NORTH AMERICAN TUNGSTEN CORPORATION LTD

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED DECEMBER 31, 2008

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying interim consolidated financial statements for North American Tungsten Corporation Ltd. ("the Company") have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. These financial statements are unaudited and have not been reviewed by the auditors. The most significant of these accounting principles have been set out in the September 30, 2008 audited consolidated financial statements. The interim consolidated financial statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the interim consolidated financial statements, management is satisfied that the interim consolidated financial statements have been fairly presented.

NORTH AMERICAN TUNGSTEN CORPORATION LTD.
INTERIM CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2008 AND SEPTEMBER 30, 2008
UNAUDITED

(in thousands of dollars)	December 31, 2008	September 30, 2008
ASSETS		
Current assets		
Cash and cash equivalents (Note 18)	$ 6,189	$ 9,495
Accounts receivable	4,698	5,002
Concentrate, intermediates and ore stockpile inventory (Note 5(a))	6,935	4,895
Supplies inventory (Note 5(b))	2,507	2,638
Prepaid expenses	300	335
	20,629	22,365
Investment in Tundra Diversified Industries, LLC (Note 6)	7,720	-
Property, plant and equipment (Note 7)	12,249	17,510
Mineral properties - Mactung (Note 8)	10,766	9,790
Mineral properties - Other properties (Note 8)	244	244
	11,010	10,034
Other assets		
Funds held in escrow (Notes 9, 10 (a) and 21)	3,700	3,416
Deferred royalty purchases (Note 8(b))	112	121
	$ 55,420	$ 53,446
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 10,498	$ 12,218
Convertible debenture (Notes 4(b)(iii) and 19)	3,607	3,137
Loan facility (Note 4(b)(iii))	3,000	3,000
Bank borrowings (Note 4(b)(iii))	1,100	2,974
Current portion of equipment loans and capital leases (Note11)	383	354
	18,588	21,683
Reclamation liabilities (Note 12)	3,622	3,577
Long term equipment loans and obligations under capital leases (Note11)	1,119	1,050
	23,329	26,310
SHARE CAPITAL AND DEFICIT		
Share capital (Note 13(a))	42,049	42,049
Equity component of convertible debt	54	54
Contributed surplus (Note 13(b))	3,037	3,000
Deficit	(13,049)	(17,967)
	32,091	27,136
	$ 55,420	$ 53,446

Commitments and contingent liabilities (Notes 10 and 14)
Subsequent events (Note 21)

ON BEHALF OF THE BOARD

"signed"
Stephen M. Leahy

"signed"
Bryce M.A. Porter

The accompanying notes are an integral part of these interim consolidated financial statements

NORTH AMERICAN TUNGSTEN CORPORATION LTD.
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE EARNINGS AND DEFICIT
FOR THE THREE MONTHS ENDED DECEMBER 31,
UNAUDITED

(in thousands of dollars except for per share amounts)	2008	2007
REVENUES		
Tungsten sales (Note 15)	$ 17,643	$ 11,786
Interest income	40	93
	17,683	11,879
EXPENSES		
Minesite cost of sales	13,028	13,432
Amortization and depreciation	1,153	1,092
Freight, handling and storage	696	278
Royalties	169	103
	15,046	14,905
General and administrative (Note 16)	786	697
Interest & financing costs	183	34
Accretion of reclamation liabilities (Note 12)	45	43
Stock based compensation (Note 13(b))	37	54
Accretion of equity of convertible debenture	16	-
Loss (gain) on disposal of assets	-	(18)
Foreign exchange (gain) loss	(265)	117
	802	927
NET EARNINGS/(LOSS) BEFORE UNDERNOTED ITEMS	1,835	(3,953)
Dilution gain on TDI transaction (Note 6)	3,083	-
NET EARNINGS/(LOSS) AND COMPREHENSIVE EARNINGS/(LOSS)	$ 4,918	$ (3,953)
DEFICIT-BEGINNING OF PERIOD	$ (17,967)	$ (6,274)
Net earnings/(loss) for the period	4,918	(3,953)
DEFICIT-END OF PERIOD	$ (13,049)	$ (10,227)
Net earnings/(loss) per share		
Basic and diluted	$ 0.04	$ (0.03)
Weighted average number of shares (in thousands)		
Basic and diluted	126,827	122,526

The accompanying notes are an integral part of these interim consolidated financial statements

NORTH AMERICAN TUNGSTEN CORPORATION LTD.
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED DECEMBER 31
UNAUDITED

(in thousand of dollars)	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings/(loss) for the period	$ 4,918	$ (3,953)
Items not affecting cash:		
Amortization and depreciation	1,140	1,083
Foreign exchange loss and accretion on convertible debenture	470	-
Accretion of reclamation liabilities	45	43
Stock based compensation	37	54
Amortization of deferred royalty buy-out	9	9
Accretion of long-term liabilities	4	4
Gain on investment in Tundra Diversified Industries, LLC (Note 6)	(3,083)	-
Loss/(gain) on disposal of assets	-	(18)
	3,540	(2,778)
Change in non-cash working capital (Note 17)	(2,180)	(1,966)
	1,360	(4,744)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital lease obligations	(81)	(73)
Issuance of capital stock	-	146
Share issuance costs	(91)	-
Bank borrowings	(1,874)	-
	(2,046)	73
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on disposal of assets	-	18
Arising on disposition of interest in Tungsten Joint Venture, LLC	(1)	-
Increase in funds held in escrow	(284)	(500)
Expenditure on mineral property interests	(976)	(297)
Purchase of property, plant and equipment	(1,359)	(918)
	(2,620)	(1,697)
Decrease in cash and cash equivalents	(3,306)	(6,368)
Cash and cash equivalents beginning of period	9,495	11,358
Cash and cash equivalents end of period	$ 6,189	$ 4,990
Represented by:		
Cash	$ 2,334	$ 1,328
Fixed deposits (Note 18)	3,855	3,662
	$ 6,189	$ 4,990

Non-cash investing and financing activities (Note 17)

The accompanying notes are an integral part of these interim consolidated financial statements

1. Nature of Operations:

North American Tungsten Corporation Ltd. (the "Company") is engaged in tungsten mining and related activities including acquisition, exploration, 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 an equity accounted investment, a 43.2% interest in Tundra Diversified Industries, LLC. (See Note 6) has an interest in new and upgraded tungsten products.

2. Significant Accounting Policies:

Basis of Presentation

With the exception of changes in accounting policies adopted since September 30, 2008 as outlined in Note 3 below, these unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian GAAP consistent with those used in the preparation of the Company's audited consolidated financial statements for the year ended September 30, 2008. As these unaudited interim consolidated financial statements do not contain all of the disclosures required by Canadian GAAP, they should be read in conjunction with the notes to the Company's audited consolidated financial statements for the year ended September 30, 2008.

The significant subsidiaries are 100% owned Numbered Company incorporated in Delaware, International Carbitech Industries Inc. incorporated in British Columbia and Amax Exploration of the U.K. Inc ("Amax") incorporated in Delaware. All intercompany balances and transactions have been eliminated on consolidation. See Note 6 for accounting of Tundra Diversified Industries, LLC (formerly Tungsten Joint Venture, LLC)

In the opinion of Management, all adjustments necessary to present fairly the consolidated financial position as at December 31, 2008 and the consolidated results of operations, cash flows and comprehensive income for the three month periods then ended December 31, 2008 have been made. These interim results are not necessarily indicative of the results for a full year.

3. Changes in Accounting Policies:

a. New Accounting Pronouncements

Effective October 1, 2008 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.

Section 3064 - Goodwill and Intangible Assets

In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Other Intangible Assets" and Section 3450 "Research and Development". This new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The Company adopted this standard effective October 1, 2008 and there was no impact to the financial statements as a result of this new standard.

Section 3031 - Inventories

This Section prescribes the accounting treatment for inventories and provides guidance on the determination of costs and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formula that is used to assign costs to inventories.

b. Future Accounting Policies Changes

The following standards have been issued but are not yet effective for the Company.

International Financial Reporting Standards

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 International Financial Reporting Standards (IFRS) over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the transition date for publicly listed companies to use IFRS, which will replace 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 we have begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

4. 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.

a. Financial Assets and Financial Liabilities

The Company has financial assets and liabilities which include cash and cash equivalents, loans and convertible debt funds held in escrow, accounts receivable, accounts payable and obligations under capital leases, the carrying values of which approximate fair values.

b. Risk Exposure and Risk Management

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

i. Foreign Exchange Risk

The Company operates on an international basis and therefore, foreign exchange risk exposures arise from transactions denominated in a foreign currency. The foreign exchange risk arises primarily with respect to the US dollar. The cash flows from Canadian operations are exposed to foreign exchange risk as commodity sales are denominated in US dollars, and the majority of operating expenses are in Canadian dollars. The Company has elected not to actively manage this exposure at this time. For the quarter ended December 31, 2008 with other variables unchanged a $0.01 strengthening (weakening) of the Canadian dollar against the US dollar would have had a negative or positive impact respectively of $0.2 million on tungsten sales and net earnings.

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. Accounts receivable for the three primary customers total $3.8 million ($3.6 million as at September 30, 2008) all of which were current.

iii. Interest Rate Risk

The Company's interest rate risk mainly arises from the interest rate impact on cash and cash equivalents, floating rate debt and interest rate swaps. 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 interest rates.

Fluctuations in interest rates impact on the value of cash equivalents and reclamation deposits. At December 31, 2008 fixed deposits of $3.9 million carried interest rates of 1% to 1.25% (September 30, 2008 $5.8 million of bankers' acceptances carried interest rates of 1.25% to 2.60%).

As at December 31, 2008, with other variables unchanged, a 1% change in the LIBOR rate would have an insignificant impact on net earnings.

The Company has a working line of credit to finance accounts receivable in the amount of $2.5 million as of December 31, 2008 and September 30, 2008. The interest rate is bank prime plus 1%. The loan is payable on demand and minimum monthly payments consist of interest only.

On April 18, 2008 the Company entered into an agreement for a $3.0 million loan facility. The interest rate on outstanding borrowings is fixed at 10% per annum.

On September 22, 2008 the Company issued Convertible Debentures in the amount of US$3.0 million for a one year term. The interest rate on the outstanding debt portion is fixed at 8% per annum compounded quarterly. See Note 19.

For financial liabilities, interest is payable on equipment loans and capital leases at fixed rates ranging from 7.50% to 14.50% and as such these payments are not subject to fluctuations in interest rate.

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 bankers' acceptances. The Company's cash and cash equivalents are invested in business accounts and bankers' acceptances which are available on demand for the Company's programs and are not invested in any asset backed deposits or investments.

v. Commodity Price Risk

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

Tungsten prices historically have fluctuated widely 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 speculators, levels of worldwide production and short-term changes in supply and demand because of speculative hedging activities The profitability of the Company's operations is highly correlated to the market price of tungsten. If metal prices decline for a prolonged period below the cost of production of the Company's mine, it may not be economically feasible to continue production.

5. Inventory :

a. Concentrate, Intermediates and Ore Stockpile Inventory

(in thousands of dollars)	December 31, 2008	September 30, 2008
Concentrates	$ 6,242	$ 4,470
Intermediates	520	272
Ore stockpile	173	153
	$ 6,935	$ 4,895

b. Supply Inventory

(in thousands of dollars)	December 31, 2008	September 30, 2008
Fuel, Reagents and Explosives	$ 780	$ 1,038
Other Supplies	1,727	1,600
	$ 2,507	$ 2,638

6. Investment in Tundra Diversified Industries, LLC:

As a result of the reorganization of Tundra Diversified Industries, LLC ("TDI") (formerly Tungsten Joint Venture, LLC "TJV") the Company's interest was diluted from 100% to 43.2%. The remaining 56.8% is held by Tundra Particle Technologies, LLC ("TPT") as to 43.2% and Queenwood Capital Partners LLC ("Queenwood") as to 13.6%. The Company's interest in Tundra Diversified Industries, LLC is now accounted for as an equity accounted investment.

The net assets of TJV included in the Company's interim consolidated financial statements immediately prior to the reorganization are set out below.

As TDI issued its own equity to outside interests, a dilution gain of $3,083 thousand arose as a result of the difference between the Company's share of the proceeds and the carrying value of the underlying equity.

TUNDRA JOINT VENTURE, LLC

(in thousands of dollars)		December 8, 2008
CURRENT ASSETS		
Cash	$	1
Inventory		194
		195
Property, plant & equipment		3,181
Deferred development		2,279
	$	5,655
CURRENT LIABILITIES		
Accounts payable & accrued liabilities	$	1,018
SHAREHOLDERS' EQUITY		4,637
	$	5,655

TUNDRA DIVERSIFIED INDUSTRIES, LLC (condensed Balance Sheet)

(in thousands of dollars)		December 9, 2008
CURRENT ASSETS		
Cash	$	631
Note Receivable		2,521
Inventory		194
		3,346
Intangible Asset - License Agreement		10,082
Property, plant & equipment		3,181
Deferred development		2,279
	$	18,888
CURRENT LIABILITIES		
Accounts payable & accrued liabilities	$	1,018
SHAREHOLDERS' EQUITY		17,870
	$	18,888

7. Property, Plant & Equipment:

(in thousands of dollars)	Cost	Accumulated Amortization	December 31, 2008 Net
Deferred mining costs	$ 8,220	$ (7,400)	$ 820
Property, plant and equipment	30,664	(19,235)	11,429
	$ 38,884	$ (26,635)	$ 12,249

	Cost	Accumulated Amortization	September 30, 2008 Net
Deferred mining costs	$ 7,884	$ (7,282)	$ 602
Deferred development costs	2,121	-	2,121
Property, plant and equipment	33,000	(18,213)	14,787
	$ 43,005	$ (25,495)	$ 17,510

8. Mineral Property Interests:

The following table summarizes the Company's interest in mineral properties as at September 30, 2008 and December 31, 2008.

(in thousands of dollars)	Mactung Property Yukon & NWT Canada (Note 8(a))	Rifle Range Creek Property, NWT Canada (Note 8(c))	Bailey Claims, Yukon Canada	Sheet Mountain NWT Canada	Total of all properties excluding Mactung
Balance September 30, 2008	$ 9,790	$ 217	$ 25	$ 2	$ 244
Fiscal 2009 Costs	976	-	-	-	-
Balance at December 31, 2008	$ 10,766	$ 217	$ 25	$ 2	$ 244

a. Mactung – Canada

The Mactung mineral leases, located on the border of the Yukon Territory and the Northwest Territories, are held under various mineral lease agreements and claims.

b. Deferred Royalty Purchases

On January 31, 2005 the Company entered into an Amended Royalty Agreement on the Mactung Property with Teck Cominco Limited (successor to Aur Resources Inc). For $100 thousand Teck Cominco Limited ("Teck") granted the Company an option (the "Option") to reduce the Mactung Royalty from a 4% net smelter return ("NSR") to a 1% NSR, such Option to be exercisable by the Company upon:

Paying to Teck an additional $1.0 million by the earlier of:

- March 30, 2015; and
- 60 days after the receipt of a water license issued in connection with any proposed development of the properties (as such term is defined in the Mactung Royalty Agreement) for mineral production.

If the Company has not exercised the Option by March 30, 2010, it must pay an additional $200 thousand to Teck in order to maintain the Option.

The $100 thousand paid by the Company has been treated as a deferred royalty and will be amortized over the life of the mine once the Mactung property is brought into production. The balance at December 31, 2008 was $100 thousand (September 30, 2008 - $100 thousand).

A similar payment of $125 thousand was made to reduce the Cantung mine royalty from 4% to 1% and the payment is being amortized over the remaining life of the Cantung mine. The balance at December 31, 2008 was $12 thousand (September 30, 2008 was $22 thousand).

c. Rifle Range Creek – NWT

In fiscal 2006, the Company staked two claims (63 units) in an area four miles northeast of the Cantung mine, NWT. The claims which are contiguous with the mine property are in a glaciated region on the upper reaches of Rifle Range Creek.

d. Jennings (formerly Tootsee River Property) – Yukon

On January 7, 2008, Agnico-Eagle Mines Limited exercised its option to increase its interest in the Jennings tungsten/molybdenum property from 50% to 70% by committing to spend $4 million in exploration expenditures by December 31, 2010. The Company may elect to form a participating Joint Venture or convert its 30% working interest to a 2.5% NSR from two months after Agnico-Eagle Mines Limited has fulfilled its $4 million expenditure requirement.

9. Funds Held in Escrow:

Funds are held in escrow to secure mine reclamation obligations under the water license for the Cantung mine issued by the Mackenzie Valley Land and Water Board.

10. Commitments:

(in thousands of dollars)	Payments due in years ended September 30,					
Contractual Obligations	2009	2010	2011	2012	2013	TOTAL
Mactung leases	$ 5	$ 8	$ 8	$ 8	$ 8	$ 37
Cantung leases	15	43	43	43	43	187
Equipment loans & leases	355	468	434	151	12	1,420
Office Lease-Whitehorse**	13	14	10	-	-	37
Office Lease-Vancouver**	139	189	197	204	-	729
	$ 527	$ 722	$ 692	$ 406	$ 63	$ 2,410

* - For obligations on the Water License - See Note 21

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

a. Water License

The water license for operations at the Cantung mine issued by the Mackenzie Valley Land and Water Board on November 28, 2003 covered a five year period expiring November 29, 2008. On September 8, 2008 the Company received a 60 day extension to the water license extending the expiry date to January 28, 2009 and on January 29, 2009 the Company received notice of that the Water Licensed was renewed. (See Note 21).

The Company has posted a total of $3.7 million in cash and $4.2 million in the form of a secured promissory note pursuant to the Reclamation Security Agreement (“RSA”). The RSA is secured generally over the assets of the Company by way of a General Security Agreement (“GSA”). The total security posted in favour of the Department of Indian and Northern Development (“DIAND”) is $7.9 million which fulfills the security requirements of the RSA as at December 31, 2008.

Any funds in excess of ultimate reclamation costs will be returned to the Company.

b. Smelter Royalties

The Cantung Mine is subject to a 1% net smelter royalty payable to Teck.

c. Mactung Option

The Company is committed to payments under option agreement as disclosed in Note 8(b).

11. Obligations under Equipment Loans and Capital Leases:

(in thousands of dollars)	December 31, 2008	September 30, 2008
Obligations under equipment loans and capital leases	$ 1,296	$ 1,203
Billiton loan provision	206	201
	1,502	1,404
Current portion of equipment loans and capital leases	(383)	(354)
Long term equipment loans and obligations under capital lease	$ 1,119	$ 1,050

The maturity dates range from September 2010 to December 2013, with interest rates ranging from 7.50% to 14.50%. See Note 10 for details of payments over the next 5 years.

12. Reclamation Liabilities:

The Company's estimate of future reclamation costs was updated in 2007 and is reviewed at least annually. This estimate assumes a credit adjusted risk-free discount rate of 4.19% in 2007 and an inflation factor of 2.24%. The liability estimate for retirement and remediation on an undiscounted basis is approximately $3.6 million.

(in thousands of dollars)	December 31, 2008	September 30, 2008
Opening asset retirement obligation	$ 3,577	$ 3,403
Total accretion during the period	45	174
Closing asset retirement obligation	$ 3,622	$ 3,577

13. Share Capital

a. Capital Stock

An unlimited number of common shares without par value are authorized.

Issued	Number of Shares	Consideration (in thousands of dollars)
September 30, 2008	126,826,725	$ 42,049
December 31, 2008	126,826,725	$ 42,049

b. Shareholders' Equity

(in thousands of dollars)	Shares	Capital Stock	Convertible Debenture	Contributed Surplus	Retained Earnings	Total
September 30, 2008	126,826,725	$ 42,049	$ 54	$ 3,000	$ (17,967)	$ 27,136
Stock compensation	-		-	37	-	37
Net earnings	-	-	-	-	4,918	4,918
December 31, 2008	126,826,725	$ 42,049	$ 54	$ 3,037	$ (13,049)	$ 32,091

c. Stock Option Plan

The Company has a rolling Stock Option Plan which reserves up to a maximum of 10% of the issued and outstanding shares for the granting of options to eligible participants. The Option Plan provides that the Company's Board of Directors may from time to time grant Options to acquire Common Shares to any participant who is an employee, officer or director of the Company or a consultant to the Company. The total number of Common Shares that may be reserved for issuance to any one participant pursuant to options granted under the Option Plan may not exceed 5% of the issued and outstanding shares of the Company on the date of the grant of the Options in any twelve month period. The maximum number of options granted to any one consultant may not exceed 2% of the issued and outstanding shares of the Company on the date of the grant of the options in any twelve month period and the options granted to persons employed to provide investor relation services may not exceed 2% of the issued and outstanding shares of the Company on the date of grant of the options in any 12 month period. The options may not be granted at prices that are less than the Discounted Market Price as defined in the TSX Venture Exchange policy. Each option is exercisable, subject to vesting terms as may be determined by the Board, into one common share of the Company.

During the three months ending December 31, 2008 nil share options were granted. Option pricing models require the input of highly subjective assumptions including the expected price volatility and expected life. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options at the date of grant.

No of Options Outstanding as of Sept. 30, 2008	Exercised	Granted	Cancelled	No of Options Outstanding as of Dec. 31, 2008	Exercise Price	Expiry Date	*Options Exercisable
2,030,000				2,030,000	$0.12	14-May-09	2,030,000
100,000				100,000	$0.12	29-Jun-09	100,000
100,000				100,000	$0.23	1-Feb-10	100,000
3,075,000				3,075,000	$1.08	24-May-10	3,075,000
100,000				100,000	$1.50	22-Jun-10	100,000
50,000				50,000	$1.26	22-Aug-10	50,000
110,000				110,000	$1.15	9-Nov-10	110,000
200,000				200,000	$1.76	31-Jan-11	200,000
350,000			(350,000)	-	$0.88	20-Sep-11	-
50,000				50,000	$0.70	27-Oct-11	50,000
400,000				400,000	$0.65	10-Jan-12	400,000
1,266,700				1,266,700	$1.25	19-Mar-12	1,266,700
125,000				125,000	$1.41	16-Apr-12	125,000
75,000				75,000	$1.28	14-Jun-12	75,000
175,000				175,000	$1.39	18-Jul-12	175,000
100,000				100,000	$1.49	6-Nov-12	100,000
200,000				200,000	$1.30	2-Jan-13	133,332
16,666			(16,666)	-	$1.20	1-Apr-13	-
83,334				83,334	$1.24	27-May-13	55,554
75,000				75,000	$0.70	26-Aug-13	25,000
8,681,700	-	-	(366,666)	8,315,034			8,170,586

* Options Exercisable – the number of vested stock options that are eligible for exercise.

The outstanding options have a weighted-average exercise price of $ 0.87 and the weighted-average remaining life of the options is 1.77 years.

d. Warrants Outstanding

The following table shows the warrants outstanding at December 31, 2008

No. of Warrants Outstanding as of Sept. 30, 2008	Granted	Exercised	Expired	No. of Warrants Outstanding as of Dec. 31, 2008	Exercise Price	Expiry Date	Warrants Exercisable
250,200	-	-	-	250,200	$1.20	7-Aug-09	250,200
250,200	-	-	-	250,200			250,200

On August 7, 2008 the Company issued 250,200 Agent Warrants to Haywood Securities Inc. Each warrant is exercisable at $1.20 and expires on August 7, 2009. Warrants are valued using the Black Scholes method. The following assumptions were used; dividend yield of 0% (2006 – 0%), credit adjusted risk free interest rate 2.83% (2006 – 3.2%); expected life of 1 year (2006 – 2-2.4 years); and expected volatility of 64% (2006 – 60%). Warrants are included in contributed surplus until exercised at which time they are transferred into share capital.

14. Contingencies:

Pursuant to agreements with officers, in the event of their contracts being terminated, the Company would be liable for payments totaling $1.8 million (2007-$1.8 million).

Pursuant to contracts with directors, in the event of a change in control of the company, the Company would be liable for payments totaling $0.4 million (2007-$0.3 million).

15. Sales and Economic Dependence:

Sales to three customers accounted for 92% of sales made in the three months ending December 31, 2008 and 95% of the sales in the three months ending December 31, 2007.

As at December 31, 2008 trade receivables consisted of $3,750 due from two customers for sales of concentrates and intermediates (as at September 30, 2008 $2,840 was due from three customers).

16. General & Administrative:

(in thousands of dollars)	For the three months ended December 31, 2008	December 31, 2007
Fees, wages and benefits	$ 476	$ 444
Office expenses	113	75
Accounting and audit	55	48
Legal fees	47	22
Investor relations, travel & business development	73	94
Consulting	19	12
Filing fees and transfer agent fees	3	2
	$ 786	$ 697

17. Supplemental Cash Flow:

(in thousands of dollars)	For the three months ended December 31, 2008	December 31, 2007
Changes in non-cash working capital		
Accounts receivable	$ 304	$ (996)
Supplies inventory	123	(145)
Prepaid expense	35	(395)
Accounts payable and accrued liabilities	(416)	(587)
Concentrate, intermediates and ore stockpile inventory	(2,226)	157
Change in non-cash working capital	$ (2,180)	$ (1,966)
Supplemental information		
Interest paid	$ 182	$ 30

18. Cash and Cash Equivalents:

Cash and cash equivalents include funds of $ 3.8 million that must be expended on Canadian eligible exploration and development by December 31, 2009.

19. Related Party Transactions:

Mr. Ronald Erickson, a director of the Company controls Queenwood Capital Partners LLC ("Queenwood). Queenwood directly owns 13.6% of the TDI membership units and, through its interest in TPT, owns a further 8.1% of the TDI membership units (see Note 6). Queenwood is also a holder of US$2 million (Cdn.$2.4 million) Convertible Debenture issued by the Company, the Convertible Debenture was issued to Queenwood prior to Mr. Ronald Erickson becoming a director of the Company.

20. Segmented Information:

The geographical distribution of the Company's external sales revenue is as follows:

SALES: (in thousands of dollars)	For the three months ended December 31, 2008	December 31, 2007
United States	$ 6,768	$ 3,510
Asia	10,875	7,020
Europe	-	1,256
	$ 17,643	$ 11,786

21. Subsequent Events

a. Water License

On January 29, 2009 the Company received notification from the Mackenzie Valley Land and Water Board of the renewal of the Company's type "A" Water License ("license"). The license has been approved for a period of five (5) years commencing January 30, 2009 and expiring January 29, 2014.

The security deposit required under the Company's prior license was $7.9 million, which is posted and remains in support of the license. The renewed license (issued on January 29, 2009) requires the Company to post an additional security deposit of $5.2 million over time as follows:

Within thirty days of the effective date of the license an amount of $1.3 million of security shall be posted;
On July 1, 2009 an amount of $1.3 million of security shall be posted;
On February 1, 2010 an amount of $1.3 million shall be posted; and
On July 1, 2010 an amount of $1.3 million of security shall be posted.

Negotiations are currently in process as to the terms, form of security and cash content, if any, of the security deposit. Negotiations are with Indian and Northern Affairs Canada, which has jurisdiction and to whose benefit the deposits are to be posted.