

This is the 2<sup>nd</sup> affidavit  
of Steffen Schmidt in this case  
sworn on 16/Nov/2015

NO. S-154746  
VANCOUVER REGISTRY

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*  
R.S.C. 1985, c. C-36, as amended

AND

IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS ACT*  
R.S.C. 1985, c. C-44, as amended

AND

IN THE MATTER OF NORTH AMERICAN TUNGSTEN CORPORATION LTD.

PETITIONER

**AFFIDAVIT**

I, Steffen Schmidt, Project Manager – International Mining, born in Berlin, Germany on 8 January 1963 and residing at Am Reinbach 5, 8410 Wildon, Austria make oath and say as follows:

1. I am the Project Manager - International Mining for the secured creditor Wolfram Bergbau and Hütten AG of Bergla 33, A-8435 St. Martin i. S., Austria ("WBH"), and I have personal knowledge of the facts and matters referred to herein except where stated to be based on information and belief and as to those facts I verily believe them to be true.
2. I am authorized by WBH to make this affidavit.
3. I make this affidavit in support of WBH's application to terminate its Supply Agreement with North American Tungsten Corporation Ltd. ("NATC").
4. As stated in my Affidavit sworn July 7, 2015 (my "First Affidavit"), WBH is a corporation that was established in 1975 in Austria for the purpose of mining and

refining tungsten. WBH is a world-leading manufacturer of tungsten oxide-, tungsten metal-, and tungsten carbide powders.

5. In order to ensure certainty in the amount of tungsten concentrate WBH receives and competitive pricing, WBH entered into a long term supply agreement with NATC on February 20, 2014 (the "Supply Agreement"). A copy of the Supply Agreement is attached to my First Affidavit.
6. The Supply Agreement was amended by written agreement dated June 24, 2015 (the "Amending Agreement"). A copy of the Amending Agreement is attached to my First Affidavit.
7. The Supply Agreement provides for the annual purchase by WBH of 100,000 to 115,000 metric tonne units (MTUs) of tungsten concentrate for a total of at least 320,000 MTUs of tungsten concentrate as more particularly described in the Supply Agreement.
8. In 2014, WBH received approximately 50% of its required external tungsten concentrate pursuant to the Supply Agreement.
9. Since initiation of these CCAA proceedings in June 2015, WBH has continued to support NATC by:
  - (a) Purchasing tungsten concentrate, pursuant to the Supply Agreement, from NATC; and
  - (b) Amending the Supply Agreement on June 24, 2015, to ensure that NATC received payment for shipments of tungsten concentrate within 5 business days of shipment.
10. Throughout these proceedings, NATC has presented an operating plan which, among other things, was to see the Cantung mine cease operations at the end of October, 2015 and transition into care and maintenance.

11. NATC has advised WBH that it will not be in a position to ship tungsten concentrate pursuant to the Supply Agreement, when the Cantung mine ceases operation and transitions into care and maintenance.
12. On September 25, 2015, WBH received an email from Bruce Penich at NATC, which confirmed that NATC's final shipment to WBH, prior to the Cantung mine going into care and maintenance, would be the first week of November, 2015. Attached hereto and marked as **Exhibit "A"** to this my affidavit is a true copy of Mr. Penich's email.
13. Based on these representations and expectations, WBH made alternative arrangements to secure its required supply of tungsten concentrate beyond November 2015.
14. Without certainty of supply, WBH cannot ensure that it can meet its processing requirements and scheduled deliveries to customers.
15. WBH as part of the global Sandvik Group acts as the internal group supplier/co-ordinator for tungsten raw materials to Sandvik's production units, and it is critical for these units to receive a safe and stable delivery flow of tungsten in order to uphold the production of a material part of Sandvik's business.
16. WBH cannot replace the tungsten concentrate it intended to purchase from NATC from a single supplier. WBH will be required to enter into a number of supply agreements with numerous suppliers. As with NATC, these suppliers require long term agreements to purchase a fixed volume of tungsten concentrate.
17. WBH is in the process of negotiating and finalizing long term replacement contracts for the delivery of tungsten concentrate through all of 2016.
18. The inability of NATC to ship tungsten concentrate following November 2015 has resulted in WBH having to make these alternative long term arrangements.
19. WBH does not have capacity to receive and pay for excessive supply of tungsten concentrates that are not required by its customer demand. An oversupply of

tungsten concentrates, without an increased demand from WBH's customers, would jeopardize WBH's business by prejudicing its available cash flow and ability to pay invoices.

20. Based on my review of the materials, NATC plans, in the spring of 2016, to reconfigure the mill facilities to produce tungsten concentrates from tailings reprocessing if the price of tungsten increases to at least the \$300 MTU level.
21. Despite Mr. Lindhal's assertion in his fourth affidavit, made July 2, 2015, that further analysis for the prospect of tailing reprocessing is needed, NATC has not, to my knowledge, conducted any conclusive technical tests to demonstrate that this procedure is possible.
22. In any event, based on my knowledge of NATC's operations, concentrate production from tailings recovery would be, on average, of a lower grade and quantity than that stipulated in the Supply Agreement, and that would be acceptable to WBH.
23. It is imperative that the Supply Agreement be terminated to provide WBH with the ability to plan and secure appropriate quantities of tungsten concentrate to effectively run its business.
24. Having an outstanding supply arrangement that is being held in abeyance for an indeterminate time, or perhaps forever, is completely inconsistent with the business model of WBH which requires a consistent and predictable supply of tungsten concentrates into the future. That is why we make long term supply arrangements months and years in advance. It would be very prejudicial to the financial well-being and stability of WBH if it was required to hold open the possibility of new supply coming from NATC at some future but indeterminate date.

25. It is for that reason that WBH seeks an order from this Honorable Court that the Supply Agreement is terminated.


SWORN (OR AFFIRMED) BEFORE ME at  
Deutschlandsberg, Austria, on  
16/November/2015:

Deutschlandsberg, am 16. NOV. 2015

A Notary Public for

STEFFEN SCHMIDT

Exhibit "A"

**RE: Cantung mine to close Oct. 27, says North American Tungsten**

**Bruce Penich** to: [m.domhofer@wolfram.at](mailto:m.domhofer@wolfram.at)  
Cc: [s.schmidt@wolfram.at](mailto:s.schmidt@wolfram.at), [u.wedberg@wolfram.at](mailto:u.wedberg@wolfram.at), [m.svenmedn@wolfram.at](mailto:m.svenmedn@wolfram.at), [m.sil@wolfram.at](mailto:m.sil@wolfram.at), Heide Klut, Dennis Lindahl, Grant Bond

25/09/2015 19:59  
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History: This message has been forwarded.

Hi Michael

I apologize for the misunderstanding.

With the monthly quota, we stopped shipping concentrate to WBH for the last 3 weeks of September. The Flot concentrate that we produced during that period will be shipped to WBH in the first 2 weeks of October. We expect to ship to WBH about 8,000 mtus to 8,500 mtus of flot in the first 3 weeks of October. We will then have to keep the remaining production from October in inventory until November. We expect to ship to WBH approximately 4,000 mtus to 5,000 mtus in the first week of November. That will be the final shipments prior to going into Care and Maintenance.

October = 8,000 mtus to 8,500 mtus

November = 4,000 mtus to 4,500 mtus

Please let me know if this has addressed your question.

Bruce

Bruce Penich  
Senior Manager - Finance

**North American Tungsten Corporation**  
Vancouver Office  
#1640 - 1188 West Georgia Street  
Vancouver, BC V6E 4A2  
Phone: (604) 684-5300 ext. 313  
Fax: (604) 684-2992

Für amtliche Zwecke  
gebührenfrei gem. § 14, Tp. 14  
Abs. 2, Zl. 12 Geb.Ges.1957

B.R.Zl.: 604/15

Ich bestätige die Echtheit der Unterschrift des Herrn Steffen Schmidt, geboren am 08.01.1963 (achten Jänner neunzehnhundertdreißig), Am Reinbach 5, A-8410 Wildon. -- Deutschlandsberg, am 16.11.2015 (sechzehnten November zweitausendfünfzehn). -----



*Steinberger*  
**Dr. Andrea Steinberger**  
Substitutin des öffentl. Notars  
**Mag. Horst Neuhold**  
8530 Deutschlandsberg

