NORTH AMERICAN TUNGSTEN CORPORATION LTD

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
DECEMBER 31, 2009

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying interim consolidated financial statements for North American Tungsten Corporation Ltd. ("the Company") have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. These financial statements are unaudited and have not been reviewed by the auditors. The most significant of these accounting principles have been set out in the September 30, 2009 audited consolidated financial statements. The interim consolidated financial statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the interim consolidated financial statements, management is satisfied that the interim consolidated financial statements have been fairly presented.

NORTH AMERICAN TUNGSTEN CORPORATION LTD.
INTERIM CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31, 2009 AND SEPTEMBER 30, 2009
UNAUDITED

(in thousands of dollars)	Note(s)	December 31, 2009	September 30, 2009
ASSETS			
Current assets			
Cash and cash equivalents		$ 498	$ 1,328
Accounts receivable	13 & 16	5,908	4,786
Inventories	4	5,699	12,087
Prepaid expenses		125	218
		12,230	18,419
Deferred royalty purchases		106	107
Investment in Tungsten Diversified Industries, LLC ("TDI")	5	7,046	7,132
Property, plant and equipment	6	11,048	11,143
Mineral properties - Mactung	7	14,291	14,051
Mineral properties - Other	7	9	9
Reclamation deposits	8 & 11	3,917	3,900
		$ 48,647	$ 54,761
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		$ 5,233	$ 9,717
Bank loan		2,899	5,895
Current portion of equipment loans and capital leases	9	473	527
		8,605	16,139
Reclamation liabilities	8	3,817	3,780
Long term equipment loans and obligations under capital leases	9	906	1,018
Future income taxes		726	794
		14,054	21,731
SHARE CAPITAL AND DEFICIT			
Share capital	10	50,085	47,039
Contributed surplus	10	3,036	3,022
Deficit		(18,528)	(17,031)
		34,593	33,030
		$ 48,647	$ 54,761
Going concern	1		
Commitments and contingent liabilities	11 & 12		
Subsequent events	18		

ON BEHALF OF THE BOARD

"signed"
Stephen M. Leahy

"signed"
Allan Krasnick

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

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

(in thousands of dollars except for per share amounts)	Note(s)	2009	2008
REVENUES			
Metal sales	13 & 17	$ 9,632	$ 17,643
EXPENSES			
Minesite cost of sales		8,023	13,028
Amortization and depreciation		230	1,153
Freight, handling and conversion		688	696
Royalties		89	169
Accretion of reclamation liabilities	8	37	45
		9,067	15,091
Shut down costs		1,357	-
General and administrative	14	502	786
Interest & financing costs		74	183
Equity loss of TDI	5	86	-
Exploration expense		70	-
Foreign exchange loss/(gain)		44	(265)
Stock based compensation	10	14	37
Accretion of equity of convertible debenture		-	16
Interest income		(8)	(40)
Gain on disposal of assets		(9)	-
		11,197	15,808
NET EARNINGS/(LOSS) BEFORE UNDERNOTED ITEMS		(1,565)	1,835
Dilution gain on TDI transaction	5	-	3,083
NET EARNINGS/(LOSS) BEFORE INCOME TAXES		(1,565)	4,918
Future income tax recovery		68	-
NET EARNINGS/(LOSS) AND COMPREHENSIVE EARNINGS/(LOSS)		$ (1,497)	$ 4,918
DEFICIT-BEGINNING OF PERIOD		$ (17,031)	$ (17,967)
DEFICIT-END OF PERIOD		$ (18,528)	$ (13,049)
Net earnings/(loss) per share			
Basic		$ (0.01)	$ 0.04
Diluted		$ (0.01)	$ 0.04
Weighted average number of shares (in thousands)			
Basic		176,408	126,827
Diluted		176,408	126,827

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

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

(in thousand of dollars)	Note(s)	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Net earnings/(loss)		$ (1,497)	$ 4,918
Items not affecting cash:			
Amortization and depreciation		230	1,153
Accretion of reclamation liabilities		37	45
Equity loss of TDI		86	-
Stock based compensation		14	37
Foreign exchange and accretion on convertible debenture		-	470
Loss/(gain) on disposal of assets		(9)	-
Dilution gain on TDI transaction		-	(3,083)
Future income tax recovery		(68)	-
		(1,207)	3,540
Change in non-cash working capital	15	1,090	(2,180)
Increase in reclamation deposits		(17)	(284)
		(134)	1,076
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds on disposal of assets		9	-
Arising on disposition of interest in Tungsten Joint Venture		-	(1)
Expenditure on mineral property interests		(240)	(976)
Purchase of property, plant and equipment		(345)	(1,359)
		(576)	(2,336)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital lease obligations		(170)	(81)
Issuance of capital stock		3,046	(91)
Bank borrowings net		(2,996)	(1,874)
		(120)	(2,046)
Decrease in cash and cash equivalents		(830)	(3,306)
Cash and cash equivalents beginning of period		1,328	9,495
Cash and cash equivalents end of period		$ 498	$ 6,189
Represented by:			
Cash		$ 463	$ 2,334
Cash equivalents		35	3,855
		$ 498	$ 6,189
Non-cash investing and financing activities	15		

The accompanying notes are an integral part of these interim 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 and 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 5) has an interest in new and upgraded tungsten products.

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 in 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.

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.

For the three months ended December 31, 2009 the Company had a net loss of $1.5 million.

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. 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. 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

Basis of Presentation

With the exception of changes in accounting policies adopted since September 30, 2009 as outlined in Note 3 below, these unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian GAAP consistent with those used in the preparation of the Company's audited consolidated financial statements for the year ended September 30, 2009. As these unaudited interim consolidated financial statements do not contain all of the disclosures required by Canadian GAAP, they should be read in conjunction with the notes to the Company's audited consolidated financial statements for the year ended September 30, 2009.

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 intercompany balances and transactions have been eliminated on consolidation. See Note 5 for accounting of Tungsten Diversified Industries, LLC (formerly Tungsten Joint Venture, LLC)

In the opinion of Management, all adjustments necessary to present fairly the consolidated financial position as at December 31, 2009 and the consolidated results of operations, cash flows and comprehensive income for the three month periods then ended December 31, 2009 have been made. These interim results are not necessarily indicative of the results for a full year.

3. New Accounting Pronouncements:

Financial Instrument Disclosures

CICA Handbook Section 3855, Disclosures has been amended to include additional disclosure requirements about fair value measurements of financial instruments and to enhance liquidity risk disclosures. The Company adopted this standard effective October 1, 2009 and there was no impact to the financial statements as a result of this new standard.

Financial Instruments – Recognition and Measurement

CICA Handbook Section 3855, Recognition and Measurement, has been amended to change the categories into which a debt instrument is required or permitted to be classified, change the impairment model for held-to-maturity financial assets to the incurred credit loss model in Section 3025 and require reversal of previously recognized impairment losses on available-for-sale financial assets in specified circumstances. The Company adopted this standard effective October 1, 2009 and there was no impact to the financial statements as a result of this new standard.

Business Combinations

CICA Handbook Section 1582, Business Combinations, which replaces CICA Handbook Section 1581, Business Combinations, establishes standards for the accounting for a business combination. It is the Canadian equivalent to International Financial Reporting Standards ("IFRS") IFRS 3R, Business Combinations. This standard is effective for the Company for interim and annual financial statements beginning on October 1, 2011. The Company has not yet determined the impact of the adoption of this change on its financial statements.

Consolidated Financial Statements and Non-controlling Interests

CICA Handbook Sections 1601, Consolidated Financial Statements and 1602, Non-controlling Interests replace CICA Handbook Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Section 1602 is the equivalent to the corresponding provisions of IFRS IAS 27, Consolidated and Separate Financial Statements. These standards are effective for the Company for interim and annual financial statements beginning on October 1, 2011. The Company has not yet determined the impact of the adoption of these changes on its financial statements.

Comprehensive Revaluation of Assets and Liabilities

CICA Handbook Section 1625, Comprehensive Revaluation of Assets and Liabilities, has been amended as a result of issuing Sections 1582, 1601 and 1602. The amendments are effective for the Company for its interim and annual financial statements beginning on October 1, 2011. The Company has not yet determined the impact of the adoption of these changes on its financial statements.

Financial Instruments – Recognition and Measurement

CICA Handbook Section 3855 has been amended to clarify the application of the effective interest method after a debt instrument has been impaired and when an embedded prepayment option is separated from its host debt instrument for accounting purposes. These changes are effective for the Company for its interim and annual financial statements beginning on October 1, 2011. The Company has not yet determined the impact of the adoption of these changes on its financial statements.

4. Inventories :

(in thousands of dollars)	December 31, 2009	September 30, 2009
Concentrates	$ 3,991	$ 8,776
Intermediates	-	1,278
Ore stockpile	-	122
Materials and supplies	1,708	1,911
	$ 5,699	$ 12,087

The Company values its concentrate, intermediates and ore stockpile inventories at the lower of cost or net realizable value. The Company does not value its low-grade stockpile of material mined as, currently, this material is not considered economic.

5. 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 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
Accumulated share of losses		(86)
Balance - December 31, 2009	$	7,046

Sales to TDI of intermediates for the three months ended December 31, 2009 were $0.1 million (for the three months ended December 31, 2008 – $nil).

6. Property, Plant & Equipment:

(in thousands of dollars)	Cost	Accumulated Amortization	December 31, 2009 Net
Deferred mining costs	9,349	(7,884)	1,465
Property, plant and equipment	32,336	(22,753)	9,583
	$ 41,685	$ (30,637)	$ 11,048

	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

7. Mineral Property Interests:

The following table summarizes the Company's interest in mineral properties as at September 30, 2009 and December 31, 2009.

(in thousands of dollars)	Mactung Property 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, 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 September 30, 2009	14,051	-	9	-	9
Expenditures during the period	240	-	-	-	-
Write down of exploration properties		-	-	-	-
Balance at December 31, 2009	$ 14,291	$ -	$ 9	$ -	$ 9

The potential for success on the Bailey Claims, the area around the Cantung mine and Rifle Range Creek is considered remote; accordingly capitalized expenditures of $16 thousand relating to the Bailey Claims, $625 thousand relating to the area around the Cantung mine and $595 thousand relating to Rifle Range Creek were written off in the year ended September 30, 2009.

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).

8. Reclamation Liabilities:

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

(in thousands of dollars)	December 31, 2009	September 30, 2009
Opening balance, asset retirement obligation	$ 3,780	$ 3,577
Accretion during the year	37	182
Additions during the year	-	252
Change in estimates of future costs	-	(231)
Closing asset retirement obligation	$ 3,817	$ 3,780

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.

9. Obligations under Equipment Loans and Capital Leases:

(in thousands of dollars)	December 31, 2009	September 30, 2009
Obligations under equipment loans and capital leases	$ 1,157	$ 1,327
Billiton loan provision	222	218
	1,379	1,545
Current portion of equipment loans and capital leases	(473)	(527)
Long term equipment loans and obligations under capital lease	$ 906	$ 1,018

The maturity dates of the leases range from September 2010 to December 2014, with interest rates ranging from 7.50% to 14.50%. See Note 11 for details of payments over the next 4 years.

10. Share Capital:

a. Capital Stock

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

Issued	Number of Shares	Consideration (in thousands of dollars)	
September 30, 2008	126,826,725	$	42,049
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
Private placement	20,433,333		3,065
Share issue costs		$	(19)
December 31, 2009	189,290,058	$	50,085

$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.

$3.1 million financing

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

(in thousands of dollars)	Shares		Capital Stock		Convertible Debenture		Contributed Surplus		Deficit		Total
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
Stock compensation							14				14
Share issue costs			(19)								(19)
Private placement	20,433,333		3,065								3,065
Net earnings									(1,497)		(1,497)
December 31, 2009	189,290,058	$	50,085	$	-	$	3,036	$	(18,528)	$	34,593

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 three months ended December 31, 2009 575,000 options were granted to employees and consultants. The option valuation for the issue was calculated using the Black-Sholes option pricing model based on an average expected option life of 1.5 years, a dividend yield of 0%, a risk free interest rate of 0.97%, and an expected volatility of 113%.

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, 2009	Exercised	Granted	Forfeited	No of Options Outstanding as of December 31, 2009	Exercise Price	Expiry Date	Options Exercisable
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
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
75,000				75,000	$1.28	14-Jun-12	75,000
175,000				175,000	$1.39	18-Jul-12	175,000
200,000				200,000	$1.30	2-Jan-13	200,000
83,334				83,334	$1.24	27-May-13	83,334
-		575,000	-	575,000	$0.15	20-Oct-14	191,663
5,885,034	-	575,000	-	6,460,034			6,076,697

575,000 options were granted to employees and consultants exercisable at $0.15 per share which expire on October 20, 2014. Subsequent to December 31, 2009, 1,725,000 options were granted to directors, officers and employees exercisable at $0.19 per share which expire on February 1, 2015.

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The outstanding options have a weighted-average exercise price of $ 1.02 and the weighted-average remaining life of the options is 1.47 years.

11. 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	$	378	$	514	$	247	$	150	$	93	$	1,382
Office Leases**		150		208		214		-		-	$	572
	$	528	$	722	$	461	$	150	$	93	$	1,954

** - 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 was 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; - this amount was posted on February 1, 2010 ($100,000 in cash and $1.2 million in the form of a secured promissory note) 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 7(b).

12. Contingencies:

Pursuant to agreements with officers, in the event of their contracts being terminated, the Company would be liable for payments totaling $1.3 million (September 30, 2009-$1.5 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 $0.45 million (September 30, 2009-$0.45 million).

13. Sales and Economic Dependence:

Sales to one customer accounted for 52% of sales made in the three months ended December 31, 2009 (92% to three customers for the three months ended December 31, 2008).

As at December 31, 2009 trade receivables of $3.5 million were due from two customers for sales of concentrates and intermediates (September 30, 2009 - $1.4 million was due from three customers). See Notes 5 and 16 for sales to TDI and receivables from TDI.

14. General & Administrative Costs:

(in thousands of dollars)	For the three months ended December 31, 2009	December 31, 2008
GENERAL AND ADMINISTRATIVE		
Fees, wages and benefits	$ 296	$ 476
Office expenses	91	113
Accounting and audit	36	55
Legal fees	-	47
Investor relations, travel & business development	56	73
Consulting	23	19
Filing fees and transfer agent fees	-	3
	$ 502	$ 786

15. Supplemental Cash Flow:

(in thousands of dollars)	For the three months ended December 31, 2009	December 31, 2008
Changes in non-cash working capital		
Accounts receivable	(1,122)	$ 304
Prepaid expenses	93	35
Accounts payable and accrued liabilities	(4,269)	(416)
Inventories	6,388	(2,103)
Change in non-cash working capital	1,090	$ (2,180)
Non-cash changes - TDI deconsolidation		
Inventories		$ 195
Accounts payable and accrued liabilities		(1,018)
Property, plant & equipment		5,459
		$ 4,636

16. 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 during the period through his interest in TPT owns 35.1% of the TDI membership units. (See Note 5).

Accounts receivable as at December 31, 2009 include $2.1 million (2008 - $0.1 million) due from TDI. Sales to TDI were $0.1 million for the three months ended December 31, 2009 (three months ended December 31, 2008 – $nil).

17. Segmented Information:

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

METAL SALES: (in thousands of dollars)	For the three months ended December 31, 2009	December 31, 2008
TUNGSTEN:		
United States	$ 2,077	$ 6,768
Asia	6,803	10,875
	8,880	17,643
COPPER:		
Europe	752	-
TOTAL	$ 9,632	$ 17,643

18. Subsequent Events:

On February 1, 2010 - 1,725,000 options were granted to directors, officers and employees exercisable at $0.19 per share which expire on February 1, 2015.