NORTH AMERICAN TUNGSTEN CORPORATION LTD

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008

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Auditors' Report

To the Shareholders of
North American Tungsten Corporation Ltd.

We have audited the consolidated balance sheets of North American Tungsten Corporation Ltd. as at September 30, 2009 and 2008, and the consolidated statements of operations, comprehensive earnings and deficit and consolidated statement of 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, 2009 and 2008 and the result of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, British Columbia
January 26, 2010

NORTH AMERICAN TUNGSTEN CORPORATION LTD.

CONSOLIDATED BALANCE SHEET

AS AT SEPTEMBER 30

(in thousands of dollars)	Note(s)	2009	2008
ASSETS			
Current assets			
Cash and cash equivalents	5	$ 1,328	$ 9,495
Accounts receivable	17 & 20	4,786	5,002
Inventories	6	12,087	7,533
Prepaid expenses		218	335
		18,419	22,365
Deferred royalty purchases	9	107	121
Investment in Tungsten Diversified Industries, LLC ("TDI")	7	7,132	-
Property, plant and equipment	8	11,143	17,510
Mineral properties - Mactung	9	14,051	9,790
Mineral properties - Other	9	9	244
Reclamation deposits	12	3,900	3,416
		$ 54,761	$ 53,446
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		$ 9,717	$ 12,218
Convertible debenture	11	-	3,137
Loan facility	11	-	3,000
Bank loan	10	5,895	2,974
Current portion of equipment loans and capital leases	13	527	354
		16,139	21,683
Reclamation liabilities	12	3,780	3,577
Long term equipment loans and obligations under capital leases	13	1,018	1,050
Future income taxes	22	794	-
		21,731	26,310
SHARE CAPITAL AND DEFICIT			
Share capital	14	47,039	42,049
Equity component of convertible debenture		-	54
Contributed surplus	14	3,022	3,000
Deficit		(17,031)	(17,967)
		33,030	27,136
		$ 54,761	$ 53,446
Going concern	1		
Commitments and contingent liabilities	15 & 16		
Subsequent events	23		

ON BEHALF OF THE BOARD

"signed"

Stephen M. Leahy

"signed"

Allan Krasnick

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

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

(in thousands of dollars except for per share amounts)	Note(s)	2009	2008
REVENUES			
Metal sales	17 & 21	$ 58,166	$ 56,025
EXPENSES			
Operating costs		47,406	56,629
Amortization and depreciation		5,018	5,194
Freight, handling and conversion		3,029	2,042
Royalties		551	539
Accretion of reclamation liabilities	12	182	175
		56,186	64,579
General and administrative	18	2,965	3,245
Interest & financing costs		908	384
Equity loss of TDI	7	588	-
Stock based compensation	14	90	733
Accretion of equity of convertible debenture		54	-
(Gain)/loss on disposal of assets		(60)	33
Foreign exchange gain		(40)	(359)
Interest income		(82)	(379)
		60,609	68,236
NET EARNINGS/(LOSS) BEFORE UNDERNOTED ITEMS		(2,443)	(12,211)
Gain on disposal of mineral property interest	9	1,000	-
Dilution gain on TDI transaction	7	3,083	-
Write down of mineral property interests	9	(1,236)	(105)
NET EARNINGS/(LOSS) BEFORE INCOME TAXES		404	(12,316)
Future income tax recovery	22	532	623
NET EARNINGS/(LOSS) AND COMPREHENSIVE EARNINGS/(LOSS)		$ 936	$ (11,693)
DEFICIT-BEGINNING OF YEAR		$ (17,967)	$ (6,274)
DEFICIT-END OF YEAR		$ (17,031)	$ (17,967)
Net earnings/(loss) per share			
Basic		$ 0.01	$ (0.09)
Diluted		$ 0.01	$ (0.09)
Weighted average number of shares (in thousands)			
Basic		134,268	123,185
Diluted		134,268	123,185

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

(in thousand of dollars)	Note(s)	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Net earnings/(loss)		$ 936	$ (11,693)
Items not affecting cash:			
Amortization and depreciation		5,018	5,194
Accretion of reclamation liabilities		182	175
Equity loss of TDI		588	-
Stock based compensation		90	732
Foreign exchange and accretion on convertible debenture		336	17
Loss/(gain) on disposal of assets		(60)	33
Gain on disposal of mineral property interest		(1,000)	-
Dilution gain on TDI transaction		(3,083)	-
Loss on writedown of mineral property interests		1,236	105
Future income tax recovery		(532)	(623)
		3,711	(6,060)
Change in non-cash working capital	19	(5,482)	982
Increase in reclamation deposits		(484)	(628)
		(2,255)	(5,706)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds on disposal of mineral property interests		1,000	-
Proceeds on disposal of assets		60	18
Arising on disposition of interest in Tungsten Joint Venture		(1)	-
Expenditure on mineral property interests		(5,262)	(5,930)
Purchase of property, plant and equipment		(4,061)	(4,019)
		(8,264)	(9,931)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital lease obligations		(290)	(165)
Issuance of capital stock		6,194	4,790
Convertible debenture		(3,473)	3,174
Loan facility		(3,000)	3,000
Bank borrowings net		2,921	2,785
		2,352	13,584
Decrease in cash and cash equivalents		(8,167)	(2,053)
Cash and cash equivalents beginning of year		9,495	11,548
Cash and cash equivalents end of year		$ 1,328	$ 9,495
Represented by:			
Cash		$ 1,294	$ 3,677
Cash equivalents		34	5,818
		$ 1,328	$ 9,495
Non-cash investing and financing activities	19		

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

1. Nature of Operations and Going Concern:

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 Cantung mine (currently on care & maintenance) in the Northwest Territories; the Mactung mineral property in the Yukon Territory; other tungsten exploration prospects; and, through its 43.2% interest in Tungsten Diversified Industries, LLC. (see Note 7) has an interest in new and upgraded tungsten products.

As a product inventory control measure, the Company suspended mining and milling operations at the Cantung mine on October 18, 2009. The mine has been placed on care and maintenance and is ready for restart when market conditions improve. The Company is fulfilling its existing sales contracts and is also making spot sales from inventory. Management is exploring all available options to secure additional funding including equity and debt financing and strategic partnerships in order to develop its Mactung property, discharge its liabilities and realize the carrying value of its assets.

While these consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to continue operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business, there are conditions and events that cast significant doubt on the validity of this assumption.

For the year ended September 30, 2009 the Company had net earnings of $0.9 million (September 2008 – net loss of $11.7 million) which included the non cash transactions of a dilution gain on TDI (Note 7) of $3.1 million and a future income tax recovery of $0.5 million (Note 22). Although the Company had net earnings, cash balances were low at September 30, 2009 however, in November 2009, the Company completed a non-brokered private placement equity financing for net proceeds of $3.0 million. Significant additional funding will be required to develop the Mactung project to production.

The Company's ability to continue as a going concern is dependent upon its ability to secure additional funding. It is not possible to determine with any certainty the success and adequacy of these initiatives.

If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary to the carrying values of assets and liabilities, the reported revenue and expenses and the balance sheet classifications used. The adjustments could be material.

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 Numbered Company incorporated in Delaware and International Carbitech Industries Inc. incorporated in British Columbia. All inter company balances and transactions have been eliminated on consolidation.

b. Financial Instruments

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.

Trade receivables and payables

Trade receivables and payables are non-interest bearing and are stated at carrying values, which approximate fair values due to the short terms to maturity. Where necessary, trade receivables are net of allowances for uncollectable amounts.

Short-term debt

Short-term debt and long-term debt are initially recorded at total proceeds received less direct issuance costs. Debt is subsequently measured at amortized cost, calculated using the effective interest rate method.

c. Inventories

Concentrate inventory is comprised of tungsten and copper concentrates, 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.

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.

Repairs and maintenance costs, including shutdown maintenance costs, are charged to expense as incurred, except when these repairs significantly extend the life of an asset or result in an operating improvement. In these instances the portion of these repairs relating to the betterment is capitalized as part of plant and equipment.

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.

e. Capital Leases

Assets under capital leases are capitalized as part of plant, property and 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 account 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. Asset Impairment

The Company performs impairment tests on the mineral properties and property, plant and equipment when events or changes in circumstances occur that indicate the carrying value of an asset may not be recoverable. Estimated future cash flows are calculated using estimated future prices, mineral resources, operating and capital costs on an undiscounted basis. When the carrying value of the mine or development project exceeds estimated undiscounted future cash flows, the asset is impaired. Write-downs are recorded to the extent the carrying value exceeds the discounted value of the estimated future cash flows.

h. 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.

i. Reclamation Liabilities

Future obligations to retire an asset including dismantling, remediation and ongoing monitoring of the site are initially recognized 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.

j. 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 and equipment (asset valuations and asset useful lives), reclamation liabilities, amortization and depreciation, 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.

k. 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, forecast tungsten prices and development costs depend on estimates of tungsten reserves or the economic lives and future cash flow from 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 tungsten grades. Recovery of development costs depends on estimates of cash flows from the resulting product or products.

l. 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.

m. Revenue Recognition

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

Copper sales are recognized and revenues are recorded at market prices when title transfers and the rights and obligations of ownership pass to the customer. Copper concentrates are sold under pricing arrangements where final prices are determined based on quoted market prices for the refined product in a period subsequent to the date of sale. Final pricing is generally determined three to four months after the date of sale. Revenues are recorded provisionally at the time of sale based on forward prices for the expected date of the final settlement. Subsequent variations in price are recognized as revenue adjustments as they occur until the price is finalized.

n. Income Taxes

The Company follows the liability method of accounting for income taxes. Under the 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 and for tax losses and other deductions carried forward. 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. 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.

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.

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. When a loss is incurred, basic and diluted earnings per share are the same because the exercises of options, warrants and conversion of debentures are 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. Investments

Investments where the Company has the ability to exercise significant influence, generally 20% to 50% owned by the Company, are accounted for using the equity method. Under this method, the Company's share of the investment's earnings or losses is included in operations and its investment therein is adjusted by a like amount. Dividends received from these investments are credited to the investments accounts.

3. New Accounting Pronouncements:

Effective October 1, 2008 the Company adopted the following accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA").

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. 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.

4. Financial Instruments:

a. Financial Assets and Financial Liabilities

The Company has financial assets and liabilities which include cash and cash equivalents, reclamation deposits, accounts receivable, accounts payable, bank loans 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. For the year ended September 30, 2009 with other variables unchanged a $0.01 strengthening (weakening) of the Canadian dollar against the US dollar would result in a decrease (increase) of $0.67 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 and by having Economic Development Canada ("EDC") insure the Company's receivables from its primary customers for up to 90% of the total outstanding amounts. Accounts receivable for the three primary customers total $4.2 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 earned on cash and cash equivalents and floating rate interest paid on its debt. The interest rate management policy is generally to borrow at fixed rates to match the duration of the long lived assets. In some circumstances, floating rate funding may be used for short term borrowing. Cash and cash equivalents receive interest based on market rates.

At September 30, 2008 $5.8 million of bankers' acceptances carried floating interest rates of 1.25% to 2.60%. 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 rates.

As at September 30, 2009, with other variables unchanged, a 1% change in the Bank of Canada rate would have an insignificant impact on net earnings.

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 and are affected by numerous factors outside of the Company's control, including, but not limited to, supply and demand, forward sales by producers and traders, levels of worldwide production and short-term changes in supply and demand. The profitability of the Company's operations is highly correlated to the market price of tungsten. If the metal price declines for a prolonged period below the cost of production of the Company's mine, it may not be economically feasible to restart production.

5. Cash and Cash Equivalents:

Cash and cash equivalents include funds of $0.3 million that must be expended on Canadian eligible exploration by December 31, 2009.

6. Inventories :

(in thousands of dollars)	September 30, 2009	September 30, 2008
Concentrates	$ 8,776	$ 4,470
Intermediates	1,278	272
Ore stockpile	122	153
Materials and supplies	1,911	2,638
	$ 12,087	$ 7,533

At September 30, 2009, the $1,278 thousand of intermediates was valued at its net realizable value, which resulted in a charge to operating costs of $185 thousand. This charge was caused by a decrease in the market price of tungsten during the fourth quarter of fiscal 2009. In 2008, the $272 thousand was valued at cost, which was lower than its net realizable value.

The Company values both its concentrates and ore stockpile at the lower of cost or net realizable value. The Company has expensed costs relating to the lower grade stockpiled ore as it has no net realizable value at current market prices. The costs for this ore have been included in the costs of sales for $22 thousand (2008 - nil).

7. Investment in Tungsten Diversified Industries, LLC:

As a result of the reorganization on December 9, 2008 of Tungsten 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") (43.2%) and Queenwood Capital Partners LLC ("Queenwood") (13.6%). The Company's interest in Tungsten Diversified

Industries, LLC is now accounted for as an equity accounted investment.

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.

The net assets of TDI subsequent to the reorganization are set out below:

TUNGSTEN 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
License & patents		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

The Company accounts for its investment in TDI under the equity method. The Company's net investment in TDI is determined as follows:

Balance - December 9, 2008	$	7,720
Accumulated share of losses		(588)
Balance - September 30, 2009	$	7,132

Sales to TDI of intermediates for the fiscal year ended September 30, 2009 were $3.0 million.

8. Property, Plant & Equipment:

(in thousands of dollars)		Cost		Accumulated Amortization		September 30, 2009 Net
Deferred mining costs		9,302		(7,884)		1,419
Property, plant and equipment		32,252		(22,528)		9,724
	$	41,554	$	(30,412)	$	11,143

		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

9. Mineral Property Interests:

The following table summarizes the Company's interest in mineral properties as at September 30, 2008 and September 30, 2009.

(in thousands of dollars)	Mactung Property Yukon Canada	Three (3) Ace Claims Yukon Canada	Rifle Range Creek Property, NWT Canada	Bailey Claims, Yukon Canada	Cantung Area NWT Canada	Total of all properties - excluding Mactung
Balance September 30, 2007	$ 3,866	$ 102	$ 216	$ 23	$ 2	$ 343
Expenditures during the year	6,014	2	1	2	-	5
Write down of exploration properties		(104)				(104)
Exploration Contribution	(90)					-
Balance September 30, 2008	9,790	-	217	25	2	244
Expenditures during the year	4,261		378	-	623	1,001
Write down of exploration properties			(595)	(16)	(625)	(1,236)
Balance at September 30, 2009	$ 14,051	$ -	$ -	$ 9	$ -	$ 9

The potential for success on the Bailey Claims and the area around the Cantung mine is considered remote; accordingly capitalized expenditures of $16 thousand relating to the Bailey Claims and $625 thousand relating to the area around the Cantung mine were written off in the year ended September 30, 2009. Rifle Range Creek Property – See Note 9c.

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 Resources Limited (successor to Aur Resources Inc). For $100 thousand Teck Resources 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 is 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. It is the Company's intent to maintain the Option by paying the additional $200 thousand.

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 September 30, 2009 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 September 30, 2009 was $7 thousand (2008 - $22 thousand).

c. Rifle Range Creek – NWT

In fiscal 2006, the Company staked two claims (63 units) at Rifle Range Creek near the Cantung mine, NWT. The potential for success on these early stage exploration projects which are now considered low; accordingly the capitalized expenditures of $625 thousand relating to the project were written off in the year ended September 30, 2009.

d. Jennings (formerly Tootsee River Property) – Yukon

In June 2009 the Company sold its remaining 30% working interest in the Jennings Property to Agnico-Eagle Mines Limited for $1 million cash. The net book value of the property was nil.

10. Bank Loan and Other Credit Facilities:

Effective June 29, 2009 the Company renewed and increased its credit facilities with HSBC (the "Bank") as follows:

Demand Operating Loan of $6.0 million

The loan is to be used to finance working capital requirements of the Company as supported by the Accounts Receivable Insurance and Foreign Inventory Guarantee Program of Export Development Canada ("EDC"). The loan carries an interest rate of bank prime + 2% per annum.

The margin requirements under this facility are as follows:
90% of acceptable receivables insured by EDC under its Accounts Receivable Insurance Program; plus
The lesser of 50% of acceptable inventory and $3 million; plus
100% of cash or term deposits pledged with the Bank in Canadian or US dollars, up to a maximum amount of $1.0 million; less the value of priority claims.

First demand non-revolving Equipment Loan of $231 thousand

This loan has been fully advanced, continues to be repaid in equal monthly installments of principal and interest on the last day of each month based on the interest rate of Bank's prime rate + 2.25% per annum and an amortization period of 5 years.

Second demand non-revolving Equipment Loan of $198 thousand

This loan has been fully advanced, continues to be repaid in equal monthly installments of principal and interest on the last day of each month based on the interest rate of Bank's prime rate + 1.75% per annum and an amortization period of 5 years.

Third demand non-revolving Equipment Loan of $500 thousand

The purpose of the loan is to assist in financing the acquisition by the Company of various items of equipment used in the Company's business. The loan is available by way of a direct advance made available only to the extent that such advance: (i) does not exceed 75% of the purchase price of any new piece of equipment pursuant to the purchase agreement or invoice relating thereto; and (ii) does not exceed 60% of the current market value/appraised value of any used piece of equipment. As of September 30, 2009, $232 thousand of the $500 thousand loan has been advanced. The amounts owing are repaid in equal monthly installments of principal and interest on the last day of each month, based on an interest rate of Bank's prime rate + 1.75% per annum and an amortization period of 5 years.

$10 million demand revolving line (the "Foreign Exchange Loan")

The purpose of the Foreign Exchange Loan is to purchase foreign exchange forward contracts (the "F/X Contracts") for major currencies indentified by the Bank in order to hedge against currency fluctuations in connection with the Company's operations.

The Foreign Exchange Loan is available and is guaranteed by EDC under the Foreign Exchange Guarantee Program in the amount of $2.6 million.

The Foreign Exchange Loan is payable on demand unless and until otherwise demanded, the contracts are to be fulfilled by the Company as they fall due.

In obtaining the credit facilities noted above, the Company granted the Bank the following security:

- A general security agreement, creating a first fixed charge and security interest over all present and after acquired personal property of the Company and a floating charge over land;
- First ranking general assignment of book debts creating a first priority assignment of all the Company's debts and accounts;
- First ranking security under Section 427 of the Bank Act (Canada) (the "Bank Act") including all supporting and ancillary forms of the Bank creating a first priority charge on the Company's inventory;
- A Trade Finance Agreement relating to Goods;
- Assignment or endorsement by the Company to the Bank of all risk insurance (including extended coverage endorsement) in amounts and from an insurer acceptable to the Bank, on all of the real and personal property including, without limitation, lands, buildings, equipment and inventory owned by the Company, such policy includes lost profit and public liability insurance;
- Guarantee by EDC under the Exporter Guarantee Program with respect to the First Equipment Loan;
- Chattel mortgage creating a first fixed and specific charge and security interest over the equipment with respect to the Second Equipment Loan;
- Security Agreement creating a first fixed and specific charge and security interest over any piece of equipment which is acquired by the Company using the proceeds of the Third Equipment Loan;
- Security over cash, credit balances and deposit instruments in the amount of $1.0 million;

COVENANTS AND CONDITIONS OF CREDIT

As long as the Company is indebted to the Bank it shall not without the consent of the Bank:
Permit its ratio of debt to tangible net worth at any time to exceed 2.5:1;
Permit the ratio of consolidated current assets to current liabilities of the Company to at any time be less than 1.1 to 1. The Company has acknowledged a breach of this ratio however the bank has agreed it will not to steps to act on the default so long as:

- The ratio is achieved by the first fiscal quarter commencing October 1, 2009;
- The ratio is at no time less than 1 to 1; and
- There is, in the opinion of the Bank, no further deterioration in the financial condition of the Company

The required ratios have been achieved at September 30, 2009.

The credit facilities are subject to periodic review by the Bank not less than annually. The next annual review shall take place no later than January 31, 2010.

11. Loan Facility and Convertible Debentures:

On April 18, 2008 the Company entered into an agreement for a $3.0 million loan facility. The interest rate on outstanding borrowings was fixed at 10% per annum. Effective April 18, 2009 the Company paid $400 thousand of the principal; entered into an amended agreement to extend the maturity date of the remaining outstanding principal of $2.6 million until June 2, 2009; paid the lenders a $100 thousand consent fee; and increased the interest rate from 10% per annum to 20% per annum for the period commencing on April 19, 2009. The amended agreement also called for an additional consent fee of $50 thousand which was paid on May 18, 2009. The Company paid the remaining $2.6 million principal on June 2, 2009.

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 was fixed at 8% per annum compounded quarterly. On July 31, 2009 the Company paid the full principal of the US$3.0 million due under the convertible debenture and the outstanding interest payable. The US$3.0 million convertible debenture has been extinguished.

12. Reclamation Liabilities:

The Company's total undiscounted amount of estimated cash flows required to settle the mine reclamation obligation is $4.2 million (2008 - $4.0 million) which has been discounted using credit adjusted risk free rates of 1% to 4% (2008 – 4%). The liability estimate for the mine reclamation obligation on an undiscounted basis is approximately $3.9 million (2008 - $3.4 million).

(in thousands of dollars)	September 30, 2009	September 30, 2008
Opening balance, asset retirement obligation	$ 3,577	$ 3,403
Accretion during the year	182	174
Additions during the year	252	-
Change in estimates of future costs	(231)	-
Closing asset retirement obligation	$ 3,780	$ 3,577

Funds of $3.9 million 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.

13. Obligations under Equipment Loans and Capital Leases:

(in thousands of dollars)	September 30, 2009	September 30, 2008
Obligations under equipment loans and capital leases	$ 1,327	$ 1,203
Billiton loan provision	218	201
	1,545	1,404
Current portion of equipment loans and capital leases	(527)	(354)
Long term equipment loans and obligations under capital lease	$ 1,018	$ 1,050

The maturity dates of the leases range from September 2010 to December 2013, with interest rates ranging from 7.50% to 14.50%. See Note 15 for details of payments over the next 5 years.

14. 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, 2007	122,348,425	$	37,912
Exercise of options	308,300		146
Future income tax recovery			(623)
Issue of flow through shares	4,170,000		5,004
Share issue costs			(451)
Reallocation of fair value related to options exercised			61
September 30, 2008	126,826,725	$	42,049
Exercise of options	2,030,000		244
Future income tax recovery			(1,326)
Private placement	40,000,000		6,000
Share issue costs			(50)
Reallocation of fair value related to options exercised			122
September 30, 2009	168,856,725	$	47,039

$5 million flow through financing

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.

$6 million financing

On July 31, 2009 the Company closed a Private Placement of 40,000,000 common shares at $0.15 per share with insiders and private investors for gross proceeds of CDN$6.0 million. (See Note 20.)

(in thousands of dollars)	Shares	Capital Stock	Convertible Debenture	Contributed Surplus	Deficit	Total
September 30, 2007	122,348,425	$ 37,912	$ -	$ 2,328	$ (6,274)	$ 33,966
Exercise of stock options	308,300	146				146
Reallocation of contributed surplus related to options exercised		60		(60)		-
Future income tax recovery		(623)				(623)
Issuance of flow through shares	4,170,000	5,004				5,004
Equity component of convertible debenture			54			54
Stock compensation				732		732
Share issue costs		(450)				(450)
Net loss					(11,693)	(11,693)
September 30, 2008	126,826,725	42,049	54	3,000	(17,967)	27,136
Stock compensation	-	-	-	90	-	90
Exercise of stock options	2,030,000	244	-	-	-	244
Reallocation of contributed surplus related to options exercised	-	122	-	(122)	-	-
Private placement	40,000,000	6,000				6,000
Reallocation of equity component of convertible debenture			(54)	54		
Future income tax recovery	-	(1,326)	-	-	-	(1,326)
Share issue costs		(50)				(50)
Net earnings	-	-	-	-	936	936
September 30, 2009	168,856,725	$ 47,039	$ -	$ 3,022	$ (17,031)	$ 33,030

b. 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. No more than an aggregate of 10% of the issued shares of the Corporation, within any 12 month period may be granted to Insiders; unless the Corporation has received disinterested shareholder approval. 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 ended September 30, 2009 no 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	Forfeited	No of Options Outstanding as of September 30, 2009	Exercise Price	Expiry Date	Options Exercisable
2,030,000	(2,030,000)			-	$0.12	14-May-09	-
100,000			(100,000)	-	$0.12	29-Jun-09	-
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	-
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	-
200,000				200,000	$1.30	2-Jan-13	200,000
16,666			(16,666)	-	$1.20	1-Apr-13	-
83,334				83,334	$1.24	27-May-13	83,334
75,000			(75,000)	-	$0.75	26-Aug-13	-
8,681,700	(2,030,000)	-	(766,666)	5,885,034			5,885,034

Subsequent to the year ended September 30, 2009 – 575,000 options were granted to employees and consultants exercisable at $0.15 per share which expire on October 20, 2014.

The outstanding options have a weighted-average exercise price of $ 1.12 and the weighted-average remaining life of the options is 1.45 years.

c. Warrants Outstanding

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

15. Commitments:

(in thousands of dollars)	Payments due in years ended September 30,					
Contractual Obligations	2010	2011	2012	2013	2014	TOTAL
Property leases and equipment loans & leases	$ 578	$ 514	$ 247	$ 150	$ 93	$ 1,582
Office Leases**	203	207	204	-	-	$ 614
	$ 781	$ 721	$ 451	$ 150	$ 93	$ 2,196

For obligations on the Water License - See Note 15 a.

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

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 the Company posted a total of $3.7 million in cash and $4.2 million in the form of secured promissory notes 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 under the Company's prior license in favour of the Department of Indian and Northern Development ("DIAND") is $7.9 million which fulfilled the security requirements of the RSA for the prior license. The Reclamation Security Agreement provides for the cash components payable to DIAND to increase under certain events. In addition, the renewed license (issued on January 30, 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 – this amount was posted on March 1, 2009; ($100,000 in cash and $1.2 million in the form of a secured promissory note)
On July 1, 2009 an amount of $1.3 million of security shall be posted – this amount was posted on July 1, 2009 ($100,000 cash and $1.2 million in the form of a secured promissory note)
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.

Any security amounts owing under the license and monies owed by way of secured promissory notes are also secured by the GSA.

Negotiations are currently in process as to the terms, form of security and cash content, if any, of the security deposit required under the January 30, 2009 license.

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 an option agreement as disclosed in Note 9(b).

16. Contingencies:

Pursuant to agreements with officers, in the event of their contracts being terminated, the Company would be liable for payments totaling $1.5 million (September 30, 2008-$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 (September 30, 2008-$0.35 million).

17. Sales and Economic Dependence:

Sales to two customers accounted for 92% of sales made in the year ending September 30, 2009 and 94% for the year ending September 30, 2008.

As at September 30, 2009 trade receivables included of $4.1 million due from three customers for sales of concentrates and intermediates (2008 - $2.8 million was due from three customers).

18. General & Administrative Costs:

(in thousands of dollars)	For the years ended September 30, 2009	September 30, 2008
GENERAL AND ADMINISTRATIVE		
Fees, wages and benefits	$ 1,721	$ 1,925
Office expenses	475	486
Accounting and audit	142	225
Legal fees	229	185
Investor relations, travel & business development	235	263
Consulting	102	106
Filing fees and transfer agent fees	61	55
	$ 2,965	$ 3,245

19. Supplemental Cash Flow:

(in thousands of dollars)	For the years ended 2009	2008
Changes in non-cash working capital		
Accounts receivable	$ 216	$ (2,140)
Prepaid expenses	117	31
Accounts payable and accrued liabilities	(1,066)	2,471
Inventories	(4,749)	620
Change in non-cash working capital	$ (5,482)	$ 982
Non-cash changes - TDI deconsolidation		
Inventories	$ 195	
Accounts payable and accrued liabilities	(1,018)	
Property, plant & equipment	5,459	
	4,636	
Supplemental information		
Interest paid	$ 683	$ 292

20. Related Party Transactions:

An entity in which a director of the Company has an interest 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. A director appointed subsequent to September 30, 2009 through his interest in TPT owns 35.1% of the TDI membership units. (See Note 7 and Note 23)

Accounts receivable as at September 30, 2009 include $2.0 million (2008 - $0.1 million) due from TDI. Sales to TDI were $3.0 million.

A director of the Company participated in the $6 million private placement as to 10,000,000 common shares and an entity in which a director has an interest participated as to 15,325,670 common shares. (See Note 14)

A director appointed subsequent to September 30, 2009 participated in the $6 million private placement as to 7,662,835 common shares. (see Note 14 and Note 23)

21. Segmented Information:

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

METAL SALES: (in thousands of dollars)	For the years ended September 30, 2009		September 30, 2008	
TUNGSTEN:				
United States	$	26,069	$	15,711
Asia		30,407		34,844
Europe		645		5,470
		57,121		56,025
COPPER:				
Europe		1,045		-
TOTAL	$	58,166	$	56,025

22. Income and Resource Taxes:

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

in thousand of dollars	For the years ended September 30, 2009		September 30, 2008	
Earnings (loss) before income taxes	$	404	$	(12,316)
Canadian federal and provincial income tax rates		30.63%		31.66%
Income tax recovery based on the above rates	$	124	$	(3,899)
Increase (decrease) due to:				
Non-deductible expenses and other	$	87	$	232
Foreign exchange		(274)		
Differences between foreign and Canadian tax rates		268		
NWT Mining Royalty		36		
Losses and temporary differences for which no future income tax asset has been recognized		553		3,667
Income tax benefit recognized on issuance of flow-through shares		(1,326)		(623)
Income tax recovery	$	(532)	$	(623)
Consists of				
Canadian future income tax recovery	$	(1,326)	$	(623)
US future income tax expense		758		
NWT Mining royalty expense		36		
	$	(532)	$	(623)

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

	For the years ended	
	September 30, 2009	September 30, 2008
Future income and mining tax assets		
Non-capital losses	$ 1,471	$ 2,274
Share issuance costs and other	393	361
Property, plant and equipment and mineral property interests	2,722	2,898
Capital lease obligation	169	214
Asset retirement obligation	1,002	948
Total future tax assets	5,757	6,695
Valuation allowance	(5,702)	(6,695)
Net future tax assets	$ 55	$ -
Future income and mining tax liabilities		
Property plant and equipment and mineral property interests	$ 91	$ -
Investment in TDI	758	-
Future income tax liabilities	849	-
Future income tax liability, net	$ 794	$ -

At September 30, 2009 the Company has non-capital carry-forwards of approximately $5.6 million that may be available for tax purposes. The loss carry-forwards are all in respect of Canadian operations and expire in 2028.

A full valuation allowance has been recorded against the net potential future income tax assets associated with these carry-forwards and certain other deductible temporary differences as their utilization is not considered more likely than not at this time.

23. Subsequent Events:

Subsequent to September 30, 2009 Mr. Britt Reid resigned as a director and COO of the Company. Mr. Ken Collison and Mr. Kurt Heikkila were appointed directors of the Company in November 2009.

On November 27, 2009 the Company completed a non-brokered private placement of 20,433,333 common shares at $0.15 per share for net proceeds of $3.1 million.