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INTERIM MANAGEMENT DISCUSSION AND ANALYSIS Q1 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 February 25, 2013, and should be read in conjunction with the unaudited interim consolidated financial statements for the three months ended December 31, 2012 and with the audited consolidated financial statements for the year ended September 30, 2012. This MD&A reviews the business of North American Tungsten Corporation Ltd. and compares the Company's financial results for the quarter ended December 31, 2012 (Q1 2013) with those of the quarter ended December31, 2011 (Q1 2012). Additional information relating to the Company including its Annual Information Filing is available on SEDAR at www.sedar.com. The Company's common shares are listed on the TSX Venture Exchange (symbol: NTC) and the Company has share purchase warrants that trade on the TSX Venture Exchange ("TSX-V").

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

The December 31, 2012 interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board as of the date of this MD&A. Note 2 of the consolidated financial statements for the year ended September 30, 2012 of the Company disclose 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 CND dollar.

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

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OVERVIEW

The quarter ended December 31, 2012 (Q1 2013) had potential to be very good with tonnes milled, metallurgical recovery and mtus produced all higher than during all quarters of fiscal 2012. Unfortunately results were weak due to the decline in APT quotations and realised prices during the quarter and due to a temporary decline in demand which reduced sales volume significantly. Tungsten concentrate inventories increased.

The market outlook has now improved. In Q2 2013 demand for the Company's tungsten concentrate has increased and inventories awaiting shipment have returned to normal levels. APT quotations are moving upwards and this should reflect in increasing sales prices in subsequent months. The average APT price quotation as of February 22, 2013 was USD$350/mtu, up USD$55 from the December 2012 low of USD$295. Future results will also be affected by fluctuations in tonnes milled, ore grade and metallurgical recoveries.

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

Discussions are being held with potential business partners for both Mactung and Cantung. A special committee of the Board of Directors, formed in fiscal 2012, continues to monitor this process.

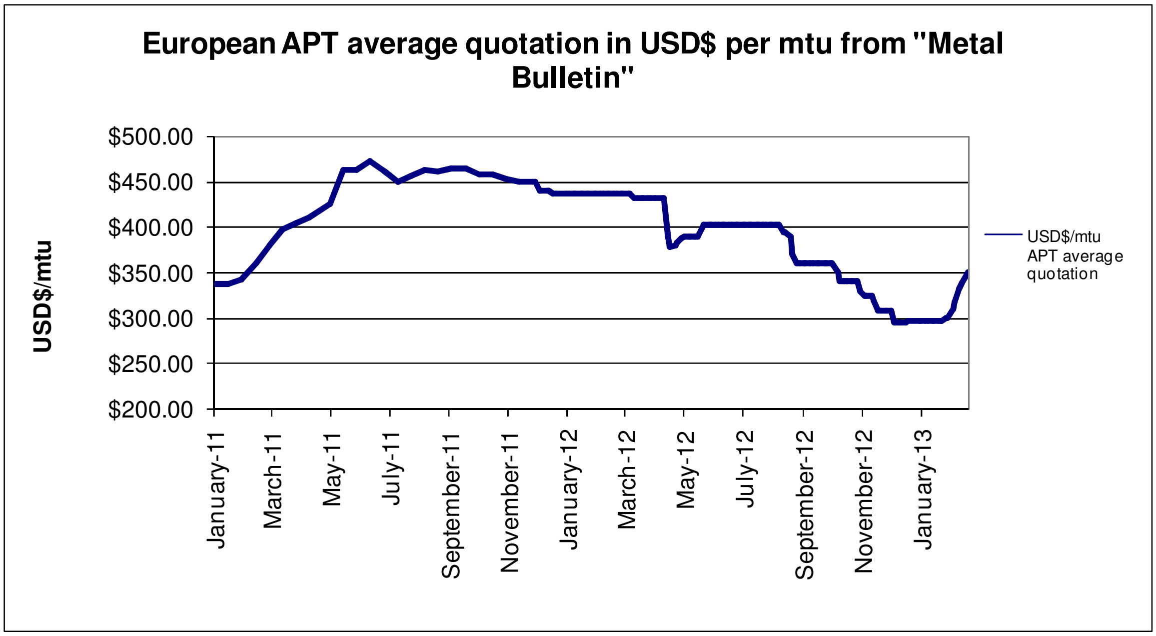
In the long-term, the greatest potential for additional shareholder value continues to lie with the large Mactung project. Until Mactung is developed, recent studies indicate further potential at Cantung. Possible improvements at Cantung are being carefully evaluated.

Highlights for Q1 2013

- Production was 80,693 mtus, a record quarter since restart of operations
- Sales fell to $11.5 million due to lower volumes and prices (Q1 2012 - $26.4 million)
- Depreciation and amortization fell to $1.8 million (Q1 2012 - $3.1 million) following the Q4 2012 impairment, but other operating costs rose
- The net loss was $4.0 million (Q1 2012 - net income $6.6 million)
- Cash flows from operating activities were $0.1 million (Q1 2012 - $6.5 million) for the quarter
- Cash flows from operating activities before changes in working capital show an underlying drain of $1.9 million (Q1 2012 - positive cash flow of $9.7 million)
- Debt increased and the working capital deficit was $31.7 million (September 30, 2012 - $26.0 million)
- Cash conservation measures are in place - capital expenditures for the quarter were only $0.6 million
- As forecast, APT quotations are again trending upwards
- In October 2012 YESAB's delivered the Draft Screening Report for public comments which is a significant milestone for the Mactung Project, moving it closer to the finalization of the environmental assessment required under YESAA.
- On January 26, 2013 the Company signed a letter of intent with Queenwood Capital Partners II LLC, a company controlled by two directors of the Company, for a USD$4.0 million short-term credit facility.

TUNGSTEN PRICE

The average Metal Bulletin ammonium paratungstate ("APT") European Free Market Quotation in US dollars ("USD") was USD$298/mtu at December 30, 2012 and was USD$350/mtu at February 22, 2013.



- Quotations for APT flattened into a range between USD$455/mtu to USD$430/mtu during the first six months of fiscal 2012. A substantial decline commenced in Q4 2012 and continued to decline to a low of USD$295/mtu in December 2012. The average quotation for APT at February 22, 2013 was USD$350/mtu. The Company expects that APT quotations will rise during 2013 and thereafter due to limited supply and increasing global demand.
- During Q1 2013, the Company negotiated new delivery contracts with an existing customer as well as a new customer. Thereafter, the Company has three main delivery contracts for tungsten concentrate which expire during fiscal 2014 and 2015. The contractual delivery prices for tungsten concentrates continue to be based on the market quotations for APT.

OPERATIONS

Cantung Mine

The mill processed 90,625 tonnes of ore with a feed grade average of 1.12% WO_3 with an average mill recovery of 79.5% and produced 80,693 mtus for Q1 2013 compared to 88,460 tonnes of ore with a feed grade average of 1.12% WO_3 with an average mill recovery of 77.4% and produced 71,729 mtus for Q1 2012.

The mining industry in Northern Canada continues to be impacted by cost pressures with respect to labour, energy and supplies.

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

The installation of a portable Waste Water Treatment Facility (WWTF) commenced in Q1 2013 and was nearing completion by December 2012. The WWTF is under a short-term rental agreement which will allow the Company to determine the effectiveness of the treatment process. The WWTF should enable the discharge of waste water without requiring the use of an exfiltration pond which will allow the existing exfiltration pond to be used as a tailings storage pond while a new tailings disposal facility is established.

Underground diamond drilling restarted during January 2013 after a temporary suspension in December 2012 which allowed for the processing of the drill core. Various underground targets have been identified. Core from drilling on the Amber Zone is currently being processed.

Mactung Project Update
The large Mactung project, when and if developed, will further enhance the Company's position as a leading supplier of tungsten concentrate.

In October 2012 YESAB's (see Glossary of Terms) delivered the Draft Screening Report for public comments which is a significant milestone for the Mactung Project, moving it closer to the finalization of the environmental assessment as required under YESAA (see Glossary of Terms). The Company has since received a request for additional information. The Company met with YESAB on January 30, 2013 and proposed and submitted a plan for responding to the information request. The Company is currently waiting for YESAB's response to the proposed plan and has initiated testing on Mactung waste rock.

Government and community relations discussions are continuing during 2013.

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

FINANCE

In Q1 2013 the Company realised a net loss of $4.0 million on weak results due to lower realised sales prices and volumes as a result of the fall in APT prices and a temporary softening in demand during the quarter. There was a $2.6 million increase in debt. A cash conservation policy was initiated and capital expenditures were reduced to a low level.

Within fiscal 2013, it will be necessary for a significant portion of debt to be rolled-over, or replaced, or otherwise extended; new financings to be arranged; capital expenditures strictly controlled; and cash flows from operations maximized. The term of the $12.0 million HSBC Working Capital Loan along with an associated USD$1.5 million loan guarantee fee expires on June 30, 2013. Management is assessing the financing options available to the Company and considering alternate financial arrangements.

It will be important that strong levels of production be achieved; that APT quotations continue to appreciate; and for demand for tungsten to remain strong. 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 associated waste 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.

Following the recognition of the $16.2 million impairment provision at September 30, 2012 (Q4 2012), the Company was in breach of the debt to tangible net worth covenant of the HSBC credit facility. On January 25, 2013, HSBC waived all previous covenant breaches to September 30, 2012 and to December 31, 2012. The Company and HSBC are discussing revised covenants to be established for future periods.

To support Cantung operations and the Mactung project in the near term, the Company on January 26, 2013 signed a letter of intent with Queenwood Capital Partners II LLC, a company controlled by two directors of the Company, for a USD$4.0 million short-term credit facility. The short-term credit facility will bear interest at 12.5% annually, mature October 31, 2013, and security to be granted over the Mactung property, subordinated to security previously granted.

SUMMARIZED FINANCIAL RESULTS

Operating highlights	Three Months Ended December 31, 2012		Three Months Ended December 31, 2011	
Tonnes Milled		90,625 t		88,460 t
Feed Grade %		1.12%		1.12%
Recovery %		79.5%		77.4%
Tungsten concentrate produced (mtu's)		80,693 mtus		76,628 mtus
Tungsten concentrate sold (mtu's)		44,350 mtus		70,989 mtus
Average realised sales price $USD/mtu	$	238	$	362
Costs of sales per mtu[1]	$	307	$	257
Copper sold (lbs)		248,081 lbs		-
Copper revenue	$	990	$	-
Quarterly average USD$ foreign exchange rate (USD$1 to CDN)	$	0.9911	$	1.0230
Financial Data (in $000's)				
Revenues	$	11,464	$	26,422
Cost of sales:				
Mine operating costs:				
Mine		6,942		6,116
Mill		2,977		2,786
Power generation and surface maintenance		4,831		4,293
Site administration and environmental		3,048		3,158
Mine operating costs:		17,798		16,353
Inventory change, adjustments and write-downs		(6,554)		(1,779)
Amortization and depreciation		1,803		3,015
Freight, handling and conversion		459		407
Royalties		99		260
Cost of sales:		13,605		18,256
Gross margin[2]	$	(2,141)	$	8,166
Net earnings (loss)	$	(4,012)	$	6,593
EBITDA[3]	$	(1,150)	$	10,542

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

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

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

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

REVIEW OF FINANCIAL RESULTS

Three months ended Q1 2013 compared to Q1 2012 for revenue and cost of sales

Net loss for Q1 2013 was $4.0 million or ($0.02) per share (basic and diluted), compared to a net income of $6.6 million or $0.03 per share in Q1 2012. The net loss for Q1 2013 was impacted by the following factors:

- Tungsten concentrate production for Q1 2013 was 80,693 mtus from a mill feed of 90,625 tonnes with an average grade of 1.12% WO_3 and average mill recovery of 79.5% compared to production of 76,628 mtus from a mill feed of 88,460 tonnes with an average grade of 1.12% WO_3 and average mill recovery of 77.4%.
- APT prices declined significantly in the 2nd half of calendar 2012 which led to a decline in realised sales prices. In Q1 2013 the average realised sales price was USD$238/mtu compared to USD$362/mtu realised in Q1 2012.
- Revenues were $11.5 million on sales of 44,350 mtus with an average realised sales price of $236/mtu (USD$238/mtu) and cost of sales of $307/mtu for a negative margin of $71/mtu compared to $26.4 million for Q1 2012 on the sale of 70,989 mtus with an average realised sales price of $371/mtu (USD$362/mtu) and cost of sales of $257/mtu for a margin of $114/mtu. Included in the revenue of $11.5 million was $1.0 million for the sale of 248,081lbs of copper which is a by-product of the tungsten mining compared to no copper sales in Q1 2012.
- Tungsten concentrate inventory increased due to the reduced sales volume during the quarter. With the return of demand for tungsten concentrate so far during Q2 2013, inventory levels have returned to normal levels.
- Mine operating costs increased to $17.8 million in Q1 2013 compared to $16.4 million in Q1 2012 and cost of sales was $307/mtu compared to $257/mtu in Q1 2012. The increase in mine operating costs was due to production in Q1 2013 mainly from the West Extension which has a higher production cost per tonne as it is further from the surface compared to Q1 2012 where production was from mine areas closer to the surface. Cost of sales for Q1 2013 includes an adjustment of $1.1 million on previous sales.
- Inventory change, adjustments and write-downs, a component of cost of sales, was $6.6 million in Q1 2013 compared to $1.8 million in Q1 2012. The inventory change is a reduction to cost of sales and an increase to inventories in periods where units produced exceed units sold. In Q1 2013 tungsten concentrate inventories increased by 36,196 mtus. Included in the $6.6 million for Q1 2013 was a $0.8 million inventory write-down.
- Following the impairment that reduced the carrying value of Cantung assets as of September 30, 2012, depreciation and amortization charges have been reduced. As for the impairment calculation, these charges are based on management's best estimate that operations will continue through fiscal 2016. A longer life is possible, particularly as improvements are under investigation, but is not assumed. Depreciation and amortization in Q1 2013 was $1.8 million compared to $3.0 million in Q1 2012.

Expenses

Financial data (in $000's)	Three Months Ended December 31, 2012	2011	Change
Interest and financing costs	$ 726	$ 751	(25)
General and administrative	655	781	(126)
Accretion of financial liabilities	349	329	20
Exploration	228	21	207
Stock based compensation	-	12	(12)
Equity loss of associate	-	84	(84)
Loss on disposal of assets	16	-	16
Foreign exchange gain	(36)	(112)	76
Interest and other income	(16)	(146)	130
Gain on revaluation of derivative liability	(51)	(147)	96
Total	1,871	1,573	298

Q1 2013 compared to Q1 2012 for expenses and other items

- Expenses are comparable for Q1 2013 compared to Q1 2012 with slightly lower gain on foreign exchange which is driven by the USD/CDN exchange rates and a lower gain on revaluation of the derivative liability.
- Equity loss of associate was $nil thousand in Q1 2013 as the Company disposed of the investment in Q4 2012.

SUMMARY OF QUARTERLY INFORMATION

in $000's, except per share amounts	2013 Q1	2012 Q4	2012 Q3	2012 Q2	2012 Q1	2011 Q4	2011 Q3	2011 Q2
Revenue	$ 11,464	$ 25,964	$ 21,731	$ 33,407	$ 26,422	$ 17,549	$ 19,287	$ 11,446
Net earnings (loss)	$ (4,012)	$ (16,786)	$ (2,172)	$ 2,522	$ 6,593	$ (4,904)	$ 1,767	$ (7,952)
Income (Loss) per share, basic and diluted	$ (0.02)	$ (0.07)	$ (0.01)	$ 0.01	$ 0.03	$ (0.02)	$ 0.01	$ (0.04)
Cash flow from operations before changes in non-cash working capital	$ (1,876)	$ 6,777	$ 2,358	$ 8,637	$ 9,718	$ 1,145	$ 2,279	$ (7,122)

The Company's results over the quarters above have been driven by:

- Initially weak tungsten prices followed by a strong upward price trend which continued to Q4 2011, then flattened and then declined to January 2013, thus in Q2 2013, APT quotations have trended upwards.
- Efforts to ramp up production levels at the Cantung Mine following its closure between October 2009 to October 2010.
- The exchange rate of the USD to the Canadian dollar which impacts revenue as sales are denominated in USD.
- Improved levels of production and mill recoveries due to the capital improvements.
- 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 the decline in APT prices during the quarter and a temporary softening in demand for tungsten concentrate.

LIQUIDITY, CAPITAL RESOURCES AND GOING CONCERN

Liquidity and Going Concern

The Company has negative working capital of $31.7 million as at Q1 2013 and high debt levels. There are significant factors that may impact liquidity. Through Q1 2013 and the present time there is an underlying cash drain from operations. This should reduce and may be eliminated in the coming months as prices realized commence to reflect the current strengthening of market quotations. Drawings against debt facilities are at near maximum levels; however a new loan facility is under discussion. Expenditures are under careful scrutiny and capital expenditures are at a minimal level.

Other factors include the possible level of future capital spending for the Mactung project and outlays required at the Cantung mine particularly for tailings management and associated waste water treatment. Cash to be generated from future Cantung operations will be subject to the various risks associated with mining and risks of fluctuating grade, recovery and output.

In Q1 2013 the Company realised a net loss of $4.0 million on weak results due to lower realised sales prices as a result of the fall in APT prices and a temporary softening in demand during the quarter. This contributed to weak cash flows from operations of $0.1 million for the quarter. Before working capital changes, cash flows from operating activities were negative $1.9 million. A cash conservation policy is being followed. Capital expenditures relating to on-going mine development, tailings management and associated waste water treatment and other projects have been reduced to a low level and continue under review at present.

There are risks that the Company may be unable to roll-over, extend, replace, or refinance existing loan facilities as they mature or arrange financings for new developments. The term of the $12.0 million HSBC Working Capital Loan along with an associated USD$1.5 million loan guarantee fee expire on June 30, 2013. Management is assessing the financing options available to the Company and considering alternate financial arrangements. New financing initiatives are being sought and it is planned to maximize net cash flows from the existing operation.

To support Cantung operations and the Mactung project in the near term, the Company on January 26, 2013 signed a letter of intent with Queenwood Capital Partners II LLC, a company controlled by two directors of the Company, for a USD$4.0 million short-term credit facility. The short-term credit facility will bear interest at 12.5% annually, mature October 31, 2013, and security to be granted over the Mactung property, subordinated to security previously granted.

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.
>
> The Company re-started the Cantung mine in October 2010. For the three months ended December 31, 2012 there was a net loss of $4.0 million (year ended September 30, 2012 the net loss was $9.8 million) and there was a deficiency of working capital of $31.7 million (September 30, 2012 - $26.0 million). As described in Note 11, following the recognition of the $16.2 million impairment provision at September 30, 2012, the Company was in breach of the debt to tangible net worth covenant of the HSBC credit facility. On January 25, 2013, HSBC waived all previous covenant breaches to September 30, 2012 and to December 31, 2012. The Company and HSBC are discussing revised covenants to be established for future periods.
>
> The ability of the Company to continue as a going concern depends upon continued support from its shareholders, lenders and customers. In addition, the Company will need to improve operating profitability and to roll-over, extend, replace or refinance existing loan facilities as they mature or arrange new financing. Future operations will also be impacted by market conditions and prices for tungsten concentrates and the ability of the Cantung mine to maintain positive cash flows from operations while containing non-operating outlays if and as necessary.
>
> If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary to the carrying values of assets and liabilities, the reported revenue and expenses and the statement of financial position classifications used. The adjustments would be material."

Liquidity Outlook

Factors that will impact liquidity in the forthcoming months:

- The Company expects that demand for tungsten concentrates will continue to strengthen for 2013 and beyond due to limited near term supply.
- On a daily / monthly basis there is significant variability in the tonnes, grade and recovery. Significant fluctuations in monthly and quarterly results should be expected due to underground constraints in mining.
- Trade accounts payable will require close management, including working with vendors, in the near term until realised sale prices increase.
- 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.

Cash flows for the three months ended December 31, 2012 and 2011

Summarized Cash Flow Activity (in $000's)	Three Months Ended December 31 2012	2011	Change
Cash flow from operating activities before changes in non-cash working capital	$ (1,876)	$ 9,718	$ (11,594)
Change in non-cash working capital	1,365	(3,690)	5,055
Provided by (used in) operating activities	80	6,524	(6,444)
Provided by (used in) investing activities	(3,448)	(12,709)	9,261
Provided by (used in) financing activities	1,653	7,901	(6,248)
Increase (decrease) in cash and cash equivalents	(1,715)	1,716	(3,431)
Cash and cash equivalents, beginning of period	2,124	3,000	(876)
Cash and cash equivalents, end of period	$ 409	$ 4,716	$ (4,307)

Statement of Financial Position	**As at**	
	December 31	**September 30**
(in $000's)	**2012**	**2012**
Cash and cash equivalents	$ 409	$ 2,124
Current assets	19,842	26,649
Total assets	77,896	80,968
Current liabilities	51,540	52,619
Total liabilities	67,307	66,367
Total liabilities includes the following: [1]		
Current financial liabilities	32,734	32,024
Non-current financial liabilities	7,250	5,344
	39,984	37,368
Shareholders' equity	10,589	14,601
Statistics:		
Working Capital [2]	(31,698)	(25,970)
Working Capital ratio [3]	0.38	0.51

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

2 - Current assets less current liabilities

3 - Current assets divided by current liabilities

Q1 2013 compared to Q1 2012 for liquidity and cash flows

At December 31, 2012, the Company had cash and cash equivalents of $0.4 million and a working capital deficiency of $31.7 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 working capital deficit increased due to the weak operating results for the period.

Cash flow from operations was $0.1 million for Q1 2013, a decrease of $6.4 million compared to cash flow from operations of $6.5 million for Q1 2012. In Q1 2013 accounts receivables were collected and inventory increased due to lower sales volumes while in Q1 2012 results from operations were strong and accounts receivables and inventory increased.

Cash flow used in investing activities decreased to $3.5 million for Q1 2013 compared to $12.7 million in Q1 2012. In Q1 2012 the Company was acquiring property, plant and equipment and investing in mine development while in Q1 2013 the Company mainly paid down payables relating to mining assets acquired in Q4 2012.

Cash flow from financing activities was $1.7 million for Q1 2013 compared to a cash inflow of $7.9 million for Q1 2012. During Q1 2012 the Company established the $12 million Working Capital Loan and made regular payments on capital leases and loans of $1.3 million and paid down the bank operating loan by $1.7 million while in Q1 2013 the Company received $4.2 million in customer advances and made regular payments on capital leases and loans of $1.7 million.

Capital Resources

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

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

The Company was in breach of the amended debt to tangible net worth bank covenant at September 30, 2012. On January 25, 2013, HSBC waived all previous covenant breaches to September 30, 2012 and to December 31, 2012. The Company and HSBC are discussing revised covenants to be established for future periods.

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

The credit facility contains a general security agreement in favour of HSBC Bank Canada (the "Bank" or "HSBC") over the Cantung mine and associate assets.

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

Loans, capital leases and other debt finance

The Company has equipment loans and capital leases, an operating loan, a working capital loan and convertible debentures outstanding at December 31, 2012, which the Company has executed to finance operations and the capital programs for the Cantung Mine.

Financial Debt	**As at**	
	December 31	**September 30**
(in $000's)	**2012**	**2012**
Current financial debt		
Operating loan	$ 8,531	$ 9,018
Working capital loan	13,063	12,832
Customer advances	2,612	768
Equipment loans and capital leases	6,068	7,053
Convertible debentures	2,460	2,353
Total	32,734	32,024
Non-current financial debt		
Customer advances	5,173	2,950
Equipment loans and capital leases	1,804	2,126
Other obligations	273	268
Total financial debt	39,984	37,368

Share issuances

There have been no issuances of shares by the Company in fiscal 2012 and during 2013.

Contractual Obligations

Contractual Obligations and Commitments	Payments due in years ended September 30						
	2013 [1]	2014	2015	2016	2017	2018	TOTAL
Mactung leases	$ 8	$ 8	$ 8	$ 8	$ 8	$ 8	$ 48
Cantung leases	38	43	43	43	43	43	$ 253
Customer advances	-	2,612	5,173	-	-	-	$ 7,785
Equipment loans	3,939	1,578	344	-	-	-	$ 5,861
Capital leases	1,350	1,103	70	40	-	-	$ 2,563
Office leases [2]	132	223	233	245	251	84	$ 1,168
Equipment rental contract	206	-	-	-	-	-	$ 206
	$ 5,673	**$ 5,567**	**$ 5,871**	**$ 336**	**$ 302**	**$ 135**	**$ 17,884**

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

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

Water license

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

The security deposit required under the Company's license is $11.7 million. The Company has posted $5.1 million in cash and $6.6 million in the form of secured promissory notes pursuant to the Reclamation Security Agreement ("RSA"). The RSA further provides for:

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

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

During the three months ended December 31, 2012 the Company posted $100 thousand of cash and reduced the posted secured promissory notes by $100 thousand.

Capital Management

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

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

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

Additional information regarding capital management is disclosed in Note 1 to the financial statements. Long-term debt covenants which could restrict the Company's capital management options are disclosed in Note 15 to the financial statements.

OTHER INFORMATION

Equity

Outstanding Equity Securities	As of February 25, 2013	As of December 31, 2012
Common shares	237,123,058	237,123,058
Share options	4,500,000	4,500,000
Warrants	14,750,000	14,750,000

At December 31, 2012 the Company had USD$2.87 million of convertible debentures outstanding which expire on October 27, 2013. The holders of the convertible debentures can convert them to common shares at any time. If fully converted, the Company would be required to issue 6,506,290 common shares.

Related Party Transactions

A director of the Company guaranteed the issuance of a letter of credit for a fee of 10% per annum of the outstanding amount of the letter of credit relating to a customer advance. For the three months ended December 31, 2012 the Company recognised an expense of $11 thousand (three months ended December 31, 2011 - $61 thousand) in respect to the guarantee to a director. The guarantee expired on December 1, 2012.

Directors of the Company participated directly and indirectly in the USD$2.87 million convertible debentures financing as to USD$1.37 million. For the three months ended December 31, 2012 the Company recognised an expense of $34 thousand (three months ended December 31, 2011 - $35 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 has granted a security interest over the Mactung project to the Sponsors which is subordinated to the security under the Reclamation Security Agreement (Note 19 a).

A fee of $12 thousand was paid to Queenwood, which has a director in common and common ownership interests in the Company, to arrange the letter of credit for the Company.

During the three months ended December 31, 2012 the Company recognised an expense of $209 thousand in respect of the letter of credit to these Sponsors (three months ended December 31, 2011 - $190 thousand).

During the three months ended December 31, 2012 the Company recognised $74 thousand for professional and consulting fees to directors or companies related to director(s) (three months ended December 31, 2011 - $83 thousand).

The above transactions were in the normal course of operations.

Off-Balance Sheet Arrangements

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

Financial Instruments

The September 30, 2012 annual consolidated financial statements of the Company disclose the financial instruments of the Company and the associated financial risk exposure.

As at December 31, 2012 there have been no significant changes to the financial instruments of the Company.

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 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.

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

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

NON-IFRS MEASURES

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

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

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

RISK AND UNCERTAINTIES

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

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

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

FINANCIAL AND DISCLOSURE CONTROLS

Controls and Procedures:
In connection with Exemption Orders issued in November 2007 and revised in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis.

In contrast to the certificate under National Instrument ("NI") 52-109 (Certification of disclosure in an Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification 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.

Disclosure Controls and Procedures
Disclosure controls and procedures ("**DC&P**") are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting ("**ICFR**") are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purpose in accordance with Canadian generally accepted accounting principles.

TSX Venture ("TSX-V") listed companies are not required to provide representations in the annual filings relating to the establishment and maintenance of DC&P and ICFR, as defined in Multinational Instrument 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding the absence of misrepresentations and fair disclosure of financial information.

Investors should be aware that inherent limitations on the ability of certifying officers of a TSX-V issuer to design and implement on a cost effective basis DC&P and ICFR as defined in Multinational Instrument 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

GLOSSARY OF TERMS

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