NORTH AMERICAN TUNGSTEN CORPORATION LTD

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 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, 2008 audited consolidated financial statements. The interim consolidated financial statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the interim consolidated financial statements, management is satisfied that the interim consolidated financial statements have been fairly presented.

NORTH AMERICAN TUNGSTEN CORPORATION LTD.
INTERIM CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2009 AND SEPTEMBER 30, 2008
UNAUDITED

(in thousands of dollars)	June 30, 2009	September 30, 2008
ASSETS		
Current assets		
Cash and cash equivalents (Note 20)	$ 2,622	$ 9,495
Accounts receivable - 3rd parties	3,852	5,002
Accounts receivable - TDI	1,191	-
Concentrate, intermediates and ore stockpile inventory (Note 7(a))	8,938	4,895
Supplies inventory (Note 7(b))	2,243	2,638
Prepaid expenses	505	335
	19,351	22,365
Investment in TDI (Note 8)	7,315	-
Property, plant and equipment (Note 9)	11,487	17,510
Mineral properties - Mactung (Note 10)	11,772	9,790
Mineral properties - Other properties (Note 10)	314	244
	12,086	10,034
Other assets		
Funds held in escrow (Notes 11 and 12 (a))	3,800	3,416
Deferred royalty purchases (Note 10(b))	110	121
	$ 54,149	$ 53,446
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 11,004	$ 12,218
Convertible debenture (Notes 6, 21 and 24)	3,473	3,137
Loan facility (Note 6)	-	3,000
Bank borrowings (Notes 5 and 6)	4,702	2,974
Current portion of equipment loans and capital leases (Note 13)	405	354
	19,584	21,683
Reclamation liabilities (Note 14)	3,713	3,577
Long term equipment loans and obligations under capital leases (Note 13)	923	1,050
	24,220	26,310
SHARE CAPITAL AND DEFICIT		
Share capital (Note 15(a))	41,089	42,049
Equity component of convertible debtenture	54	54
Contributed surplus (Note 15(b))	2,968	3,000
Deficit	(14,182)	(17,967)
	29,929	27,136
	$ 54,149	$ 53,446

Going concern (Note 1)
Commitments and contingent liabilities (Notes 12 and 16)
Subsequent events (Note 24)

ON BEHALF OF THE BOARD

"signed"
Stephen M. Leahy

"signed"
Bryce M.A. Porter

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

NORTH AMERICAN TUNGSTEN CORPORATION LTD.
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE EARNINGS AND DEFICIT
FOR THE THREE AND NINE MONTHS ENDED JUNE 30,
UNAUDITED

	For the three months		For the nine months	
(in thousands of dollars except for per share amounts)	2009	2008	2009	2008
REVENUES				
Tungsten sales (Note 17)	$ 14,962	$ 15,432	$ 46,600	$ 39,689
Interest income	9	10	73	128
	14,971	15,442	46,673	39,817
EXPENSES				
Minesite cost of sales	13,082	13,687	38,558	42,396
Amortization and depreciation	1,382	1,291	3,733	3,633
Freight, handling and storage	831	633	2,129	1,470
Royalties	142	154	445	384
	15,437	15,765	44,865	47,883
General and administrative (Note 18)	733	768	2,374	2,389
Interest & financing costs	380	178	754	249
Accretion of reclamation liabilities (Note 14)	46	43	136	129
Stock based compensation (Note 15(b))	14	5	90	474
Accretion of equity of convertible debenture	15	-	47	-
(Gain) on disposal of assets	-	-	-	(18)
Foreign exchange loss/(gain)	(30)	21	(374)	(21)
	1,158	1,015	3,027	3,202
NET EARNINGS/(LOSS) BEFORE UNDERNOTED ITEMS	(1,624)	(1,338)	(1,219)	(11,268)
Gain on disposal of mineral property interest (Note 10 (d))	1,000	-	1,000	-
Equity loss of TDI (Note 8)	(191)	-	(405)	-
Dilution gain on TDI transaction (Note 8)	-	-	3,083	-
Write down of mineral property	-	(3)	-	(105)
NET EARNINGS/(LOSS) BEFORE INCOME TAXES	(815)	(1,341)	2,459	(11,374)
Future income tax recovery (Note 23)	-	-	1,326	623
NET EARNINGS/(LOSS) AND COMPREHENSIVE EARNINGS/(LOSS)	$ (815)	$ (1,341)	$ 3,785	$ (10,751)
DEFICIT-BEGINNING OF PERIOD	$ (13,367)	$ (15,684)	$ (17,967)	$ (6,274)
Net earnings/(loss) for the period	(815)	(1,341)	3,785	(10,751)
DEFICIT-END OF PERIOD	$ (14,182)	$ (17,025)	$ (14,182)	$ (17,025)
Net earnings/(loss) per share				
Basic	$ 0.00	$ (0.01)	$ 0.03	$ (0.09)
Diluted	$ n/a	$ n/a	$ 0.03	$ n/a
Weighted average number of shares (in thousands)				
Basic	127,872	122,657	127,187	122,613
Diluted	n/a	n/a	127,187	n/a

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

NORTH AMERICAN TUNGSTEN CORPORATION LTD.
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30
UNAUDITED

	For the three months		For the nine months	
(in thousand of dollars)	2009	2008	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES				
Net earnings/(loss) for the period	$ (815)	$ (1,341)	$ 3,785	$ (10,751)
Items not affecting cash:				
Amortization and depreciation	1,382	1,291	3,733	3,633
Gain on disposal of mineral interest (Note 10 (d))	(1,000)	-	(1,000)	-
Foreign exchange and accretion on convertible debenture	(277)	-	336	-
Future income tax adjustment	-	-	(1,326)	(623)
Loss on writedown of mineral properties	-	3	-	105
Accretion of reclamation liabilities	46	43	136	129
Stock based compensation	14	5	90	474
Equity loss of TDI	191	-	405	-
Dilution gain on TDI transaction	-	-	(3,083)	-
Loss/(gain) on disposal of assets	-	-	-	(18)
	(459)	1	3,076	(7,051)
Change in non-cash working capital (Note 19)	150	82	(4,047)	(1,118)
	(309)	83	(971)	(8,169)
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital lease obligations	(95)	(75)	(88)	(222)
Issuance of capital stock	232	-	244	145
Loan facility	(3,000)	3,000	(3,000)	3,000
Bank borrowings (repayments)	3,269	(156)	1,728	1,121
	406	2,769	(1,116)	4,044
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds on disposal of mineral interests (Note 10 (d))	1,000	-	1,000	-
Proceeds on disposal of assets	-	-	-	18
Arising on disposition of interest in Tungsten Joint Venture	-	-	(2)	-
Increase in funds held in escrow	-	-	(384)	(500)
Expenditure on mineral property interests	(794)	(1,632)	(2,052)	(3,154)
Purchase of property, plant and equipment	(739)	(520)	(3,348)	(1,944)
	(533)	(2,152)	(4,786)	(5,580)
Decrease in cash and cash equivalents	(436)	700	(6,873)	(9,705)
Cash and cash equivalents beginning of period	3,058	1,143	9,495	11,548
Cash and cash equivalents end of period	$ 2,622	$ 1,843	$ 2,622	$ 1,843
Represented by:				
Cash	$ 102	$ 1,101	$ 102	$ 1,101
Fixed deposits (Note 20)	2,520	742	2,520	742
	$ 2,622	$ 1,843	$ 2,622	$ 1,843

Non-cash investing and financing activities (Note 19)

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 operating Cantung mine in the Northwest Territories; the Mactung mineral property on the border of the Yukon Territory and the Northwest Territories; other tungsten exploration prospects; and, through an equity accounted investment, a 43.2% interest in Tungsten Diversified Industries, LLC. (See Note 8) has an interest in new and upgraded tungsten products.

While these unaudited interim 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.

For the nine months ended June 30, 2009 the Company had net earnings of $3.8 million which included the non cash transactions of a dilution gain on TDI (Note 8) of $3 million and a future income tax recovery of $1 million (Note 23). Although the Company has had net earnings, cash balances are low and additional or replacement finance is required. Current cash and cash equivalents of $2.6 million include funds of $2.4 million which must be expended on Canadian eligible exploration by December 31, 2009. There were net current liabilities as of June 30, 2009 of $0.2 million.

As an inventory control measure, the Company will temporarily suspend mining and milling operations at the Cantung mine on October 15, 2009. The mine will be placed on care and maintenance and be ready for restart when market conditions improve. The Company will fulfill its existing sales contracts and will also continue to make spot sales from inventory.

The Company's ability to continue its operations in the normal course of business, develop its Mactung property, discharge its liabilities and realize the carrying value of its assets is dependent upon its ability to secure additional funding and achieve or sustain profitable operations. Management is exploring all available options to secure additional funding including equity and debt financing and strategic partnerships. The Company has increased and amended its bank credit facilities (Note 5) and, since the end of the quarter, has arranged a $6.0 million equity financing (Note 24). 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:

Basis of Presentation

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

The significant subsidiaries are a 100% owned Numbered Company incorporated in Delaware, International Carbitech Industries Inc. incorporated in British Columbia and Amax Exploration of the U.K. Inc ("Amax") incorporated in Delaware. All intercompany balances and transactions have been eliminated on consolidation. See Note 8 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 June 30, 2009 and the consolidated results of operations, cash flows and comprehensive income for the three and nine month periods then ended June 30, 2009 have been made. These interim results are not necessarily indicative of the results for a full year.

3. Changes in Accounting Policies:

a. New Accounting Pronouncements

Effective October 1, 2008 the Company adopted the following accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"). These new standards have been adopted on a prospective basis with no restatement to prior period financial statements.

Section 3064 - Goodwill and Intangible Assets

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

Section 3031 - Inventories

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

b. Future Accounting Policies Changes

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

International Financial Reporting Standards

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

4. Financial Instruments-Disclosure (Section 3862) and Presentation (Section 3863)

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

a. Financial Assets and Financial Liabilities

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

b. Risk Exposure and Risk Management

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

i. Foreign Exchange Risk

The Company operates on an international basis and therefore, foreign exchange risk exposures arise from transactions denominated in a foreign currency. The foreign exchange risk arises primarily with respect to the US dollar. The cash flows from Canadian operations are exposed to foreign exchange risk as commodity sales are denominated in US dollars, and the majority of operating expenses are in Canadian dollars. The Company is currently reviewing its policy. For the nine months ended June 30, 2009 with other variables unchanged a $0.01 strengthening (weakening) of the Canadian dollar against the US dollar would have had a negative or positive impact respectively of $0.556 million on tungsten sales and net earnings.

ii. Credit Risk

The Company is exposed to credit-related losses in the event of non-performance by counterparties to the financial instruments. Credit exposure is minimized by dealing with only credit worthy counterparties 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 $4.6 million ($3.6 million as at September 30, 2008) all of which were current.

iii. Interest Rate Risk

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

Fluctuations in interest rates impact on the value of cash equivalents and reclamation deposits. At June 30, 2009 fixed deposits of $2.5 million carried interest rates of 0% to 0.25% (September 30, 2008 $5.8 million of bankers' acceptances carried interest rates of 1.25% to 2.60%).

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

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.

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. (See Note 1)

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 metal prices decline for a prolonged period below the cost of production of the Company's mine, it may not be economically feasible to continue production.

5. Credit Facilities:

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

Demand Operating Loan of $6.0 million (increased from $2.5 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; and if the average utilization of the operating loan is less than 75% a stand-by fee calculated at the rate of 0.25% per annum on the amount by which the authorized amount of the operating loan exceeds the amount outstanding as at the close of business of each day of that month.

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.

Electronic Funds Transfer Line ("EFT Limit") of up to $750 thousand

The EFT limit is an increase and renewal of an existing facility. All amounts outstanding under the EFT Limit are to be repaid on demand by the Bank.

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 50% of the current market value/appraised value of any used piece of equipment. When this loan is advanced the amounts owing shall be repaid in equal monthly installments of principal and interest on the last day of each month commencing on the last day of the month following the advance of the loan is made, based on an interest rate of Bank's prime rate + 1.75% per annum and amortization period of 5 years.

$10 million demand revolving line (the "Foreign Exchange Loan") - This facility has not been accessed to date.

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 business operation of the Company.

The Foreign Exchange Loan will be available when the Company receives a guarantee by EDC under the Foreign Exchange Guarantee Program in the minimum amount of $2.6 million.

The Company shall ensure that the Foreign Exchange Percentage (the notional risk percentage established and recorded by the Bank from time to time based on the Bank's assessment of the foreign exchange market, and which is 26% as of June 15, 2009) of the Canadian dollar equivalent of aggregate face amount of outstanding F/X Contracts at no time exceeds $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.

$2.5 million Demand Daily Debt Settlement Facility for F/X Contracts ("Debt Settlement Facility")

The purpose of the debt settlement facility is to cover settlement of the F/X Contracts from time to time under the foreign exchange loan. The Debt Settlement Facility will be available when the Company receives a guarantee by EDC under the Foreign Exchange Guarantee Program in the minimum amount of $2.6 million. All liabilities under the debt settlement facility shall be satisfied by the Company as the F/X Contracts fall due.

$25 thousand Corporate Master Card Facility - This facility has not been accessed to date.

The purpose is to permit the issuance of Corporate Master Cards to designated officers or senior employees of the Company and to be used solely for corporate purposes.

SECURITY

The Company granted the Bank the following security:

A general security agreement has been granted in favour of the Bank, 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 in favour of the Bank creating a first priority assignment of all the Company's debts and accounts;
First ranking security from the Company in favour of the Bank 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 of 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 that the outstanding amount of the US$3 million convertible debentures be excluded from current liabilities until its maturity in September, 2009. The bank has agreed to forebear from taking steps to act on the past and future 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 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.

6. Debt:

The Company has a working line of credit to finance accounts receivable and inventory in the amount of $6.0 million as of June 30, 2009 (September 30, 2008 - $2.5 million). The interest rate is bank prime plus 2%. The loan is payable on demand and minimum monthly payments consist of interest only. (See Note 5)

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 principal; entered into an amended agreement to extend the maturity date of the remaining outstanding principal of $2.6 million till 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 and 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 is fixed at 8% per annum compounded quarterly. (Notes 21 and 24)

7. Inventory :

a. Concentrate, Intermediates and Ore Stockpile Inventory

(in thousands of dollars)	June 30, 2009	September 30, 2008
Concentrates	$ 7,776	$ 4,470
Intermediates	973	272
Ore stockpile	189	153
	$ 8,938	$ 4,895

b. Supply Inventory

(in thousands of dollars)	June 30, 2009	September 30, 2008
Fuel, reagents and explosives	$ 742	$ 1,038
Other supplies	1,501	1,600
	$ 2,243	$ 2,638

8. 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") as to 43.2% and Queenwood Capital Partners LLC ("Queenwood") as to 13.6%. (See Note 21) 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 TJV included in the Company's interim consolidated financial statements immediately prior to the reorganization are set out below.

TUNGSTEN DIVERSIFIED INDUSTRIES, LLC

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

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 & know-how		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		(405)
Balance - June 30, 2009	$	7,315

9. Property, Plant & Equipment:

(in thousands of dollars)		Cost		Accumulated Amortization		June 30, 2009 Net
Deferred mining costs		8,949		(7,796)		1,153
Property, plant and equipment		31,742		(21,408)		10,334
	$	40,691	$	(29,204)	$	11,487

		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

10. Mineral Property Interests:

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

(in thousands of dollars)	Mactung Property Yukon & NWT Canada (Note 8(a))	Rifle Range Creek Property, NWT Canada (Note 8(c))	Bailey Claims, Yukon Canada	Sheet Mountain NWT Canada	Total of all properties excluding Mactung
Balance September 30, 2008	$ 9,790	$ 217	$ 25	$ 2	$ 244
Expenditures in the nine month period	1,982	70	-	-	70
Balance at June 30, 2009	$ 11,772	$ 287	$ 25	$ 2	$ 314

a. Mactung – Canada

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

b. Deferred Royalty Purchases

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

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

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

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

The $100 thousand paid by the Company has been treated as a deferred royalty and will be amortized over the life of the mine once the Mactung property is brought into production. The balance at June 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 June 30, 2009 was $11 thousand (September 30, 2008 was $22 thousand).

c. Rifle Range Creek – NWT

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

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 Cdn. $1 million cash.

11. 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.

12. Commitments:

(in thousands of dollars)	Payments due in years ended September 30,					
Contractual Obligations	2009	2010	2011	2012	2013	TOTAL
Property leases and equipment loans & leases	$ 103	$ 461	$ 466	$ 196	$ 96	$ 1,322
Debenture repayment (See Note 24)	3,473	-	-	-	-	3,473
Office Leases**	50	203	207	204	-	664
	$ 3,626	$ 664	$ 673	$ 400	$ 96	$ 5,459

For obligations on the Water License - See Note 12 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 29, 2009) requires the Company to post an additional security deposit of $5.2 million over time as follows:

Within thirty days of the effective date of the license an amount of $1.3 million of security shall be posted – 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 29, 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 10(b).

13. Obligations under Equipment Loans and Capital Leases:

(in thousands of dollars)	June 30, 2009	September 30, 2008
Obligations under equipment loans and capital leases	$ 1,114	$ 1,203
Billiton loan provision	214	201
	1,328	1,404
Current portion of equipment loans and capital leases	(405)	(354)
Long term equipment loans and obligations under capital lease	$ 923	$ 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 12 for details of payments over the next 5 years.

14. Reclamation Liabilities:

The Company's estimate of future reclamation costs assumes a credit adjusted risk-free discount rate of 4.19% in 2007 and an inflation factor of 2.24%. The liability estimate for retirement and remediation on an undiscounted basis is approximately $3.9 million.

(in thousands of dollars)	June 30, 2009	September 30, 2008
Opening asset retirement obligation	$ 3,577	$ 3,403
Total accretion during the period	136	174
Closing asset retirement obligation	$ 3,713	$ 3,577

15. 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)
Reallocation of fair value related to options exercised		122
June 30, 2009	128,856,725	$ 41,089

b. Shareholders' Equity

(in thousands of dollars)	Shares	Capital Stock	Convertible Debenture	Contributed Surplus	Retained Earnings	Total
September 30, 2008	126,826,725	$ 42,049	$ 54	$ 3,000	$ (17,967)	$ 27,136
Stock compensation	-	-	-	90	-	90
Exercise of stock options	2,030,000	244	-	-	-	244
Reallocation of contributed surplus related to options exercised	-	122	-	(122)	-	-
Future income tax recovery	-	(1,326)	-	-	-	(1,326)
Net earnings	-	-	-	-	3,785	3,785
June 30, 2009	128,856,725	$ 41,089	$ 54	$ 2,968	$ (14,182)	$ 29,929

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. 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 and nine months ending June 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	Cancelled	No of Options Outstanding as of June 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	125,000
75,000				75,000	$1.28	14-Jun-12	75,000
175,000				175,000	$1.39	18-Jul-12	175,000
100,000			(100,000)	-	$1.49	6-Nov-12	-
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)	-	(641,666)	6,010,034			6,010,034

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

During the nine months ended June 30, 2009 - 641,666 options were cancelled and 2,030,000 were exercised.

The outstanding options have a weighted-average exercise price of $ 1.13 and the weighted-average remaining life of the options is 1.72 years.

d. Warrants Outstanding

The following table shows the warrants outstanding at June 30, 2009

No. of Warrants Outstanding as of Sept. 30, 2008	Granted	Exercised	Expired	No. of Warrants Outstanding as of June 30, 2009	Exercise Price	Expiry Date	Warrants Exercisable
250,200	-	-	-	250,200	$1.20	7-Aug-09	250,200
250,200	-	-	-	250,200			250,200

On August 7, 2008 the Company issued 250,200 Agent Warrants to Haywood Securities Inc. Each warrant is exercisable at $1.20 and expires on August 7, 2009. Warrants are valued using the Black Scholes method. The following assumptions were used; dividend yield of 0%, 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. Subsequent to the period the warrants expired.

16. Contingencies:

Pursuant to agreements with officers, in the event of their contracts being terminated, the Company would be liable for payments totaling $1.8 million (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 three customers accounted for 94% of sales made in the nine months ending June 30, 2009 and June 30, 2008.

As at June 30, 2009 trade receivables consisted of $4.6 million due from three customers for sales of concentrates and intermediates (as at September 30, 2008 $2.8 million was due from three customers).

18. General & Administrative:

(in thousands of dollars)	For the three months ended June 30, 2009	For the three months ended June 30, 2008	For the nine months ended June 30, 2009	For the nine months ended June 30, 2008
GENERAL AND ADMINISTRATIVE				
Fees, wages and benefits	$ 410	$ 500	$ 1,364	$ 1,465
Office expenses	127	92	364	293
Accounting and audit	51	44	159	183
Legal fees	61	55	160	86
Investor relations, travel & business development	52	25	179	177
Consulting	1	46	89	103
Filing fees and transfer agent fees	31	6	59	82
	$ 733	$ 768	$ 2,374	$ 2,389

19. Supplemental Cash Flow:

(in thousands of dollars)	For the three months ended June 30 2009	For the three months ended June 30 2008	For the nine months ended June 30 2009	For the nine months ended June 30 2008
Changes in non-cash working capital				
Accounts receivable	$ (1,007)	$ (254)	$ (41)	$ (1,752)
Supplies inventory	433	260	386	(111)
Prepaid expense	(224)	16	(170)	(151)
Accounts payable and accrued liabilities	1,007	183	7	(271)
Concentrate, intermediates and ore stockpile inventory	(59)	(123)	(4,229)	1,167
Change in non-cash working capital	$ 150	$ 82	$ (4,047)	$ (1,118)
Supplemental information				
Interest paid	$ 185	$ 95	$ 558	$ 156

20. Cash and Cash Equivalents:

Cash and cash equivalents include funds of $2.4 million that must be expended on Canadian eligible exploration by December 31, 2009.

21. 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 (see Note 7). This entity is also a holder of US$2 million Convertible Debenture issued by the Company. The Convertible Debenture was issued prior to this individual becoming a director of the Company. (See Notes 6 and 24)

22. Segmented Information:

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

SALES: (in thousands of dollars)	For the three months ended June 30, 2009	June 30, 2008	For the nine months ended June 30, 2009	June 30, 2008
United States	$ 6,958	$ 4,805	$ 20,554	$ 11,721
Asia	7,950	9,082	25,381	23,036
Europe	54	1,545	665	4,932
	$ 14,962	$ 15,432	$ 46,600	$ 39,689

23. Future Income Tax Recovery:

Flow-Through Share Issuances

The tax effect of flow-through share issuances is booked upon renunciation (February 2009), therefore the full amount has been recorded in the current period.

(in thousands of dollars)	For the three months ended June 30 2009	June 30, 2008	For the nine months ended June 30 2009	June 30, 2008
Tax deduction renounced to investors	$ -	$ -	$ 5,004	$ 2,000
Federal tax rate	15.0%	19.7%	15.0%	19.7%
NWT tax rate	11.5%	11.5%	11.5%	11.5%
	26.5%	31.2%	26.5%	31.2%
Future income tax recovery	$ -	$ -	$ 1,326	$ 624

24. Subsequent Events

$6 million financing

On July 31, 2009 the Company closed a Private Placement of 40,000,000 common shares exercisable at $0.15 per share with insiders and private investors for gross proceeds of CDN$6.0 million. A director of the Company participated in the 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 21).

US$3.0 Million Convertible Debenture

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. (See Notes 6 and 21).