NORTH AMERICAN TUNGSTEN CORPORATION LTD

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007

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Auditors' Report

To the Shareholders of
North American Tungsten Corporation Ltd.

We have audited the consolidated balance sheet of North American Tungsten Corporation Ltd. as at September 30, 2008 and 2007, and the consolidated statements of operations and comprehensive loss and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2008 and 2007 and the result of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"PricewaterhouseCoopers"

Chartered Accountants
Vancouver, British Columbia
January 26, 2009

NORTH AMERICAN TUNGSTEN CORPORATION LTD.
CONSOLIDATED BALANCE SHEET
AS AT SEPTEMBER 30

(Expressed in Canadian Dollars)	2008	2007
ASSETS		
Current assets		
Cash and cash equivalents (Note 18)	$ 9,494,994	$ 11,547,584
Accounts receivable	5,001,851	2,861,752
Concentrate, powder, APT and ore stockpile inventory (Note 4(a))	4,894,789	5,476,631
Supplies inventory (Note 4(b))	2,638,515	2,676,958
Prepaid expenses	334,734	365,415
	22,364,883	22,928,340
Property, plant and equipment (Note 5)	17,510,471	18,864,945
Mineral properties - Mactung (Note 6)	9,790,149	3,865,693
Mineral properties - Other properties (Note 6)	243,770	343,536
	10,033,919	4,209,229
Other assets		
Funds held in escrow (Note 7 & 8)	3,415,902	2,787,672
Deferred royalty purchases (Note 6 (b))	121,618	158,153
	$ 53,446,793	$ 48,948,339
LIABILITIES		
Current liabilities		
Bank borrowings (Note 9(a))	$ 2,974,198	$ 189,294
Accounts payable and accrued liabilities	12,218,120	9,838,634
Loan facility (Note 9(b))	3,000,000	-
Convertible debenture (Note 9(c))	3,137,495	-
Current portion of equipment loans and capital leases (Note10)	353,700	298,877
	21,683,513	10,326,805
Reclamation liabilities (Note 11)	3,577,432	3,402,697
Long term equipment loans and obligations under capital leases (Note10)	1,050,492	1,252,768
	26,311,437	14,982,270
SHARE CAPITAL AND DEFICIT		
Share capital (Note 12(a))	42,048,701	37,911,629
Equity component of convertible debt (Note 12(b))	53,510	-
Contributed surplus (Note 12(b))	2,999,820	2,328,144
Deficit	(17,966,675)	(6,273,704)
	27,135,356	33,966,069
	$ 53,446,793	$ 48,948,339

Commitments and contingent liabilities (Notes 8 and 13)
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 consolidated financial statements.

NORTH AMERICAN TUNGSTEN CORPORATION LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS AND DEFICIT
FOR THE YEARS ENDED SEPTEMBER 30

(Expressed in Canadian Dollars)	2008	2007
REVENUES		
Tungsten sales (Note 14)	$ 56,024,576	$ 59,158,004
Interest income	378,898	262,487
	56,403,474	59,420,491
EXPENSES		
Minesite cost of sales	56,628,734	49,521,716
Freight, handling and storage	2,042,342	1,497,791
Royalties	539,822	585,157
Amortization and depreciation	5,193,776	4,625,729
General and administrative (Note 15)	3,244,694	2,708,596
Accretion of reclamation liabilities (Note 11)	174,735	119,305
Interest & financing costs	384,338	95,191
Stock based compensation (Note 12(b))	732,261	559,777
Foreign exchange (gain) loss	(358,991)	940,644
Loss (gain) on disposal of assets	32,500	(30,265)
	68,614,211	60,623,641
NET LOSS BEFORE UNDERNOTED ITEMS	(12,210,737)	(1,203,150)
Writedown of mineral property (Note 6(c))	(104,878)	-
NET LOSS BEFORE INCOME TAXES	(12,315,615)	(1,203,150)
Future income tax recovery (Note 16)	622,644	-
NET LOSS AND COMPREHENSIVE EARNINGS (LOSS)	$ (11,692,971)	$ (1,203,150)
DEFICIT-BEGINNING OF PERIOD	$ (6,273,704)	$ (5,070,554)
Net loss for the period	(11,692,971)	(1,203,150)
DEFICIT-END OF PERIOD	$ (17,966,675)	$ (6,273,704)
Net loss per share		
Basic and diluted	$ (0.09)	$ (0.01)
Weighted average number of shares		
Basic and diluted	123,184,709	113,046,467

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

NORTH AMERICAN TUNGSTEN CORPORATION LTD.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30

(Expressed in Canadian Dollars)	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	$ (11,692,971)	$ (1,203,150)
Items not affecting cash:		
Accretion of long-term liabilities	16,724	16,722
Amortization and depreciation	5,140,517	4,606,613
Amortization of deferred royalty buy-out	36,535	19,116
Accretion of reclamation liabilities	174,735	119,305
Loss/(gain) on disposal of assets	32,500	(30,265)
Future income tax recovery	(622,644)	-
Foreign exchange loss on convertible debenture	17,409	-
Writedown of mineral property	104,878	-
Stock based compensation	732,261	559,777
	(6,060,056)	4,088,118
Change in non-cash working capital (Note 17)	982,067	(993,943)
	(5,077,989)	3,094,175
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of capital stock	4,789,991	14,303,343
Cash outflow on capital lease obligations	(164,177)	755,327
Convertible debenture	3,173,596	-
Loan facility	3,000,000	-
Bank borrowings	2,784,904	189,294
	13,584,314	15,247,964
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in funds held in escrow	(628,230)	(500,000)
Expenditure on mineral property interests	(5,929,567)	(948,499)
Proceeds on disposal of assets	17,500	150,980
Purchase of property, plant and equipment	(4,018,618)	(6,837,147)
	(10,558,915)	(8,134,666)
(Decrease)/increase in cash and cash equivalents	(2,052,590)	10,207,473
Cash and cash equivalents beginning of period	11,547,584	1,340,111
Cash and cash equivalents end of period	$ 9,494,994	$ 11,547,584
Represented by:		
Cash	3,676,628	1,420,621
Bankers' acceptances (Note 18)	5,818,366	10,126,963
	$ 9,494,994	$ 11,547,584

Non-cash investing and financing activities (Note 17)

The accompanying notes are an integral part of these 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 a subsidiary, a development-stage processing facility in Minnesota, USA. (See Note 21)

2. Significant Accounting Policies:

a. Basis of Presentation

These consolidated financial statements include the accounts of North American Tungsten Corporation Ltd. and all of its subsidiaries. The significant subsidiaries are 100% owned and include Tungsten Joint Venture LLC incorporated in Minnesota, 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 inter company balances and transactions have been eliminated on consolidation.

b. Cash and Cash Equivalents

Cash and cash equivalents include cash on account, demand deposits and money market investments with maturities from the date of acquisition of three months or less.

c. Inventories

Concentrate inventory is comprised of tungsten concentrate, ammonium paratungstate (APT) and tungsten blue oxide (TBO) and is valued at the lower of average cost and net realizable value. Concentrate inventory includes all direct costs incurred in production, including direct labour and materials, freight, and directly attributable overhead costs. Inventories also include.

Ore stockpile inventory consists of stockpiled ore on the surface, and is valued at the lower of average cost and net realizable value. Ore stockpile inventory includes all directly attributable costs up to that point of production.

Supplies inventory is valued at average cost.

d. Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated amortization and write-downs. All property, plant and equipment and deferred mining and development costs are amortized using the unit of mine production method based on estimated recoverable reserves which includes both proven and probable reserves.

e. Capital Leases

Assets under capital leases are capitalized as part of plant & equipment and the outstanding future lease obligations are shown in long term equipment loans and obligations under capital leases. The assets are amortized using the unit of production method. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss amount over the period of the lease.

f. Mineral Property Interests

Costs related to the acquisitions, exploration, evaluation and development of mineral property interests are capitalized on a property-by-property basis, to the extent that such costs are considered to be recoverable. Such expenditures are comprised of net direct costs and an appropriate portion of related overhead expenditures, but do not include general overhead or administrative expenditures not having a specific connection with a particular area of interest. Administrative costs that do not relate to a specific property are expensed in the period they are incurred. Each property is evaluated on a periodic basis in order to determine if the costs incurred to date continue to be recoverable. Capitalized costs that exceed estimated recoveries are charged to earnings in the period of determination.

g. Research and Development Costs

Research costs are expensed in the year in which they are incurred. Development costs are expensed in the year incurred unless such costs meet the criteria under Canadian generally accepted accounting principles for deferral and amortization.

Costs associated with the development of the tungsten pilot processing plant in the Tungsten Joint Venture LLC are deferred until commencement of commercial operations, at which point such costs will be amortized over the life of the project.

h. Reclamation Liabilities

Future obligations to retire an asset including dismantling, remediation and ongoing monitoring of the site are initially recognized and recorded as a liability at fair value, assuming a credit adjusted risk-free discount rate and an inflation factor. The liability is adjusted for changes in the estimated amounts and timing of costs to be incurred, and accreted to full value over time through periodic charges to earnings.

i. Use of Estimates

The preparation and consolidation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Actual results could differ from these estimates. Significant areas where management's judgment is applied include concentrate and ore stockpile inventory, property, plant equipment (asset valuations and asset useful lives), deferred development costs, reclamation liabilities, amortization and depreciation, accretion of reclamation liabilities, stock compensation expense, future income taxes, and ore reserve determinations as they relate to the amortization bases. Ore reserve determinations involve estimates of future costs and future commodity prices.

j. Measurement Uncertainty – Specific Items

Certain amounts recognized in the financial statements are subject to measurement uncertainty. The recognized 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.

- The amounts recorded for depletion, depreciation, amortization and impairment of property, plant and equipment, for future site restoration costs and research and development costs depend on estimates of tungsten reserves or the economic lives and future cash flow of assets. The provision for future site restoration costs also depends on estimates of such costs.

- Costs that have been deferred in relation to mineral property interests and research and development have been deferred to the extent that they are expected to be recovered. The viability of exploration properties depends on market prices and the estimated concentration of tungsten. Recovery of development costs depends on estimates of cash flows from the resulting product or products.

k. Translation of Foreign Currencies

For integrated foreign operations, balances denominated in foreign currencies are translated into Canadian dollars as follows:
- Monetary assets and liabilities at period end rates;
- All other assets and liabilities at historical rates;
- Revenue and expense transactions at the average rate of exchange prevailing during the period.

Exchange gains or losses arising on these transactions are charged to operations in the period in which they occurred.

l. Revenue Recognition

Sales are recognized and revenues are recorded when the title transfers and the rights and obligations of ownership pass to the customer. The Company's metal concentrates are sold under pricing arrangements where final prices are determined by quoted market prices in a period prior to the date of sale.

m. Income Taxes

The Company follows the liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Future income tax assets also result from unused loss carry forwards, resource related pools and other deductions. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of substantive enactment. If on the basis of available evidence, it is more likely than not that all or a portion of the future tax asset will not be realized, the future tax asset is reduced by a valuation allowance.

n. Canadian Deferred Mining Costs

During 2005, the Company incurred costs to re-commission the Cantung mine. These costs have been capitalized as property, plant, and equipment, and are being amortized using the unit of production method based upon estimated recoverable reserves. The Company has reviewed the re-commissioning costs, and to the extent that they may not be recoverable against future sales, they have been charged to operating expenses.

o. Flow Through Shares

Under the Canadian Income Tax Act a company may issue securities referred to as flow through shares, whereby the investor may claim the tax deductions arising from the qualifying expenditure of the proceeds by the company. When resource expenditures are renounced to the investors once the company has reasonable assurance that the expenditures will be completed, future income tax liabilities are recognized (renounced expenditures multiplied by the effective corporate tax rate), thereby reducing the share capital. Previously unrecognized tax assets if available may then offset the liability recorded. To finance eligible Canadian Exploration Expenditures ("CEE"), during the year ended September 30, 2008 the Company issued 4,170,000 shares issued at $1.20 per share for proceeds of $5,000,004. The flow-through common shares provide for the Company's CEE to be transferred to the shareholders and, as a result, the tax base will not be available to the Company.

p. Stock Based Compensation

The fair value method of accounting is used for stock-based awards. Under this method, the compensation cost of options and other stock-based compensation arrangements are estimated at fair value at the grant date and recognized as an expense over the vesting period. When exercised, the associated cost is allocated from contributed surplus to share capital.

q. Earnings Per Share

Earnings per share is calculated based on the weighted average number of shares outstanding during the year. The Company follows the treasury stock method in the calculation of diluted earnings per share. Under this method, dilution is calculated based upon the net number of common shares issued should "in the money" options and warrants be exercised and the proceeds are used to repurchase common shares at the average market price in the period. Dilution from convertible securities is calculated based on the number of shares to be issued after taking into account the reduction of the related after-tax interest expense.

In the years 2008 and 2007 the exercises of options, warrants and conversion of debentures were anti-dilutive.

r. Share Capital

The Company records proceeds from share issuances net of share issuance costs. Share capital issued for non-monetary consideration is recorded at the fair market value of the shares on the date the shares are issued.

s. Impairment of Long Term Assets

The Company periodically evaluates long-term assets to determine if the carrying value continues to be recoverable based on current events and circumstances. Carrying values are compared to estimated fair values and any excess is charged to operations in the period of determination.

t. New Accounting Pronouncements

The Company has adopted the following new standards during the year.

Section 1535 – Capital Disclosures

This Section establishes standards for disclosing information about an entity's capital and how it is managed. Under this standard the Company will be required to disclose the following, based on the information provided internally to the entity's key management personnel:

(i) qualitative information about its objectives, policies and processes for managing capital,
(ii) summary quantitative data about what it manages as capital.
(iii) whether during the period it complied with any externally imposed capital requirements to which it is subject.
(iv) when the Company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

Section 3862 – Financial Instruments – Disclosures

This Section requires entities to provide disclosure of quantitative and qualitative information in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks. Entities will be required to disclose the measurement basis or bases used, and the criteria used to determine classification for different types of instruments.

u. Future Accounting Policies Changes

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

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 formulae that are used to assign costs to inventories.

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. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008 and is applicable for the Company’s first quarter of fiscal 2009. The Company is currently evaluating the impact of this new standard.

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.

3. 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 year ended September 30, 2008, with other variables unchanged, a $0.01 strengthening (weakening) of the Canadian dollar against the US dollar would have had a positive or negative impact of $0.6 million on 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 $3,630,404 as at September 30, 2008 (September 30, 2007 - $1,879,736), all of which were current.

iii. Interest Rate Risk

The Company’s interest rate risk mainly arises from the interest rate impact on our 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 September 30, 2008 $5,818,366 of bankers' acceptances carried interest rates of 1.25% to 2.60% (September 30, 2007 - $10 million of bankers' acceptances – 4.78% to 5.15%).

As at September 30, 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 $2,500,000 as of September 2008. The interest rate is bank 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 $3,000,000 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$3,000,000 for a one year term. The interest rate on outstanding debt portion is fixed at 8% per annum compounded quarterly.

For financial liabilities, interest is payable on equipment loans and capital leases at fixed rates ranging from 7.50% to 10.35% 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.

4. Inventory :

a. Stockpile & Concentrate Inventory

	2008	2007
Ore	$ 152,913	$ 449,842
Concentrate	4,469,732	4,745,952
Powder	257,943	221,879
Tungsten Blue Oxide	14,201	-
Ammonium Paratungstate	-	58,958
	$ 4,894,789	$ 5,476,631

b. Supply Inventory

	2008	2007
Fuel, Reagents and Explosives	$ 1,038,551	$ 745,085
Other Supplies	1,599,964	1,931,873
	$ 2,638,515	$ 2,676,958

5. Property, Plant & Equipment:

	Cost	Accumulated Amortization	September 30, 2008 Net
Deferred mining costs	$ 7,883,730	$ (7,282,267)	$ 601,463
Deferred development costs	2,121,218	-	2,121,218
Property, plant and equipment	33,000,915	(18,213,125)	14,787,790
	$ 43,005,863	$ (25,495,392)	$ 17,510,471

	Cost	Accumulated Amortization	September 30, 2007 Net
Deferred mining costs	$ 7,883,730	$ (6,632,382)	$ 1,251,348
Deferred development costs	1,251,237	-	1,251,237
Property, plant and equipment	30,210,854	(13,848,494)	16,362,360
	$ 39,345,821	$ (20,480,876)	$ 18,864,945

6. Mineral Property Interests:

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

	Mactung Property Yukon & NWT Canada (Note 6(a))	Three (3) Ace Claims Yukon Canada (Note 6(c))	Rifle Range Creek Property, NWT Canada (Note 6(d))	Bailey Claims, Yukon Canada	Sheet Mountain NWT Canada	Total of all properties excluding Mactung
Balance September 30, 2007	$ 3,865,693	$ 102,358	$ 215,764	$ 23,314	$ 2,100	$ 343,536
Total 2008 costs	6,014,456	2,520	300	1,953	339	5,112
Exploration Contribution	(90,000)	-	-	-	-	-
Write down of Three Ace Claims	-	(104,878)	-	-	-	(104,878)
Balance at September 30, 2008	$ 9,790,149	$ -	$ 216,064	$ 25,267	$ 2,439	$ 243,770

The carrying value of the Jennings property is nil. No costs were incurred in the two years ended September 30, 2008.

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 $100,000 Teck Cominco Limited ("Teck") granted the Company the right and option (the "Option") to reduce the Mactung Royalty from a 4% net smelter return royalty interest to a 1% net smelter return royalty interest, such Option to be exercisable by the Company upon:

Paying to Teck an additional $1,000,000 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 $200,000 to Teck in order to maintain its right to the Option. The $100,000 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 September 30, 2008 was $100,000 (2007 - $100,000)

A similar payment of $125,000 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 September 30, 2008 was $21,618 (2007 - $58,153)

c. Three (3) Ace Claims - Yukon

On February 15, 2005 (amended Feb 8, 2007) the Company entered into a formal option agreement with Alex McMillan ("McMillan"). McMillan granted the Company an option to acquire 100% interest in thirty eight separate precious metal mining claims (collectively referred to as the "3 Ace Claims") located on the Nahanni Range Road north of Watson Lake. This option expired in March 2008 and all associated costs with this option were written off at that time.

d. 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.

e. 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 spendC$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 C$4 million expenditure requirement.

7. 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.

8. Commitments:

	Payments due in years ended September 30,					
Contractual Obligations	2009	2010	2011	2012	2013	TOTAL
Mactung leases	$ 8,126	$ 8,126	$ 8,126	$ 8,126	$ 8,126	$ 40,630
Cantung leases	45,325	45,325	45,325	45,325	45,325	226,625
Equipment loans & leases**	438,316	442,472	407,919	143,592	51,300	1,483,599
Office Lease-Whitehorse*	16,800	14,400	9,800	-	-	41,000
Office Lease-Vancouver*	184,860	188,640	197,451	203,748	-	774,699
	$ 693,427	$ 698,963	$ 668,621	$ 400,791	$ 104,751	$ 2,566,553

* - The payments include a proportionate share of the estimated operating cost component.
** - Total principal and interest payments

a. Water License

The current water license for operations at the Cantung mine issued by the Mackenzie Valley Land and Water Board 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. Renewal is anticipated prior to that date. Over the period of this license, the Company was required to post a security deposit of $7,000,000 in addition to the $900,000 previously posted under the original license. The current security deposit is made up of a combination of cash and secured promissory notes, secured generally over the assets of the Company by way of a General Security Agreement ("GSA").

As at September 30, 2008, the Company has posted a total of $3,200,000 in cash and $4,700,000 in the form of a secured promissory note pursuant to the Reclamation Security Agreement ("RSA"). The total security posted in favour of the Department of Indian and Northern Development ("DIAND") is $7,900,000 which fulfills the security requirements of the RSA up to November 30, 2008. The RSA further provides for $500,000 of the secured promissory notes to be replaced by $500,000 in cash or letter of credit on November 29, 2008. This amount was replaced in cash subsequent to the year end.

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 6(b).

9. Bank Borrowings & Loan Facilities:

a. Line of Credit

On October 4, 2006 the Company was granted a working line of credit in the amount of $1,000,000 to finance ongoing working capital requirements. The amount of the available line of credit was raised to $2,500,000 in March 2008 and the interest rate was reduced to prime plus 1%.The loan is payable on demand and minimum monthly payments consist of interest only. All assets are pledged as security for the line of credit together with a guarantee by Export Development Canada, general assignment of book debts, assignment of accounts receivable and insurance.

b. Loan Facility

On April 18, 2008 the Company entered into an agreement for a $3,000,000 loan facility. Borrowings must be repaid on April 18, 2009. The interest rate on outstanding borrowings is 10% per annum. The only security is a general security. The Borrower covenants and agrees with the Lenders that as long as any indebtedness hereunder remains outstanding, the Borrower will not permit the Senior Indebtedness of the Company to exceed, in the aggregate, the sum of $3,000,000 exclusive of (i) interest, and (ii) capital lease obligations and purchase money obligations incurred by the Company after the date hereof in respect of the acquisition of additional equipment or other capital assets.

c. Convertible Debenture

On September 22, 2008 the Company closed a US$3,000,000 Convertible Debenture financing for a one year term with two placees. The Convertible Debentures bear interest at a fixed rate of 8% per annum, payable quarterly and are convertible (principal and unpaid interest) into common shares of the Company at Cdn $1.00 per share expiring September 22, 2009. The conversion rate of $US to Cdn is fixed at US$0.94 for the term resulting in a maximum conversion ratio of 1067 common shares for every US$1000. If the debentures are not converted, the principal portion is fully repayable at September 22, 2009. The proceeds will be used for exploration and development of the MacTung Project, CanTung Mine and general corporate purposes.

The convertible debenture has been segregated into its debt and equity components:

Equity component	US$	51,781
Debt component	US$	2,948,219

Over the term of the debt obligation, the debt component is accreted to the face value of the instrument by recording an additional interest expense.

10. Obligations under Equipment Loans and Capital Leases:

		2008		2007
Obligations under equipment loans and capital leases	$	1,202,680	$	1,366,857
Billiton loan provision		201,512		184,788
		1,404,192		1,551,645
Current portion of equipment loans and capital leases		(353,700)		(298,877)
Long term equipment loans and obligations under capital lease	$	1,050,492	$	1,252,768

The maturity dates range from September 2010 to December 2013, with interest rates ranging from 7.50% to 10.35%. See Note 14 for details of payments over the next 5 years.

11. Reclamation Liabilities:

In fiscal 2007, there were significant additions to facilities for containing tailings from the ore processing operation at the Cantung mine. The reclamation liabilities have been increased by the estimated fair value of the eventual cost of reclaiming these additions to facilities. The updated estimate assumes a credit adjusted risk-free discount rate of 4.19% in 2007 (5.57% - 2006) and an inflation factor of 2.24% (2.184% - 2006). The liability estimate for retirement and remediation on an undiscounted basis before an inflation factor of 7% is estimated to be approximately $3,644,331.

		2008		2007
Opening asset retirement obligation	$	3,402,697	$	2,097,709
Total accretion during the period		174,735		119,305
Addition for new facilities		-		1,185,683
Closing asset retirment obligation	$	3,577,432	$	3,402,697

12. Share Capital

a. Capital Stock

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

Issued	Number of Shares		Consideration
September 30, 2006	106,079,902	$	21,052,145
Exercise of options	489,166		291,033
Share issuance costs	-		(926,270)
Exercise of warrants	8,089,357		4,856,783
Flow through financing	1,290,000		1,999,500
Short form prospectus financing	6,400,000		8,000,000
Reallocation of contributed surplus related to options exercised	-		246,920
Reallocation of contributed surplus related to warrants exercised in 2007	-		2,391,518
September 30, 2007	122,348,425	$	37,911,629
Exercise of options	308,300		145,625
Flow through share renunciation tax effect	-		(622,644)
Issue of flow through shares	4,170,000		5,004,000
Share Issue Costs	-		(450,494)
Reallocation of fair value related to options exercised	-		60,585
September 30, 2008	126,826,725	$	42,048,701

4.170,000 Flow Through Share Brokered Private Placement

On August 7, 2008 the Company closed a brokered private placement of 4,170,000 flow-through common shares of the Company (the “Flow-Through Shares”) at a price of $1.20 per Flow-Through Share for aggregate gross proceeds of $5,004,000 through Haywood Securities Inc., who acted as agent for the Company and received commissions of $293,940. Haywood Securities also received 250,200 warrants with a one year life and an exercise price of $1.20.

b. Shareholders' Equity

	Shares	Capital Stock	Convertible Debenture	Contributed Surplus	Retained Earnings	Total
September 30, 2006	106,079,902	$ 21,052,145	$ -	$ 4,324,508	$ (5,070,554)	$ 20,306,099
Exercise of stock options	489,166	291,033	-	-	-	291,033
Share issue costs	-	(926,270)		82,297	-	(843,973)
Exercise of warrants	8,089,357	4,856,783		-	-	4,856,783
Flow through financing of 1,290,000 common shares	1,290,000	1,999,500	-	-	-	1,999,500
Short form prospectus financing of 6,400,000 common shares	6,400,000	8,000,000	-	-	-	8,000,000
Reallocation of contributed surplus related to options exercised	-	246,920	-	(246,920)	-	-
Reallocation of contributed surplus related to warrants exercised and expired in 2007	-	2,391,518	-	(2,391,518)	-	-
Stock based compensation	-	-	-	559,777	-	559,777
Net loss	-	-	-		(1,203,150)	(1,203,150)
September 30, 2007	122,348,425	$ 37,911,629	$ -	$ 2,328,144	$ (6,273,704)	$ 33,966,069
Exercise of stock options	308,300	145,625		-	-	145,625
Reallocation of contributed surplus related to options exercised	-	60,585	-	(60,585)	-	-
Flow through share renunciation tax effect	-	(622,644)	-	-		(622,644)
Issue of flow through shares	4,170,000	5,004,000	-	-	-	5,004,000
Equity component of convertible debenture (Note 9(c))	-	-	53,510	-	-	53,510
Stock compensation	-		-	732,261	-	732,261
Share Issue Costs	-	(450,494)	-	-	-	(450,494)
Net loss	-	-	-	-	(11,692,971)	(11,692,971)
September 30, 2008	126,826,725	$ 42,048,701	$ 53,510	$ 2,999,820	$ (17,966,675)	$ 27,135,356

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 year ending September 30, 2008, 748,334 share options were granted with exercise prices ranging from $.70 to $1.49. All except one set vest one third immediately and the remaining thirds will vest every six months. The remaining set vests ¼ in six months, ¼ in one year, ¼ in eighteen months and ¼ in two years. All issues expire five years after the grant date. The option valuation for the issues was calculated using the Black-Scholes option pricing model based on an average expected option life of 2.50 years (2007 – 2.5 years), a risk free interest rate of 2.71 to 4.10% (2007 – 3.97%), a dividend yield of 0% (2007 – 0%), and an expected volatility ranging from 66% to 71% (2007 –58% to 69%). 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, 2007	Exercised	Granted	Cancelled	No of Options Outstanding as of Sept. 30, 2008	Exercise Price	Expiry Date	*Options Exercisable
2,230,000	200,000			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
150,000			150,000	-	$1.85	17-Aug-08	-
50,000				50,000	$1.26	22-Aug-10	50,000
140,000			30,000	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	350,000
75,000	25,000			50,000	$0.70	27-Oct-11	50,000
400,000				400,000	$0.65	10-Jan-12	400,000
1,626,667	83,300		276,667	1,266,700	$1.25	19-Mar-12	1,266,700
125,000				125,000	$1.41	16-Apr-12	125,000
250,000			175,000	75,000	$1.28	14-Jun-12	75,000
175,000				175,000	$1.39	18-Jul-12	175,000
		140,000	40,000	100,000	$1.49	6-Nov-12	66,666
		200,000		200,000	$1.30	2-Jan-13	133,333
		200,000	200,000	-	$1.20	31-Mar-13	-
		50,000	33,334	16,666	$1.20	1-Apr-13	16,666
		83,334		83,334	$1.24	27-May-13	27,778
		75,000		75,000	$0.70	26-Aug-13	25,000
9,146,667	308,300	748,334	905,001	8,681,700			8,476,143

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

Subsequent to September 30, 2008, 216,667 options were cancelled.

The outstanding options have a weighted-average exercise price of $ 0.87 and the weighted-average remaining life of the options is 2.05 years.

d. Warrants Outstanding

The following table shows the warrants outstanding at September 30, 2008

No. of Warrants Outstanding as of Sept. 30, 2007	Granted	Exercised	Expired	No. of Warrants Outstanding as of Sept. 30, 2008	Exercise Price	Expiry Date	Warrants Exercisable
447,126	-	-	447,126	0			0
0	250,200	-	-	250,200	$1.20	07-Aug-09	250,200
447,126	250,200	-	447,126	250,200			250,200

On May 29, 2007 the Company issued 461,400 Agents Warrants to Haywood Securities Inc of which 447,126 were outstanding at September 30, 2007. Each warrant was exercisable into one common share at $1.40 and the warrants expired on May 29, 2008.

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.

13. Contingencies:

Pursuant to agreements with officers, in the event of their contracts being terminated, the Company would be liable for payments totaling $1,767,500 (2007-$1,767,500).

Pursuant to contracts with directors, in the event of a change in control of the company, the Company would be liable for payments totaling $350,000 (2007-$300,000).

14. Sales and Economic Dependence:

Sales to three customers accounted for 90% of sales made in the year ending September 30, 2008 and 81% of the sales in 2007

15. General & Administrative:

	2008	2007
Fees, wages and benefits	$ 1,923,865	$ 1,343,911
Office expenses	486,121	387,401
Accounting and audit	224,547	228,191
Legal fees	185,410	88,062
Investor relations & business development	142,167	145,989
Travel	121,168	142,414
Consulting	106,649	325,209
Filing fees and transfer agent fees	54,767	47,419
	$ 3,244,694	$ 2,708,596

16. Income Taxes:

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes. These differences result from the following items:

	2008	2007
Earnings (loss) before income taxes	$ (12,315,615)	$ (1,203,150)
Canadian federal and provincial income tax rates	31.66%	33.62%
Income tax recovery based on the above rates	(3,899,124)	(404,499)
Increase (decrease) due to:		
Non-deductible expenses and other	231,834	153,156
Losses and temporary differences for which no future income tax asset has been recogonized	3,667,290	251,343
Income tax benefit recognized on issuance of flow through shares	(622,644)	-
Income tax recovery	$ (622,644)	$ -

The components of future income and mining taxes are as follows:

	2008	2007
Future income and mining tax assets		
Non-capital losses	$ 2,274,070	$ 541,003
Share issuance costs and other	360,803	634,614
Property Plant and Equipment and Mineral Property Interests	2,898,175	2,937,138
Capital lease obligation	214,278	318,655
Asset retirement obligation	948,019	836,523
Total future tax assets	6,695,345	5,267,933
Valuation allowance	(6,695,345)	(5,261,235)
Net future tax assets	$ -	$ 6,698
Future income and mining tax liabilities		
Property plant and Equipment	-	6,698
Future income tax liabilities	-	6,698
Future income tax liability, net	$ -	$ -

17. Supplemental Cash Flow:

(Expressed in Canadian Dollars)	For the twelve months ended September 30, 2008	September 30, 2007
Changes in non-cash working capital		
Accounts receivable	$ (2,140,099)	$ 2,403,031
Prepaid expense	30,679	(24,122)
Supplies inventory	38,443	(699,807)
Concentrate, powder, APT and ore stockpile inventory	581,842	(2,047,240)
Accounts payable and accrued liabilities	2,471,202	(608,543)
Accounts payable to related parties	-	(17,261)
Change in non-cash working capital	$ 982,067	$ (993,942)
Supplemental information		
Interest paid	$ 291,983	$ 71,166

18. Cash and Cash Equivalents:

Cash and cash equivalents include funds of $ 5,818,366 which must be expended on Canadian eligible exploration and development relating to flow through share issuances completed in August 2008 and May 2007.

19. Related Party Transactions:

Office equipment rental and purchases of $13,271 (2007 - $46,880) were transacted with an officer of the Company and were transacted at fair market value.

20. Segmented Information:

The Company operates two business segments in two different geographical areas. The primary business is the production of tungsten concentrate in Canada. The second business segment is the research and development of an advanced intermediary and Ammonium Paratungstate plant in the United States. The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

The Company has invested cash and concentrates into the Minnesota LLC Company, Tungsten Joint Venture, which has constructed a pilot plant. The technology developed for the pilot plant should allow for low-grade tungsten concentrates to be converted into tungsten intermediaries. If the pilot plant proves to be successful, the Company may enter into a Joint Venture agreement to construct a full scale commercial operation.

Tungsten Joint Venture (CDN $)

Selected financial information as of	September 30, 2008	September 30, 2007
Cash	$ 11,231	$ 1,084
Inventory	280,837	524,551
Development Costs	2,121,218	1,251,237
Plant and Equipment	3,180,792	3,050,840
	$ 5,594,078	$ 4,827,712

The geographical distribution of the Company's property, plant and equipment and external sales revenue is as follows, with revenue attributed to regions based on the location of the customer.

PROPERTY, PLANT & EQUIPMENT:	September 30, 2008	September 30, 2007
Canada	$ 12,208,461	$ 14,562,868
United States	5,302,010	4,302,077
	$ 17,510,471	$ 18,864,945

SALES:	2008	2007
United States	$ 15,711,340	$ 20,641,518
Asia	34,843,528	32,746,067
Europe	5,469,708	5,770,419
	$ 56,024,576	$ 59,158,004

21. Subsequent Events:

Pursuant to agreements made as of December 9, 2008, the Company's interest in Tundra Diversified Industries, LLC (formerly Tungsten Joint Venture, LLC) was reduced from 100% to 43.2%. The remaining 56.8% is now held by two other investors, Tundra Particle Technologies, LLC ("TPT") and Queenwood Capital Partners LLC ("Queenwood").

TPT was issued 43.2% of the TJV membership units for consideration that comprised rights to use technology covered by patents and patent applications held by TPT, the extinguishing of US$1.2 million of accounts payable from Tundra Diversified Industries, LLC ("TDI") to TPT and its related companies in respect of development expenditures incurred and rights to sell tungsten composites to entities licensed by TPT.

Queenwood was issued 13.6% of the TDI membership units for a consideration of US$2.5 million, consisting of US$0.5 million in cash and a US$2.0 million promissory note.

Queenwood is controlled by Mr. Ronald Erickson who was appointed to the Board of Directors of the Company in November 2008.