NORTH AMERICAN TUNGSTEN CORPORATION LTD

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED:

JUNE 30, 2008

REPORT DATED: AUGUST 18, 2008

This discussion and analysis of financial position and results of operations of North American Tungsten Corporation Ltd. The "Management Discussion and Analysis" (MD&A) is prepared as of August 18, 2008, and should be read in conjunction with the consolidated interim financial statements for the period ended June 30, 2008 and with the audited consolidated financial statements for the fiscal year ended September 30, 2007. This MD&A reviews the business of North American Tungsten Corporation Ltd. and compares the Company's financial results for the quarter ended June 30, 2008 (Q3 2008) with those of the quarter ended June 30, 2007 (Q3 2007) and for the nine month period ended June 30, 2008 (nine months 2008) with those of the nine month period ended June 30, 2007 (nine months 2007). The financial position at June 30, 2008 is compared with the financial position as of September 30, 2007. In this discussion, unless the context otherwise dictates, a reference to North American Tungsten, NATC, or the Company refers to North American Tungsten Corporation Ltd. and its subsidiaries. Additional information relating to the Company including its Annual Information Filing is available on SEDAR at www.sedar.com.

The information contained in this report updates management's discussion and analysis for the year ended September 30, 2007 and for material changes that have taken place. The September 30, 2007 report should be consulted to gain a complete understanding of management's discussion and analysis of the Company.

Caution on Forward-Looking Information

Management's discussion and analysis contain forward-looking statements, including statements regarding the business and anticipated financial performance of the Company. These statements are not guarantees of the Company's future performance and are subject to risks, uncertainties and other important factors that could cause the corporation's actual performance to be materially different from those projected. Given the uncertainties associated with forward-looking information, the reader should not place undue reliance on the forward-looking information.

A glossary of terms is affixed

Highlights Q3 2008

- Mactung feasibility 85% complete.
- Further high grade intercepts in western extension of Cantung Mine.
- Near record underground production, 1135 tpd.
- Cantung was close to break-even in quarter
    - Mine operating costs reduced, but were higher than 2007
    - Northern cost inflation and high staff turnover continued
    - Dilution by waste rock reduced ore grades from pillar recoveries
    - The high Canadian dollar reduced sales realizations
- The net loss was $1.3 million.
- Cash flow from operating activities was just positive.
- A new loan facility raised $3 million.
- A $19.4 million equity placement awaits Chinese government approvals.
- A flow-through share offering raised $5.0 million in August

Operations

North American Tungsten Corporation Ltd. (the "Company") is engaged in tungsten mining and related activities including acquisition, exploration, and development and processing of ores and concentrates. The Company owns the operating Cantung mine in the Northwest Territories; the Mactung mineral property on the border of the Yukon Territory and the Northwest Territories; other tungsten exploration prospects; and, through a subsidiary, a development-stage processing facility in Minnesota, USA. The Company is the most significant producer of tungsten concentrates in North America.

The Company continued to focus on the development of the Mactung property. During the third quarter of 2008, Wardrop Engineering continued with work on the feasibility study with work completed on the mine design, mill process flow sheet, mill layout and general site layout. EBA Engineering is providing geotechnical engineering and environmental services to the project. The completion of the feasibility study is scheduled for late calendar 2008.

In the area of product development, North American Tungsten owns and operates a tungsten processing pilot plant in Minnesota that is developing methods to process tungsten concentrate into ammonium paratungstate (APT) and powders. An operational audit of the APT pilot plant process was completed, with the final report received in May 2008. The audit indicates that the conversion process piloted at the plant is technically competitive with conventional concentrate to APT conversion processes. Commercial viability of the process has yet to be determined.

Overall Performance

Mactung

Good progress was made on the Mactung Feasibility Study during the quarter. Underground mine design regarding development access, ventilation, mining method and production schedule was completed. Work was started on the open pit portion of the project. Process flow sheet design and mill equipment sizing was finalized. Bid quotations for the major pieces of mill equipment were 80% received at quarter end. The site layout for the mill building, maintenance services building, administration office and camp was also finalized.

Final planning for the summer Mactung site diamond drilling program, detailed geotechnical investigation and additional environmental studies was completed. Mobilization of the crews was initiated at quarter end.

Mine Operations

The Cantung mine, located on the western border of the Northwest Territories, is the Company's sole operating mine. Although near record tonnages were successfully mined and milled, output in the 2008 period fell due to lower average grades of ore. The decline in ore grade reflected persistent problems with waste rock dilution of ore extracted from pillars left from previous mining. There was major effort in the quarter to minimize waste rock dilution. When mining commences in the new Western Extension area, grade control should be far more manageable.

Ore mined totaled 103,242 tons or 1,135 tons per day ("tpd") grading 1.05% WO3. The mill processed 104,489 tons of ore (1,148 tpd) with 1.05% grade, compared to 95,375 tons at a grade of 1.20 % WO3 in Q3 2007.

For the nine months 2008, the mine produced 173,082 metric tonne units (mtus) of tungsten concentrate compared with 211,480 mtus for the nine months 2007. The mill processed 260,545 tons of ore at a reconciled grade of 1.01% WO3 in the nine months 2008 compared to 270,275 tons at a grade of 1.18% WO3 in the nine months 2007.

Sales revenues for Q3 2008 were $15.4 million including $13.8 million from 65,140 mtus of WO3 contained in concentrate compared to revenues of $17.6 million from sales of 82,099 mtus in Q3 2007. The Company also realized sales of $1.3 million on 5,632 mtus converted to APT under a toll agreement as well as $ 0.3 million on sales of 1,698 mtus converted to TBO in Q3 2008 compared to nil in Q3 2007. Revenues, in comparison with last year, were impacted negatively by the strength of the Canadian dollar against its US counterpart.

Mine operations were steady during Q3, although dilution of ore mined from recovered pillars contributed to the lower than budgeted grade for the quarter, actual 1.05% WO3 versus budgeted 1.13% WO3. During the quarter, long-hole stoping accounted for 84.1% of the ore mined. Cut and fill mining of ore totaled 7.5% and development ore 8.4%. Development in ore and waste totaled 2,830 feet as new ore zones were accessed. The underground diamond drilling program continued, principally on the 3700 Level with a total of 10,085 feet drilled during the quarter.

Q3 2008 production was 55,849 Mtu's of G1 product at a grade of 68.4% WO3 and 18,044 Mtu's of flotation concentrate at 50.0% WO3. Lower than average feed grade affected overall recovery. Mill throughput averaged 48.7 tons per operating hour. Mill operating time averaged 98.2% and mill maintenance was routine during the quarter. A plant test was completed where a copper concentrate was produced to determine concentrate grades and recoveries. A follow up 25 ton bulk sample is scheduled to be produced during the fourth quarter for testing at a smelter. For the period Q3 2008 the mill processed 104,485 tons of ore at a grade of 1.05% WO3 with recoveries of 74.12% compared to 95,375 tons milled at a grade of 1.20% WO3 in Q3 2007 and recoveries of 77.4%.

Other than extensive mine access road repairs completed due to the severe winter, surface operations were routine for the period.

APT and Tungsten Powder Development

In the area of product development, North American Tungsten, owns and operates a tungsten processing pilot plant in Minnesota that is developing new methods to process tungsten concentrates into ammonium paratungstate (APT) and tungsten powders. An operational audit of the APT pilot plant process was completed during the previous quarter. The audit indicates that the conversion process piloted at the plant is technically competitive with conventional concentrate to APT conversion processes.

The focus of the project is now turning to the production of tungsten powders and tungsten composites. Research and low level production runs of powder and composite were on going in the quarter.

The Company has entered into a tolling (concentrate upgrading) arrangement within China to toll flotation concentrates to APT on the Company's behalf. The first sales of APT were realized in January 2008. This arrangement has enabled the Company to realize significantly enhanced cash flows from its lower grade flotation concentrates which were previously sold at a deep discount to the market. Concurrently the Company has entered into a marketing agreement with Cathay Resources Corporation to market the APT material within Asia. The Company has expanded the tolling arrangement on a trial basis to include Tungsten Blue Oxide, (TBO) the first of which was shipped from China in early May.

Other Mineral Properties

Jennings (formerly Tootsee River) Property

On January 7, 2008 the Company announced that Agnico-Eagle Mines Limited exercised its option to increase its interest in the Jennings tungsten/molybdenum property from 50% to 70% via C$4 million in exploration expenditure by December 31, 2010. The Jennings property agreement was established on April 25, 2006 whereby Agnico-Eagle Mines Limited agreed to spend C$400,000 on exploration to acquire an initial 50% of the property. The property is located near the BC-Yukon border about 85 kilometers west of Watson Lake, Yukon, Canada. North American Tungsten may elect to form a participating Joint Venture or convert its 30% working interest to a 2.5% NSR after Agnico-Eagle Mines Limited fulfills its C$4 million expenditure requirement. Agnico Eagle previously released drill results from their drill program which indicated tungsten (WO3) grades of up to 0.120% and molybdenum (MoS2) grades of up to 0.167%.

Other Properties

Limited work was undertaken on the Rifle Range Creek and the Bailey claims in the quarter. The exploration programs on these properties will be given low priority in the short term as the Company focuses on developing the Mactung property. During Q2 2008 the option agreement on the Three Ace claims expired, the Company elected not to renew these claims and accordingly wrote off the associated capitalized costs of $104,878.

Markets and Foreign Exchange

The Company's earnings continue to be adversely impacted by low feed grades and recovery, high operating costs, particularly diesel fuel for power generation and haulage, and a strong Canadian dollar. The average exchange rate of the Canadian dollar, as realized for sales for Q3 2008 was US$0.9919 compared to US$0.9082 for Q3 2007.

The average APT price for Q3 2008 was US $253.02/ mtu compared to $252.76/mtu for the Q3 2007. Sales of concentrate averaged US dollars $209.79/mtu for Q3 2008 or 83% of the average APT price compared to $195.12/mtu or 77% of the average quarterly APT price for Q3 2007. The average free market APT quotation at June 30, 2008 was US $252/ mtu. Industry publications indicated that effective January 1, 2008 China had raised export taxes on APT from 5 percent to 10 percent with the expectation of further rate increases in the near future.

APT European Metal Bulletin Prices	2004 December	2005 December	2006 December	2007 December	2008 June
Average Quarterly Prices					
APT Free Market Average $US	$ 94	$ 263	$ 252	$ 241	$ 253

Financial Review

The net loss for Q3 2008 was $1,340,767 compared to net earnings of $2,627,275 for Q3 2007. Minesite cost of sales was $13,687,038 compared to $12,607,975 in Q3 2007. The gross operating margin decreased from $4,444,292 in Q3 2007 to a $957,884 in Q3 2008. Increased operating costs and reduced production levels drove the unit cost of production from $163.26 in Q3 2007 to $189.87 in Q3 2008. While realized US dollar market prices were higher by about $15 per mtu in Q3 2008 compared to Q3 2007 a significant negative factor was the change in the exchange value of the Canadian dollar with an adverse impact to revenues of about $1.4 million.

The net loss for the nine months 2008 was $ 10,751,000 compared to net earnings of $1,827,136 in the nine months 2007. Gross margin fell to negative $4,560,805 for the nine months 2008 compared to a $6,165,133 for the nine months 2007. The reduction in margins was due to increased mine operating costs of 7% combined with lower feed grades which reduced production from 211,399 the nine months 2007 mtus to 196,850 mtus in the nine months 2008. The resulting unit costs increased from $184.96 for the nine months 2007 to $189.87 in the nine months 2008. Offsetting higher operating costs were increased average realized $US sales prices which rose from an average of US $195.57 per mtu for the nine months 2007 to $US $197.72 per mtu for the nine months 2008.

		3 Months Ending 30-Jun-08		3 Months Ending 30-Jun-07		9 Months Ending 30-Jun-08		9 Months Ending 30-Jun-07
Gross Margin ($ 000'S)								
Tungsten Sales	$	15,432	$	17,638	$	39,689	$	45,330
Minesite cost of sales		13,687		12,608		42,396		37,575
Freight, handling & conversion costs		633		406		1,470		1,140
Royalties		154		181		384		450
Gross Margin	**$**	**958**	**$**	**4,444**	**$**	**(4,561)**	**$**	**6,165**

Demand for the Company's tungsten concentrates remains strong and the long term outlook is positive.

Years ended September 30		**2007**		**2006**		**2005**
Earnings and Cash Flow						
Total Revenues	$	59,420,491	$	51,344,451	$	158,464
Cash flow from operations		3,094,175		(1,429,183)		(6,167,486)
Net Income (Loss)		(1,203,150)		(2,654,918)		7,062,936
Earnings per share		(0.01)		(0.03)		0.10
Earnings per share - diluted		(0.01)		(0.03)		0.09
Balance Sheet						
Total assets	$	48,759,045	$	31,852,777	$	20,569,893

Cantung Mine

Operating and financial plans are currently being updated for fiscal 2009.

The most recent projections indicate that performance will improve in 2009 as mining from the Western Extension commences.

Revenues

Total sales revenues were $15,431,746 during Q3 2008 from sales of 65,140 mtus of concentrates and 7,330 mtus of flotation concentrates converted and sold as APT and Tungsten Blue Oxide (TBO), compared to $17,638,402 on sales of 82,099 mtus of concentrates in Q3 2007. As per the following table; the decrease in sales values during the quarter resulted in part from the appreciation of the Canadian dollar against its US dollar counterpart from 0.9082 in Q3 2007 to 0.9919 in Q3 2008. Average concentrate sales prices in $US increased from $195.12 in Q3 2007 to $209.79 per mtu in Q3 2008. Combined sales of concentrate, APT feed and TBO feed increased to $209.16 per mtu in Q3 2008 up from $195.12 per mtu in Q3 2007 as the Company realized the benefits of value added conversion and higher percentage price realizations against the APT pricing benchmark. Total sales revenues declined from $45,329,881 for year to date Q3, 2007 to $39,688,884 for year to date Q3 2008. The reduction was as a result of lower sales volumes and a higher Canadian dollar (US$0.9919 compared to US $0.9082) offset in part by higher average $US selling prices.

	For the three months ended		For the nine months ended	
	30-Jun-08	**30-Jun-07**	**30-Jun-08**	**30-Jun-07**
Sales Units				
Concentrate Sales mtus	65,140	82,099	185,443	204,632
APT Sales mtus	5,632	-	12,264	-
TBO Sales mtus	1,698	-	1,698	-
Total mtus sold	72,470	82,099	199,405	204,632
Conversion Losses				
APT mtus	511	-	1,108	-
TBO mtus	198	-	198	-
Total Conversion Losses	709	-	1,306	-
Revenues $ Cdn	$	$	$	$
Concentrate Sales $ Cdn	13,778,831	17,638,402	36,616,779	45,329,881
APT Sales $ Cdn	1,274,403	-	2,693,594	-
TBO Sales $ Cdn	378,512	-	378,512	-
Total Sales Revenues $Cdn	15,431,746	17,638,402	39,688,885	45,329,881
Revenues $ US	$	$	$	$
Concentrate Sales $ US	13,665,607	16,019,145	36,639,596	40,020,131
APT Sales $ US	1,261,910	-	2,665,476	-
TBO Sales $ US	378,750	-	378,750	-
Total Sales Revenues $US	15,306,267	16,019,145	39,683,822	40,020,131
$US foreign exchange rate	0.9919	0.9082	0.9999	0.8829
Flot concentrate converted to APT (net) sales price $US *	$ 205.42	$ -	$ 199.33	$ -
Flot concentrate converted to TBO (net) sales price $US *	$ 199.76	$ -	$ 199.76	$ -
Concentrates sales price $US	$ 209.79	$ 195.12	$ 197.58	$ 195.57
Combined sales price $US	$ 209.16	$ 195.12	$ 197.72	$ 195.57
Average European APT Prices	**$ 253.02**	**$ 252.76**	**$ 245.77**	**$ 254.39**
Combined sales price as a % of average APT pricing	**82.67%**	**77.20%**	**80.45%**	**76.88%**
* Net of conversion losses				

Interest income earned in Q3 2008 was $10,319 compared to $102,499 during Q3 2007 as a result of lower average cash balances.

Expenses

Mine operating costs were as follows:

	3 Months Ending 30-Jun-08	3 Months Ending 30-Jun-07	9 Months Ending 30-Jun-08	9 Months Ending 30-Jun-07
Operating Costs ($ 000'S)	**$**	**$**	**$**	**$**
Mining	5,964	5,644	18,092	16,520
Milling	2,198	2,253	6,232	6,861
Plant & Site Services	3,653	3,223	11,261	10,185
Site Administration	2,215	1,999	6,600	5,534
Total Operating Costs	**14,030**	**13,119**	**42,185**	**39,100**
Mtus produced	73,893	80,357	196,850	211,399
Cost per mtu	$ 189.87	$ 163.26	$ 214.30	$ 184.96
Tons Milled	104,489	95,375	295,282	270,275
Feed Grade %	1.05	1.20	1.01	1.18
Recovery %	74.12	77.40	72.51	73.30

Operating costs increased 7 % from $13.1 million in Q3 2007 to $14.0 million in Q3 2008 primarily as a result of cost increases in fuel and labor. Operating costs were higher by 8% on a year to date basis. Unit costs of production in both Q3 and year to date Q3 were adversely impacted by the reduced production levels, as well as higher mine operating costs.

Amortization and depreciation during Q3 2008 increased substantially to $1,290,992 from $516,630 in Q3 2007. The increase reflects higher capital expenditures at the Cantung mine, particularly for tailing impoundments in the final fiscal quarter of 2007. Amortization is based on established ore reserves and takes no account of additional tonnages that may be added to reserves in the future.

	For the three months ended June 30		For the nine months ended June 30	
	2008	**2007**	**2008**	**2007**
GENERAL AND ADMINISTRATIVE				
Fees, wages and benefits	$ 500,521	$ 351,528	$ 1,464,707	$ 985,386
Office expenses	91,965	93,465	293,347	227,805
Accounting and audit	43,743	41,800	182,674	119,691
Investor relations and business development	6,966	32,796	103,061	65,929
Consulting	45,624	57,336	103,328	199,576
Filing fees and transfer agent fees	5,649	14,856	81,849	43,193
Travel	18,249	17,221	74,212	69,513
Legal fees	55,290	39,404	86,082	93,891
	$ 768,007	**$ 648,406**	**$ 2,389,260**	**$ 1,804,984**

The increase in general and administration expenses was principally due to additional salaries and fees, reflecting an upgrading of the organization and increase in management staff. Accounting and audit expenses reflected increased audit costs. Office expenses increases are attributable to increases in office rent, dues & subscriptions, communications and general office operating costs.

Stock based compensation was $4,749 in Q3 2008 as compared with $231,372 in Q3 2007.

The loss on disposal of mining equipment was nil in Q3 2008 compared to $9,104 in Q3 2007.

As a result of the appreciation of the Canadian dollar against the US currency in the quarter, a foreign exchange loss on US working capital of $20,584 was realized in Q3 2008 compared to a loss of $452,233 in Q3 2007.

A future income tax recovery of $622,644 was recognized in Q2 2008 following the renunciation relating to the flow through shares.

Financial Position and Liquidity

Operating Cash Flow

Cash flows from operations before changes in non-cash working capital was $5,104 in Q3 2008 as compared to $3,413,591 during Q3 2007, a result of increased production costs and lower sales realizations. A decrease in non cash working capital items generated $82,114 of cash in Q3 2008 compared to a drain of $3,093,963 during Q3 2007. Cash flows from operations after changes in non cash working capital were $87,218 in Q3 2008 compared to $319,628 in Q3 2007. The cash drain from operations for the nine months 2008 was $8,155,920 compared to cash flow of $1,492,018 for the nine months 2007 reflecting the impact of lower production, increased operating costs and a strong Canadian dollar against its US counterpart.

Investing Activities

Cantung mine capital expenditures were $129,861 in Q3 2008 compared to $620,377 in Q3 2007. Capital additions at the mine were primarily related to the tailings ponds, mine electrical upgrades and process equipment. Capital expenditures for the nine months 2008 were $1.57 million at the Cantung Mine including $1.20 million for tailings impoundments. Capital expenditures at the Cantung mine for the nine months 2007 were $2,949,687.

At the US pilot plant facility, capital additions and development costs total $190,074 for the Q3 2008 compared to $724,850 in Q3 2007 reflecting the near completion of the development process. For the nine months 2008 these costs total $0.80 million.

Mactung exploration and project related costs were $1,629,169 for Q3 2008 and $3,148,359 for year to date Q3 2008. These were substantially increased from the 2007 periods due to the increased activity of the feasibility stage.

Under the terms of the water license and reclamation security agreement the Company posted $500,000 in cash security in November 2007.

Financing Activities

There was no equity financing during Q3 2008 whereas proceeds from the issuance of capital stock were $11,953,579 during Q3 2007. During the previous quarter the Company increased its overdraft facility from $1 million to $2.5 million.

In April 2008, the Company borrowed $3,000,000 under a loan facility provided by parties unrelated to the Company. On requests for whole or partial repayment by lending parties (the "Redemption Notices"), borrowings must be repaid within 30 days following the closing of the Hunan Financing. Borrowings not so redeemed must be repaid on the anniversary of the date on which funds were advanced. Based on the ratio of one warrant/$10 redeemed, up to 300,000 warrants will be issued to lending parties upon receipt of Redemption Notices. Each warrant permits the purchase of one common share at $1.30/share for a period of two years. The interest rate on outstanding borrowings is 10% per annum.

On March 5, 2008 the Company announced a private placement of $19.4 million with Hunan Nonferrous Metals Corporation (Hunan Nonferrous) Hunan Nonferrous is the largest integrated producer of nonferrous metals, excluding aluminum, in China as measured by production volume. Its major products include tungsten, zinc, antimony and lead, and compounds, alloys and other products derived from these metals. Hunan Nonferrous controls the largest tungsten and bismuth reserves in the world and also substantial reserves of antimony.
Hunan will acquire approximately 13.4 million units of NTC at a price of $1.45 per unit on a private placement basis as part of a Strategic Alliance Agreement. This price represents a 36.7% premium to NTC's 10 day volume weighted average trading price and will raise approximately $19.4 million for development of the Mactung tungsten project in Yukon, subject to approval of the TSX Venture Exchange.
Each unit is comprised of one common share and one common share purchase warrant that will allow Hunan Nonferrous to purchase one common share at $3.00 per share for a period of 18 months from the date of closing. The warrant price represents a 183% premium over NTC's 10 day volume weighted average trading price. Upon closing of the private placement Hunan Nonferrous will own approximately 9.1% of the issued and outstanding shares of NTC. The key terms of the Strategic Alliance Agreement include:

Board Seat: Hunan will retain one board seat as long as the company maintains a minimum threshold of 9% of the issued and outstanding common shares of NTC (“Threshold Ownership”).

Pro-Rata Financing: Provided that Hunan Nonferrous maintains its Threshold Ownership prior to any new issuance of NTC common shares (or securities convertible for NTC common shares) NTC will give Hunan Nonferrous the right to purchase and match Hunan Nonferrous' beneficial ownership prior to the issuance.

Standstill: Hunan Nonferrous is subject to one year standstill period whereby Hunan Nonferrous cannot purchase any NTC common shares other than under certain pre-specified circumstances including the Pro-Rata Financing provision or with the prior consent of NTC.

Hold Period: Hunan Nonferrous will be restricted from the transfer or sale of any NTC common shares or warrants for a period of one year, except under certain pre-specified circumstances, including tendering into a takeover bid.

Right to Match on Mactung: Provided that Hunan Nonferrous maintains its Threshold Ownership of NTC common shares, if NTC intends to proceed with a transaction that will result in (a) the establishment of a separate project entity with a Third Party for the purposes of the development of the Mactung Property or (b) the financing of the development of the Mactung Property by a Third Party concurrent with committing to off-take arrangements for the Mactung Property with the same Third Party, NTC will offer Hunan the right to match the proposed Transaction on the same terms as the Third Party.

This agreement awaits Chinese government approvals at this time.

The Company closed an agreement with Haywood Securities Inc.(the Agent) under which Haywood has sold on a commercially reasonable efforts basis 4,170,000 flow through common shares of the Company at an issue price of C$1.20 per Flow Through Share for gross proceeds to the Company of C$5,004,000 (the “Offering”). The Agent is to be paid cash commission of 6% of the gross proceeds of the Offering. The Company has also agreed to issue to the Agent common share purchase warrants of the Company (“Agent’s Warrants”) entitling the Agent to purchase such number of common shares of the Company as is equal to 6% of the number of Flow Through Shares sold in the Offering at a price of $1.20 per Agent's Warrant Share for a period of 12 months following the closing of the Offering. The gross proceeds of the Offering will be used to fund geotechnical drilling, environmental monitoring and basic and detailed engineering on the Company's Mactung Project.

Cash Resources and Liquidity

In the quarter, the Company borrowed $3.0 million under a new facility to be re-paid out of the proceeds of the Hunan financing or 12 months from draw-down. As at the end of the quarter, the Company had drawn $1.3 million under its bank credit, which permits drawings of up to $2.5 million, to finance export sales. These borrowings just exceeded working capital items. Net current liabilities were $0.3 million at the end of the quarter. As working capital and cash flow from operations are not expected to be adequate, the Company will be required to raise additional capital for the Mactung project through feasibility and development stages as well as funds for exploration and development at Cantung (to establish and develop higher grade ore reserves).

The Company has arranged, but not yet closed, a $19.4 million equity financing with Hunan Non Ferrous.
The Company does not use hedges or other financial derivatives.

Quarterly Earnings and Cash Flow

			2007				2008	
	Q4	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**
Quarterly Earnings and Cash Flow	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Total Revenues	14,286,941	13,749,206	13,958,061	17,740,901	13,972,323	11,878,914	12,495,482	15,442,065
Net Income (loss)	607,204	(810,938)	10,798	2,627,275	(3,030,285)	(3,952,593)	(5,457,640)	(1,340,767)
Earnings (loss) per share	0.01	(0.01)	-	0.02	(0.03)	(0.03)	(0.04)	(0.01)
Cash flow from continuing operations	801,119	(127,113)	732,918	3,413,591	68,722	(2,777,510)	(4,265,831)	5,104

Outlook

For the long term, the Company expects that the development of the Mactung project will enhance the Company's position as a premier supplier of tungsten concentrates in world markets. Production from the Cantung mine may permit the Company to maintain its market share until Mactung production commences, however this will depend on the ability of the Cantung mine to increase its ore reserves through its current exploration efforts. The Cantung mine is currently experiencing a period of low grade ore supply predominately as a result of dilution related to recoveries of pillars. The Company subject to obtaining suitable financing is currently preparing plans to advance exploration and development below the 3700 working level.

As reported in the news release dated August 14, 2008 diamond drilling results continue to be encouraging. Highlights included high grade intercepts of 22 ft @ 2.98% WO3; 20 ft @ 3.31% WO3 and 15 ft @ 4.34% WO3.

The Cantung mine may benefit by the rapidly de-escalating cost of diesel fuel used predominately in power generation. The Cantung mine consumes approximately 10 million liters of diesel fuel annually.

The feasibility study for the Mactung project has commenced in the 2008 fiscal year. Based on the completed Economic Update Study of previous feasibility estimates a 2000 tonne per day mine and mill operation may be the best option. The feasibility study is scheduled for completion in late fiscal 2008.

During fiscal 2008 it is expected that engineering studies of the Minnesota pilot plant will permit the Company to plan further developments based on its new technology.

Other Information

Outstanding Share Data

As at August 18, 2008 there were 126,826,725 common shares and 250,200 share purchase warrants outstanding. In addition, there were 9,171,700 stock options outstanding with exercise prices ranging between $0.12 and $1.85 per share. 447,126 share purchase warrants with an exercise price of $1.40 issued on May 29, 2007 expired during the quarter.

Critical Accounting Estimates

There are no changes to critical accounting estimates from those previously presented for September 30, 2007 in the Annual Management Discussion and Analysis dated January 25, 2008.

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the transition date for publically listed companies to use IFRS, replacing Canadian GAAP. The effective date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended September 30, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Changes in Accounting Policies

Effective October 1, 2007, the Company adopted the following accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"). These new standards have been adopted on a prospective basis with no restatement to prior period financial statements.

(a) Accounting Changes (Section 1506)
This standard establishes criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and correction of errors. As a result, changes in accounting policies are only permitted when required by a primary source of GAAP or when the change will result in more reliable and more relevant information.

(b) Capital Disclosures (Section 1535)
This standard requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance.
The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders, and to bring the Mactung project to commercial production.

The capital structure of the Company currently consists of common shares, flow through common shares and warrants. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, or sell assets to fund operations. The Company is not subject to externally imposed capital requirements.

(c) Financial Instruments – Disclosure (Section 3862) and Presentation (Section 3863)
These standards replace CICA 3861, Financial Instruments – Disclosure and Presentation. They increase the disclosures currently required, which will enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The quantitative disclosures must provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel.

Contractual and Other obligations

Water License

The water license for operations at the Cantung mine issued by the Mackenzie Valley Land and Water Board currently covers a period of five years expiring November 29, 2008. Renewal is anticipated prior to that date. Over the period of the license and in accordance with the Reclamation Security Agreement schedule, the Company must issue promissory notes, secured generally over all the assets of the Company, and place funds in escrow. As required by the license, as of June 30, 2008 the Company had issued $4,700,000 (September 30, 2007 - $4,200,000) of principal value of these promissory notes and placed funds totaling $3,200,000 (September 30, 2007-$2,700,000) in escrow. The total security posted in favour of DIAND is $7,900,000 which fulfills the security requirements of the Water License up to November 30, 2007. The amounts owing are secured against the Company's assets by way of a General Security Agreement ("GSA").

The Reclamation Security Agreement provides for the cash component payable to the Department of Indian Affairs and Northern Development to increase under certain events, and further provides for $500,000 of the promissory notes to be replaced by $500,000 in cash or letter of credit on November 30, 2008.

Office Lease

On August 15, 2007 the Company entered into a new lease for office space effective January 1, 2008. The lease term is for 5 years effective January 1, 2008 and payments will total $15,405 per month for the first two years increasing to $15,720 per month in 2010, $16,454 per month in 2011 and $ 16,979 in 2012. Commitments under a previous office lease were cancelled.

Asset Retirement Obligation

The asset retirement obligations have been recorded as a liability at fair value. The updated estimate assuming a credit adjusted risk-free discount rate of 4.19% and an inflation factor of 2.24% effective October 1, 2007.

Opening asset retirement obligation - September 30, 2007	$	3,402,697
Total accretion during the period		128,929
Closing asset retirement obligation – June 30, 2008	$	3,531,626

Commitments

	Payments due in years ended September 30,					
Contractual Obligations	2008	2009	2010	2011	2012	**TOTAL**
Water License	**$ -**	$ 500,000	**$ -**	**$ -**	**$ -**	$ 500,000
Mactung leases	-	8,126	8,126	8,126	8,126	32,504
Cantung leases	-	45,325	45,325	45,325	45,325	181,300
Equipment loans & leases	99,304	385,991	377,322	356,619	92,292	1,311,528
Office Lease-Whitehorse**	4,200	16,800	14,400	9,800	-	45,200
Office Lease-Vancouver**	46,215	184,860	188,640	197,451	203,748	820,914
	$ 149,719	$1,141,102	$ 633,813	$ 617,321	$ 349,491	$ 2,891,446

** - The payments include a proportionate share of the estimated operating cost component.

Related Party Transactions

Office equipment rental and purchases during the nine month period ended June 30, 2008 were $2,789 (2007 - $31,693) were transacted with an officer of the Company.

Risks and Uncertainties

The Company is a mineral exploration and development company and it is exposed to a number of risks and uncertainties that are common to other companies in the same business; some of these risks have been discussed elsewhere in this report. The reader should also refer to the discussion of risks contained in the Annual Information Form for the year ended September 30, 2007 which is available on SEDAR at www.sedar.com. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements

GLOSSARY OF TERMS

APT	ammonium paratungstate is an intermediate product which is one of the principal chemical forms in which tungsten is traded
concentrates	the valuable fraction of an ore that is left after waste material is removed in processing
MTU	metric tonne unit of 1 percent of a metric tonne (22.046 pounds) of contained WO3
scheelite	A brown tetragonal mineral, $CaWO_4$. 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 of 20lbs. WO3 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	equal to 2,000 pounds
Tonne	a metric unit equal to 2,204.6 pounds
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.