NORTH AMERICAN TUNGSTEN CORPORATION LTD

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE QUARTER ENDED:

MARCH 31, 2009

REPORT DATED: MAY 29, 2009

This discussion and analysis of financial position and results of operations of North American Tungsten Corporation Ltd. The "Management Discussion and Analysis" (MD&A) is prepared as of May 29, 2009, and should be read in conjunction with the unaudited interim consolidated financial statements for the period ended March 31, 2009 and the audited consolidated financial statements for the year ended September 30, 2008. This MD&A reviews the business of North American Tungsten Corporation Ltd. and compares the Company's financial results for the quarter ended March 31, 2009 (Q2 2009) with those of the quarter ended March 31, 2008 (Q2 2008) and for the six month period ended March 31, 2009 (H1 2009) with those of the six month period ended March 31, 2008 (H1 2008). In this discussion, unless the context otherwise dictates, a reference to North American Tungsten, NATC, or the Company refers to North American Tungsten Corporation Ltd. and its subsidiaries. Additional information relating to the Company including its Annual Information Filing is available on SEDAR at www.sedar.com.

The information contained in this report updates management's discussion and analysis for the year ended September 30, 2008 and for material changes that have taken place. The September 30, 2008 report should be consulted to gain a complete understanding of management's discussion and analysis of the Company.

Caution on Forward-Looking Information

Management's discussion and analysis contain forward-looking statements, including statements regarding the business and anticipated financial performance of the Company. These statements are not guarantees of the Company's future performance and are subject to risks, uncertainties and other important factors that could cause the corporation's actual performance to be materially different from those projected. Given the uncertainties associated with forward-looking information, the reader should not place undue reliance on the forward-looking information.

A glossary of terms is affixed

BUSINESS OVERVIEW

In the current fiscal year the Cantung mine is performing at close to plan levels. Production has improved significantly from a year ago. However, low realized tungsten prices and sales have affected profitability and lower demand, particularly for flotation grade concentrates has led to a build up in inventories and a deteriorating cash situation.

- Tungsten sales revenues rose by 12% over the comparative quarter of the previous year.
- Development work to exploit the new deep zone at the Cantung mine is well advanced.
- The feasibility study for the Mactung project was completed and released.
- Mactung is forecast to produce 748,000 Mtu's of Tungsten Trioxide per year over its first five years.
- Mactung's pre-tax internal rate of return is projected at 23.5%; capital payback is expected within 2.9 years based on an APT price of $US 300 per mtu.
- Through the reorganization of Tungsten Diversified Industries LLC (43.2% owned) the Company has commenced with the production and sale of new tungsten products and uses that move the Company's markets up the value-added chain.
- Quoted world tungsten prices have remained stable during the quarter, largely avoiding the dramatic decreases of other commodities.
- Scheelite production increased 29% from 57,660 MTUS in Q2 2008 to 74,206 MTUS in Q2 2009.
- The net loss was $0.3 million in Q2 2009 compared to a net loss of $5.5 million in Q2 2008.
- Quarter end working capital was $0.60 million compared to $0.70 million at September 30, 2008.

- The future income tax recovery of $1.3 million masked an operating loss of $1.6 million during the quarter as the Company is not meeting financial plans due to market conditions.
- The Company had a working capital ratio of 1.03 compared to the financial covenants of 1.10 under the Company's credit agreements.

The average MB European free market quotation for APT has remained at US$ 220/mtu throughout the quarter. The fiscal year to date average APT price is US$ 233/mtu as compared to the fiscal 2008 average of US$ 248/mtu.

Year to date production of tungsten concentrates remain on budget as production of concentrates increased by 29% to 74,206 mtus compared to production of 57,660 mtus in Q2 2008. Development work on the access to the 3600 level is well advanced with development ore below the 3700 level being intersected in March.

DESCRIPTION OF BUSINESS

North American Tungsten Corporation Ltd. is engaged in tungsten mining and related activities which includes the 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 has an equity position in a processing facility in Minnesota, USA. The Company is the most significant producer of tungsten concentrates in North America.

The Company's focus is increasingly on the development of the Mactung property. In 2008, there was considerable activity on the ground: a summer site program was conducted that included an in-fill drilling program, geotechnical drilling for site facilities and additional environmental studies. Plans are currently being developed for the 2009 Mactung field program. The Company initiated the process of environmental review by the Yukon Environmental and Socio-economic Assessment Board ("YESAB") and released Wardrop Engineering Inc.'s positive feasibility study of the project.

In December 2008, the Company finalized an agreement with Tundra Particle Technologies, LLC and Queenwood Capital Partners LLC. Tungsten Diversified Industries LLC (TDI) has been formed. The Company also entered into a supply agreement with TDI to supply concentrates and or APT and Tungsten Blue Oxide from its Cantung mine and Mactung mine should Mactung be brought into commercial production. Pricing for these products is market based. Queenwood has invested US$2.5 million to purchase its interest in TDI. TDI will produce and market tungsten composites which will allow for immediate access to the developing lead replacement market.

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

As TDI issued its own equity to outside interests, a dilution gain of $3.08 million arose as a result of the difference between the Company's share of the proceeds and the Company's carrying value of the underlying equity.

Overall Performance

Mactung Project

In February 2009 the Company released the results of the feasibility study for a 2,000 tonne per day mining operation at Mactung. The Company's focus is increasingly on the development of the Mactung property. An application for project approval was initiated through YESAB with the process expected to require approximately 12 to 15 months to complete. Funding is being actively sought to continue with basic and detailed engineering of the project.

As previously determined by Scott Wilson–RPA to NI 43-101 standards, total indicated resources for the mineral deposit are 33.0 million tonnes grading 0.88% WO3 with an additional 11.8 million tonnes grading 0.78% WO3 in the inferred resource category. Underground indicated mineral reserves included in the mine plan, as calculated by Wardrop Engineering Inc. total 8.2 million tonnes grading 1.09% WO3. The project envisions an underground mine operating for a period of 11 years with the opportunity to add to the mine life an additional 17 years with further study of an open pit option to exploit near surface lower grade resources. Although this additional mine life would enhance project economics, the open-pit option was not applied to the economic considerations and are not included in the present Feasibility Study. Mactung is considered feasible even without exploiting these near surface lower grade resources.

The Mactung Project is projected to produce run of mine ore at a rate of 2,000 tonnes per day from an underground operation using long hole and cut and fill mining methods. An underground primary crusher and conveyor will supply ore to a surface facility where the ore will be processed into both a premium gravity concentrate (67% WO3) and a flotation concentrate (55% WO3). Recovery of WO3 will average 81.7% and the mine will produce on average 748,000 Mtu's of WO3 in concentrates during the first five years of operation.

The key parameters and assumptions used in the basis of the economic evaluation of the Mactung Project are as follows:

MACTUNG PROJECT KEY PARAMETERS & ASSUMPTIONS
December 31, 2008

Underground Mineral Reserve (tonnes)		8,200,000
Annual Throughput (tonnes)		730,000
Recovery % 1st 5 years		81.70%
Annual Production 1st 5 years (mtus)		748,000
Operating Cash Cost 1st 5 years (per mtu)	$	104
Capex Including Contingency (millions)	$	402
APT Pricing $US (per mtu)	$	300
Exchange Rate $US/$Cdn		0.88

The pretax net present value of the project based on a 11 year mine life and the base case parameters are as follows:

Discount Rate		8%		6%
Pre-tax Net Present Value (millions)	$	276.80	$	346.40
Pre-tax Internal Rate of Return		23.5%		
Pay Back of Invested Capital (years)		2.9		

The capital expenditure estimate is comprised of a project capital cost of CDN$356.5 million plus a contingency of CDN$45.6 million. The capital cost also includes CDN$ 39.6 million for underground mine equipment and development. The Company in conjunction with its consultants has submitted the documentation to start the permitting process. Funding for basic and detailed engineering is being sought and work will commence once the funding is in place. A 27 month construction period is forecast to be required to construct and commission the project. This will start once project permit approval and funding are in place. Capital payback is expected within 2.9 years of Mactung's start of operations.

For the above key parameters and assumptions, including methodology and sensitivity please refer to the 43-101 technical report filed on www.sedar.com.

The Company is currently exploring all financing and development options for the Mactung project.

Cantung Mine Operations

The Cantung mine, located on the western border of the Northwest Territories, is the Company's sole operating mine. For the quarter ending March 31, 2009, the mine produced 74,206 metric tonne units (mtus) of tungsten concentrate compared with 57,660 mtus for the quarter ended March 31, 2008. The increased tungsten production during 2009 was a result of the increased grades mined in the Main Zone and West Extension and better mill recoveries.

Sales revenues for the Q2 2009 were $14.0 million from 58,507 mtus of concentrate and 3,160 mtus of TBO compared to revenues of $12.5 million from sales of 58,840 mtus of concentrates and 6,632 mtus of APT in Q2 2008.

During the quarter, efforts continued on reducing ore dilution in the main pillar zone and establishing additional ore resources in the West Extension at depth. High grade development ore was mined from the new lower zone at the 3660 level and further to the west on the 3700 level. The underground diamond drilling program continued identifying potential new resources both above and below the 3,700 foot working level of the mine. In total 7,764 feet of exploration drilling was completed, including 393 feet of in-fill definition drilling. The development of a new decline down to the 3600 level has advanced with approximately 25% of the ramp completed. The top cut of this zone has intersected ore at the 3660 level.

A focus on grade control from the mine's underground operation resulted in continuing adjustments to the drilling, blasting and extraction procedures for pillars in the Main Zone, where long-hole mining is taking place. For the quarter, long-hole stoping accounted for 60.4% of the ore mined. Mining by cut and fill and development methods accounted for the remaining 39.6% that was mined.

At quarter's end, the surface low grade stockpile contained 4,366 tons while the surface high grade stock-pile had 1,613 tons.

Recovery improvements of WO3 to flotation concentrates have been noted due to the installation and full commissioning of the scheelite scavenger column cell. The copper flotation circuit commissioning took place during the quarter with saleable concentrates produced. Optimization of circuit recoveries is on going.

In the second quarter of 2009 the mill processed 96,190 tons grading 1.11% WO_3 compared with 95,877 tons grading 0.95% WO_3 in Q2 of 2008. For Q2 2009, production of concentrate (total 74,206 mtus) consisted of 53,680 mtus of gravity concentrate grading 65.8% WO3 and 20,526 mtus of flotation concentrate grading 47.4% WO_3. Recovery for the quarter averaged 76.5% compared to 69.5% in Q2 2008. Mill availability was 94.5% and average mill throughput was 47.1 tons per operating hour.

Mine operating costs were $14.4 million in Q2 2009 compared to $14.3 million in Q2 2008 and $29.7 million in H1 2009 compared to $28.2 million in H1 2008.

Other Mineral Properties

Jennings Property

On January 7, 2008 the Company announced that Agnico-Eagle Mines Limited exercised its option to increase its interest in the Jennings tungsten/molybdenum property from 50% to 70% via C$4 million in exploration expenditure by December 31, 2010. The Jennings property agreement was established on April 25, 2006 whereby Agnico-Eagle Mines Limited agreed to spend C$400,000 on exploration to acquire an initial 50% of the property. The property is located near the BC-Yukon border about 85 kilometers west of Watson Lake, Yukon, Canada. North American Tungsten may elect to form a participating Joint Venture or convert its 30% working interest to a 2.5% NSR after Agnico-Eagle Mines Limited fulfills its C$4 million expenditure requirement. Agnico Eagle previously released drill results from their drill program which indicated tungsten (WO3) grades of up to 0.120% and molybdenum (MoS2) grades of up to 0.167%. A diamond drilling program was completed during the 2008 summer drilling season in which eight NQ core holes were drilled totaling 4,026 meters. Total expenditures on the project by Agnico-Eagle in 2008 were approximately $1.2 million.

Other Properties

No work was undertaken on the Rifle Range Creek and the Bailey claims during the quarter. The exploration programs on these properties continue as a low priority in the short term as the Company focuses on developing the Mactung property and expanding mineral reserves at Cantung.

Markets and Foreign Exchange

During Q2 2009 the average exchange value of the Canadian dollar weakened further against the US dollar as quoted tungsten commodity prices remained stable compared to a 14% price decrease during the previous quarter.

The average monthly price of ammonium paratungstate (APT) per mtu remained constant at US $220/mtu through-out the quarter compared to US $254.50/mtu at September 30, 2008. The average APT price for Q2 2009 was US $220 compared to $244/mtu for Q2 2008. Sales of concentrate for Q2 2009 averaged US dollars $182/mtu compared to $187/mtu for Q2 2008. Sales as a percentage of the average APT price for Q2 2009 were 83% compared to 78% for Q2 2008.

The average exchange value of the Canadian dollar, as realized for sales for Q2 2009, was US$0.81. This compared to US$1.00 for the Q2 2008. The free market mid APT quotation at March 31, 2009 was US $220 per mtu.

APT European Metal Bulletin Prices	**2004 December**	**2005 December**	**2006 December**	**2007 December**	**2008 December**	**2009 March**
Average Quarterly Prices						
APT Free Market Average $US	$ 94	$ 263	$ 252	$ 241	$ 246	$ 220

Financial Review

The net loss for Q2 2009 was $0.3 million compared to a loss of $5.5 million for Q2 2008. Minesite cost of sales was $12.5 million compared to $15.3 million in Q2 2008. The gross operating margin increased significantly from a loss of $3.5 million in Q2 2008 to earnings of $0.8 million as a result of higher concentrate production volumes of 29% primarily as a result of higher feed grades which increased from 0.95% WO_3 in Q2 2008 to 1.11% in Q2 2009. During Q2 a 2.3% foreign exchange benefit resulting from the weakening $Cdn against its $US counterpart was realized.

Net earnings for the H1, 2009 were $4.6 million including a $3.1 million dilution gain in Q1 on the TDI transaction compared to a net loss of $5.5 million in H1 2008. The gross margin increased from a loss of $5.5 million for H1 2008 to a positive $4.5 million for H1 2009. The increase in margins was due to an increase in the realized $Cdn sales price from $191 in H1 2008 to $241 in H1 2009 combined with a reduction in unit production costs from $228.98 per mtu in H1 2008 to $192.80 in H1 2009.

		3 Months Ending 31-Mar-09		3 Months Ending 31-Mar-08		6 Months Ending 31-Mar-09		6 Months Ending 31-Mar-08
Gross Margin ($ 000'S)								
Tungsten Sales	$	13,996	$	12,471	$	31,619	$	24,257
Minesite cost of sales		12,448		15,277		25,476		28,709
Freight, handling & conversion costs		603		559		1,299		837
Royalties		134		127		303		230
Gross Margin	**$**	**810**	**$**	**(3,492)**	**$**	**4,540**	**$**	**(5,519)**

Positive factors affecting production and earnings included improvements in grade control, mill process technology and product diversification. Mill tonnage increased slightly from 95,877 tons in Q2 2008 to 96,190 tons in Q2 2009. Mill recoveries also increased from 69.46% in Q2 2008 to 76.54% in Q2 2009.

The sale of the Company's tungsten gravity concentrates has remained stable. While there has been an adverse effect on US dollar sales prices, revenues realized in Canadian dollars were close to CAN$227/mtu in Q2 2009 compared to CAN$190 in Q2 2008 as a result of positive effects from the mix of sales, reflecting continuing optimization efforts and upgrading of the quality of the flotation product as well as a weakening Canadian dollar.

Cash flows from operations before changes to non-cash working capital was nil in Q2 2009 compared to a drain of $4.3 million in Q2 2008 and $3.5 million for H1 2009 compared to cash outflows of $7.0 million in H1 2008.

		2008		2007		2006
Earnings and Cash Flow		**($000s)**		**($000s)**		**($000s)**
Total Revenues	$	56,403	$	59,420	$	51,344
Cash flow from operations		(5,078)		3,094		(1,429)
Net Loss		(11,693)		(1,203)		(2,655)
Loss per share		(0.09)		(0.01)		(0.03)
Balance Sheet						
Total assets	$	53,447	$	48,948	$	31,853

Revenues

Total sales revenues were $14.0 million for Q2 2009 from sales of 61,507 mtus, compared to $12.5 million on sales of 64,875 mtus in Q2 2008. The increase in sales values results from increased sales volumes combined with the depreciation of the Canadian dollar against its US dollar counterpart. The average realized Canadian dollar exchange rate against the US dollar decreased from $1.00 in Q2 2008 to $0.81 in Q2 2009. The net sales realization on concentrates sold in Q2 2009 increased significantly to CAN$227 per mtu compared to CAN$192 per mtu in Q1 2008.

	For the three months ended		For the six months ended	
	31-Mar-09	31-Mar-08	31-Mar-09	31-Mar-08
Sales Units				
Concentrate Sales mtus	58,507	58,840	122,779	120,304
APT Sales mtus (delivered to customer)	-	6,035	4,892	6,035
TBO Sales mtus (delivered to customer)	3,000	-	3,000	-
Total mtus sold	61,507	64,875	130,671	126,339
Conversion Losses				
APT mtus	-	597	484	597
TBO mtus	160	-	160	-
Total Conversion Losses	160	597	644	597
Total Shipments	61,667	65,472	131,315	126,936
Revenues $ Cdn	**($000s)**	**($000s)**	**($000s)**	**($000s)**
Concentrate Sales $ Cdn	13,198	11,052	29,347	22,838
APT Sales $ Cdn	-	1,419	1,474	1,419
TBO Sales $ Cdn	798	-	798	-
Total Sales Revenues $Cdn	13,996	12,471	31,619	24,257
Revenues $ US	**($000s)**	**($000s)**	**($000s)**	**($000s)**
Concentrate Sales $ US	10,634	11,022	24,020	22,974
APT Sales $ US	-	1,404	1,216	1,404
TBO Sales $ US	638	-	638	-
Total Sales Revenues $US	11,272	12,425	25,874	24,378
$US foreign exchange rate	0.8054	0.9963	0.8183	1.0050
Flot concentrate converted to APT (net) sales price $US *	$ -	$ 211.64	$ 226.13	$ 211.64
Flot concentrate converted to TBO (net) sales price $US *	$ 201.97	$ -	$ 201.97	$ -
Concentrates sales price $US	$ 181.75	$ 187.31	$ 195.64	$ 190.97
Concentrates sales price $CDN	$ 225.58	$ 232.57	$ 239.02	$ 232.57
Combined sales price $US	$ 182.79	$ 189.78	$ 197.04	$ 192.05
Average European $US APT Prices	**$ 220.00**	**$ 243.87**	**$ 232.86**	**$ 242.04**
Combined sales price as a % of average APT pricing	**83.09%**	**77.82%**	**84.62%**	**79.34%**

* Excluding conversion costs

Interest income earned in Q2 2009 was $0.02 million compared to $0.02 during Q1 2008 and $0.06 in H1 2009 compared to $0.12 million in H1 2008 reflecting variations in cash balances, interest rates and interest earned on increased funds in escrow.

Cost of Production

Mine operating costs were as follows:

	3 Months Ending 31-Mar-09	3 Months Ending 31-Mar-08	6 Months Ending 31-Mar-09	6 Months Ending 31-Mar-08
Operating Costs ($ 000'S)	**$**	**$**		
Mining	6,262	6,240	$ 13,038	$ 12,128
Milling	2,241	2,077	4,637	4,033
Plant & Site Services	3,235	3,921	6,836	7,607
Site Administration	2,667	2,102	5,216	4,387
Total Operating Costs	**14,404**	**14,340**	**29,727**	**28,155**
Mtus produced	74,206	57,660	154,184	122,957
Cost per mtu	$ 194.11	$ 248.70	$ 192.80	$ 228.98
Tons Milled	96,190	95,877	196,797	190,793
Feed Grade %	1.11	0.95	1.14	0.99
Recovery %	76.54	69.46	75.53	71.58

Operating costs increased slightly from $14.3 million in Q2 2008 to $14.4 million in Q2 2009. Fuel costs in Q2 2009 were $3.0 million compared to $3.5 million for Q2 2008. Labour costs increased slightly to $5.6 million in Q2 2009 compared to $5.5 million in Q2 2008. Production materials increased to $1.5 million in Q2 2009 up from $1.3 million in Q2 2008 primarily as a result of higher explosives and ground support costs. Contracted services increased by approximately $0.1 million to $2.0 million in Q2 2009 compared to $1.9 million in Q2 2008 primarily as of a result of significant increases relating to environmental consulting costs offset by reductions in haulage & drilling costs. Unit costs decreased significantly from $248.70 for Q2 2008 to $194.14 for Q2 2009 as production increased to 74,206 in Q2 2009 up from 57,660 mtus in Q2 2008.

Operating costs for H1 2009 were $29.7 million compared to $28.2 million in H1 2008. Fuel costs in H1 2009 were $6.5 million compared to $6.5 million for H1 2008. Labour costs increased slightly to $11.0 million in H1 2009 compared to $10.6 million in H1 2008. Production materials increased to $3.1 million in H1 2009 up from $2.5 million in H1 2008 primarily as a result of higher explosives, reagents and ground support costs. Contracted services increased by approximately $0.9 million to $4.4 million in H1 2009 compared to $3.5 million in H1 2008 primarily as of a result of significant increases relating to environmental consulting costs, drilling costs offset by reductions in haulage. Unit costs decreased significantly from $228.98 for H1 2008 to $192.80 for H1 2009 as production increased to 154,184 mtus in H1 2009 up from 122,957 mtus in H1 2008.

Other Expenses

Amortization and depreciation in Q2 2009 remained relatively constant at $1.2 million compared to from $1.3 million in Q2 2008. H1 2009 depreciation charges were $2.4 million compared to $2.3 million in H1 2008. Amortization is based on established ore reserves and does not take account of additional tonnages that may be added to reserves in future.

	For the three months ended		For the six months ended	
	March 31,2009	March 31,2008	March 31,2009	March 31,2008
GENERAL AND ADMINISTRATIVE (000's)				
Fees, wages and benefits	$ 478	$ 520	$ 954	$ 964
Office expenses	193	126	306	201
Accounting and audit	53	91	108	139
Legal fees	52	9	99	31
Investor relations, travel and business development	54	59	128	152
Consulting	-	46	19	58
Filing fees and transfer agent fees	25	74	28	76
	$ 855	$ 925	$ 1,641	$ 1,621

The decrease in general and administration expenses were due to reduced labor costs, filing fees and audit & accounting costs offset by higher legal fees and consulting costs relating to staff recruitment.

Stock based compensation was $0.04 million in Q1 2009 as compared with $0.42 million in Q1 2008. Stock based compensation was 0.08 million in H1 2009 as compared with $0.47 million in H1 2008.

As a result of the depreciation of the Canadian dollar against US currency, foreign exchange gains on US working capital were $0.08 million in Q2 2009 compared to gains of $0.16 million in Q2 2008 principally due to gains on accounts receivable in respect of concentrate sales which are all denominated in US currency offset by losses on the revaluation of the US denominated convertible debenture.

Dilution Gain

In December 2008, the Company finalized an agreement with Tundra Particle Technologies, LLC and Queenwood Capital Partners LLC. Tungsten Diversified Industries LLC (TDI) has been formed. The Company also entered into a supply agreement with TDI to supply concentrates and or APT and Tungsten Blue Oxide from its Cantung mine and Mactung mine should Mactung be brought into commercial production. Pricing for these products is market based. Queenwood has invested US$2.5 million to purchase its interest in TDI. TDI will produce and market tungsten composites which will allow for immediate access to the developing lead replacement market.

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

As TDI issued its own equity to outside interests, a dilution gain of $3.08 million arose as a result of the difference between the Company’s share of the proceeds and the carrying value of the underlying equity.

Financial Position and Liquidity

Operating Cash Flow

The cash drain from operations before changes in non-cash working capital was $nil in Q2 2009 as compared to a cash drain of $4.3 million in Q2 2008 reflecting the increase in operating gross margin due to higher production and sales volumes with the lower exchange value of the Canadian dollar. Investment in non-cash working capital items (exclusive of loans and bank borrowings) drained $2.0 million in Q2 2009 compared to cash flows of $0.88 million during Q2 2008. Increases in inventories and reductions in accounts payable and accrued liabilities accounted for most of the drain in working capital items. Cash drains from operations after changes in non cash working capital were $2.0 million in Q2 2009 compared to $3.4 million in Q2 2008. Cash drains from operations after changes in non cash working capital were $0.7 million in H1 2009 compared to $8.1 million in H1 2008.

Investing Activities

Cantung mine capital expenditures in Q2 2009 were $0.8 million compared to $0.3 million in Q2 2008. Capital additions in Q2 2009 at the mine included $0.37 million in costs of the 3600 level decline, generator rebuilds were 0.35 million, mill surface and other $0.15 million. Capital additions at Cantung were $2.0 million (including mine development costs of $0.70 million) for H1 2009 compared to $1.4 million in H1 2008.

Mactung exploration and project related costs in Q2 2009 were $0.28 million compared to $01.2 million in Q2 2008. Mactung expenditures for H1 2009 were $1.3 million compared to $1.5 million for H1 2008.

Under the terms of the water license and reclamation security agreement the Company posted $0.10 million in cash security in Q2 2009 in addition to the previously funded $0.28 million for a total of $0.38 million for H1 2009.

Financing Activities

During the quarter the Company increased bank borrowings from $1.1 million to $1.4 million. Approximately $0.08 million in existing lease obligations were discharged in the quarter.

Loan Facility

Effective April 18, 2009 the Company paid $400 thousand principal on the $3.0 million loan facility; 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 (paid) if the $2.6 million (principal) was not paid by May 18, 2009.

Cash Resources and Liquidity

At March 31, 2009, the Company had net current assets of $0.6 million compared to $0.7 million at September 30, 2008. Working capital included cash and cash equivalents of $3.1 million down from $9.5 million at September 30, 2008. Of the $3.1 million cash and equivalents balance $2.9 million represents funds restricted to eligible Canadian exploration expenditures to be expended by December 31, 2009. Investment programs for Mactung and Cantung including reclamation security requirements used $1.5 million of funds in Q1 2009 and $5.6 million for H1 2009. Bank borrowings were $1.4 million against credit lines of $2.5 million. Based on the downturn in the global economies and building of high levels of product inventories the Company will require additional funds for the Company's near term needs. The Company will also require additional funding to develop Mactung into an operating mine.

For the six months ended March 31, 2009 the Company had net earnings of $4.6 million. This included the non cash transactions of a dilution gain on TDI of $3.1 million and a future income tax recovery of $1.3 million. Although the Company has had net earnings, cash balances are low and additional or replacement finance is required. Current cash and cash equivalents of $3.1 million include funds of $2.9 million which must be expended on Canadian eligible exploration and development by December 31, 2009. Net current assets at March 31, 2009 were $0.6 million. At that date the Company was in breach of a working capital covenant for the $2.5 million overdraft facility and an amendment of that covenant is being sought.

The Company's ability to attain and maintain profitable operations at Cantung, develop its Mactung property, discharge its liabilities and realize the carrying value of its assets in the normal course of operations is dependent upon, among other things, the raising of additional finance and the sale of excess tungsten concentrate inventory. The Company is currently in negotiations concerning additional finance. It is not possible to determine with any certainty the success or adequacy of these initiatives.

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

The security deposit required under the Company's prior license was $7.9 million, which is posted and remains in support of the license. The renewed license (issued on January 29, 2009) requires the Company to post an additional security deposit of $5.2 million over time as follows:
Within thirty days of the effective date of the license an amount of $1.3 million of security shall be posted – this amount was posted on March 1, 2009
On July 1, 2009 an amount of $1.3 million of security shall be posted;
On February 1, 2010 an amount of $1.3 million shall be posted; and
On July 1, 2010 an amount of $1.3 million of security shall be posted.

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

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

The Company currently does not use hedges.

Quarterly Earnings and Cash Flow

	2007		2008				2009	
	Q3	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**
Quarterly Earnings and Cash Flow	**($000s)**	**($000s)**	**($000s)**	**($000s)**	**($000s)**	**($000s)**	**($000s)**	**($000s)**
Total Revenues	17,741	13,972	11,879	12,495	15,442	16,587	17,682	13,995
Net earnings (loss)	2,627	(3,030)	(3,953)	(5,458)	(1,341)	(942)	4,918	(318)
Loss per share	0.02	(0.03)	(0.03)	(0.04)	(0.01)	(0.01)	0.04	-
Cash flow from continuing operations	3,414	4,211	(2,778)	(4,266)	5	978	3,540	(5)

Outlook

Current problems in credit markets and a general deterioration of global economic conditions have led to a weakening of commodity prices, in recent months (commencing in December 2008) the price of European mid APT has dropped from $220 per MTU to $200.00 per MTU. Volatility in metals markets is high; in these conditions it is difficult to forecast tungsten commodity prices and customer demand for our products. Credit markets have limited the availability of funds and increased the cost of obtaining capital. Management is monitoring the effects of these current conditions on the Company's business.

For the long term, the Company expects that the development of the Mactung project will enhance the Company's position as a leading supplier of tungsten concentrates. Production from the Cantung mine may permit the Company to maintain its market share until Mactung production commences; however this will depend on the ability of the Cantung mine to increase its ore reserves through its current underground and surface exploration efforts. The Company has embarked on a very aggressive underground diamond drilling program at the Cantung mine utilizing contracted diamond drills to identify additional resources. The Company has recently acquired additional key pieces of mining equipment to facilitate development access to resources identified by the diamond drilling program. The Company has commenced sales of concentrates upgraded to tungsten blue oxide to TDI for manufacturing and sales as tungsten composites during the quarter. The Company has re-established operations of a copper recovery circuit at the Cantung mine and is currently negotiating the sale of copper concentrates with a foreign customer.

The Company published an updated 43-101 compliant mineral resource and reserve update for the Cantung Mine on January 29, 2009 extending the current mine life to approximately Q3 2010 .

Production for Q1 2009 was 79,978 MTUS from 100,607 tons of ore grading 1.17% WO3 which exceeded the highest production quarter of fiscal 2008 of 75,633 MTUS produced in Q4 2008. Production of 154,184 MTUS for H1 2009 remains on budget.

The Company continues to develop additional value added initiatives through the use of tolling arrangements to APT and Tungsten Blue Oxide working with key industry manufacturers with the view of enhancing cash flows.

The Company has recently benefitted from a weakening in the Canadian dollar combined with rapidly decreasing fuel prices as well as relatively resilient tungsten commodity prices.

Through its interest in Tungsten Diversified Industries, LLC the Company will participate in development, manufacture and sales of tungsten related composite materials.

Other Information

Outstanding Share Data

As at May 29, 2009 there were 128,856,725 common shares outstanding. In addition, there were 6,110,034 stock options outstanding with exercise prices ranging between $0.12 and $1.76 per share. During Q2 2009 50,000 stock options were cancelled and 100,000 stock options were exercised. Share purchase warrants outstanding were 250,200 with an exercise price of $1.20 and were issued on August 7, 2008, the expiry date of these warrants is August 7, 2009.

Critical Accounting Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles (GAAP) requires management to make assumptions and estimates that affect the amounts reported in the financial statements and notes thereto. Financial results as determined by actual events could be different from those estimates. Significant areas requiring such estimates are depreciation, impairment analysis, stock based compensation, asset retirement obligations, inventory, and the composition of future income taxes. Although management believes the estimates used in preparing its financial statements are reasonable, actual results may be different from these estimates.

The significant accounting policies of North American Tungsten are described in Note 2 of the audited financial statements. The policies which NATC believes are the most critical to assist with understanding and evaluating its reported financial results include the following:

Revenue recognition

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

Valuation of long-lived assets

North American Tungsten reviews the carrying values of its buildings and equipment on a regular basis by reference to estimates of future operating results and undiscounted net cash flows. If the carrying value of these assets exceeds estimated net recoverable amounts, a provision for impairment will be made unless the decline is temporary.

The Company capitalizes the exploration costs of mining properties to the extent that such costs are considered to be recoverable. Upon commencement of production, these costs are amortized over the life of the mine based on proven and probable reserves. Inherent in these assumptions are significant risks and uncertainties. In management's view, based on assumptions which management believes to be reasonable, a reduction in the carrying value of property, plant and equipment is not required at September 30, 2008. Changes in market conditions, reserve estimates and other assumptions used in these estimates may result in future write downs.

Inventories

Concentrate inventory is comprised of tungsten concentrate, 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.

Asset Retirement Obligation

The amount recorded for asset retirement costs is based on estimates included in closure and remediation plans. These estimates are based on engineering studies that take account of environmental laws. These estimates include assumptions on the rate at which costs may inflate in future periods. Actual costs and the timing of expenditures could differ from these.

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.

Future Accounting Policies Changes

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

International Financial Reporting Standards

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

Contractual and Other obligations

(in thousands of dollars)	Payments due in years ended September 30,					
Contractual Obligations	2009	2010	2011	2012	2013	TOTAL
Mactung leases	$ 5	$ 8	$ 8	$ 8	$ 8	$ 38
Cantung leases	15	43	43	43	43	187
Equipment loans & leases	194	409	413	143	48	1,420
Loan & debenture repayment	6,750	-	-	-	-	1,420
Office Lease-Whitehorse**	8	14	10	-	-	37
Office Lease-Vancouver**	92	189	197	204	-	729
	$ 7,064	$ 663	$ 671	$ 398	$ 99	$ 8,896

* - For obligations on the Water License - See Below

Water License

The water license for operations at the Cantung mine issued by the Mackenzie Valley Land and Water Board originally covered a period of five years expiring November 29, 2008. On September 8, 2008 the Company received a (60) day extension to the water license extending the expiry date to January 28, 2009.

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

The security deposit required under the Company's prior license was $7.9 million, which is posted and remains in support of the license. The renewed license (issued on January 29, 2009) requires the Company to post an additional security deposit of $5.2 million over time as follows:
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On February 1, 2010 an amount of $1.3 million shall be posted; and
On July 1, 2010 an amount of $1.3 million of security shall be posted.

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

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

As a result of previous significant additions to facilities for containing tailings from the ore processing operation at the Cantung mine, the reclamation liabilities have been increased by the estimated fair value of the eventual cost of reclaiming these additions to facilities. The Company's estimate of future reclamation costs was updated in 2007 and is reviewed at least annually. This estimate assumes a credit adjusted risk-free discount rate of 4.19% in 2007 and an inflation factor of 2.24%. The liability estimate for retirement and remediation on an undiscounted basis is approximately $3.9 million.

		($000s)
Opening asset retirement obligation - September 30, 2008	$	3,577
Total accretion during the period		90
Closing asset retirement obligation – March 31, 2009	$	3,667

Related Party Transactions

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

Risks and Uncertainties

The Company operates in the mining industry which is subject to numerous significant risks.

Risks associated with the Cantung mine:

After many years of operation, the Cantung mine has a very limited mine life, unless new ore reserves can be established. There are considerable uncertainties in planning the operation of the mine in the years remaining and therefore the results that can be expected.

Production was on target in H1 2009. There is no assurance that the mine will be able to meet operating and cost targets in the future.

Global commodity prices including tungsten are subject to significant downward pressures in the current uncertain economic climate. APT prices have fallen from a 2008 monthly high of US $256 per MTU to a current price US $200 per MTU a reduction of 22%.

The revenues and operations of the Cantung mine are subject to effects of tungsten price volatility; change in exchange rates, production risks and other risks inherent in the mining and metals business as described in the Company's Annual Information Form.

Risks associated with the Mactung project:

The Mactung project is at an early stage and there can be no assurance that development or construction activities will commence in accordance with current expectations or at all.

Risks include: uncertainty as to the grade and quantity of mineable ore reserves, and as to the capital outlays and returns on invested funds that may be expected; risks that regulatory approvals may not be granted or may be delayed; risks that adequate financing may not be available on reasonable terms; risks that a down cycle will affect metal prices including tungsten; and other risks inherent to the mining and metals business as described in the Company's Annual Information Form.

Tungsten Price Volatility

The profitability of the Company's operation is significantly affected by changes in the tungsten price. The tungsten price can fluctuate widely and is affected by numerous factors beyond the Company's control including industrial demand, inflation and expectations with respect to the rate of inflation, international economic and political trends, currency exchange fluctuations, fluctuations in pricing and demand, the proximity and capacity of natural resource markets and processing equipment, governmental regulations, land tenure, land use, regulation concerning the importing and exporting of minerals, environmental protection regulations, increased competitive production from new mine developments, and adoption of efficient mining and production methods. Tungsten prices may also be affected by potential re-engineering and substitution for tungsten as a key component in manufacturing and increase in any recycling initiative.

If tungsten prices were to decline significantly or for an extended period of time, the Company might be unable to continue its operations, develop its properties, or fulfill its obligations under its permits and licenses. As a result, the Company might lose its interest in, or be forced to sell some of its properties. A five percent change in tungsten commodity prices would have an impact on revenues of approximately Cdn $3.4 million per annum.

Currency Fluctuations

The Company maintains its accounts in Canadian currency and most of its costs are denominated in that currency. The Company's tungsten concentrate is sold in United States dollars and the Company is subject to fluctuations in the rates of currency exchange between United States dollars and the Canadian dollars. Due to currency fluctuations, construction, development and other costs may also be higher than the Company anticipates. The Company does not hedge against currency exchange risks, although it may do so from time to time in the future. A five percent change in Canadian dollar in relation to the US dollar prices would have an impact on revenues of approximately Cdn $3.4 million per annum.

The Company has assets in the United States and may, in future, acquire properties in other countries. Foreign operations will be subject to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results.

In addition Management has identified various other risk factors which are set out in detail in the Annual Information Form for the year ended September 30, 2008 which is available on SEDAR at www.sedar.com.

Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements

GLOSSARY OF TERMS

APT	ammonium paratungstate is an intermediate product which is one of the principal chemical forms in which tungsten is traded
concentrates	the valuable fraction of an ore that is left after waste material is removed in processing
MTU	metric tonne unit of 1 percent of a metric tonne (22.046 pounds) of contained WO3
scheelite	A brown tetragonal mineral, $CaWO_4$. It is found in pneumatolytic veins associated with quartz, and fluoresces to show a blue color. Scheelite is a mineral of tungsten
STU	short ton unit of 20lbs. WO3 contained in concentrate
TBO	tungsten blue oxide is a finely divided blue-violet crystalline powder used primarily for the production of tungsten metal powder and tungsten carbide
Ton	equal to 2,000 pounds
Tonne	a metric unit equal to 2,204.6 pounds
Tungsten concentrates	concentrates generally containing between 40 and 75 percent WO_3
W	the elemental symbol for tungsten
West Extension	a continuation (down dip and to the west) of the main E-Zone ore body
WO_3	tungsten tri-oxide (containing 79.33% W) a compound of tungsten and oxygen.