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INTERIM MANAGEMENT DISCUSSION AND ANALYSIS Q2 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 May 23, 2013, and should be read in conjunction with the unaudited interim consolidated financial statements for the three and six months ended March 31, 2013 and with the audited consolidated financial statements for the year ended September 30, 2012. This MD&A reviews the business of North American Tungsten Corporation Ltd. and compares the Company's financial results for the quarter ended March 31, 2013 (Q1 2013) with those of the quarter ended March 31, 2012 (Q2 2012) and the six months ended March 31, 2013 (H1 2013) with those of the six months ended March 31, 2012 (H1 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 unaudited interim consolidated financial statements of the Company for the three and six month period ended March 31, 2013 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, "Interim Financial Reporting. Note 2 of the consolidated financial statements for the year ended September 30, 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 CDN dollar.

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

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OVERVIEW

The Company is one of the most significant tungsten miners outside of China. When developed, its large Mactung project, on the Yukon/Northwest Territories ("NWT") border, should enable the Company to continue to be a major world supplier of tungsten concentrates for many years. While established resources remaining at its Cantung operating mine in the NWT are limited, the Company believes there is good potential to expand these and is also considering a project to extract significant quantities of concentrates from tailings accumulated in prior years.

In recent years, increased tungsten usage in Chinese processing and manufacturing plants combined with closure of some Chinese mines have created an improved outlook for western mining operations. The market price improved significantly, but peaked in mid-2011. A gradual decline thereafter followed by a firming since a low-point in December 2012 evidences that the historical high volatility of the tungsten market continues.

A challenge for management is to maintain profitable operations and positive cash flows when the tungsten price is close to low-points of the cycle, as may be the case at present.

As shown in the financial statements and as discussed below, a small underlying cash drain and operating losses from the Cantung operations persist at current tungsten prices. Management is responding by limiting spending to essentials and has significantly reduced capital outlays.

At the same time, plans are proceeding for de-bottlenecking and other low-cost improvements with the objectives of improving mill throughput and recoveries, in order to close the relatively small gap from cash drain to cash generation and profit.

The other challenge being addressed by management is the balance sheet situation. The debt level is very high, as is the cost of arranging and carrying debt. Discussions are in progress with lenders and related party shareholders in order to extend and then replace debt that would otherwise mature in June 2013. Discussions are at an advanced stage. It is currently expected that principal lines of credit provided by the Company's bankers will be replaced in December 2013.

The Company is fortunate in having related party support, which will be required to manage the extension and replacement of maturing debt in the months ahead.

Highlights for Q2 2013

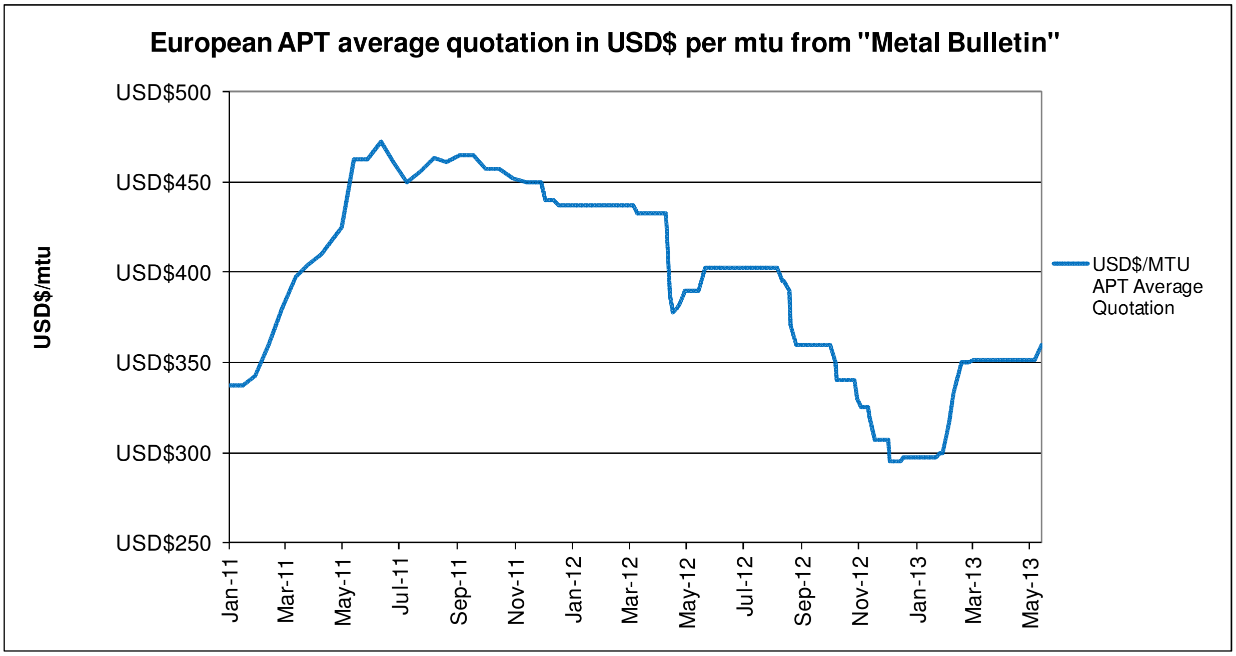
- The net loss was $3.4 million (Q2 2012 - net income $2.5 million)
- Production was 71,178 mtus, virtually unchanged from Q2 2012 (but down 12% from Q1 2013 due to lower feed grade and recoveries)
- Sales of $24.9 million on higher volumes but significantly lower realised sales prices (Q2 2012 - $33.4 million) with average realised sales prices of USD$237/mtu (Q2 2013 - USD$378/mtu)
- Depreciation and amortization fell to $2.0 million (Q2 2012 - $5.2 million) following the Q4 2012 impairment
- Cash flows from operating activities were $1.9 million (Q2 2012 - $9.0 million) for the quarter
- Cash flows from operating activities before changes in working capital and other adjustments show an underlying drain of $0.7 million (Q2 2012 - positive cash flow of $8.6 million)
- Debt increased and the working capital deficit was $35.3 million (September 30, 2012 - $26.0 million)
- Cash conservation measures are in place - capital expenditures for the quarter were $1.6 million
- As forecast, APT quotations did rise in Q2 2013 and have remained constant in Q3 2013

Highlights for H1 2013

- The net loss was $7.4 million (H1 2012 - net income $9.1 million)
- Production was 151,871 mtus (H1 2012 – 148,357 mtus)
- Sales were $36.4 million (H1 2012 - $59.8 million) with average realised sales prices of USD$238/mtu (H1 2012 – USD$371/mtu)
- Cash flows from operations before change in non-cash working capital and other adjustments show an underlying drain of $2.4 million (H1 2012 - $18.4 million positive)

TUNGSTEN PRICE

The average Metal Bulletin ammonium paratungstate ("APT") European Free Market Quotation in United States Dollars ("USD") was USD$352/mtu at March 31, 2013 and was USD$360/mtu at May 17, 2013.



- Quotations for APT were in the range between USD$455/mtu to USD$430/mtu during the first six months of fiscal 2012. A substantial decline commenced then and reached a low of USD$295/mtu in December 2012. The average quotation for APT at May 17, 2013 was USD$360/mtu. The Company expects limited supply and increasing global demand for some years to come.

OPERATIONS

Cantung Mine
As compared to Q2 2012, tonnes of ore processed and metallurgical recoveries improved (reflecting the fiscal 2012 capital program enhancements), but ore grade was lower. Production of concentrates was virtually the same as in Q2 2012.

The mill processed 90,846 tonnes of ore with a feed grade average of 1.0% WO_3 with an average mill recovery of 77.5% and produced 71,178 mtus for Q2 2013 compared to 83,917 tonnes of ore with a feed grade average of 1.13% WO_3 with an average mill recovery of 75.9% and production of 71,729 mtus for Q2 2012.

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 qualified employees to the Cantung mine and labour turnover has improved.

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 assured.

A portable Waste Water Treatment Facility (WWTF) on which construction commenced in Q1 2013 was commissioned in April 2013 following regulatory approval.

During Q2 2013 mine development crews commenced to access the Amber Zone West. Also during the quarter a new mine dewatering system was constructed and was commissioned at the end of April.

Underground diamond drilling continued and towards the end of the quarter concentrated on defining the Amber East Zone. Although the information is preliminary, the mineralization appears encouraging.

Project planning for the upcoming summer construction season includes a raise on tailings pond 5, preliminary planning to increase mill throughput, investigation of the potential for dry stack of tailings and Liquefied Natural Gas ("LNG") conversion on the power generators. The mine engineering department is continuing to develop a mine plan for an open pit campaign to stockpile ore this summer, which will be utilized to support the planned increased mill throughput in Q4 2013 and beyond.

Mactung Project Update

In October 2012 YESAB's (see Glossary of Terms) delivered the Draft Screening Report for public comments. This was 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 and has submitted a proposed plan to respond to the information request and in March 2013 YESAB accepted the proposed plan.

In February 2013, the Company formally removed the proposed Yukon access road from the proposal and initiated consultation and the Land Use Permit in the NWT with the Sahtu First Nations, in anticipation of utilizing the existing spur road.

Negotiations with the Yukon's Kaska First Nation were held in January 2013 and discussions will continue in the upcoming months.

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

FINANCE

In Q2 2013 the Company recorded a net loss of $3.4 million due to lower realised sales prices as a result of the fall in APT quotations. A cash conservation policy that was initiated in Q1 2013 continues and capital expenditures continue to be severely constrained.

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

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 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. At March 31, 2013 the Company is in breach of the covenants. Subsequently, HSBC waived the breaches.

On May 23, 2013 the Company and HSBC agreed to terms for the extension of the Working Capital Loan facility (note 12) to December 31, 2013. The extension is subject to the letter of credit that is guaranteed by two directors (the "Sponsors") of the Company and the Sponsors' Put Agreement (note 21) being extended to January 15, 2014. All agreements are required to be executed by June 15, 2013. Terms are being negotiated and it is estimated that the terms for the letter of credit and the Put Agreement will be similar to the existing agreement.

Subsequent to March 31, 2013 the Company executed a USD$4.0 million short-term credit facility with Queenwood Capital Partners II LLC, a company controlled by two Directors of the Company. The facility bears interest at 12.5% annually, matures October 31, 2013 and is secured by a fixed charge over the Mactung property and a floating charge over all other assets of the Company. The security granted is subordinated to security previously granted.

SUMMARIZED FINANCIAL RESULTS

Operating highlights	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012	Six Months Ended March 31, 2013	Six Months Ended March 31, 2012
Tonnes Milled	90,846	83,917	181,471	172,377
Feed Grade %	1.01	1.13	1.07	1.12
Recovery %	77.5	75.9	78.5	76.6
Tungsten concentrate produced (mtu's)	71,178	71,729	151,871	148,357
Tungsten concentrate sold (mtu's)	101,723	82,862	146,073	153,851
Average realised sales price $USD/mtu	$ 237	$ 378	$ 238	$ 371
Costs of sales per mtu[1]	$ 257	$ 339	$ 272	$ 290
Copper sold (lbs)	150,568	498,205	398,649	498,205
Copper revenue	$ 648	$ 2,026	$ 1,638	$ 2,026
Quarterly average USD$ foreign exchange rate (USD$1 to CDN)	$ 1.0077	$ 1.0020	$ 0.9930	$ 1.0104
	-			
Financial Data (in $000's)	-			
Revenues	24,939	$ 33,407	$ 36,403	$ 59,829
Cost of sales:	-			
Mine operating costs:	-			
Mine	6,210	8,140	13,152	14,256
Mill	2,309	2,647	5,286	5,433
Power generation and surface maintenance	4,639	4,523	9,470	8,816
Site administration and environmental	3,207	3,302	6,255	6,460
Mine operating costs:	16,365	18,612	34,163	34,965
Inventory change, adjustments and write-downs	6,995	3,233	441	1,454
Amortization and depreciation	1,978	5,150	3,781	8,165
Freight, handling and conversion	556	782	1,015	1,189
Royalties	244	326	343	586
Cost of sales:	26,138	28,103	39,743	46,359
Gross margin[2]	$ (1,199)	$ 5,304	$ (3,340)	$ 13,470
Net earnings (loss)	$ (3,413)	$ 2,522	$ (7,425)	$ 9,115
EBITDA[3]	$ (170)	$ 8,752	$ (1,320)	$ 19,294

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 Q2 2013 compared to Q2 2012 for revenue and cost of sales

Net loss for Q2 2013 was $3.4 million or ($0.01) per share (basic and diluted), compared to a net income of $2.5 million or $0.01 per share in Q2 2012. The net loss for Q2 2013 was impacted by the following factors:

- APT quotations declined significantly in the 2nd half of calendar 2012 which led to a decline in realised sales prices. In Q2 2013 the average realised sales price was USD$237/mtu compared to USD$378/mtu realised in Q2 2012.
- Revenues were $24.9 million on sales of 101,723 mtus with an average realised sales price of $239/mtu (USD$237/mtu) and cost of sales of $257/mtu for a negative margin of $18/mtu compared to $33.4 million for Q2 2012 on the sale of 82,862 mtus with an average realised sales price of $378/mtu (USD$378/mtu) and cost of sales of $339/mtu for a margin of $39/mtu. Included in the revenue of $24.9 million was $0.6 million for the sale of 150,568lbs of copper which is a by-product of the tungsten mining compared to $2.0 million for sales from current production and accumulated inventory of 498,205lbs of copper in Q2 2012.
- In Q1 2013 tungsten concentrate inventory increased due to a temporary decline in demand. In Q2 2013 inventory returned to normal levels on increased demand and sales volume.
- Mine operating costs decreased to $16.4 million in Q2 2013 compared to $18.6 million in Q2 2012 and cost of sales was $257/mtu compared to $339/mtu in Q2 2012. The decrease reflected reduced utilization of contract miners.
- Tungsten concentrate production for Q2 2013 was 71,178 mtus from a mill feed of 90,846 tonnes with an average grade of 1.01% WO_3 and average mill recovery of 77.5% compared to production of 71,129 mtus from a mill feed of 83,917 tonnes with an average grade of 1.13% WO_3 and average mill recovery of 75.9%.
- In Q2 2013 tungsten concentrate inventories decreased by 30,680 mtus reflecting new contracts and improved demand. Included in cost of goods sold for Q2 2013 was a $0.8 million inventory write-down to net realisable value.
- 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 Q2 2013 was $2.0 million compared to $5.2 million in Q2 2012. With depreciation and amortization excluded, cost of sales for Q2 2013 was $238/mtu compared to $277/mtu for Q2 2012, mainly due to reduced costs of contract mining.

Six months ended March 31, 2013 compared to March 31, 2012 for revenue and cost of sales

Net loss for the six months ended March 31, 2013 was $7.4 million or ($0.03) per share (basic and diluted), compared to a net income of $9.1 million or $0.04 per share for the six months ended March 31, 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 6 months ended March 31, 2013. The average realised sales price was USD$238/mtu for the six months ended March 31, 2013 compared to USD$371/mtu realised in the six months ended March 31, 2012.
- Revenues were $36.4 million on sales of 146,073 mtus with an average realised sales price of $238/mtu (USD$238/mtu) and cost of sales of $272/mtu for a negative margin of $34/mtu for the six months ended March 31, 2013 compared to $59.8 million on the sale of 153,851 mtus with an average realised sales price of $375/mtu (USD$371/mtu) and cost of sales of $290/mtu for a margin of $85/mtu for the six months ended March 31, 2012. Included in the revenue of $36.4 million was $1.6 million for the sale of 398,649lbs of copper which is a by-product of the tungsten mining compared to $2.0 million for sales of 498,205lbs of copper in the six months ended March 31, 2013.
- Tungsten concentrate production for the six month period was 151,871 mtus from a mill feed of 181,471 tonnes with an average grade of 1.07% WO_3 and average mill recovery of 78.5% compared to production of 148,357 mtus from a mill feed of 172,377 tonnes with an average grade of 1.12% WO_3 and average mill recovery of 76.6%.
- For the six months ended March 31, 2013 mine operating costs decreased to $34.2 million from $35.0 million for the six months ended March 31, 2012 while production increased to 151,871 mtus for the current period compared to 148,357 mtus. Cost of sales for the six months ended March 31, 2013 was $272/mtu which included an adjustment of $1.1 million on previous sales. Excluding the sales adjustment and depreciation, cost of sales was $238/mtu for the current period compared to $248/mtu for the six months ended March 31, 2012.
- With depreciation and amortization excluded, cost of sales was $246/mtu for the six months ended March 31, 2013 compared to $248/mtu for the six months ended March 31, 2012. 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 six months ended March 31, 2013 was $3.8 million compared to $8.2 million in H1 2012.

Expenses

Financial data (in $000's)	Three Months Ended March 31 2013	2012	Change	Six Months Ended March 31 2013	2012	Change
Interest and financing costs	$ 937	$ 854	$ 83	$ 1,663	$ 1,605	$ 58
General and administrative	846	841	5	1,501	1,622	(121)
Accretion of financial liabilities	347	349	(2)	696	678	18
Exploration	-	32	(32)	228	53	175
Stock-based compensation	210	188	22	210	200	10
Loss on disposal of assets	-	-	-	16	-	16
Equity loss of associate	-	120	(120)	-	204	(204)
Interest and other income	(19)	(123)	104	(35)	(269)	234
Foreign exchange gain	(19)	99	(118)	(55)	(13)	(42)
Loss (gain) on revaluation of derivatives	(88)	422	(510)	(139)	275	(414)
Total	2,214	2,782	(568)	4,085	4,355	(270)

Q2 2013 compared to Q2 2012 for expenses

- In Q2 2013 a gain on foreign exchange was realised which was driven by the strengthening of the USD.
- Equity loss of associate was $nil in Q2 2013 as the Company disposed of the investment in Q4 2012.
- In Q2 2013 a gain on revaluation of derivatives was recognised which was mainly 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 the comparable period, a loss on the revaluation of derivatives was recognised on the conversion feature of the convertible debenture as the Company's share price declined during the period which caused the value of the conversion feature to decline.

Six months ended March 31, 2013 compared to the six months ended March 31, 2012 for expenses

- Exploration increased due to the timing of a follow up surface drill program in Q1 2013 which did not occur in the comparable period.
- In Q2 2013 a gain on foreign exchange was realised which was driven by the strengthening of the USD.
- Equity loss of associate was $nil in Q2 2013 as the Company disposed of the investment in Q4 2012.
- In the six months ended March 31, 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, a gain on revaluation of derivative was recognised as the convertible debenture is nearing maturity which is reducing the value of the conversion feature as the stock price is below the exercise price, while in the comparable period a loss was recognised on the conversion feature as the Company's share price declined significantly during the period which caused the value of the conversion feature to decline.

SUMMARY OF QUARTERLY INFORMATION

in $000's, except per share amounts	2013 Q2	2013 Q1	2012 Q4	2012 Q3	2012 Q2	2012 Q1	2011 Q4	2011 Q3
Revenue	$ 24,939	$ 11,464	$ 25,964	$ 21,731	$ 33,407	$ 26,422	$ 17,549	$ 19,287
Net income (loss)	$ (3,413)	$ (4,012)	$ (16,786)	$ (2,172)	$ 2,522	$ 6,593	$ (4,904)	$ 1,767
Net income (loss) per share, basic and diluted	$ (0.01)	$ (0.02)	$ (0.07)	$ (0.01)	$ 0.01	$ 0.03	$ (0.02)	$ 0.01
Cash flow from operations before changes in non-cash working capital	$ (681)	$ (1,734)	$ 6,777	$ 2,358	$ 8,636	$ 9,717	$ 1,145	$ 2,279

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

- Prices realised under sales contracts lag changes in APT quotations. Realised prices were weak in fiscal 2011 but improved significantly in fiscal 2012. In Q1 2013 realised prices fell considerably and remained low in Q2 2013. Increased APT quotations from March 2013 should result in higher sale price realisations from Q3 2013.
- 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 expiring sales contracts and a softening in demand for tungsten concentrate which caused tungsten 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

LIQUIDITY, CAPITAL RESOURCES AND GOING CONCERN

Liquidity and Going Concern

Without support expected from shareholders, liquidity would become a critical problem in the months ahead, due to the need to replace maturing debt and to finance the small but persistent cash drain from operations and essential capital expenditures. A letter of intent for a USD$4.0 million line of credit has been completed and discussions for further support are on-going.

The Company has negative working capital of $35.3 million as at Q2 2013 and high debt levels. There are significant factors that may impact liquidity. Through Q2 2013 there is an underlying cash drain from operations and essential capital expenditures. Debt outstanding remains high. All expenditures are under careful scrutiny and capital expenditures continue to be 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 Q2 2013 the Company realised a net loss of $3.4 million due to lower realised sales prices as a result of the fall in APT quotations in Q4 2012 / Q1 2013. A cash conservation policy that was initiated in Q1 2013 continues and capital expenditures continue to be severely constrained.

The Company must roll-over, extend, replace, or refinance existing loan facilities as they mature or arrange financings for new developments. The $12.0 million HSBC Working Capital Loan along with an associated USD$1.5 million loan guarantee fee fall due on June 30, 2013. Extension and replacement of other HSBC loans and credit lines is also under discussions. Financial support, as needed, is expected from certain related party shareholders.

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. The relative financing agreement was completed on May 23, 2013. It is expected that this facility will be drawn down in tranches over the next two months.

Subsequent to March 31, 2013, the Company reached an agreement with Procon Mining & Tunnelling Ltd. ("Procon") on a schedule of payments on the final amount of $4.0 million due in respect of a contract under which Procon provided mining services to the Cantung mine, which was included in accounts payable at March 31, 2013.

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 six months ended March 31, 2013 there was a net loss of $7.4 million (year ended September 30, 2012 the net loss was $9.8 million) and there was a deficiency of working capital of $35.3 million (September 30, 2012 - $26.0 million).
>
> As described in Note 12, following the recognition of the $16.2 million impairment provision at September 30, 2012, the Company was in breach of the debt to tangible net worth covenant of the HSBC credit facility. On January 25, 2013, HSBC waived all previous covenant breaches to September 30, 2012 and to December 31, 2012. At March 31, 2013 the Company was in breach of the covenants. Subsequently, HSBC waived the breaches.
>
> On May 23, 2013 the Company and HSBC agreed to terms for the extension of the Working Capital Loan facility (note 12) to December 31, 2013. The extension is subject to the letter of credit that is guaranteed by two directors (the "Sponsors") of the Company and the Sponsors' Put Agreement (note 21) being extended to January 15, 2014. All agreements are required to be executed by June 15, 2013. Terms are being negotiated and it is estimated that the terms for the letter of credit and the Put Agreement will be similar to the existing agreement.
>
> 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:

- Discussions on replacement of existing maturing debt, including possible extensions, will be critical; however, related party support is expected.
- On a daily / monthly basis there is significant variability in the tonnes, grade and recovery. Significant fluctuations in monthly and quarterly results should be expected due to underground constraints in mining.
- Trade accounts payable will require close management, working with vendors, in the near term.
- Capital expenditures will be held to a minimum but will eventually rise as the Company moves to make further improvements at Cantung.
- The foundation for an extended economic life for Cantung is largely in place from the fiscal 2011 and 2012 capital investments.
- Movements in the market price for tungsten concentrates.

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

Summarized Cash Flow Activity (in $000's)	Three Months Ended March 31 2013	2012	Change	Six Months Ended March 31 2013	2012	Change
Cash flow from operating activities before changes in non-cash working capital	$ (681)	$ 8,636	$ (9,317)	$ (2,415)	$ 18,353	$ (20,768)
Change in non-cash working capital	1,994	(541)	2,535	2,281	(4,192)	6,473
Provided by (used in) operating activities	1,935	8,971	(7,036)	1,079	15,495	(14,416)
Provided by (used in) investing activities	(743)	(5,992)	5,249	(3,113)	(18,701)	15,588
Provided by (used in) financing activities	(1,047)	1,656	(2,703)	464	9,557	(9,093)
Increase (decrease) in cash and cash equivalents	145	4,635	(4,490)	(1,570)	6,351	(7,921)
Cash and cash equivalents, beginning of period	409	4,716	(4,307)	2,124	3,000	(876)
Cash and cash equivalents, end of period	$ 554	$ 9,351	$ (8,797)	$ 554	$ 9,351	$ (8,797)

Statement of Financial Position (in $000's)	As at March 31 2013	December 31 2012	September 30 2012
Cash and cash equivalents	$ 554	$ 409	$ 2,124
Current assets	16,713	19,842	26,649
Total assets	74,796	77,896	80,968
Current liabilities	51,979	51,540	52,619
Total liabilities	67,410	67,307	66,367
Total liabilities includes the following: [1]			
Current financial liabilities	33,366	32,734	32,024
Non-current financial liabilities	6,869	7,250	5,344
	40,235	39,984	37,368
Shareholders' equity	7,386	10,589	14,601
Statistics:			
Working Capital [2]	(35,266)	(31,698)	(25,970)
Working Capital ratio [3]	0.32	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

At March 31, 2013 the Company had cash and cash equivalents of $0.6 million and a working capital deficiency of $35.3 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 primarily to market prices.

Q2 2013 compared to Q2 2012 for liquidity and cash flows
Cash flow from operations was $1.9 million for Q2 2013, a decrease of $7.1 million compared to cash flow from operations of $9.0 million for Q2 2012. In Q2 2013 accounts receivables increased and inventory decreased on high sales volume after the temporary decline in demand for tungsten concentrate that was experienced in Q1 2013. Accounts payable increased.

Cash outflow for investing activities for property plant and equipment and Mactung development was $0.7 million for Q2 2013 compared to $6.0 million in Q2 2012.

Cash outflow for financing activities was $1.0 million for Q2 2013 compared to a cash inflow of $1.7 million for Q2 2012. During Q2 2013 the repayment of debt exceeded new debt financing, while in Q2 2012 the Company drew on the working capital loan for $4.4 million and made regular payments on capital leases and loans of $1.3 million.

Six months ended March 31, 2013 compared to the six months ended March 31, 2012 for liquidity and cash flows
Cash flow from operations was $1.1 million for the six months ended March 31, 2013, a decrease of $14.3 million compared to cash flow from operations of $15.5 million in the comparable period. In the six months ended March 31, 2013 accounts receivables decreased by $4.3 million while inventory increased by $1.3 million and trade accounts payables decreased by $0.8 million as the Company continued to conserve cash, limited expenditures and paid down payables where possible. In the six months ended March 31, 2012 operations were strong due to high realised sales prices which allowed the Company to pay down accounts payable and accounts receivables increased.

Cash outflow for investing activities was $3.1 million for the six months ended March 31, 2013, a decrease of $15.6 million compared to $18.7 million in the comparable period. During the six months ended March 31, 2013 the Company was constructing the WWTF and acquired some mining and surface equipment while in the comparable period there was significant underground development and investment in mining equipment.

Cash outflow from financing activities was $0.3 million for the six months ended March 31, 2013, a decrease of $9.3 million compared to $9.6 million for the comparable period. During the six months ended March 31, 2013 the Company received $4.2 million in customer advances and paid down equipment loans and capital leases by $2.3 million and paid $1.6 million of interest and financing costs, while in the comparable period the Company drew $14.7 million in bank loan borrowing and the working capital loan for $4.4 million and paid down equipment loans and capital leases by $2.7 million and paid $1.5 million of interest and financing costs.

Capital Resources

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

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

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. At March 31, 2013 the Company was in breach of the covenants Subsequently, HSBC waived the breaches.

On May 23, 2013 the Company and HSBC agreed to terms for the extension of the Working Capital Loan facility (note 12) to December 31, 2013. The extension is subject to the letter of credit that is guaranteed by two directors (the "Sponsors") of the Company and the Sponsors' Put Agreement (note 21) being extended to January 15, 2014. All agreements are required to be executed by June 15, 2013. Terms are being negotiated and it is estimated that the terms for the letter of credit and the Put Agreement will be similar to the existing agreement.

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

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

The borrowing base for the bank operating loan is a percentage of 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 March 31, 2013, which the Company has executed to finance operations and the capital programs for the Cantung Mine.

Financial Debt		As at	
	March 31	December 31	September 30
(in $000's)	2012	2012	2012
Current financial debt			
Operating loan	$ 9,165	$ 8,531	$ 9,018
Working capital loan	13,304	13,063	12,832
Customer advances	2,667	2,612	768
Equipment loans and capital leases	5,604	6,068	7,053
Convertible debentures	2,626	2,460	2,353
Total	33,366	32,734	32,024
Non-current financial debt			
Customer advances	5,283	5,173	2,950
Equipment loans and capital leases	1,309	1,804	2,126
Other obligations	277	273	268
Total financial debt	40,235	39,984	37,368

Included in accounts payable at March 31, 2013 is $4.0 million which will be re-categorised as a financial debt in Q3 2013 following an agreement with the former Cantung mine contractor. A letter of intent for a USD$4.0 million line of credit has been entered into with related parties of the Company.

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	40	43	43	43	43	43	$ 255
Customer advances	-	2,667	5,283	-	-	-	$ 7,950
Equipment loans	2,628	1,567	344	-	-	-	$ 4,539
Capital leases	1,240	1,418	108	40	-	-	$ 2,806
Office leases [2]	110	223	233	245	251	84	$ 1,146
Equipment rental contracts	533	131	-	-	-	-	$ 664
	$ 4,559	**$ 6,057**	**$ 6,019**	**$ 336**	**$ 302**	**$ 135**	**$ 17,408**

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 $5.2 million in cash and $6.5 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 six months ended March 31, 2013 the Company posted $200 thousand of cash and reduced the posted secured promissory notes by $200 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 March 31, 2013 unaudited interim consolidated financial statements and long-term debt covenants which could restrict the Company's capital management options are disclosed in Note 12.

OTHER INFORMATION

Equity

Outstanding Equity Securities	As of May 23, 2013	As of March 31, 2013
Common shares	237,123,058	237,123,058
Share options	4,450,000	4,450,000
Warrants	2,000,000	2,000,000

At March 31, 2013 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 six months ended March 31, 2013 the Company recognised an expense of $11 thousand (six months ended March 31, 2012 - $113 thousand) in respect to the guarantee (See Note 11) 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 (See Note 10). For the six months ended March 31, 2013 the Company recognised an expense of $70 thousand (six months ended March 31, 2012 - $69 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 six months ended March 31, 2013 the Company recognised an expense of $422 thousand in respect of the letter of credit to these Sponsors (six months ended March 31, 2012 - $397 thousand).

During the six months ended March 31, 2013 the Company recognised $207 thousand for professional and consulting fees to directors or companies related to director(s) and $165 thousand included in interest and finance costs. During the six months ended March 31, 2012 the Company recognised $268 thousand of professional and consulting fees to directors or companies related to directors(s) and $nil included in interest and finance costs.

The above transactions were in the normal course of operations.

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 March 31, 2013 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 "should", or "believes", or "possible", or stating that certain actions, events or results "may", "could", "might", or "will" be taken to occur or be achieved) are not statements of historical fact and may be "forward-looking statements" and are intended to identify forward-looking statements, which include statements relating to, among other things, the ability of the Company to continue to conduct business successfully. Such forward-looking statements are based on the beliefs of the Company's management as well as on assumptions made by and information currently available to the Company at the time such statements were made. Except as required under applicable securities legislation, the Company does not intend, and does not assume any obligation, to update this forward-looking information.

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

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

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

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

NON-IFRS MEASURES

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

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

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

RISK AND UNCERTAINTIES

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

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

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

FINANCIAL AND DISCLOSURE CONTROLS

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

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

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

GLOSSARY OF TERMS

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