NORTH AMERICAN TUNGSTEN CORPORATION LTD

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REMARKS FROM THE CEO

Fellow shareholders,

With over $100 million in sales revenues in fiscal 2012, your Company continues to grow. It intends to maintain and enhance its position as one of the major suppliers of tungsten concentrates in the western world. In support of this aim, it has invested $54 million over the past two years in fixed assets of its Cantung operating mine as well as pressing on with the permitting process at its large Mactung project.

The Company expects that demand for tungsten concentrates in the future will outstrip mine supply. China is increasingly an importer of concentrates. Releases from strategic stockpiles are reducing as stockpiles dwindle. There are cyclical effects, as witnessed by a fall in tungsten quotations throughout the second half of calendar 2012, but the outlook overall is promising. With a high grade mine, improved facilities and the high grade Mactung project the Company's strategy appears sound.

The capital expenditure programs have, however, caused debt levels to rise. Liquidity is a concern, as is the recent, downturn in tungsten market quotations. In 2013, capital expenditures are being severely curtailed.

In fiscal 2012, net income was affected by increased depreciation charges which reflected the recent high capital outlays. In addition, falling market prices for tungsten and other indicators led to a $16.2 million impairment charge and a net loss. These charges do not take full account of the potential for additional resources and improvements to mining and milling operations.

For the future, I am excited by the potential to add to the Cantung mineral base and to make further improvements. The Company is studying a possible project for recovery of tungsten from tailings of prior year's operations. The preliminary figures are very encouraging and we plan to follow these up with more detailed work.

In 2013, we need to work to improve our debt levels. At the same time, we plan to make progress on improving the Cantung mine operations as well as permitting and financing the next stage at Mactung.

I would like to thank all our stakeholders, including our shareholders, workforce, suppliers and management for their support and dedication.

Stephen Leahy
Chairman and CEO

This discussion and analysis of financial position and results of operations of North American Tungsten Corporation Ltd. (the "Company"), the "Management Discussion and Analysis" (MD&A), is prepared as of January 25, 2013, and should be read in conjunction with the 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 September 30, 2012 (Q4 2012) with those of the quarter ended September 30, 2011 (Q4 2011) and the results for the year ended September 30, 2012 with those for the year ended September 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 ("TSX-V").

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

The September 30, 2012 financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board 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 October 1, 2010 remain unchanged from the numbers originally reported under Canadian Generally Accepted Accounting Principles ("Canadian GAAP" or "CGAAP"). Note 2 of the consolidated financial statements of the Company disclose the Company's significant accounting policies. All $ figures in the tables are in thousands of Canadian ("CDN") dollars unless otherwise specified (except per share, option prices, warrant prices and per unit information). The Company's presentation and functional currency is the CND dollar.

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

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OVERVIEW

Operating results for fiscal year 2012, ended September 30, 2012, improved significantly from the previous year. Sales prices realised were much higher, averaging USD$367/mtu as compared to a USD$261/mtu average in fiscal 2011. Tonnages mined, average grade of ore milled and metallurgical recoveries all were higher in fiscal 2012.

The initially very strong tungsten market weakened in the later months of the year and fell further in Q1 2013. Sales prices, however, are still historically high. As of January 2013, customer interest is again significant and price quotations have firmed.

Cash flows from operating activities were $21.1 million in fiscal 2012 (2011 – $12.8 million negative).

At the Cantung mine, much of the ore mined in fiscal 2012 came from sections served by the new West Extension access way, which had a high capital cost. Principally as a result of mining from the West Extension, depreciation and amortization included in cost of sales increased from $3.5 million in fiscal 2011 to $19.9 million in fiscal 2012.

Due to the adoption of IFRS accounting policies and lower tungsten prices in the second half of calendar 2012, the Company reviewed the carrying value of the Cantung mine. As required by IFRS the review was based on current conditions and took no account of improvements which likely will be initiated at the mine.

An impairment of $16.2 million has been computed and provided based on an assessment of the Cantung mine as it is at present. The lower carrying value for the Cantung assets will result in lower depreciation charges in the future.

The net comprehensive loss for fiscal 2012 was $9.8 million (2011 - $15.5 million). Without the impairment, fiscal 2012 would have recorded positive net income of $6.3 million and EBITDA (a non-IFRS measure – see Summary of Financial Results below) of $30.3 million as compared with $15.5 million net loss and EBITDA of negative $10.3 million recorded in fiscal 2011.

Expenditures on fixed capital on the Cantung mine exceeded the Company's cash flow from operating activities and debt increased. A $12.0 million working capital loan was arranged with the Company's bankers, with guarantees provided by two directors of the Company. Debt outstanding increased to $37.4 million at September 30, 2012 (2011 - $28.0 million). While capital expenditures in fiscal 2013 are being reduced to a minimum, liquidity will remain a concern.

Discussions are being held with potential business partners for both Mactung and Cantung. A special committee of the board of directors has been formed and is monitoring this process.

The greatest potential for additional shareholder value continues to lie with the large Mactung project. In addition recent forward studies of the potential of the Cantung mine raise the possibility of an extended life.

Potential at Cantung

Management firmly believes in the long-term potential of the Cantung mine.

The impairment provision recorded in fiscal 2012 reflects the high expenditures incurred in recent years in improving the mine and developing new mining zones, particularly the West Extension. It is based on tonnages and grades of ore that can be reliably estimated for planning purposes based on the mine in its current condition and excluding possible improvements. It takes account of the recent fall in market prices and assumes recovery during 2013 and 2014.

There is significant potential to extend the life of the mine through underground and surface exploration. The mine developments have opened new zones from which underground exploration can progress. Exploration in and around the old open pit is promising and may add tons that can be mined at low cost. In the future, developments under study may permit the mining of lower grade ore. In that case, the potential for further additional tonnage is considerable. The potential for new zones and other improvements could not be taken into account in assessing impairment.

Note that, while the grades of ore being mined now are less than the bonanza grades delivered from the E-zone in the early years of the mine, the grades are still very high compared to competitors and possible competitor projects that have been proposed or are in development.

Importantly, the Company is currently assessing its ability to recover tungsten from the considerable tonnages of process tailings at the mine. Initial calculations and test work reveal that this could be a compelling development.

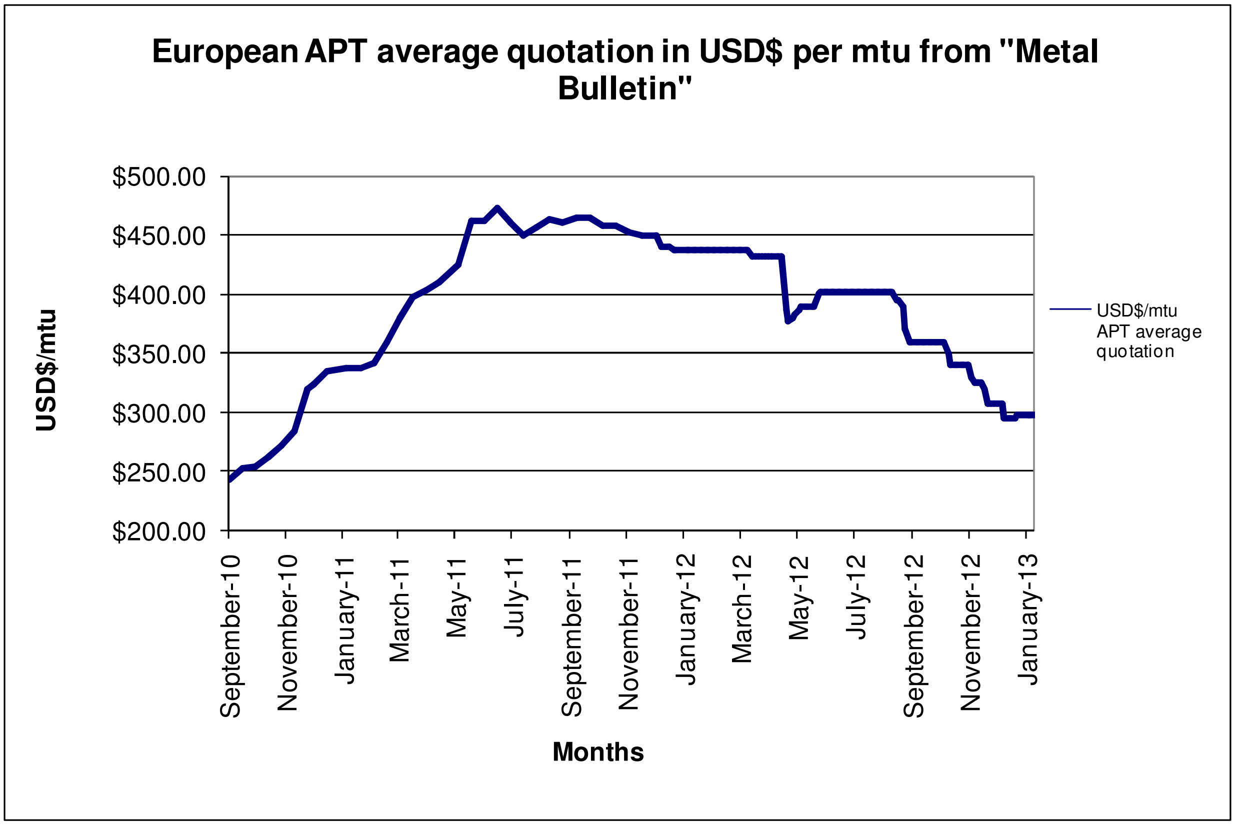
Management's belief in the long-term potential of the mine is evidenced by the capital expenditures of recent years. These expenditures totalled $54.0 million over the past two fiscal years. They included $26.5 million for mining development to access new zones (principally the West Extension) as well as new, modern mining equipment including haul trucks. On surface, expenditures included improved power generation, many detailed improvements to process equipment that have helped raise mill recoveries and necessary outlays on tailings impoundments.

Summary of Capital Investments	For the years ended					
		September 30		**September 30**		**Total**
(in $000's)		**2012**		**2011**		
Mine Development	$	14,027	$	12,453	$	26,480
Mine Equipment		6,182		4,578		10,760
Power Generation & Heat Recovery		993		4,210		5,203
Mill Equipment & Buildings		830		1,187		2,017
Tailings Management		2,540		2,878		5,418
Reclamation		600		3,561		4,161
Total Capital Investment	$	25,172	$	28,867	$	54,039

Additional capital expenditures will be required as the Company moves to develop further improvements, but the foundation for an extended economic life for Cantung is largely in place.

TUNGSTEN PRICE

The average Metal Bulletin ammonium paratungstate ("APT") European Free Market Quotation in US dollars ("USD") was USD$360/mtu at September 30, 2012 and was USD$298/mtu at January 9, 2013.



- Quotations for APT flattened into a range between USD$455/mtu to USD$430/mtu during the first six months of fiscal 2012. A substantial decline commenced in Q4 2012 and continued to decline to a low of USD$295/mtu in December 2012. The average quotation for APT at January 9, 2013 was USD$297/mtu. The Company expects that APT quotations will rise during 2013 and thereafter due to limited supply and increasing global demand.

- As of January 2013, the Company negotiated new delivery contracts with an existing customer as well as a new customer. Thereafter, the Company has three main delivery contracts for tungsten concentrate which expire during fiscal 2014 and 2015. The contractual delivery prices for tungsten concentrates continue to be based on the market quotations for APT.

- Prices forecast for APT in 2011 by 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.

OPERATIONS

Cantung Mine

The mill processed 338,726 tonnes of ore with a feed grade average of 1.05% WO_3 with an average mill recovery of 76.9% for fiscal 2012 compared to 354,609 tonnes of ore with a feed grade average of 0.93% WO_3 with an average mill recovery of 75.3% for fiscal 2011. 70,713 mtus were produced in Q4 2012 with a feed grade average of 1.00% WO_3 and an average recovery of 79.0% compared to 53,516 mtus in Q3 2012, 71,729 mtus in Q2 2012 and 76,628 mtus in Q1 2012. In Q3 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.

Capacity, efficiency, ventilation and underground access were upgraded in 2011 which continued to be improved with the 2012 capital programs. An access drift and a ventilation raise were completed in fiscal 2012 improving access in the West Extension. A hydraulic back-fill plant and system were completed in October 2012 which will allow for tailings disposition in mined underground areas.

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

Underground diamond drilling has temporarily been suspended. The drilling is planned to recommence in Q2 / Q3 2013 after the core has been processed. Various underground targets have been identified. Core from drilling on the Amber Zone is currently being processed. A surface drill program in Q4 2012 in the PUG area intersected targets that will be followed up on with future drill programs.

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 has improved but 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.

Impairment of the Cantung Mine property, plant and equipment

At September 30, 2012, due to significant decline in market quotations for tungsten in the second half of calendar 2012 and other indicators of possible impairment, the Company reviewed the carrying value of the Cantung assets for impairment. As a result of the review, it was determined that the Cantung assets were impaired and an impairment charge of $16.2 million was recognised to reduce the carrying value to the recoverable amount. The recoverable amount was determined based on the value in use method using discounted future cash flows at a discount rate of 12.5%. The estimated future cash flows utilized in the value in use models incorporated the Company's best estimates of future tungsten production based on the mine plans, estimates of future APT quotations, operating costs and residual values.

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 net present value and a $402 million capital expenditure requirement, all based on an ammonium paratungstate ("APT") price of USD$300/mtu. It will be necessary for the Company to seek and obtain financial partner(s) to fully develop the project to operational status. It is anticipated that the development of the Mactung project would further 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 2013.

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. The Company had 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.

In October 2012 YESAB's delivered the Draft Screening Report for public comments which is a significant milestone for the Mactung Project, moving it closer to the finalization of the environmental assessment as required under YESAA. The Company has since received a request for additional information.

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 continued during 2012 and will continue during 2013.

FINANCE

In fiscal 2012, debt levels increased despite strong operating results for the first three quarters. Further efforts will be made to improve the Company's capital structure. A cash conservation policy is being followed.

Within fiscal 2013, it will be necessary for a significant portion of debt be rolled-over, or replaced, or otherwise extended; new financings be arranged; capital expenditures strictly controlled; 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 as a whole but were exceeded by total capital spending at the Cantung mine. Operating results were negative by year-end with a $0.6 million net loss for Q4 2012 before the recognition of the impairment.

It will also be important that strong levels of production be achieved and the market price for tungsten remains strong and APT quotations appreciate from the current level. 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.

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. The term of the loan expires on June 30, 2013 and it will be necessary for the $12.0 million loan along with an associated USD$1.5 million fee for guaranteeing the loan to be rolled-over; term extended; or replaced with alternate financing. Management is assessing the financing options available to the Company and considering alternate financial arrangements.

In Q3 2012 the Company negotiated with HSBC to increase the operating loan from $8.0 million to $12.0 million.

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. On January 25, 2013, HSBC waived all previous covenant breaches to September 30, 2012 and to December 31, 2012. The Company and HSBC are discussing revised covenants to be established for future periods.

SUMMARIZED FINANCIAL RESULTS

Operating highlights	Year Ended September 30 2012	Three Months Ended September 30 2012	June 30 2012	March 31, 2012	December 31, 2011	Year Ended September 30 2011
Tonnes Milled	338,726	89,614	76,735	83,917	88,460	321,699
Feed Grade %	1.05	1.00	0.93	1.13	1.12	0.93
Recovery %	76.9	79.0	75.1	75.9	77.4	75.3
Tungsten concentrate produced (mtu's)	272,586	70,713	53,516	71,729	76,628	224,279
Tungsten concentrate sold (mtu's)	282,064	71,551	56,662	82,862	70,989	212,023
Average realised sales price $US/mtu	$ 367	$ 359	$ 369	$ 378	$ 362	$ 261
Costs of sales per mtu[1]	$ 332	$ 342	$ 403	$ 339	$ 257	$ 297
Copper sold (lbs)	806,843	148,480	160,158	498,205	-	278,977
Copper revenue	$ 3,139	$ 560	$ 553	$ 2,026	$ -	$ 997
Quarterly average USD$ foreign exchange rate (USD$1 to CDN)	1.0078	$ 0.9958	$ 1.0105	$ 1.0020	$ 1.0230	0.9863
Financial Data (in $000's)						
Revenues	$ 107,524	$ 25,964	$ 21,731	$ 33,407	$ 26,422	$ 55,652
Cost of sales:						
Mine operating costs:						
Mine	27,954	6,653	7,045	8,140	6,116	24,469
Mill	10,585	2,744	2,408	2,647	2,786	10,374
Power generation and surface maintenance	17,144	4,472	3,856	4,523	4,293	14,426
Site administration and environmental	13,453	3,669	3,324	3,302	3,158	11,363
Mine operating costs:	69,136	17,538	16,633	18,612	16,353	60,632
Inventory change, adjustments and write-downs	1,306	(1,017)	869	3,233	(1,779)	(3,013)
Amortization and depreciation	19,934	7,164	4,605	5,150	3,015	3,499
Freight, handling and conversion	2,241	534	518	782	407	1,224
Royalties	1,051	252	213	326	260	544
Cost of sales:	93,668	24,471	22,838	28,103	18,256	62,886
Gross margin[2]	$ 13,856	$ 1,493	$ (1,107)	$ 5,304	$ 8,166	$ (7,234)
Net earnings (loss)	$ (9,843)	$ (16,786)	$ (2,172)	$ 2,522	$ 6,593	$ (15,475)
EBITDA[3]	$ 30,303	$ 7,505	$ 3,504	$ 8,752	$ 10,542	$ (10,253)

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

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

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

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

SUMMARY OF ANNUAL INFORMATION

Financial Data (in $000's, except per share amounts)	September 30 2012	For the years ended September 30 2011	September 30 2010 *
Statement of Financial Position			
Total assets	$ 80,968	$ 82,973	$ 49,927
Total long-term liabilities	$ 13,748	$ 16,784	$ 11,387
Earnings and Cash Flow			
Revenue	$ 107,524	$ 55,652	$ 13,792
Cash flow from operating activities	$ 21,135	$ (12,820)	$ (2,800)
Net earnings (loss)	$ (9,843)	$ (15,475)	$ (11,937)
Net earnings (loss) per share			
- basic	$ (0.04)	$ (0.07)	$ (0.06)
- diluted	$ (0.04)	$ (0.07)	$ (0.06)
Dividends			
Cash Dividends declared per share	nil	nil	nil

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

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 year ended September 30, 2012 (fiscal 2012) and 2011 are significantly affected by the 2011 ramp up issues and inefficiencies.

Three months ended Q4 2012 compared to Q4 2011 for revenue and cost of goods sold
Net loss for Q4 2012 was $16.8 million or ($0.07) per share (basic and diluted), compared to a net loss of $4.9 million or $0.02 per share in Q4 2011. The net loss for Q4 2012 was impacted by the following factors:

- Realised sales prices have been considerably higher in fiscal 2012 than fiscal 2011. The average realised sales price was USD$359/mtu in Q4 2012 or 13% higher than the USD$317/mtu realised in Q4 2011.
- Mine operating costs increased to $17.3 million excluding amortization and depreciation in Q4 2012 compared to $15.8 million in Q4 2011. On a per MTU sold basis, mine operating costs decreased to $242/mtu in Q4 2012 compared to $284/mtu in Q4 2011 as a result of the investment in mill efficiencies and due to lower utilization of costly production contract miners.
- Amortization in Q4 2012 was $7.2 million compared to $1.5 million in Q4 2011 which reflects the high capital cost of accessing the West Extension.
- Revenues were $26.0 million on sales of 71,551 mtus with an average realised sales price of $355/mtu (USD$359/mtu) and cost of sales of $342/mtu for a margin of $13/mtu including freight and royalties compared to $17.5 million for Q4 2011 on the sale of 55,736 mtus with an average realised sales price of $311/mtu (USD$317/mtu) and cost of sales of $310/mtu for a margin of $1/mtu including freight and royalties. Included in the revenue of $26.0 million was $0.560 million for the sale of 148,480lbs of copper which is a by-product of the tungsten mining compared to no copper sales in Q4 2011.
- Tungsten concentrate production for Q4 2012 was 70,713 mtus from a mill feed of 89,614 tonnes with an average grade of 1.00% WO_3 and average mill recovery of 79.0% compared to production of 52,927 mtus from a mill feed of 87,828 tonnes with an average grade of 0.79% WO_3 and average mill recovery of 76.2%.
- The Company recognised an impairment of property, plant and equipment of $16.2 million in Q4 2012 to reduce the carrying value to the estimated recoverable amount.

Year ended September 30, 2012 compared to the year ended September 30, 2011 for revenue and cost of goods sold

The net loss for the year ended September 30, 2012 (fiscal 2012) was $9.8 million or ($0.04) per share (basic and diluted), compared to a net loss of $15.5 million or ($0.07) per share for the year ended September 30, 2011 (fiscal 2011). The net loss for fiscal 2012 was impacted by the following factors:

- Revenues increased to $107.5 million on the sale of 282,064 mtus with an average realised sales price of $369/mtu (USD$367/mtu) and cost of sales of $332/mtu for a margin of $37/mtu including freight and royalties for fiscal 2012 compared to $55.7 million on the sale of 212,023 mtus with an average realised sales price of $256/mtu (USD$261/mtu) and cost of sales of $297/mtu for a negative margin of $41/mtu including freight and royalties for fiscal 2011. Included in the revenue of $107.5 million was $3.1 million for the sale of 806,843 lbs of copper which is a by-product of the tungsten mining compared to $1.0 million for the sale of 278,977 lbs of copper for fiscal 2011.
- Tungsten concentrate production for fiscal 2012 was 272,586 mtus from a mill feed of 338,726 tonnes with an average grade of 1.05% WO_3 and average mill recovery of 76.9% compared to production of 224,279 mtus from a mill feed of 321,699 tonnes with an average grade of 0.93% WO_3 and average mill recovery of 75.3% for fiscal 2011.
- Mine operating costs increased to $73.7 million excluding amortization and depreciation in 2012 compared to $59.4 million in 2011. On a per MTU sold basis, mine operating costs decreased to $261/mtu in 2012 compared to $280/mtu in 2011 as a result of the capital investment in mill efficiencies and the mine.
- The Company recognised an impairment of property, plant and equipment of $16.2 million in Q4 2012 to reduce the carrying value to the estimated recoverable amount. Without the impairment, fiscal 2012 would have recorded positive net income of $6.3 and EBITDA of $30.3 million as compared with $15.5 million net loss and EBITDA of negative $10.3 million recorded in fiscal 2011.

Expenses

Financial data (in $000's)	Three Months Ended September 30 2012	2011	Change	Year Ended September 30 2012	2011	Change
Impairment of property, plant and equipment	$ 16,200	$ -	$ 16,200	$ 16,200	$ -	$ 16,200
General and administrative	955	917	38	3,453	2,977	476
Interest and financing costs	717	528	189	3,119	1,760	1,359
Accretion of financial liabilities	350	129	221	1,380	477	903
Stock based compensation	237	24	213	441	78	363
Equity loss of TDI	31	4,207	(4,176)	303	4,568	(4,265)
Loss (gain) on disposal of assets	-	71	(71)	(14)	90	(104)
Loss (gain) on disposal of associate	(78)	-	(78)	(78)	-	(78)
Foreign exchange loss (gain)	131	(116)	247	(109)	(250)	141
Interest and other income	(140)	(85)	(55)	(487)	(159)	(328)
Loss (gain) on revaluation of derivative liability	(124)	(328)	204	(509)	(945)	436

Q4 2012 compared to Q4 2011 for expenses and other items

- For Q4 2012 accretion of financial liabilities increased to $350 thousand from $129 thousand in Q4 2011. During Q1 2012 the Company arranged the $12.0 million working capital loan. Accretion of $220 thousand was recognised during Q4 2012 with respect to the guarantee on the working capital loan agreement (Q4 2011 - $nil).
- Interest and financing costs increased to $717 thousand in Q4 2012 compared to $528 thousand in Q4 2011 primarily due to the Company having $37.4 million of interest and finance cost bearing obligations at September 30, 2012 compared to $28.0 million at September 30, 2011.
- Equity loss of TDI decreased to $31 thousand in Q4 2012 compared to $4,207 thousand in Q4 2011. In Q4 2012, the Company disposed of the investment in TDI and recognised a gain on disposal of associate of $78 thousand.
- An impairment of property, plant and equipment of $16.2 million was recognised in Q4 2012. The impairment occurred mainly due to the forecast of lower estimated tungsten concentrates prices in the near term.

Year ended September 30, 2012 compared to the year ended September 30, 2011 for expenses and other items

- For the year ended September 30, 2012 (fiscal 2012) accretion of financial liabilities increased to $1,380 thousand from $477 thousand for the year ended September 30, 2011 (fiscal 2011). Accretion has increased due to the addition of the convertible debentures in Q1 2011, which resulted in the recognition of $512 thousand of accretion for fiscal 2012 compared to $461 thousand for fiscal 2011. During Q1 2012 the Company arranged the $12.0 million working capital loan. Accretion of $852 thousand was recognised during fiscal 2012 with respect to the guarantee on the working capital loan agreement (fiscal 2011 - $nil).

- Interest and financing costs increased to $3,119 thousand for fiscal 2012, compared to $1,760 thousand for fiscal 2011. The Company invested $29.4 million in property, plant and equipment during fiscal 2012 which significantly increased the amount of interest and finance cost bearing obligations outstanding during the year compared to fiscal 2011.
- Equity loss of TDI decreased to $303 thousand for fiscal 2012 compared to $4,568 thousand for fiscal 2011. In Q4 2012, the Company disposed of the investment in TDI and recognised a gain on disposal of associate of $78 thousand.
- The gain on revaluation of derivative liability decreased to $509 thousand for fiscal 2012 from $945 thousand for fiscal 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, fluctuations in the USD/CAD exchange rates and the remaining life of the convertible debentures. The Company's share price had decreased from $0.42 at inception to $0.26 at September 30, 2011 compared to the effective conversion price of $0.45, which decreased the value of the conversion feature which has been recognised as a gain on revaluation of $945 thousand for fiscal 2011. The Company's share price had decreased from $0.26 at the start of the fiscal year to $0.18 at September 30, 2012 compared to the effective conversion price of the convertible debenture was $0.45, which decreased the value of the conversion feature which was recognised as a gain on revaluation of $509 thousand for fiscal 2012.
- An impairment of property, plant and equipment of $16.2 million was recognised in Q4 2012. The impairment occurred mainly due to the forecast of lower estimated tungsten concentrates prices in the near term.

Impairment of property, plant and equipment
At September 30, 2012, due to significant decline in market quotations for tungsten in the second half of calendar 2012 and other indicators of possible impairment, the Company reviewed the carrying value of the Cantung assets for impairment. As a result of the review, it was determined that the Cantung assets were impaired and an impairment charge of $16.2 million was recognised to reduce the carrying value to the recoverable amount. The recoverable amount was determined based on the value in use method using discounted future cash flows at a discount rate of 12.5%. The estimated future cash flows utilized in the value in use models incorporated the Company's best estimates of future tungsten production based on the mine plans, estimates of future APT quotations, operating costs and residual values.

SUMMARY OF QUARTERLY INFORMATION

in $000's, except per share amounts	2012 Q4	2012 Q3	2012 Q2	2012 Q1	2011 Q4	2011 Q3	2011 Q2	2011 Q1
Revenue	$ 25,964	$ 21,731	$ 33,407	$ 26,422	$ 17,549	$ 19,287	$ 11,446	$ 7,370
Net earnings (loss)	$ (16,786)	$ (2,172)	$ 2,522	$ 6,593	$ (4,904)	$ 1,767	$ (7,952)	$ (4,386)
Income (Loss) per share, basic and diluted	$ (0.07)	$ (0.01)	$ 0.01	$ 0.03	$ (0.02)	$ 0.01	$ (0.04)	$ (0.02)
Cash flow from operations before changes in non-cash working capital	$ 6,777	$ 2,358	$ 8,637	$ 9,718	$ 1,145	$ 2,279	$ (7,122)	$ (4,101)

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

- initially weak tungsten prices followed by a strong upward price trend which continued to Q4 2011 which then flattened and then declined to the present;
- 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 which impacts revenue as sales are denominated in USD; and
- improved levels of production and mill recoveries due to the capital expenditures
- 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

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 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.

Although operating cash flows improved significantly in fiscal 2012 they were exceeded by outlays for property, plant and equipment. Capital expenditures relating to on-going mine development, tailings management and associated waste water treatment and other projects are under review at present.

There are risks that the Company may be unable to roll-over, extend, replace, or refinance existing loan facilities as they mature or arrange financings for new developments. 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. The term of the loan expires on June 30, 2013 and it will be necessary for the $12.0 million loan along with an associated USD$1.5 million fee for guaranteeing the loan to be rolled-over; term extended; or replaced with alternate financing. Management is assessing the financing options available to the Company and considering alternate financial arrangements.

In Q3 2012 the Company negotiated with HSBC to increase the operating loan from $8.0 million to $12.0 million.

Note 1 of the 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 year ended September 30, 2012, the net loss was $9.8 million (year ended September 30, 2011 the net loss was $15.5 million) and there was a deficiency of working capital of $26.0 million (September 30, 2011 - $23.1 million). As described in Note 15, 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 the breach provided that amended covenants are met in the future. Following the recognition of the $16.2 million impairment provision at September 30, 2012, the Company was technically in breach of a covenant. On January 25, 2013, HSBC waived all previous covenant breaches to September 30, 2012 and to December 31, 2012. The Company and HSBC are discussing revised covenants to be established for future periods.
>
> The ability of the Company to continue as a going concern depends upon continued support from its shareholders, lenders and customers. In addition, the Company will need to improve operating profitability and to roll-over, extend, replace or refinance existing loan facilities as they mature or arrange new financing. Future operations will also be impacted by market conditions and prices for tungsten concentrates and the ability of the Cantung mine to maintain positive cash flows from operations while containing non-operating outlays if and as necessary.
>
> If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary to the carrying values of assets and liabilities, the reported revenue and expenses and the statement of financial position classifications used. The adjustments would be material."

Liquidity Outlook

Factors that will impact liquidity in the forthcoming months:

- Various capital improvements have been completed in fiscal 2012. The Company is reviewing further capital expenditures relating to on-going mine development, tailings management and associated waste water treatment and other projects. The Company's objective is to improve future net cash flows and improve its liquidity position.
- The Company expects that demand for tungsten concentrates will remain strong for 2013 and beyond due to limited near term supply.
- On a daily / monthly basis there is significant variability in the tonnes, grade and recovery. Significant fluctuations in monthly and quarterly results should be expected due to underground constraints in mining.

- Due to the decline in APT quotations and realised sale prices, trade accounts payable will require close management, including working with vendors, in the near term until realised sale prices increase.

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

Summarized Cash Flow Activity (in $000's)	Three Months Ended September 30 2012	Three Months Ended September 30 2011	Change	Year Ended September 30 2012	Year Ended September 30 2011	Change
Cash flow from operating activities before changes in non-cash working capital	$ 6,777	$ 803	$ 5,974	$ 27,490	$ (7,841)	$ 35,331
Change in non-cash working capital	(3,927)	3,222	(7,149)	(6,355)	(5,867)	(488)
Provided by (used in) operating activities	901	4,641	(3,740)	21,135	(12,820)	33,955
Provided by (used in) investing activities	(4,706)	(4,357)	(349)	(29,835)	(17,971)	(11,864)
Provided by (used in) financing activities	4,711	564	4,147	7,824	31,515	(23,691)
Increase (decrease) in cash and cash equivalents	906	848	58	(876)	724	(1,600)
Cash and cash equivalents, beginning of period	1,218	2,152	(934)	3,000	2,276	724
Cash and cash equivalents, end of period	$ 2,124	$ 3,000	$ (876)	$ 2,124	$ 3,000	$ (876)

Statement of Financial Position (in $000's)	As at September 30 2012	As at September 30 2011	As at October 1 2010 *
Cash and cash equivalents	$ 2,124	$ 3,000	$ 2,276
Current assets	26,649	19,042	6,856
Total assets	80,968	82,973	48,795
Current liabilities	52,619	42,171	11,320
Total liabilities	66,367	58,955	22,535
Total liabilities includes the following: 1			
Current financial liabilities	32,024	18,942	4,174
Non-current financial liabilities	5,344	9,096	6,871
Shareholders' equity	14,601	24,018	26,260
Statistics:			
Working Capital 2	(25,970)	(23,129)	(4,464)
Working Capital ratio 3	0.51	0.45	0.61

* October 1, 2010 opening Statement of Financial Position under IFRS

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 and convertible debenture and other financial liabilities

2 - Current assets less current liabilities

3 - Current assets divided by current liabilities

Q4 2012 compared to Q4 2011 for liquidity and cash flows

At September 30, 2012, the Company had cash and cash equivalents of $2.1 million and a working capital deficiency of $26.0 million compared to cash and cash equivalents at September 30, 2011 of $3.0 million and a working capital deficiency of $23.1 million. The working capital deficit increased due to the addition of the working capital loan at the beginning of fiscal 2012, which is classified as current at September 30, 2012 as it is due to be repaid by June 30, 2013.

Cash flow from operations was $0.9 million for Q4 2012, a decrease of $3.7 million compared to cash flow from operations of $4.6 million for Q4 2011. In Q4 2012 accounts receivables, inventories and accounts payable increased which reduced the positive cash flows from operating activities for the period while in Q4 2011 accounts receivable and inventory decreased and accounts payable increased which increased the cash flows from operating activities for the quarter.

Cash flow used in investing activities increased to $4.7 million for Q4 2012 compared to $4.4 million in Q4 2011.

Cash flow from financing activities was $4.7 million for Q4 2012 compared to a cash inflow of $0.6 million for Q4 2011. During Q4 2012 loans and capital leases increased net of repayments by $1.4 million, bank loan borrowings increased by $3.9 million and interest and financing costs of 0.7 million were paid. During Q4 2011 loans and capital leases decreased by $1.4 million, $2.5 million was drawn from bank loan borrowings and interest and financing costs of 0.8 million were paid.

Year ended September 30, 2012 compared to the year ended September 30, 2011
At September 30, 2012, the Company had cash and cash equivalents of $2.1 million and a working capital deficiency of $26.0 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 $21.1 million for the year ended September 30, 2012 (fiscal 2012) compared to cash used by operations of $12.8 million for the year ended September 30, 2011 (fiscal 2011). The increase in cash flow from operations for fiscal 2012 was due to revenue increasing to $107.5 million, gross margin increased to $13.9 million and the net loss decreased to $9.8 million compared to revenue of $55.7 million, gross margin of negative $7.2 million and a net loss of $15.5 million for fiscal 2011.

Cash flow used in investing activities increased to $29.8 million for fiscal 2012, as the Company paid $29.4 million on investments in property, plant and equipment relating to capital expenditure programs at Cantung, compared to cash flow used in investing activities of $18.0 million in fiscal 2011. The property, plant and equipment additions were financed partially from operations and from the proceeds from the working capital loan and equipment loans and capital leases.

Cash flow from financing activities was $7.8 million for fiscal 2012 compared to $31.5 million for fiscal 2011. During fiscal 2012, the Company received proceeds of $12.0 million from the working capital loan, decreased the bank operating loan by net $0.5 million, paid down net $1.9 million in equipment loans and capital leases and paid $2.8 million in interest and financing costs. During fiscal 2011, the Company received proceeds of $13.1 million from equity unit issuances, increased loans and capital leases by net $8.2 million, received $2.9 million on the issuance of convertible debentures, drew $8.5 million on the bank loan borrowings and paid $1.3 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 and partially to finance the capital expenditures at Cantung.

Capital Resources

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

The Bank Operating Loan is based on a percentages of trade accounts receivable and product inventory, a letter of credit that is guaranteed by two directors of the Company (see note 27) 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 (see Note 16). 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 acknowledged a breach with the conditions of its bank operating loan during the year ended September 30, 2011 and the Company's bank agreed to forbear the breach provided that amended covenants are met in the future.

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 to 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 to June 30, 2013 and 1.1:1 thereafter.

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 (Note 13) are classified as equity.

HSBC provided waivers of past covenant breaches to June 30, 2013 conditional on compliance of amended covenants in future periods. The Company was in breach of the amended debt to tangible net worth bank covenant at September 30, 2012. A covenant breach under the HSBC credit facility would cause all affected balances to become due on demand at the discretion of HSBC. At September 30, 2012 the long-term portion of the HSBC equipment loans totalling $397 thousand has been classified as current (see Note 16). On January 25, 2013, HSBC waived all previous covenant breaches to September 30, 2012 and to December 31, 2012. The Company and HSBC are discussing revised covenants to be established for future periods.

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

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

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 September 30, 2012, which the Company has executed to finance operations and 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 September 30, 2012**		**Balance Use of Proceeds**
Expenses of the Offering	$	375	$	375	$	-
Mactung Project		1,500		1,500		-
Cantung Mine Development		4,000		4,000		-
Cantung Mine Equipment		1,000		1,000		-
Working Capital		4,000		4,000		-
Total	**$**	**10,875**	**$**	**10,875**	**$**	**-**

Contractual Obligations

Contractual Obligations and Commitments	Payments due in years ended September 30						
	2013	2014	2015	2016	2017	2018	TOTAL
Mactung leases	$ 8	$ 8	$ 8	$ 8	$ 8	$ 8	$ 48
Cantung leases	43	43	43	43	43	43	$ 258
Customer advances	768	-	2,950	-	-	-	$ 3,718
Equipment loans	5,607	828	344	-	-	-	$ 6,779
Capital leases	1,874	1,048	24	-	-	-	$ 2,946
Office leases [1]	186	223	233	245	251	84	$ 1,222
Equipment rental contract	206	-	-	-	-	-	$ 206
	$ 8,692	**$ 2,150**	**$ 3,602**	**$ 296**	**$ 302**	**$ 135**	**$ 15,177**

1 - 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 $5.0 million in cash and $6.7 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 year ended September 30, 2012, the Company posted $400 thousand of cash and reduced the posted secured promissory notes by $400 thousand.

OTHER INFORMATION

Equity

Outstanding Equity Securities	As of January 25, 2013	As of September 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 September 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 year ended September 30, 2012, the Company recognised an expense of $182 thousand (year ended September 30, 2011 - $333 thousand) in respect to the guarantee (See Note 14) to a director. Subsequent to year end, 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 13). For the year ended September 30, 2012, the Company recognised an expense of $132 thousand (year ended September 30, 2011 - $124 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 (see Note 15), 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).

During the year ended September 30, 2012, the Company recognised an expense of $820 thousand in respect of the letter of credit to these Sponsors. 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 year ended September 30, 2012, the Company recognised $375 thousand for professional and consulting fees to directors or companies related to director(s) (year ended September 30, 2011 - $406 thousand).

During the year ended September 30, 2012, the Company paid key management personnel compensation of $1.4 million which includes salaries and fees, benefits and directors fees and $0.4 million of stock-based compensation. During the year ended September 30, 2011, the Company paid key management personnel compensation of $1.1 million which includes salaries and fees, benefits and directors fees and $0.1 million of stock-based compensation.

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

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.

Critical Accounting Estimates and Judgments

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

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

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

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

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

The impairment was determined based on management's best estimates and many of the inputs in the value in use model are subjective in nature. Such amounts are not expected to change materially in the near term but changes in assumptions could materially affect the estimates.

Accounting Policies
The significant accounting policies of the Company are described in Note 2 of the September 30, 2012 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 measured at the fair value of the consideration received or receivable. The Company recognises revenue when the amount of revenue can be reliably measured and when it is probable that the future economic benefit will flow to the Company. These criteria are generally met at the time the product is shipped to the customer and depending on the delivery conditions, title and risk have passed to the customer and acceptance of the product has been obtained when contractually required.

Tungsten concentrates are sold under pricing arrangements where final prices are determined based on quoted market prices of the refined product 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 recognised 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 expected future cash flows of the relevant asset or CGU). An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Inventories
Concentrate inventories are 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 realisable 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 realisable 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 realisable value. If the net realisable value of an item of inventory is below its cost, it is written down to net realisable 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 realisable 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 realisable value.

Reclamation Liabilities
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.

The Cantung mine future reclamation cost was estimated by an independent engineering firm at September 30, 2012. The estimate included additional costs for post-closure monitoring, sampling and reporting activities. The reclamation cost estimate from the engineering firm was used as the basis for the Company's estimate of the reclamation liability.

The Company's total undiscounted amount of estimated cash flows required to settle the Cantung mine reclamation obligation is $8.7 million (September 30, 2011 and September 30, 2010 - $8.0 million) which has been discounted using a current market based pre-tax discount rate of 1.1%. 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 material 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 recognised on the statement of financial position when the Company becomes a party to contractual provisions of the financial instrument or derivative contract. All financial instruments are measured at fair value on initial recognition except for certain related party transactions. Measurement in subsequent periods depends on the category of financial instruments. Fair-Value-Through Profit or Loss ("FVTPL") financial assets and liabilities are subsequently measured at fair value with gains, losses and transactions costs recognised in the Company's net earnings for the period. Financial assets Held-to-Maturity, Loans and Receivables and Other Financial Liabilities are initially recognised at fair value net of transaction costs and are subsequently measured at amortized cost using the effective interest method of amortization. Available-For-Sale financial assets are subsequently measured at fair value with unrealised gains and losses, including changes in foreign exchange rates, are recognised in other comprehensive income.

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

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

Cash and cash equivalents	Loans and Receivables
Trade and other receivables	Loans and Receivables
Reclamation deposits	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 which include cash and cash equivalents, reclamation deposits, trade and other receivables, the carrying value of which approximates fair value. The Company has financial liabilities which include accounts payable and accrued liabilities, bank loans, equipment loans and capital leases and the interest bearing component of the convertible debentures, the carrying values of which may be higher than their fair value due to the Company's liquidity position (see Note 1).

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

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

Categories of Financial Assets

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

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

b. Risk exposure and risk management

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

i. Foreign Exchange Risk

The Company operates on an international basis and therefore, foreign exchange risk exposures arise from transactions denominated in a foreign currency. The foreign exchange risk arises primarily with respect to the USD dollar ("USD") as sales are denominated in USD. For the year ended September 30, 2012, with other variables unchanged a $0.01 strengthening (weakening) of the Canadian dollar against the USD would result in a decrease (increase) of $1.1 million on net earnings.

At September 30, 2012, the Company held USD denominated bank balances of $1.9 million, accounts receivable of $16.6 million, accounts payable of $0.4 million and loans and other financial liabilities of $5.1 million. 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 $16.3 million at September 30, 2012 (September 30, 2011 – four customers totalled $6.9 million), all of which is current. At September 30, 2012, no trade and other receivables were past due or impaired.

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

iii. Interest Rate Risk

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

At September 30, 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 6.4% to 13.3%. HSBC equipment loans carry rates of HSBC Bank Prime + from 1.75% to 3.75%. HSBC bank financing carry rates of Bank Prime + from 0.25% to 2.0% (see Note 15 & 16).

For the year ended September 30, 2012, with other variables unchanged, a 1.0% increase in the HSBC Bank prime rate would decrease net earnings by $0.3 million for the year.

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 15. The Company's contractual obligations are disclosed in Note 19.

Contractual undiscounted cash flow requirements for financial liabilities as at September 30, 2012 are as follows:

	Payments due in years ended September 30						
	2013	**2014**	**2015**	**2016**	**2017**	**More than 5 years**	**TOTAL**
Bank operating loan	$ 9,018	$ -	$ -	$ -	$ -	$ -	$ 9,018
Bank working capital loan and guarantee	13,515	-	-	-	-	-	$ 13,515
Accounts payable and accrued liabilities	20,595	-	-	-	-	-	$ 20,595
Convertible debentures	-	2,899	-	-	-	-	$ 2,899
Equipment loans and capital leases	7,481	1,876	368	-	-	-	$ 9,725
Other obligations	-	-	-	-	-	371	$ 371
	$ 50,609	**$ 4,775**	**$ 368**	**$ -**	**$ -**	**$ 371**	**$ 56,123**

v. Commodity Price Risk

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

Tungsten prices historically have fluctuated and are affected by numerous factors outside of the Company's control, including, but not limited to, 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 year ended September 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 increase (decrease) net earnings by $2.8 million based on the sales volume for the period. The Company has not entered into forward sales contracts with fixed tungsten concentrate prices, has not hedged any of its sales and does not have any hedging or other commodity based risk protections respecting its operations.

Capital Management

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

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

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

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

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 year ended September 30, 2012 was the first annual reporting period under IFRS.

Full disclosure of the Company's accounting policies in accordance with IFRS can be found in Notes 2 of the September 30, 2012 annual 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 31.

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 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;

- 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.

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 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 for the increase in the reclamation asset.

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 increase the interest and financing costs by $148.

ii. Current portion of loans and capital leases

As detailed in Note 15, 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. At September 30, 2011, the Company was within the bank covenant and as such the long-term portion of the liability was classified as long-term.

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 13 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 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 recognised with the net comprehensive loss decreasing by $944 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 recognised in share capital at the issuance price. When the tax benefits of the exploration expenditures are renounced to the flow-through shareholders, the Company recognises a reduction of share capital for the renounced tax assets at the applicable tax rate.

Under IFRS, the flow-through shares are recognised into share capital at the closing price on the date of issuance with the premium paid for the flow-through shares recognised as a liability. When the tax benefits of the exploration expenditures are renounced to the flow-through shareholders, the Company recognises 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 recognised in the opening deficit in the statement of financial position. At October 1, 2010, the Company recognised 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 recognised 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 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.

FINANCIAL AND DISCLOSURE CONTROLS

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

In contrast to the certificate under National Instrument ("NI") 52-109 (Certification of disclosure in an Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

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

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

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

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

GLOSSARY OF TERMS

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