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MANAGEMENT DISCUSSION AND ANALYSIS Q3 2012
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2012

This discussion and analysis of financial position and results of operations of North American Tungsten Corporation Ltd. (the "Company"), the "Management Discussion and Analysis" (MD&A), is prepared as of August 21, 2012, and should be read in conjunction with the unaudited interim consolidated financial statements for the three and nine months ended June 30, 2012 and the audited consolidated financial statements for the year ended September 30, 2011. This MD&A reviews the business of North American Tungsten Corporation Ltd. and compares the Company's financial results for the quarter ended June 30, 2012 (Q3 2012) with those of the quarter ended June 30, 2011 (Q3 2011). It similarly reviews results for the nine months ended June 30, 2012 with those of the nine months ended June 30, 2011. 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.

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

The June 30, 2012 financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including IAS 34 "Interim Financial Reporting" and IFRS 1 "First-Time Adoption of IFRS". For comparative purposes, all financial statement amounts relating to periods after September 30, 2010, have been restated in accordance with IFRS. All periods prior to there remain unchanged from the numbers originally reported under Canadian Generally Accepted Accounting Principles ("Canadian GAAP" or "CGAAP"). Note 2 of the unaudited interim consolidated financial statements of the Company disclose the Company's significant accounting policies. All $ figures in the tables are in thousands of CDN dollars unless otherwise specified (except per share, option prices, warrant prices and per unit information).

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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HIGHLIGHTS

Cash flows from operating activities were $5.7 million for Q3 2012 despite a 13 day weather-related suspension of production. For the nine months period, operating cash flows were $20.2 million. The temporary production suspension accounted for most of the $2.2 million net loss recorded in Q3 2012.

The net income of $6.9 million for the first nine months of fiscal 2012 compared to a net loss of $10.6 million over the nine months period of the 2011 fiscal year, for most of which the Cantung mine was in ramp up mode following restart in October 2010. Key highlights and comments are as follows:

- 2012 net earnings reflect strong sales prices, partially offset by increased unit costs due to much higher depreciation
  - the net loss was $2.2 million in Q3 2012, down from net income of $2.5 million in Q2 2012 and $1.8 million net income in Q3 2011
  - realised sales prices have been strong throughout the first nine months of fiscal 2012
  - revenues were $21.7 million in Q3 2012 and $81.6 million for the first nine months of fiscal 2012
  - tungsten sales revenues averaged $369/mtu in Q3 2012 and $370/mtu for the first nine months of fiscal 2012

- EBITDA remains strong
  - EBITDA is a non-IFRS measure, see" Summary of Financial Results"
  - EBITDA was $3.5 million for Q3 2012 and $22.8 million for the nine months ended June 30, 2012

- In June 2012 large areas of southern Yukon Territories were affected by flooding due to significant rainfall combined with rapidly melting snowpack which caused closures on the Alaska Highway, the Robert Campbell Highway and many other key transportation routes. Mining operations at Cantung were temporarily suspended for 13 days due to the closure of the Nahanni Range Road, the sole ground transportation link to the mine, due to multiple road washouts.
  - lost production was estimated to be 10,000 mtus during Q3 2012
  - cost of goods sold for Q3 2012 includes approximately $1.2 million incurred due to the suspension of operations
  - the temporary suspension of operations allowed for maintenance to be performed in the mill
  - the mine resumed production in late June 2012
  - concentrate inventories at June 30, 2012 were low due to the temporary suspension of production. Sales in Q4 2012 will accordingly be adversely affected

- Amortization and depreciation have increased
  - Amortization and depreciation of $4.6 million was recognized in Q3 2012 and $12.8 million for the nine months ended June 30, 2012. This has increased from $1.0 million recognized in Q3 2011 and $2.0 million in the nine months period of 2011.
  - depreciation is higher for ore from the West Extension development
  - it is an objective to increase West Extension resources and reduce depreciation unit costs

- Costs of mining has increased
  - higher cost contract mining continued in Q3 but was completed before the end of Q3 2012
  - due to the closure of the Nahanni Range Road, 13 days production were lost in Q3 2012
  - due to distance, the cost of transportation from the West Extension zones is higher

- Capital outlays remain high
  - Cantung outlays were $6.1 million in Q3 2012 and $24.2 million for the nine months ended June 30, 2012
  - the current improvement program for mine development, ventilation and back-fill was largely completed in Q3 2012, with future capital programs under review with a view to increasing net cash flow

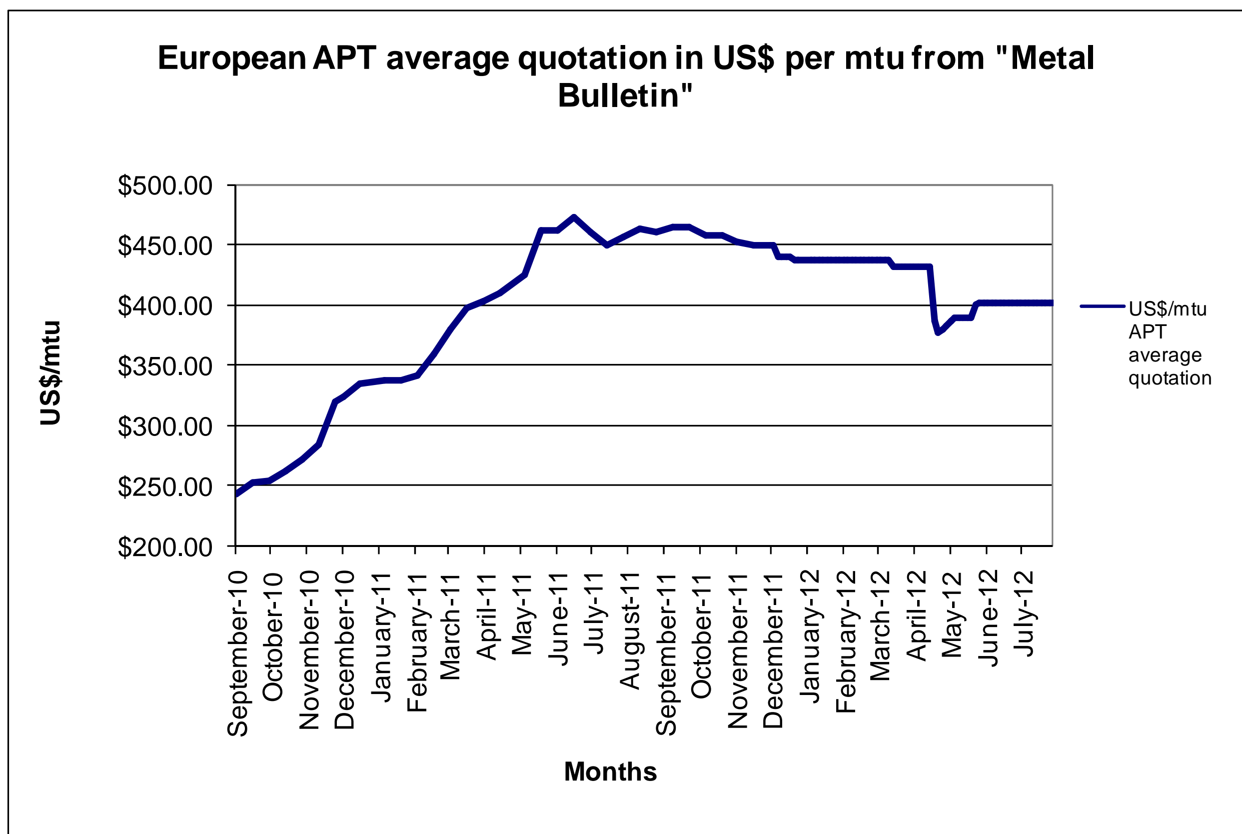
- Debt outstanding has decreased to $32.6 million at June 30, 2012 from $39.8 million at March 31, 2012
  - bank loans primarily premised on working capital decreased by $5.9 million in Q3 2012 to $17.8 million from $23.6 million in Q2 2012
  - net repayments on equipment loans and capital leases were $0.6 million in Q3 2012 and $3.2 million in the nine months ended June 30, 2012

Cantung milled an average of 984 tonnes per operating day in Q3 2012 which was an improvement from 922 tonnes per operating day in Q2 2012 but down from 1,119 tonnes in Q3 2011 (operating days do not include the 13 days during which production was suspended in Q3 2012). The feed grade was less than recent quarters and averaged 0.93% WO_3 with an average

recovery of 75.1% in Q3 2012. The feed grade averaged 1.03% WO_3 with an average recovery of 78.4% in Q3 2011. The temporary suspension of production, average feed grade and average recovery in Q3 2012 contributed to the net loss of $2.2m for the quarter. On a daily / monthly basis there is significant variability in the tonnes, grade and recovery. Significant fluctuations in monthly and quarterly results must be expected until development of additional zones provides more flexibility in mining.

TUNGSTEN PRICE

The average Metal Bulletin ammonium paratungstate ("APT") European Free Market Quotation in US dollars ("USD") was USD$402.50/mtu at June 30, 2012 and is USD$402.50/mtu at August 8, 2012.



- Prices forecast for APT from Roskill Information Services "Tungsten: Market Outlook to 2016, 10th edition 2011", are between USD$350/mtu and USD$440/mtu through 2016 and take into account growing demand and anticipated new sources of supply coming into the market.
- Quotations for APT had flattened into a range between USD$455.00/mtu to USD$430.00/mtu during the first six months of fiscal 2012. In April 2012, the average quotation declined to a low of $377.50/mtu and then recovered to $402.50/mtu. The Company expects that APT quotations will remain strong for 2012 and 2013 due to strong demand and limited near term supply.
- During Q3 2012, the Company's average sales realization per mtu was over 80% of APT market quotations, while in fiscal 2011 sales realization per mtu lagged behind the market due to the sales contract terms and delays in deliveries.
- The average price realised on the Company's concentrate sales was USD$369.02/mtu during Q3 2012 and was USD$261.25/mtu in fiscal 2011 as compared to the average APT quotation for Q3 2012 of USD$399.60 and the average APT quotation for fiscal 2011 of USD$393.36/mtu (APT quotations are Metal Bulletin European quotations, the basis for most concentrate pricing).

OPERATIONS

Cantung Mine

An access drift and a ventilation raise were completed in June 2012 improving access in the West Extension. The mill processed 249,112 tonnes of ore with an average grade of 1.06% WO_3 at an average mill recovery of 76.2% during the first nine months of fiscal 2012.

Production was suspended, and the workforce reduced to a skeleton crew, for approximately 13 days in June due to multiple road washouts on the Nahanni Range Road that prevented movement of products, operating supplies and personnel. 53,516 mtus were produced in Q3 2012 compared to 71,729 mtus in Q2 2012 and 76,628 mtus in Q1 2012. The feed grade averaged 0.93% WO_3 with an average recovery of 75.1% in Q3 2012, which compares with the feed grade average of 1.12% WO_3 with an average recovery of 76.0% in Q2 2012.

Capacity, efficiency, ventilation and underground access were upgraded in 2011 and are continuing to be improved with the 2012 capital programs.

Underground and surface diamond drilling is progressing with the objective of adding to minable resources. Various underground targets have been identified of which the principal is the Amber Zone. Drilling is also proceeding on targets in the PUG Zone.

The mining industry in Northern Canada has been impacted by increasing cost pressures on operating costs with respect to labour, energy and supplies. Personnel turnover/retention continues to be and may remain to be an issue going forward as long as the mining sector remains robust as there is a limited supply of individuals with the required skill sets.

Mactung Project Update

Development of the Mactung project is a significant part of the Company's future operations given the size and scope of the deposit. The National Instrument 43-101 Compliant Technical Report on the Mactung Property, Yukon Territory, Canada ("Feasibility Study") dated April 3, 2009 prepared by Wardrop, A Tetra Tech Company showed a $276 million NPV and a $402 million capital expenditure requirement, all based on an ammonium paratungstate ("APT") price of USD$300 per mtu. It will be necessary for the Company to seek and obtain financial partner(s) to fully develop the project to operational status. The development of the Mactung project will enhance the Company's position as a leading supplier of tungsten concentrate.

In order to most effectively and responsively move forward to create greater shareholder value from Mactung, the Company's Board of Directors established a special committee in Q2 2011 to explore all strategic alternatives relating to the Mactung deposit. The Board believes that the value of the Mactung deposit is not currently reflected in the Company's share price. The timing of the Company's decision takes into account the status of the permitting and licensing, historically high tungsten prices, significant global merger and acquisition activities, a growing worldwide demand for tungsten and related significant potential shortfalls in worldwide tungsten supply. The special committee has garnered significant interest from several industry leaders and the process to most effectively and responsively move the project forward to create greater shareholder value will continue during fiscal 2012.

The Company has provided all supplemental information as requested by the Yukon Environmental and Socio-economic Assessment Board ("YESAB") on the Mactung Project Proposal pursuant to the Yukon Environmental and Socio-economic Assessment Act ("YESAA"). The Company continued with water sampling programs for surface monitoring, hydrology and groundwater quality. The Company filed its Supplementary Information Request response to YESAB on May 24, 2012. YESAB Executive Committee has determined that the information submitted is satisfactory and the proposal status is now at the developing Draft Screening Report Stage. Due to additional information requested and submitted, YESAB has extended the draft report deadline to October 12, 2012. The Company has ramped up the water quality sampling with samples now being collected monthly in order to have the required data for the water license application that will follow the YESAA report.

The Yukon Territorial Government has issued a class IV mining land use permit (#LQ00253) to allow continuing exploration and development of the Mactung property. The permit includes road construction and underground development.

Government and community relations discussions are continuing during 2012.

FINANCE

Further efforts will be made to improve the Company's capital structure.

Within the next year, it may be important that new financings can be arranged; debt rolled-over or otherwise extended; and cash flows from operations maximized.

The Company has negative working capital and high debt levels. Net cash flows from operations have been positive in fiscal 2012 but were exceeded by total capital spending at the Cantung mine.

It will also be important that planned levels of production can be achieved and the market price for tungsten remains strong. Significant factors that may impact the Company's financial position include the possible level of future capital spending for the Mactung project and outlays that may be required at the Cantung mine particularly for tailings management. Cash to be generated from future Cantung operations will be subject to the various risks associated with mining and, for the immediate future, continuing risks of fluctuating feed grades and output.

A secured $12.0 million Working Capital Loan was arranged with HSBC and was drawn down during Q1 2012, with the proceeds in part utilized to pay down trade payables.

In Q3 2012 the Company negotiated with HSBC to increase the operating loan from $8.0 million to $12.0 million. In addition, HSBC agreed to accept interest only payments from April 30, 2012 to September 30, 2012 on two of the equipment loans, with the deferred principal repayments (totalling $1.4 million) added to the remaining amortization term of the loans.

SUMMARIZED FINANCIAL RESULTS

Operating highlights	**Nine Months Ended** June 30		**Three Months Ended** June 30	
	2012	2011	2012	2011
Tonnes Milled	249,112	257,796	76,735	101,873
Feed Grade %	1.06	0.98	0.93	1.03
Recovery%	76.2	74.6	75.1	78.4
Tungsten concentrate produced (mtu's)	201,873	171,352	53,516	74,652
Tungsten concentrate sold (mtu's)	210,512	156,219	56,662	69,002
Average realised sales price $US/mtu	$ 370.38	$ 233.66	$ 369.02	$ 272.30
Costs of sales per mtu[1]	$ 316.80	$ 283.47	$ 390.16	$ 236.51
Copper sold (lbs)	650,796	244,447	160,158	244,447
Copper revenue	$ 2,598	$ 1,078	$ 619	$ 1,078
Quarterly average $US foreign exchange rate (US$1 to CDN)	1.0118	0.9887	$ 1.0105	$ 0.9691
Financial Data (in $000's)				
Revenues	$ 81,560	$ 38,103	$ 21,731	$ 19,287
Mine site cost of sales:				
Mine	21,301	18,936	7,045	6,632
Mill	7,841	7,906	2,408	2,883
Power generation and surface maintenance	12,672	10,760	3,856	3,839
Site administration and environmental	9,784	8,248	3,324	2,894
Subtotal	51,598	45,850	16,633	16,248
Inventory change, adjustments and write-downs	2,323	(3,579)	869	(924)
Amortization and depreciation	12,770	2,012	4,605	996
Mine site cost of sales	66,691	44,283	22,107	16,320
Freight, handling and conversion	1,707	933	518	542
Royalties	799	372	213	188
Other costs	2,506	1,305	731	730
Gross margin[2]	$ 12,363	$ (7,485)	$ (1,107)	$ 2,237
Net earnings (loss)	$ 6,943	$ (10,571)	$ (2,172)	$ 1,767
EBITDA[3]	$ 22,798	$ (7,217)	$ 3,504	$ 3,324

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

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

2) Gross margin is determined by taking revenue less mine site cost of sales less other costs excluding accretion of reclamation liabilities

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

REVIEW OF FINANCIAL RESULTS

Following re-start of operations in early October 2010, ramp up issues significantly affected results through the first half of fiscal 2011. Profitability was achieved in Q3 2011. Comparisons of the 9 month periods ended June 30, 2012 and 2011 are significantly affected by the 2011 ramp up issues and inefficiencies. Comparisons of Q3 2012 and Q3 2011 are meaningful, but were affected by the 13 day weather-related suspension of operations in Q3 2012.

Three months ended Q3 2012 compared to Q3 2011 for revenue and cost of goods sold

Net loss for Q3 2012 was $2.2 million or ($0.01) per share (basic and diluted), compared to a net income of $1.8 million or $0.01 per share in Q3 2011. The net loss for Q3 2012 was impacted by the following factors:

- Realised sales prices have been considerably higher in fiscal 2012, as the impact of improved markets in 2011 was delayed due to contractual pricing terms and delivery delays. Average realised sales price was USD$369.02/mtu in Q3 2012 or 36% higher than the USD$272.30/mtu realised in Q3 2011.
- Mine site operating costs excluding amortization and depreciation increased slightly to $16.6 million in Q3 2012 from $16.2 million in Q3 2011.
- Reflecting amortization of the high capital cost of accessing the West Extension, amortization in Q3 2012 was $4.6 million compared to $1.0 million in Q3 2011. Unit costs in Q3 2012 were also impacted by lower production and additional costs arising from the 13 day weather-related suspension of production in June 2012 that also resulted in tungsten concentrate inventories being written down by $0.3 million to net realizable value.
- Revenues were $21.8 million on sales of 56,662 mtus with an average realised sales price of $372.89/mtu (USD$369.02/mtu) and cost of sales of $390.16/mtu for a margin of negative $17.27/mtu net of freight and royalties compared to $19.3 million for Q3 2011 on the sale of 69,002 mtus with an average realised sales price of $263.88/mtu (USD$272.30/mtu) and cost of sales of $236.51/mtu for a margin of $27.37/mtu net of freight and royalties. Included in the revenue of $21.8 million was $0.6 million for the sale of 160,158 lbs of copper which is a by-product of the tungsten mining compared to $1.1 million for sales of 244,447 lbs of copper in the three months ended June 30, 2011.
- In June 2012 large areas of southern Yukon Territories were affected by flooding due to significant rainfall combined with rapidly melting snowpack which caused closures on the Alaska Highway, the Robert Campbell Highway and many other key transportation routes. Mining operations at Cantung were suspended for 13 days due to the closure of the Nahanni Range Road, the sole ground transportation link to the mine, due to multiple road washouts. The estimated loss of production during the 13 days was 10,000 MTUs. The estimated cost incurred on the temporary suspension of operations was approximately $1.2 million which is included in the cost of sales for the nine months ended June 30, 2012.
- Tungsten concentrate production for Q3 2012 was 53,516 mtus from a mill feed of 76,735 tonnes with an average grade of 0.93% WO_3 and average mill recovery of 75.1% compared to production of 74,652 mtus from a mill feed of 101,873 tonnes with an average grade of 1.03% WO_3 and average mill recovery of 78.4%.

Nine months ended June 30, 2012 compared to nine months ended June 30, 2011 for revenue and cost of goods sold

Net income for the nine months ended June 30, 2012 was $6.9 million or $0.03 per share (basic and diluted), compared to a net loss of $10.6 million or ($0.05) per share for the nine months ended June 30, 2011. The net income for the nine months ended June 30, 2012 was impacted by the following factors:

- Revenues increased to $81.6 million on the sale of 210,512 mtus with an average realised sales price of $374.60/mtu (USD$370.38/mtu) and cost of sales of $316.8/mtu for a margin of $57.8/mtu net of freight and royalties for the nine months ended June 30, 2012 compared to $38.1 million on the sale of 156,219 mtus with an average realised sales price of $231.11/mtu (USD$233.66/mtu) and cost of sales of $283.47/mtu for a negative margin of $52.36/mtu net of freight and royalties for the nine months ended June 30, 2011. Included in the revenue of $81.6 million was $2.6 million for the sale of 650,796 lbs of copper which is a by-product of the tungsten mining compared to $1.1 million for the sale of 244,447 lbs of copper in the nine months ended June 30, 2011.
- Tungsten concentrate production for the nine months ended June 30, 2012 was 201,873 mtus from a mill feed of 249,112 tonnes with an average grade of 1.06% WO_3 and average mill recovery of 76.2% compared to production of 171,352 mtus from a mill feed of 257,796 tonnes with an average grade of 0.98% WO_3 and average mill recovery of 74.6%.
- Basic and diluted earnings per share were $0.03 for the period compared to ($0.05) for the nine months ended June 30, 2011.

Expenses & Other Items

Financial data (in $000's)	Three Months Ended June 30 2012	2011	Change	Nine Months Ended June 30 2012	2011	Change
Expenses:						
General and administrative	$ 823	$ 603	$ 220	$ 2,498	$ 2,060	$ 438
Accretion of financial liabilities	352	126	226	1,030	348	682
Interest and financing costs	797	487	310	2,402	1,232	1,170
Equity loss of TDI	68	(16)	84	272	361	(89)
Stock based compensation	4	-	4	204	54	150
Loss (gain) on disposal of assets	(14)	21	(35)	(14)	19	(33)
Interest and other income	(78)	(59)	(19)	(347)	(74)	(273)
Foreign exchange (gain)	(227)	(67)	(160)	(240)	(134)	(106)
	$ 1,725	$ 1,095	$ 630	$ 5,805	$ 3,866	$ 1,939
Other items:						
Gain (loss) on revaluation of derivative liability	$ 660	$ 637	$ 23	$ 385	$ 617	$ (232)
Recovery of deferred income taxes	$ -	$ (8)	$ (8)	$ -	$ 163	$ 163

Q3 2012 compared to Q3 2011 for expenses and other items

- For Q3 2012 accretion of financial liabilities increased to $352 thousand from $126 thousand in Q3 2011. During Q1 2012 the Company arranged the $12.0 million working capital loan. Accretion of $220 thousand was recognized during Q3 2012 with respect to the guarantee on the working capital loan agreement (Q3 2011 - $nil).
- Interest and financing costs increased to $797 thousand in Q3 2012 compared to $487 thousand in Q3 2011 primarily due to the Company having $32.6 million of interest and finance cost bearing obligations at June 30, 2012 compared to $26.8 million at June 30, 2011.

Nine months ended June 30, 2012 compared to the nine months ended June 30, 2011 for expenses and other items

- For the nine months ended June 30, 2012 accretion of financial liabilities increased to $1,030 thousand from $348 thousand for the nine months ended June 30, 2011. Accretion has increased due to the addition of the convertible debentures in Q1 2011, which resulted in the recognition of $385 thousand of accretion for the nine months ended June 30, 2012 compared to $335 thousand for the nine months ended June 30, 2011. During Q1 2012 the Company arranged the $12.0 million working capital loan. Accretion of $632 thousand was recognized during the nine months ended June 30, 2012 with respect to the guarantee on the working capital loan agreement (nine months ended June 30, 2011 - $nil).
- Interest and financing costs increased to $2,402 thousand for the nine months ended June 30, 2012, compared to $1,232 thousand for the nine months ended June 30, 2011. The Company invested $24.2 million in property, plant and equipment during the nine months ended June 30, 2012 which significantly increased the amount of interest and finance cost bearing obligations outstanding during the period compared to the nine months ended June 30, 2011.
- During the nine months ended June 30, 2011, the Company was in the process of bringing the mine back into production after the shutdown and ramping up production. During the nine months ended June 30, 2012, the Company was in full production and as such, general and administrative expenses increased by $438 thousand from the comparable period with additional salaries and benefits, office costs and audit fees.
- The gain on revaluation of derivative liability decreased to $385 thousand for the nine months ended June 30, 2012 from $617 thousand for the nine months ended June 30, 2011. The derivative is the conversion feature in the convertible debenture and the value of the derivative fluctuates based on the share price of the Company compared to the effective conversion price for the convertible debenture and fluctuations in the USD/CAD exchange rates. The Company's share price had decreased from $0.26 at September 30, 2011 to $0.23 at June 30, 2012 while the effective conversion price of the convertible debenture was $0.45, which decreased the value of the conversion feature which is recognized as a gain to the Company. In the comparable period similar events had occurred to generate a gain.

SUMMARY OF QUARTERLY INFORMATION

in $000's, except per share amounts	2012 Q3	2012 Q2	2012 Q1	2011 Q4	2011 Q3	2011 Q2	2011 Q1	2010 * Q4
Revenue	$ 21,731	$ 33,407	$ 26,422	$ 17,549	$ 19,287	$ 11,446	$ 7,370	$ 32
Net earnings (loss)	$ (2,172)	$ 2,522	$ 6,593	$ (4,907)	$ 1,767	$ (7,952)	$ (4,386)	$ (5,946)
Income (Loss) per share, basic and diluted	$ (0.01)	$ 0.01	$ 0.03	$ (0.02)	$ 0.01	$ (0.04)	$ (0.02)	$ (0.03)
Cash flow from operations before changes in non-cash working capital	$ 2,358	$ 8,637	$ 9,718	$ 1,145	$ 2,279	$ (7,122)	$ (4,101)	$ (5,598)

* These figures are CGAAP as they are pre-transition to IFRS

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 Q3 2011 and then have flattened;
- efforts to ramp up production levels at the Cantung Mine following its closure between October 2009 and October 2010;
- the exchange rate of the USD to the Canadian dollar impacts revenue as sales are denominated in USD; and
- improved levels of production, grade and mill recoveries due to the capital expenditures
- Q3 2012 was effected by a 13 day suspension of production due to the closure of the Nahanni Range Road caused by multiple road washouts

LIQUIDITY, CAPITAL RESOURCES AND GOING CONCERN

Liquidity and Going Concern

The Company has negative working capital and high debt levels. Net cash flows from operations have been positive in fiscal 2012. There are significant factors that may impact liquidity. These include the possible level of future capital spending for the Mactung project and outlays required at the Cantung mine particularly for tailings management and storage. Cash to be generated from future Cantung operations will be subject to the various risks associated with mining and for the immediate future, increased risks of fluctuating output.

Although operating cash flows improved significantly in the first nine months of fiscal 2012, they were exceeded by outlays for property, plant and equipment. Capital expenditures relating to on-going mine development, tailings management and storage and other projects are under review at present.

There are risks that the Company may be unable to roll-over, extend or refinance existing loan facilities as they mature or arrange financings for new developments. New financing initiatives are being sought and it is planned to maximize net cash flows from the existing operation.

A secured $12.0 million Working Capital Loan was arranged with HSBC and was drawn down during Q1 2012, with the proceeds in part utilized to pay down trade payables.

In Q3 2012 the Company negotiated with HSBC to increase the operating loan from $8.0 million to $12.0 million. In addition, HSBC agreed to accept interest only payments from April 30, 2012 to September 30, 2012 on two of the equipment loans, with the deferred principal repayments (totalling $1.4 million) added to the remaining amortization term of the loans.

Note 1 of the unaudited interim consolidated 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 nine months ended June 30, 2012, the net income was $6.9 million (year ended September 30, 2011, the net loss was $15.5 million) and there was a deficiency of working capital of $25.4 million (September 30, 2011 - $23.1 million). As described in Note 14, the Company acknowledged a breach with the conditions of its bank operating loan during the year ended September 30, 2011 and the Company's bank has agreed to forbear certain covenant breaches provided that amended covenants are met in the future. At June 30, 2012, the Company was not in breach of the covenants.

The Company's ability to continue as a going concern is dependent upon on its ability to meet its covenants related to its HSBC Credit Facilities (the "Bank" or "HSBC"), continued shareholder support and its ability to generate positive cash flows from the Cantung operations. Additional funding may be required for development and working capital. Eventual development of the Mactung project will require further major external funding. While the market price for tungsten remains strong, there is no assurance that the Company will succeed in arranging all necessary finance or maintain the continuing support of its creditors.

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 balance sheet classifications used. The adjustments would be material."

Liquidity Outlook

Factors that will impact liquidity in the forthcoming months:

- Various capital improvements have been completed in fiscal 2011 and 2012. The Company is reviewing further capital expenditures mooted for tailings management and storage and underground mine development. The Company's objective is to improve future net cash flows and improve its liquid position.
- The Company expects that APT quotations will remain strong for 2012 and 2013 due to strong demand and 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 must be expected until development of additional zones provides more flexibility in mining.

Cash flows for the three and nine months ended June 30, 2012 compared to 2011

Summarized Cash Flow Activity (in $000's)	Three Months Ended June 30			Nine Months Ended June 30		
	2012	2011	Change	2012	2011	Change
Cash flow from operating activities before changes in non cash working capital	$ 2,358	$ 2,279	$ 79	$ 20,713	$ (8,944)	$ 29,657
Change in non-cash working capital	2,698	(7,487)	10,185	(2,428)	(9,089)	6,661
Provided by (used in) operating activities	5,688	(4,934)	10,622	20,234	(17,461)	37,695
Provided by (used in) investing activities	(6,428)	(3,411)	(3,017)	(25,129)	(13,614)	(11,515)
Provided by (used in) financing activities	(7,393)	5,303	(12,696)	3,113	30,951	(27,838)
Increase (decrease) in cash and cash equivalents	(8,133)	(3,042)	(5,091)	(1,782)	(124)	(1,658)
Cash and cash equivalents, beginning of period	9,351	5,194	4,157	3,000	2,276	724
Cash and cash equivalents, end of period	$ 1,218	$ 2,152	$ (934)	$ 1,218	$ 2,152	$ (934)

Statement of Financial Position (in $000's)	As at June 30, 2012	2011
Cash and cash equivalents	$ 1,218	$ 2,152
Current assets	20,116	20,622
Total assets	90,766	77,653
Current liabilities	45,494	34,163
Total financial debt, including current portion [1]	32,588	26,833
Total liabilities	105,101	83,174
Shareholders' equity	31,159	28,643
Statistics:		
Working Capital [2]	(25,378)	(13,541)
Working Capital ratio [3]	0.44	0.60

1 - Includes current and long-term portions of operating line, bank loans, capital leases, customer advances and convertible debenture and other financial liabilities

2 - Current assets less current liabilities

3 - Current assets divided by current liabilities

Q3 2012 compared to Q3 2011 for liquidity and cash flows

At June 30, 2012, the Company had cash and cash equivalents of $1.2 million and a working capital deficiency of $25.4 million compared to cash and cash equivalents at March 31, 2012 of $9.4 million and a working capital deficiency of $9.5 million. The working capital deficit increased due to the working capital loan of $12.6 million being classified as current at June 30, 2012. It is due to be repaid June 30, 2013. Previously it was classified as long-term.

In addition to a loss of sales due to the June temporary suspension of production, other adverse factors were lower average grade and mill recoveries in Q3 2012. Direct costs of the suspension were $1.2 million included in cost of goods sold.

Cash flows from operations were $5.7 million in Q3 2012 which was a significant increase from a cash outflow of $4.9 million for Q3 2011.

Cash flow from operations was $5.7 million for Q3 2012, an increase of $10.6 million compared to a use of cash by operations of $4.9 million for Q3 2011. In Q3 2012 accounts receivables and inventories were reduced consequent to the 13 day suspension of production, while accounts payables remained flat, this contributed to the positive cash flows from operations. In Q3 2011 accounts receivables and inventories were accumulating and accounts payable were being paid down.

Cash flow used in investing activities increased to $6.4 million for Q3 2012 compared to $3.4 million in Q3 2011.

Cash flow from financing activities was a cash outflow of $7.4 million for Q3 2012 compared to a cash inflow of $5.3 million for Q3 2011. During Q3 2012 loans and capital leases decreased by $0.6 million and bank loan borrowings decreased by $6.1 million. During Q3 2011 $6.0 million was drawn from bank loan borrowings and loans and capital leases decreased by $0.3 million.

Nine months ended June 30, 2012 compared to the nine months ended June 30, 2011

At June 30, 2012, the Company had cash and cash equivalents of $1.2 million and a working capital deficiency of $25.4 million compared to cash and cash equivalents at September 30, 2011 of $3.0 million and a working capital deficiency of $23.1 million.

Cash flow from operations was $20.2 million for the nine months ended June 30, 2012 compared to a use of cash by operations of $17.5 million for the nine months ended June 30, 2011. The increase in cash flow from operations for the nine months ended June 30, 2012 was due to revenue increasing to $81.6 million, gross margin increased to $12.4 million and net income increasing to $6.9 million compared to revenue of $38.1 million, gross margin of negative $7.5 million and a net loss of $10.6 million for the nine months ended June 30, 2011.

Cash flow used in investing activities increased to $25.1 million for the nine months ended June 30, 2012, as the Company paid $24.2 million for investment in property, plant and equipment relating to capital expenditure program, compared to $13.1 million in the nine months ended June 30, 2011. The property, plant and equipment additions were financed partially from operations and from proceeds from the working capital loan which was used to pay down trade accounts payable.

Cash flow from financing activities was $3.1 million for the nine months ended June 30, 2012 compared to $31.0 million for the nine months ended June 30, 2011. During the nine months ended June 30, 2012, the Company received proceeds of $12.0 million from the working capital loan, decreased the bank operating loan by net $3.4 million, paid down $3.2 million in equipment loans and capital leases and paid $2.2 million in interest and financing costs. During the nine months ended June 30, 2011, the Company received proceeds of $13.3 million from equity unit issuances, increased loans and capital leases by net $9.6 million, received $2.9 million on the issuance of convertible debentures, drew $6.0 million on the bank loan borrowings and paid $0.9 million in interest and financing costs.

The Company arranged a secured $12.0 million Working Capital Loan with HSBC which was drawn down during Q1 2012, with the proceeds utilized to pay down trade payables. 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.

Capital Resources

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

The Company has a working capital loan, an operating loan and other facilities provided by HSBC.

As part of these credit facilities there is a general security agreement in favour of HSBC over the Cantung mine and associated assets.

The Bank agreed to forbear a breach of covenanted statement of financial position ratios that would have otherwise affected fiscal 2011. The Bank has agreed to forbear these breaches provided that:

- the debt to tangible net worth ratio does not exceed 3.5:1 for fiscal 2012;
- the consolidated current assets to current liabilities ratio at no time is less than 0.5:1 for fiscal 2012.

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 Company has not breached the bank covenant during fiscal 2012.

The credit facilities are subject to periodic review by the Bank.

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

The credit facility contains the following financial covenants:

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

Loans, capital leases and other debt finance

The Company has equipment loans and capital leases, an operating loan, a working capital loan and convertible debentures outstanding at June 30, 2012, which the Company has executed to finance the capital programs for the Cantung Mine.

Share issuances

On March 31, 2011 the Company closed a bought-deal private placement of 23,000,000 units (the "Units") of the Company which includes the exercise in full of the over-allotment options for 3,000,000 additional Units, for aggregate gross proceeds of $11.5 million (the "Offering"). The Units were sold at a price of $0.50 per Unit. Each Unit consists of one common share in the capital of the Company (a "Common Share") and one-half of a share purchase warrant. Each warrant entitles the holder to purchase one Common Share at a price of $0.75 for a period of two years, expiring March 31, 2013.

The Company paid the Underwriters a cash fee of $625 thousand and 1,250,000 broker units (the "Broker Units"). Each Broker Unit is exercisable into one common share and one-half of a share purchase warrant at a price of $0.75, expiring on March 31, 2013. Professional and regulatory fees totalling $375 thousand were incurred in connection with the financing.

The planned and actual use of proceeds from the bought deal private placement is as follows:

Planned Use Of Proceeds
Short Form Prospectus Dated March 24, 2011

(in $000's)			
Gross Proceeds	$ 11,500		
Commissions	$ 625		
Net Proceeds	$ 10,875		
Expected use		**Use of Proceeds to June 30, 2012**	**Balance Use of Proceeds**
Expenses of the Offering	$ 375	$ 375	$ -
Mactung Project	1,500	950	550
Cantung Mine Development	4,000	4,000	-
Cantung Mine Equipment	1,000	1,000	-
Working Capital	4,000	4,000	-
Total	**$ 10,875**	**$ 10,325**	**$ 550**

Contractual Obligations

	Payments due in years ended September 30						
Contractual Obligations	2012[1]	2013	2014	2015	2016	2017	TOTAL
Mactung leases	$ 8	$ 8	$ 8	$ 8	$ 8	$ 8	$ 48
Cantung leases	18	43	43	43	43	43	$ 233
Customer advances	1,273	-	-	3,054	-	-	$ 4,327
Equipment loans	233	6,247	1,188	344	-	-	$ 8,012
Capital leases	427	722	40	24	-	-	$ 1,213
Office leases[2]	58	58	-	-	-	-	$ 116
Mactung royalty agreement[3]	-	-	-	1,000	-	-	$ 1,000
	$ 2,017	$ 7,078	$ 1,279	$ 4,473	$ 51	$ 51	$ 14,949

1 - Figures in the 2012 column represent payments for the remainder of fiscal 2012.

2 - The office lease requires a monthly payment of $18 thousand which includes estimated operating costs and expires on December 31, 2012.

3 - See note 10 for details of the Mactung royalty agreement requirements

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, of which the Company has posted $4.9 million in cash and $6.8 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.

Any security amounts owing under the license and monies owed by way of secured promissory notes are secured by a Reclamation Security Agreement charging specific assets. Any funds in excess of ultimate reclamation costs will be returned to the Company.

During the nine months ended June 30, 2012, the Company posted $300 thousand of cash and reduced the posted secured promissory notes by $300 thousand.

OTHER INFORMATION

Equity

Outstanding Equity Securities	As of August 21, 2012	As of June 30, 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 June 30, 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 nine months ended June 30, 2012, the Company recognized an expense of $154 thousand (nine months ended June 30, 2011 - $262 thousand) in respect to the guarantee to a director.

Directors of the Company participated directly and indirectly in the USD$2.87 million convertible debentures financing as to USD$1.37 million. For the nine months ended June 30, 2012, the Company recognized an expense of $104 thousand (nine months ended June 30, 2011 - $91 thousand) of interest on the convertible debentures.

On October 13, 2011, two directors of the Company sponsored (the "Sponsors") the Company for the HSBC Working Capital Loan (see Note 14), by issuing 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 funding 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 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.

During the nine months ended June 30, 2012, the Company recognized an expense of $612 thousand in respect to the letter of credit to these directors. A fee of $12 thousand was paid to Queenwood, which has directors in common and common ownership interests in the Company, to arrange the letter of credit for the Company.

During the nine months ended June 30, 2012, the Company recognized $360 thousand for professional and consulting fees to directors or companies related to director(s) (nine months ended June 30, 2011 - $428 thousand).

Accounts receivable includes a note receivable from TDI for $0.1 million at June 30, 2012 (June 30, 2011 - $0.1 million).

On July 31, 2012, the Company sold its interest in TDI and related assets to Tundra Particle Technologies, LLC that has common ownership interest with the Company. The assets sold were a 43.2% ownership interest and the Company's inventory of tungsten intermediates. The note receivable from TDI is to be settled by September 30, 2012. An agreement concerning supply of concentrates by the Company was terminated. The Company retains non-exclusive rights to technology. The transaction proceeds approximate the total carrying value of the relative assets at June 30, 2012.

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.

Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires management to make assumptions and estimates that affect the amounts reported in the financial statements and notes thereto. Financial results as determined by actual events could be different from those estimates. Significant areas requiring such estimates are depreciation, impairment analysis, stock based compensation, asset retirement obligations, inventory, life of mine assumptions and the composition of future income taxes. Although management believes the estimates used in preparing its financial statements are reasonable, actual results may be different from these estimates.

The significant accounting policies of the Company are described in Note 2 of the June 30, 2012, unaudited interim consolidated financial statements. The policies which the Company believes are the most critical to assist with understanding and evaluating its reported financial results include the following:

Revenue recognition
Revenue is recognized when it is probable that the economic benefits will flow to the Company and delivery has occurred, the sales price is fixed or determinable, and collectability is reasonably assured. These criteria are generally met at the time the product is shipped and delivered to the customer and, depending on the delivery conditions, title and risk have passed to the customer and acceptance of the product, when contractually required, has been obtained.

Tungsten concentrates are sold under pricing arrangements where final prices are determined by quoted market prices in a period prior to the date of sale.

Copper concentrates are sold under pricing arrangements where final prices are determined based on quoted market prices for the refined product in a period subsequent to the date of sale. Final pricing is generally determined three to four months after the date of sale. Revenues are recorded provisionally at the time of sale based on forward prices for the expected date of the final settlement. Subsequent variations in price are recognized as revenue adjustments as they occur until the price is finalized.

See "Commodity Price Risk" in the Financial Instruments section of this MD&A for further explanation of the potential impact due to price fluctuations of commodities.

Asset Impairment
Property, plant and equipment and any intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Inventories
Concentrate inventory is comprised of tungsten and copper concentrates. Intermediates comprise products that have been further upgraded to ammonium paratungstate (APT), tungsten blue oxide (TBO) and other tungsten products. Tungsten inventories include all direct costs incurred in production including labour, materials, cost of freight to the mine site, depreciation and attributable overhead costs of administration at the mine site. Net realizable value for intermediates and tungsten concentrate inventories is determined based on the Company's average realised tungsten sales price for the month.

Copper concentrate is a by-product of the tungsten production process. The cost of copper inventory is determined based on the relative sales value approach, where the total production costs for the period when the copper was produced are allocated based on the estimated sales value of the copper compared to the estimated sales value of the tungsten. Net realizable value for copper inventories is determined based on the market sales price for copper at the end of the reporting period less the costs to sell.

Ore stockpile inventory consists of stockpiled ore on the surface and includes all directly attributable costs up to that point of production.

Supplies inventory is valued at average cost.

All inventories are carried at the lower of cost and net realizable value. If the net realizable value of an item of inventory is below its cost, it is written down to net realizable value in the period. In subsequent periods, if the circumstances that caused the inventory to be written down below cost no longer exist or there is clear evidence of an increase in net realizable value has occurred, the write down can be reversed to the extent that the new carrying amount is the lower of the original cost or the revised net realizable value.

Asset Retirement Obligation

Provision is made for closure, restoration and environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the financial period when the related obligation arises, based on the estimated future costs using the best information available at the balance sheet date. At the time of establishing the provision, a corresponding asset is capitalised to property, plant and equipment as a reclamation asset, where it gives rise to a future benefit. The provision is discounted using a current market based pre-tax discount rate and the unwinding of the discount is included in finance costs.

The provision is reviewed each reporting period for changes to obligations, legislation or discount rates that impact estimated costs or lives of operations. The cost of the related asset is adjusted for changes in the provision resulting from changes in the estimated cash flows or discount rate and the adjusted cost of the asset is depreciated prospectively.

At September 30, 2011, the Company reviewed the reclamation liability. The Company estimated that additional third party specialists would be utilized for the removal of hazardous waste and building materials from the site. The liability also increased for estimated costs relating to the control of water from underground facilities. The Company increased the estimated costs of erosion protection for tailings ponds and for post closure site monitoring activities. The Company discusses reclamation plans with regulators when there has been significant new mine developments and on an on-going basis with respect to the expectations of the types and levels of reclamation activities to be performed.

The Company's total undiscounted amount of estimated cash flows required to settle the Cantung mine reclamation obligation is $8.0 million (September 30, 2011 - $8.0 million) which has been discounted using a current market based pre-tax discount rate of 1.3%. The majority of the reclamation work is estimated to commence during fiscal 2014 through fiscal 2016 but this timing could be deferred if the life of the mine is extended due to the discovery of additional reserves or due to the reprocessing of tailings. The reclamation obligation reflects the Company's best estimates of costs and timing of reclamation work. The estimated liability will be revised in the future for changes to the mine reclamation plan, changes in regulations and the on-going discussions with the regulators. Changes may become necessary as a result of continuing reviews of site conditions, estimated costs and contingencies provided and could result in increases or decreases in the amount of the provision.

Recent trends in regulatory expectations in Northern Canada are to require protection against catastrophic events possible within an extended and up to 1,000 year scenario; while monitoring activities are being extended in some cases to 30 years following closure of operations. Accordingly, the Company's updated reclamation plan reflects on-going discussions with regulators, provision for increased estimated costs to protect the river basin, to seal the underground mine complex and incorporates increased utilization of specialized contractors to handle the disposal of certain buildings.

The Company plans to carry out most reclamation work using its own organization. By contrast, the security posted under the water license is based on the mobilization and demobilization of third party crews to carry out all necessary work. Security posted in cash and secured promissory notes therefore exceeds the Company's cost estimate.

Financial Instruments

Financial Assets and Liabilities

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

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

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

Cash and cash equivalents	Loans and Receivables
Trade and other receivables	Loans and Receivables
Accounts payable and accrued liabilities	Other Financial Liabilities
Bank operating and working capital loans	Other Financial Liabilities
Equipment loans and capital leases	Other Financial Liabilities
Convertible debentures - interest bearing portion	Other Financial Liabilities
Other obligations	Other Financial Liabilities
Derivatives	Fair-Value-Through Profit or Loss

Financial Risk Factors

a. Fair value

The Company has financial assets and liabilities which include cash and cash equivalents, reclamation deposits, trade and other receivable, accounts payable, bank loans, equipment loans and capital leases and the interest bearing component of the convertible debentures, the carrying values of which approximate fair values.

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

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

Categories of Financial Assets and Liabilities

The fair value of all of the Company's financial assets and liabilities were determined based on level 2 inputs. The Company has no financial assets or liabilities that have fair value determined based on level 3 inputs.

The Company has determined the estimated fair values of its financial instruments based upon appropriate valuation methodologies. The fair values of the cash and cash equivalents, trade and other receivables, reclamation deposits, accounts payable and accrued liabilities, bank operating loan, bank working capital loan and other obligations approximate their carrying values due to their short-term nature and high level of liquidity. The interest bearing portion of the convertible debentures and the equipment loans are carried at amortized cost which approximates the fair value of the liabilities.

b. Risk exposure and risk management

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

i. Foreign Exchange Risk

The Company operates on an international basis and therefore, foreign exchange risk exposures arise from transactions denominated in a foreign currency. The foreign exchange risk arises primarily with respect to the USD. The cash flows from Canadian ("CND") operations are exposed to foreign exchange risk as commodity sales are denominated in USD, and the majority of operating expenses are in Canadian dollars. For the nine months ended June 30, 2012, with other variables unchanged a $0.01 strengthening (weakening) of the Canadian dollar against the USD would result in a decrease (increase) of $0.8 million on net earnings.

At June 30, 2012, the Company held USD denominated bank balances of $1.1 million, accounts receivable of $10.8 million, accounts payable of $0.5 million and loans and other financial liabilities of $5.0 million. At September 30, 2011, the Company held USD denominated bank balances of $2.7 million, accounts receivable of $6.5 million, accounts payable of $0.4 million and loans and other financial liabilities of $4.8 million.

ii. Credit Risk

The Company is exposed to credit-related losses in the event of non-performance by counterparties to the financial instruments. Credit exposure is minimized by dealing with only credit worthy counterparties and by having Economic Development Canada ("EDC") insure the Company's receivables from its primary customers for up to 90% of the total outstanding amounts. Accounts receivable for four of the primary customers totalled $10.9 million at June 30, 2012 (September 30, 2011 – four customers totalled $6.9 million), all of which is current. At June 30, 2012, no trade and other receivables were past due or impaired.

The maximum exposure of the Company to credit risk is represented by the amounts shown in the balance sheet for cash and cash equivalents and accounts receivable. Cash and cash equivalents are deposited with a Tier-1, high credit quality financial institution, as determined by ratings agencies.

iii. Interest Rate Risk

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

At June 30, 2012, $0.03 million (September 30, 2011 - $0.03 million) of guarantee investment certificates carried floating interest rates of under 1.0%. For financial liabilities, interest is payable on the equipment loans and capital leases, with interest rates ranging from 4.50% to 16.00%. Equipment loans carry rates of Bank Prime + from 1.75% to 3.75%. HSBC bank financing carry rates of Bank Prime + from 0.25% to 2.0% (see Note 14).

For the nine months ended June 30, 2012, with other variables unchanged, a 1.0% increase in the HSBC Bank prime rate would decrease net earnings by $0.2 million for the period.

iv. Liquidity Risk

The Company manages liquidity risk by maintaining adequate cash and cash equivalent balances and by appropriately utilizing lines of credit. Management continuously monitors and reviews both actual and forecasted cash flows and also matches the maturity profile of financial assets and liabilities. The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash and cash equivalents. The Company's cash and cash equivalents are invested in bank accounts and bankers' acceptances which are available on demand for the Company's programs. Liquidity risk is mitigated on customer receivables as the Company insures customer receivables through Export Development Canada or receives an advance payment prior to shipment of product. Additional information regarding liquidity risk is disclosed in Note 1 and Note 14. The Company's contractual obligations are disclosed in Note 18.

v. Commodity Price Risk

The value of the Company's mineral resource properties is related to the price of tungsten. The Company does not have any hedging or other commodity based risks respecting its operations.

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

For the nine months ended June 30, 2012, with other variables unchanged, a USD$10.00 increase or decrease in the realised price per MTU (Metric Tonne Unit) of tungsten concentrate would increases (decrease) net earnings by $2.1 million based on the sales volume for the period. The Company has not hedged any of its sales and has not entered into forward sales contracts with fixed tungsten concentrate prices.

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;
- to ensure compliance with debt covenants; 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 14 to the financial statements.

International financial reporting standards ("IFRS")

The Canadian Accounting Standards Board ("AcSB") announced that 2011 is the changeover date for publicly accountable enterprises to use IFRS, replacing Canada's own GAAP. The changeover was effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The three months ended December 31, 2011, was the first reporting period under IFRS.

Full disclosure of the Company's accounting policies in accordance with IFRS can be found in Notes 2 to those financial statements. Those financial statements also include reconciliations of the previously disclosed comparative periods financial statements prepared in accordance with Canadian generally accepted accounting principles to IFRS as set out in Note 29.

The interim consolidated financial statements should be read in conjunction with the Canadian GAAP annual financial statements for the year ended September 30, 2011. Note 29 disclose IFRS information for the year ended September 30, 2011, that is material to the understanding of these consolidated interim financial statements. Note 29 of the consolidated interim financial statements for the nine months ended June 30, 2012 provides the IFRS reconciliation for the comparative period ended June 30, 2011.

First-time Adoption Exemptions Applied

IFRS 1, which governs the first-time adoption of IFRS, generally requires accounting policies to be applied retrospectively to determine the opening statement of financial position on our transition date of October 1, 2010 and allows certain elective exemptions from retrospective application on the transition to IFRS. The elections the Company has chosen to apply and that are considered significant to the Company include decisions to:

- Not restate previous business combinations and the accounting thereof under "IFRS 3 - Business Combinations";

- Not apply “IFRS 2 - Share-based Payments” to liabilities arising from share-based payment transactions that had vested before October 1, 2010;

- Apply “IFRIC 1 - Changes in Existing Decommissioning, Restoration and Similar Liabilities” as of the date of transition to IFRS. IFRIC 1 requires specified changes in decommissioning, restoration or similar liabilities to be added to or deducted from the cost of the asset to which it relates and the adjusted depreciable amount of the asset to then be depreciated prospectively over its remaining useful life;

- Apply the requirements of “IAS 23 -Borrowing Costs” to capitalize borrowing costs on qualifying assets effective October 1, 2010; and

- Apply the “IAS 21 - The Effect of Changes in Foreign Exchange Rates” election to reset the cumulative translation adjustment reserve for all foreign operations to zero at October 1, 2010; and

- Apply the “IAS 17 – Leases” election which allows entities to determine whether an arrangement contains a lease based on the facts and circumstances at the transition date rather than at the lease inception date.

Explanation of the Adjustments between Canadian GAAP to IFRS

The following paragraphs explain the significant differences between Canadian GAAP and the current IFRS accounting policies applied by the Company. These differences result in the adjustments in the reconciliations above.

i. Reclamation liabilities

The adjustment on transition to IFRS measures the reclamation liabilities in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The Company applied the IFRS 1 exemption to not retrospectively apply IFRIC 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities. This optional exemption allowed the Company to apply a short-cut method and record an adjustment for the opening depreciated cost of the decommissioning and restoration asset under IFRS on transition. Under IFRS, the reclamation liability is required to be recalculated using a period ending discount rate at each reporting period. The change in the discount rate is adjusted through the reclamation asset and liability. Accordingly, at October 1, 2010 and June 30, 2011 no adjustment was required due to assumptions and discount rates under CND GAAP being immaterially different from the assumptions required by IFRS. At September 30, 2011, the Company recorded an adjustment to increase the reclamation asset relating to the Cantung Mine by $0.66 million with an offsetting increase the reclamation liability by $0.66 million. With the adjustment to the reclamation asset occurring on September 30, 2011, there is no impact to the Statement of Comprehensive Income for the year ended September 30, 2011.

Under IFRS, accretion of a reclamation liability is considered a financing activity and as such the accretion expense is included in interest and financing costs rather than being disclosed as a separate expense. The impact in the Statement of Other Comprehensive Income for the year ended September 30, 2011 is to reduce the accretion on reclamation obligation and to increased the interest and financing costs by $148 thousand and for the three and six months ended June 30, 2011 to decrease the accretion of reclamation obligation and to increase the interest and financing costs by $37 thousand and $74 thousand respectively.

ii. Current portion of loans and capital leases

As detailed in Note 14, the Company has a credit facility with HSBC which contained debt covenants. The Company acknowledged a breach of the net tangible worth ratio and the current assets to current liabilities ratio during the 1st quarter of fiscal 2011 and HSBC provided a waiver of the breach subsequent to December 31, 2010. Under IFRS, a covenant breach that provides the lender the right to demand repayment of the loan that is not remedied prior to the reporting date requires that the entire amount of the affected loan be classified as a current liability until the default is remedied. As such, the $182 thousand long-term portion of the equipment loans has been classified as current at October 1, 2010 and $3.95 million at June 30, 2011.

iii. Convertible debentures

Under CND GAAP, the debentures had been classified into the debt and equity components using the credit adjusted rate. The carrying amount of the financial liability was first determined by discounting the stream of future principal and interest payments at the rate of interest (12.5%) prevailing at the date of issue for instruments of similar term and risk. The equity component equalled the amount determined by deducting from the carrying amount of the compound

instrument the amount of the debt component. For accounting purposes, the debt component was assigned a value of $2.744 million (USD$2.693 million) and the conversion rights were assigned a value of $0.181 million (USD$0.177 million).

Note 12 details the accounting treatment for the Convertible Debentures under IFRS, with the conversion feature treated as an embedded derivative (liability) and fair valued at inception and the residual allocated to the interest bearing portion of the liability. In addition, when a conversion feature allows the holder to convert the financial liability at the holder's option without any restriction, this is the equivalent of the liability being due on demand and as such the amount of the financial liability that can be converted is classified as a current liability.

As the convertible debentures were not issued until October 28, 2010, there is no impact to the October 1, 2010, opening IFRS Statement of Financial Position. At June 30, 2011, in the IFRS statement of financial position, current liabilities increased by $3.0 million, long-term liabilities decreased by $2.6 million and equity decreased by $0.2 million. For the six months ended June 30, 2011, in the statement of comprehensive income, accretion increased by $184 thousand, foreign exchange gain decreased by $67 thousand and $32 thousand of transaction costs were capitalized into the determination of the fair value of the convertible debentures, a loss on revaluation of the derivative liability of $20 thousand was recognized with the net comprehensive loss increasing by $239 thousand. For the three months ended June 30, 2011, in the statement of comprehensive income, accretion increased by $109 thousand, foreign exchange loss increased by $26 thousand and $32 thousand of transaction costs were capitalized into the determination of the fair value of the convertible debentures, a loss on revaluation of the derivative liability of $144 thousand was recognized with the net comprehensive loss increasing by $279 thousand. At September 30, 2011, in the IFRS Statement of Financial Position, current liabilities increased by $2.5 million, long-term liabilities decreased by $2.9 million and equity decreased by $0.2 million. For the year ended September 30, 2011, in the Statement of Comprehensive Income, accretion increased by $401 thousand, foreign exchange gain increased by $39 thousand and $32 thousand of transaction costs were capitalized into the determination of the fair value of the convertible debentures, a gain on revaluation of the derivative liability of $614 thousand was recognized with the net comprehensive loss decreasing by $614 thousand

iv. Share capital

Under CND GAAP, the Company issued flow-through shares prior to the date of transition to IFRS. Under CND GAAP, the flow-through shares were recognized in share capital at the issuance price. When the tax benefits of the exploration expenditures are renounced to the flow-through shareholders, the Company recognizes a reduction of share capital for the renounced tax assets at the applicable tax rate.

Under IFRS, the flow-through shares are recognized into share capital at the closing price on the date of issuance with the premium paid for the flow-through shares recognized as a liability. When the tax benefits of the exploration expenditures are renounced to the flow-through shareholders, the Company recognizes a deferred income tax expense in the Statement of Comprehensive Income with the offset to Deferred Income Taxes on the Statement of Financial Position.

As the flow-through share issuances and renouncements occurred prior to the date of transition to IFRS, the impact that would have occurred in the Statement of Comprehensive Income is recognized in the opening Deficit in the Statement of Financial Position. At October 1, 2010, the Company recognized an increase to share capital of $311 thousand with an increase in the deficit of $311 thousand.

v. Accumulated Other Comprehensive Income ("AOCI")

Under CND GAAP, stand-alone foreign subsidiaries are translated into the Parent's functional currency using the temporal method where monetary items are translated at the closing rate, non-monetary items and equity are translated at historical rates and net income is translated at the average rate.

Under IFRS, items included in the financial statements of each consolidated entity are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars ("CND"), which is the functional currency of North American Tungsten Corporation, the Parent Company. The financial statements of entities that have a functional currency different from that of the Parent ("foreign operations") are translated into Canadian dollars as follows: assets and liabilities – at the closing rate at the date of the statement of financial position, and income and expenses – at the average rate of the period (as this is considered a reasonable approximation to actual rates). All resulting changes are recognized in other comprehensive income as cumulative translation adjustments ("CTA").

Due to the different methodologies, the Company foreign operations were retranslated at October 1, 2010, and under the IFRS 1 election for "IAS 21 - The Effect of Changes in Foreign Exchange Rates", the Company elected to reset the

cumulative translation adjustment reserve for all foreign operations to zero at October 1, 2010. The net effect was to reduce the carrying value of the Investment in TDI by $1.1 million and to increase the opening deficit by $1.1 million. For the three months ended December 31, 2010, the effect was to reduce the Investment in TDI by $1.3 million, recognize a CTA of $133 thousand and a net reduction to the deficit of $1.1 million. For the six months ended June 30, 2011, the effect was to reduce the Investment in TDI by $1.4 million, increase the equity loss on TDI by $5 thousand, recognized a CTA of $257 thousand and a net reduction to the deficit of $1.1 million. For the three months ended June 30, 2011, the effect was to reduce the Investment in TDI by $132 thousand, reduce the deferred income tax liability by $5 thousand, increase the equity loss on TDI by $1 thousand recognized a CTA of $124 thousand and a net increase to the deficit of $2 thousand. For the year ended September 30, 2011, the effect was to reduce the Investment in TDI by $382 thousand with a net reduction to the deficit of $400 thousand. In addition, for the year ended September 30, 2011, TDI recorded a net loss of USD$10.3 million which included impairment provisions totalling USD$9.0 million in respect of property, equipment, licenses and patents. Under CND GAAP, the Company's share was to record as an equity loss of $5.3 million which reduced its net investment in TDI to $0.95 million. Due to the change in methodologies under IFRS, the Company's share of the equity loss was reduced by $750 thousand to $4.6 million which reduced its net investment in TDI to $0.6 million.

The Company incurred in excess of $60 thousand relating to the transition to IFRS.

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 MEASURERS

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.

Glossary of Terms

Term	Definition
APT	Ammonium paratungstate is an intermediate product which is one of the principal chemical forms in which tungsten is traded
Capex	Capital expenditure requirement to develop a project
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
TBO	Tungsten blue oxide is a finely divided blue-violet crystalline powder used primarily for the production of tungsten metal powder and tungsten carbide
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
West Extension	A continuation (down dip and to the west) of the main E-Zone ore body
WO_3	Tungsten tri-oxide (containing 79.33% W) a compound of tungsten and oxygen