the year ended September 30, 2013 and this accompanying MD&A (together the "Annual Filings").

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

GLOSSARY OF TERMS

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