MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED:

SEPTEMBER 30, 2008

REPORT DATED: JANUARY 23, 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 January 23, 2009, and should be read in conjunction with 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 2008 with those of 2007. 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.

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

Important advances have been made by the Company in the fiscal year ended September 30, 2008 and in the current year to date.

There is now considerable reason for optimism:

- World tungsten prices have fallen less than many other commodities
- Adverse trends in external factors caused most of the $11.7 million net loss in 2008: but these have now reversed, benefitting operating results
- Good progress has been made on the feasibility study for the Mactung project
- Through Tungsten Diversified Industries LLC (43.2% owned) the Company will integrate forward into new tungsten products and uses

The average MB European free market quotation for APT is currently US$ 220/mtu as compared to US$ 244/mtu at September 30, 2007 and the fiscal 2008 average of US$ 248/mtu.

The feasibility study for the Mactung mine development project is expected to be completed during January 2009. The Mactung project will be central to the Company's business in the future.

Improvements made at the long-lived Cantung mine, which is currently the Company's sole producing mine, were reflected in an 8% increase in the tonnage mined and milled as compared to the previous year. A major effort to explore and develop the West Extension and other sections of the mine made encouraging progress in 2008 and continues to be emphasized.

Positive developments in 2008 were obscured by various adverse factors, largely external, which resulted in a disappointingly large $11.7 million net loss, mostly incurred in the first two quarters of the year.

Key factors that were adverse for fiscal 2008 are currently positive for the Company's operations and are described below.

The high cost of oil and fuels in 2008 was one of the major causes of the 2008 operating loss; as was the impact on Canadian dollar sales realizations of the increased exchange value of the Canadian dollar. The recent falls in oil prices and in the Canadian dollar considerably benefit operating results. Inflationary pressures for operations in the north of Canada affected many elements of the Company's operating costs in 2008; while competition for scarce skilled labour needed by northern operations affected labour turnover and efficiencies. As a consequence of the recent economic downturn cost inflation is now less or negative. The softening labour market is permitting further enhancement of the skills level of the organization as the Company is able to readily recruit experienced operations, trades and technical staff.

Operating costs in 2008 included increased expenditures for underground exploration. Further underground exploration programs are being conducted in the 2009 fiscal year. It is believed the potential for adding to ore reserves easily justifies these expenditures. In 2008 the recovery of pillars left from previous mining continued to be technically challenging. Dilution by waste rock was higher than expected on extracting some pillars, particularly in the first half of the fiscal year.

Currently, it is projected (subject to the risks affecting mines and metal markets) that the Cantung mine should be a positive contributor to the Company's results for its remaining life currently projected to be May 2010. It is hoped, but there is no certainty, that the Cantung mine-life may be extended further and will bridge most of the period to the start of production from Mactung.

While there may be some short term market weakness (but note that tungsten performed well in the downturn of the mid-1970s), the Company believes that demand for tungsten will continue to support its operations and that there will be a critical need for the planned Mactung production into the long term. It appears that several tungsten development projects previously mooted as possible future competitors are now delayed or cancelled.

Demand for tungsten is also expected to include new uses in the future. These will include tungsten-based powders and composites. The Company is pleased that its US pilot plant operation will expand into powders and composites through a newly organized company Tundra Diversified Industries LLC ("TDI"). The new company will consist of three strategic partners. Tundra Particle Technologies, LLC will match North American Tungsten's own 43.2% interest while Queenwood Capital Partners LLC (Queenwood) will own 13.6%. Queenwood has invested US$2.5 million to purchase its interest in TDI. TDI intends to access markets for powders for use in ammunition in the European Union and the US. It is expected to be an exciting development.

For the near term, the focus is on arranging finance to permit the Mactung project to proceed at an optimal pace. Discussions are ongoing with potential partners.

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, through a subsidiary, a development-stage processing facility in Minnesota, USA. The Company is one of the most significant suppliers 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. The feasibility study is expected to be complete in January, 2009.

In the area of product development, North American Tungsten's processing pilot plant in Minnesota is developing methods to process tungsten concentrate into ammonium paratungstate (APT) and powders. The pilot scale evaluation of the process technology has been completed. An independent engineering review of the pilot plant process results indicated a viable technology. The Company is evaluating the operational role of a new APT plant with respect to concentrate supplies from the Mactung project. Development work is continuing at the facility with respect to the generation of tungsten powders and composite products. As a result, in December 2008, the Company finalized an agreement with Tundra Particle Technologies, LLC and Queenwood Capital Partners LLC. Tundra 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. The new company will consist of three strategic partners; Tundra Particle Technologies, LLC which will match North American Tungsten's own 43.2% interest and Queenwood Capital Partners LLC (Queenwood) will own 13.6%. 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.

Overall Performance

Highlights

- The Mactung feasibility study was brought close to completion.
- Tons milled at Cantung increased 8.4% over fiscal 2007 to 398,845 tons, production decreased from 286,031 MTUS in 2007 to 272,483 MTUS in 2008.
- Tungsten sales revenues were $56.0 million compared to $59.2 million in 2007.
- Tungsten business expanded into value added tolling including ammonium paratungstate and tungsten blue oxide.
- The net loss was $11.7 million in 2008 compared to a net loss of $1.2 million in 2007.
- Net proceeds from capital stock issuances were $ 4.8 million.
- New and expanded short term loan facilities total $8.6 million.
- $9.9 million was invested in property plant and equipment and mineral properties in 2008 (Cantung $2.9, US Plant $0.2, US Deferred Development $0.8 million and Mactung $5.9)
- Year end working capital was $0.7 million compared to $12.6 million in 2007.
- Forward integration into tungsten powders and composites is proceeding as from December 2008 through the 43.2% interest in TDI.

Mactung

In 2008 the Company completed most of the work required for an updated feasibility study for a 2,000 tonne per day mining operation at Mactung. Publication of the study is expected during January 2009. 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.

Mine Operations

The Cantung mine, located on the western border of the Northwest Territories, is the Company's sole operating mine. For the year ending September 30, 2008, the mine produced 272,483 metric tonne units (mtus) of tungsten concentrate compared with 286,031 mtus for the year ended September 30, 2007. The reduced tungsten production during 2008 was a result of the difficulty in controlling ore dilution while recovering the pillars in the Main Zone and South Flats.

Sales revenues for the year ending September 30, 2008 were $56.0 million from 251,563 mtus of Concentrate, 16,264 mtus of APT and 3,500 mtus of Tungsten Blue Oxide (TBO) compared to revenues of $59.2 million from sales of 272,838 mtus of concentrates in fiscal 2007.

During the year, efforts were continued on increasing output from existing ore reserves and on establishing additional ore resources. A significant underground diamond drilling program was completed on potential new resources both above and below the 3,700 foot working level of the mine. In total 35,843 feet of exploration drilling was completed plus 11,105 feet of definition drilling were undertaken. The development of a new decline down to the 3600 level has started.

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 year, long-hole stoping accounted for 64.5% of the ore mined. Mining by cut and fill methods was 17.5% of the total. Development work in ore, principally in the Main Zone, West Extension and South Flats, provided the remaining 18% of the mined ore.

The surface low grade stockpile contained 7,841 tons and the surface high grade stockpile had been depleted at the end of the year.

To improve metallurgical performance in the mill, capital additions included the installation of two stages of scheelite column flotation resulting in higher WO3 concentrate grades with lower sulphur content. The Company will continue to upgrade its process technology using column flotation to improve recoveries by installing a scheelite scavenger column cell in 2009.

In fiscal 2008 the mill processed 398,845 tons grading 1.03% WO_3 compared with 367,939 tons grading 1.16% WO_3 in 2007. For fiscal 2008, production of concentrate (total 272,483 mtus) consisted of 208,054 mtus of gravity concentrate grading 67.3% WO3 and 64,428 mtus of flotation concentrate grading 49.8% WO_3. Recovery for the year averaged 73.5% compared to 74.1% in 2007. Mill availability was 96.3% and average mill throughput was 47.3 tons per operating hour.

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 (WO_3) grades of up to 0.120% and molybdenum (MoS_2) 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 in 2008 were approximately $1.2 million.

Other Properties

Limited work was undertaken on the Rifle Range Creek and the Bailey claims in the year. The exploration programs on these properties will be given low priority in the short term as the Company focuses on developing the Mactung property. During Q2 2008 the option agreement on the Three Ace claims expired, the Company elected not to pursue renewal of the option agreement for these claims and accordingly wrote off the associated capitalized costs of $104,878.

Markets and Foreign Exchange

During fiscal 2008 the average exchange value of the Canadian dollar strengthened against the US dollar as quoted tungsten commodity prices saw a small price decrease on an annual basis.

The average monthly price of ammonium paratungstate (APT) per mtu increased 4.4% to US $254.50/mtu at September 30, 2008 from US $243.69/mtu at September 30, 2007. The average APT price for the year was US $248 compared to $251/mtu for 2007. Sales of concentrate averaged US dollars $201 compared to $195/mtu for 2007. Sales as a percentage of the average APT price were 81% compared to 78% for 2007.

The average exchange value of the Canadian dollar, as realized for sales for the year, was US$0.99. This compared to US$0.90 for the year ended September 30, 2007. The free market mid APT quotation at December 31, 2008 was US $220 per mtu.

APT European Metal Bulletin Prices	**2004 December**	**2005 December**	**2006 December**	**2007 December**	**2008 September**
Average Quarterly Prices					
APT Free Market Average $US	$ 94	$ 263	$ 252	$ 241	$ 254

Financial Review

The net loss for the year ended September 30, 2008 was $11,692,971 compared to a loss of $1,203,150 for 2007. Minesite cost of sales was $56,628,734 compared to $49,521,716 in 2007. The gross operating margin decreased from $7,553,340 in 2007 to $(3,186,322) as a result of higher operating costs during fiscal 2008, reduced production volumes of 5.0% as average mill grades decreased from 1.16% in 2007 to 1.03% in 2008 and a 9% foreign exchange impact resulting from the strong $Cdn against its $US counterpart.

		12 Months Ending 30-Sep-08		12 Months Ending 30-Sep-07
Gross Margin ($ 000'S)				
Tungsten Sales	$	56,025	$	59,158
Minesite cost of sales		56,629		49,522
Freight, handling & conversion costs		2,042		1,498
Royalties		540		585
Gross Margin	**$**	**(3,186)**	**$**	**7,553**

Positive factors affecting production and earnings included improvements in grade control, mill process technology and product diversification. Mill tonnage increased by 8.4% from 367,939 tons in 2007 to 398,845 tons in 2008.

Sales prices and demand for the Company's tungsten concentrates have remained strong. While there has been a significant adverse effect on Canadian dollar revenues from the strengthening exchange rate, average prices realized in Canadian dollars were close to CAN$205/mtu in 2008 compared to CAN$217/mtu in 2007. Off-setting these were positive effects from the mix of sales, reflecting continuing optimization efforts and upgrading of the quality of the flotation product.

Cash drain from operations before changes to non-cash working capital was $6,060,056 for the year ended September 30, 2008 compared to cash inflows of $4,088,118 for 2007.

		2008		2007		2006
Earnings and Cash Flow						
Total Revenues	$	56,403,474	$	59,420,491	$	51,344,451
Cash flow from operations		(5,077,989)		3,094,175		(1,429,183)
Net Loss		(11,692,971)		(1,203,150)		(2,654,918)
Loss per share		(0.09)		(0.01)		(0.03)
Balance Sheet						
Total assets	$	53,446,793	$	48,948,339	$	31,852,777

Revenues

Total sales revenues were $56,024,576 for fiscal 2008 from sales of 273,352 mtus, compared to $59,158,004 on sales of 272,838 mtus in 2007. The decrease in sales values results from slightly increased sales volumes offset by the appreciation of the Canadian dollar against its US dollar counterpart. The average realized Canadian dollar exchange rate against the US dollar increased from $.8977 in fiscal 2007 to $.9893 in fiscal 2008. The net sales realization in fiscal 2008 was CAN$205 per mtu compared to CAN$217 per mtu in 2007.

	For the twelve months ended	
	30-Sep-08	**30-Sep-07**
Sales Units		
Concentrate Sales mtus	251,563	272,838
APT Sales mtus (delivered to customer)	16,264	-
TBO Sales mtus (delivered to customer)	3,500	-
Total mtus sold	271,327	272,838
Conversion Losses		
APT mtus	1,600	-
TBO mtus	425	-
Total Conversion Losses	2,025	-
Total Shipments	273,352	272,838
Revenues $ Cdn	$	$
Concentrate Sales $ Cdn	51,102,526	59,158,004
APT Sales $ Cdn	4,005,924	-
TBO Sales $ Cdn	916,126	-
Total Sales Revenues $Cdn	56,024,576	59,158,004
Revenues $ US	$	$
Concentrate Sales $ US	50,611,370	53,107,185
APT Sales $ US	3,925,684	-
TBO Sales $ US	886,750	-
Total Sales Revenues $US	55,423,804	53,107,185
$US foreign exchange rate	0.9893	0.8977
Flot concentrate converted to APT (net) sales price $US *	$ 219.75	$ -
Flot concentrate converted to TBO (net) sales price $US *	$ 225.92	$ -
Concentrates sales price $US	$ 201.19	$ 194.65
Combined sales price $US	$ 202.76	$ 194.65
Average European APT Prices	**$ 247.75**	**$ 251.07**
Combined sales price as a % of average APT pricing	**81.84%**	**77.53%**

* Net of conversion losses excluding conversion costs

Interest income earned in 2008 was $378,898 compared to $262,487 during 2007 reflecting variations in cash balances and interest earned on increased funds in escrow.

Cost of Production

Mine operating costs were as follows:

	12 Months Ending 30-Sep-08	12 Months Ending 30-Sep-07
Operating Costs ($ 000'S)	**$**	**$**
Mining	24,342	22,390
Milling	8,441	9,297
Plant & Site Services	14,787	13,160
Site Administration	9,146	7,331
Total Operating Costs	**56,715**	**52,178**
Mtus produced	272,483	286,031
Cost per mtu	$ 208.14	$ 182.42
Tons Milled	398,845	367,939
Feed Grade %	1.03	1.16
Recovery %	73.46	74.11

Operating costs increased 8.6 percent from $52.2 million in 2007 to $56.7 million in 2008. Prices for most materials and supplies increased during the year primarily as a result of increased global oil prices. Fuel costs increased to $12.9 million up from $9.3 million in 2007. Labour costs increased to $20.8 million up from $19.1 million in 2007. Contracted services increased by approximately $2.7 million during the year primarily as of a result of an enhanced underground diamond drill exploration program. These higher production costs reflect inflationary pressures affecting mining operations in the north of Canada. As a result of these increased costs and slight decrease in production from 286,031 mtus in 2007 to 272,483 mtus in 2008, unit costs increased from $182.42 for 2007 to $208.14 for 2008.

Other Expenses

Amortization and depreciation increased to $5,193,776 from $4,625,729 in 2007. The increase reflects higher capital expenditures at the Cantung mine, particularly for tailing impoundments. Amortization is based on established ore reserves and does not take account of additional tonnages that may be added to reserves in future.

		2008		2007
GENERAL AND ADMINISTRATIVE				
Fees, wages and benefits	$	1,923,865	$	1,343,911
Office expenses		486,121		387,402
Accounting and audit		224,547		228,191
Legal fees		185,410		88,062
Investor relations and business development		142,167		145,989
Travel		121,168		142,414
Consulting		106,649		325,209
Filing fees and transfer agent fees		54,767		47,418
	$	3,244,694	$	2,708,596

The increase in general and administration expenses was principally due to additional salaries reflecting an upgrading of the organization and increase in management staff. Accounting and audit expenses remained stable for the period. Travel for investor relations purposes and business development activities also remained stable in the year.

Stock based compensation was $732,261 in the year as compared with $559,777 in 2007.

A loss on disposal of mining equipment for $32,500 compared to a gain of $30,265 in 2007 which was recognized.

As a result of the year end depreciation of the Canadian dollar against US currency, foreign exchange gains on US working capital were $358,991 compared to losses of $940,644 in 2007, principally due to gains on accounts receivable in respect of concentrate sales which are all denominated in US currency.

Financial Position and Liquidity

Operating Cash Flow

The cash drain from operations before changes in non-cash working capital was $6,060,056 in 2008 as compared to cash in-flows of $4,088,118 during 2007, reflecting the decrease in operating gross margin due to higher fuel and other costs, the high exchange value of the Canadian dollar and decreased production and sales volumes. Investment in non-cash working capital items (exclusive of loans and bank borrowings) fell in the year generating funds of $982,067 compared to a drain of $993,943 during 2007. Accounts payable increases (exclusive of payables for capital expenditures and financing expenses), less increases in accounts receivable, accounted for most of the fall in working capital items. Cash out flows from operations after changes in non cash working capital were $5,077,989, compared to cash in flow of $3,094,175 in 2007.

Investing Activities

Cantung mine capital expenditures were $2,836,110 compared to $8,129,799 in 2007. Capital additions at the mine were primarily related to the tailings ponds $2,072,317 compared to $4,158,579 in 2007, mine production & electrical equipment $566,505 compared to $1,118,495 in 2007, mill process equipment $56,460 compared to $715,667 in 2007 and surface vehicles, power generation and other $140,828 compared to $2,137,158 in 2007.

At the US pilot plant facility, capital additions and development costs totaled $999,933 for the year compared to $1,688,097 in 2007. The Company contributed $134,626 to the Tungsten Joint Venture during fiscal 2008.

Mactung exploration and project related costs were $5,924,456 compared to $1,406,046 in 2007. Exploration and other property related expenditures totaled $5,112 compared to $25,391 in 2007.

Under the terms of the water license and reclamation security agreement the Company posted $628,230 in cash security in 2008.

Financing Activities

During the year the Company increased its bank credit facility for export sales from $1 million to $2.5 million.

In April 2008, the Company borrowed $3,000,000 under a loan facility provided by parties unrelated to the Company. Borrowings must be repaid on the anniversary of the date on which funds were advanced.
The Company closed an agreement with Haywood Securities Inc.(the Agent) under which Haywood has sold 4,170,000 flow-through common shares of the Company at an issue price of C$1.20 per Flow-Through Share for gross proceeds to the Company of C$5,004,000 (the "Offering"). The Agent was paid a cash commission of 6% of the gross proceeds of the Offering. The Company also agreed to issue to the Agent common share purchase warrants of the Company ("Agent's Warrants") entitling the Agent to purchase such number of common shares of the Company as is equal to 6% of the number of Flow-Through Shares sold in the Offering at a price of $1.20 per Agent's Warrant Share for a period of 12 months following the closing of the Offering. The gross proceeds of the Offering are to fund geotechnical drilling, environmental monitoring and basic and detailed engineering on the Mactung project.

The Company closed a US $3,000,000 convertible debenture on September 23, 2008. The convertible debenture bears interest at 8% per annum, payable quarterly and is convertible (principal and unpaid interest) at the holders option into common shares of the Company at Cdn $1.00 per share. The conversion option expires on September 22, 2009. The conversion rate of $US to $Cdn is fixed at US $0.94 for the term resulting in a maximum conversion ratio of 1067 common shares for every US$1000.

Cash Resources and Liquidity

At September 30, 2008, the Company had net current assets of $681,370 down from $12,601,535 at September 30, 2007. Working capital included cash and cash equivalents of $9,494,994 down from $11,547,584 at September 30, 2007. In addition to the negative operating cash flow there were significant investment programs for Mactung and Cantung that used $10,558,915 of funds in 2008. Funds raised by issuance of capital stock and new borrowings totaled $13,584,314 in 2008, benefitting cash and cash equivalents. All new borrowings are short term. All bank credit lines are fully drawn. Based on recent improvements in the Company's operations and its current plans, it is expected that working capital and cash flow from operations will be adequate for the Company's near term needs, subject to production and other risks. The Company will require additional funding to develop Mactung into an operating mine.

The Company currently does not use hedges.

Quarterly Earnings and Cash Flow

	2007				2008			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Quarterly Earnings and Cash Flow	$	$	$	$	$	$	$	$
Total Revenues	13,749,206	13,958,061	17,740,901	13,972,323	11,878,914	12,495,482	15,442,065	16,587,013
Net loss	(810,938)	10,798	2,627,275	(3,030,285)	(3,952,593)	(5,457,640)	(1,340,767)	(941,971)
Loss per share	(0.01)	-	0.02	(0.03)	(0.03)	(0.04)	(0.01)	(0.01)
Cash flow from continuing operations	(127,113)	732,918	3,413,591	68,722	(2,777,510)	(4,265,831)	5,104	978,181

Outlook

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 2 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 is also examining the viability of other by-product metals as part of the recovery process. The Company is in the process of establishing a copper recovery circuit at the Cantung mine.

The Company expects to publish an updated 43-101 compliant mineral resource and reserve update for the Cantung Mine in early 2009.

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.

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 January 23, 2009 there were 126,826,725 common shares outstanding. In addition, there were 8,315,034 stock options outstanding with exercise prices ranging between $0.12 and $1.76 per share. 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:

The Company has adopted the following new standards during the year. There was no impact on the Company's financial statements as a result of adopting these standards.

Section 1535 – Capital Disclosures

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

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

Section 3862 – Financial Instruments – Disclosures

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

Future Accounting Policies Changes:

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

Section 3031 - Inventories

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

Section 3064 - Goodwill and Intangible Assets

In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Other Intangible Assets" and Section 3450 "Research and Development". This new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008 and is applicable for the Company's first quarter of fiscal 2009. The Company is currently evaluating the impact of this new standard.

International Financial Reporting Standards

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will 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

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

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. Renewal is anticipated prior to that date. Over the period of the license and in accordance with the Reclamation Security Agreement schedule, the Company must issue promissory notes, secured generally over all the assets of the Company, and place funds in escrow.

As at September 30, 2008, the Company has posted a total of $3,200,000 in cash and $4,700,000 in the required form of a secured promissory note pursuant to the Reclamation Security Agreement ("RSA"). The total security posted in favour of DIAND is $7,900,000 which fulfills the security requirements of the Water License up to November 30, 2008. The amounts owing are secured against the Company's assets by way of a General Security Agreement ("GSA"). As of September 30, 2008 The RSA provides for the cash components payable to DIAND to increase under certain events and the Reclamation Security Agreement further provides for $500,000 of the required form of security to be replaced by $500,000 in cash or letter of credit on November 29, 2008. This amount was replaced in cash subsequent to the year end. Any funds in excess of ultimate reclamation costs will be returned to the Company. During the first calendar quarter of 2009, the Company will hold discussions with government entities regarding the RSA security requirements. An increase in RSA security requirements is expected. A closure and reclamation plan is to be submitted by March 31, 2009.

In fiscal 2007, there were significant additions to facilities for containing tailings from the ore processing operation at the Cantung mine. The reclamation liabilities have been increased by the estimated fair value of the eventual cost of reclaiming these additions to facilities. The updated estimate assumes a credit adjusted risk-free discount rate of 4.19% in 2007 (5.57% - 2006) and an inflation factor of 2.24% (2.184% - 2006). The liability estimate for retirement and remediation on an undiscounted basis before an inflation factor of 7% is estimated to be approximately $3.6 million.

Opening asset retirement obligation - September 30, 2007	$	3,402,697
Total accretion during the period		174,735
Closing asset retirement obligation – September 30, 2008	$	3,577,432

Related Party Transactions

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

Internal Controls

The Company's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), believe that any disclosure controls and procedures or internal controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some person, by collusion of two or more people, or by unauthorized override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

The Company evaluated the effectiveness of its disclosure controls and procedures as of September 30, 2008 under the supervision and with the participation of the CEO and the CFO. Based on the results of this evaluation, the CEO and CFO concluded that the design and operation of these disclosure controls and procedures were generally effective.

It was concluded that there is no material weakness. Due to limitations in segregation of duties as a result of the size of the organization the Company's officers will continue to monitor closely all financial activities of the Company, increase the level of supervision in key areas and add more experienced personnel.

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 under target in the first half of 2008. 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 US $220 per MTU a reduction of 14.1%.

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. Renewal is anticipated prior to that date.

The revenues and operations of the Cantung mine are subject to effects of tungsten price volatility, changes 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.

Risks associated with the Pilot Plant:

Development of any new process, such as the pilot plant technology is subject to technical and economic risks. While APT of grade suitable for tungsten carbide and electronic applications has been produced in small quantities, there is no assurance that commercial production will be viable. There are also risks that adequate financing may not be available on reasonable terms; risks that a down cycle will affect metal prices; risks regarding permitting and environmental approvals; 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 adopt 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 $4.1 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. The increase in the 2008 exchange value of the Canadian dollar relative to the United States dollar adversely and materially affects the Company's cash flows, results of operations and financial condition. 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 $3.8 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.