NORTH AMERICAN TUNGSTEN CORPORATION LTD

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE QUARTER AND NINE MONTHS ENDED:

JUNE 30, 2010

REPORT DATED: AUGUST 24, 2010

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 August 24, 2010, and should be read in conjunction with the unaudited interim consolidated financial statements for the period ended June 30 and the audited consolidated financial statements for the year ended September 30, 2009. This MD&A reviews the business of North American Tungsten Corporation Ltd. and compares the Company's financial results for the quarter ended June 30, 2010 (Q3 2010) with those of the quarter ended June 30, 2009 (Q3 2009) and for the nine month period ended June 30, 2010 (nine months 2010) with those of the nine month period ended June 30, 2009 (nine months 2009). 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 contains 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 Company'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

The business outlook has improved considerably. Within western markets, a developing supply shortfall for tungsten concentrates is leading to higher prices and will require additional mine production. The fundamentals for the Company are excellent.

Some specific highlights:

-Cantung to restart

Based on strong demand from customers and a continuing upswing in quoted tungsten prices, the Cantung mine is currently preparing to re-start. The first month of operations will be October 2010. Cantung will again be the largest mine supplier of concentrates in the western world.

-Tungsten demand is high

Agreements for sale of a high proportion of the Cantung mine output have been negotiated. Advance payments from certain customers will assist the re-start process. By contrast, the Company suspended production at Cantung in October 2009, by when the book value of unsold product inventories was in the $10 million region.

-Tungsten prices are attractive and rising

The MB European quotation for APT (from which concentrate prices are derived by varying formulae) has risen 15 times and 21% from mid-January and now averages US$239/MTU (US$238-240).

-Further growth is expected

The IMF expects global growth of 4.6% in calendar 2010 and 4.3% in calendar 2011. For China, growth is projected to be 10.5% in 2010 and 9.6% in 2011. Historically, China has been a major supply factor in the tungsten market but is now using its production internally while its imports are rising. Production of western mines is materially less than western demand.

-Cantung will be more competitive

New equipment is being installed. Over a period of months, unit costs of production are expected to benefit from reduced operating outlays and improved recoveries.

-Mactung continues its regulatory approval and study processes

The Company plans an updated feasibility study for the proposed 2,000 tonne per day mining operation at Mactung. The technical report produced in 2009, based on an initial 2,000 tpd underground mine with an 11 year life of mine, indicated that 748,000 mtus/year are planned during the initial five-year period after Mactung commences production. There is potential to expand the initial life of mine by another 17 years with open pit exploitation of near surface, lower grade mineral resources. The report projects a 23.5% internal rate of return and a pre-tax net present value discounted at 8% of $277 million or a pre-tax net present value discounted at 6% of $346 million. Operating costs are projected to be $104 per mtu. The project payback is expected to be 2.9 years based on a capital cost of $356.5 million plus a contingency of $45.6 million.

-Preparation for downstream activities continues

The Company's 43.2% owned affiliate, Tungsten Diversified Industries (TDI), is currently focusing on marketing and product development. Particular effort is being directed to lead metal substitution in sporting and military applications.

-Financing

A 12.5% convertible debenture was issued in May, 2010. The term is 26 months but this may be converted to common shares of the Company before maturity at the greater of $0.18/share or market (based on a 10 day average).The Company's bank facilities are being renewed and extended and two equipment loans for $3,500,000 each are being finalized. Improved power generating equipment will be largely financed by the finance arm of the supplier.

Finance for the restart, working capital and equipment upgrades will be from a combination of facilities that are expected to close shortly. It is expected that there will be: a renewal and extension of bank facilities including an increase in the line of credit to $8.0 million and two additional equipment loan facilities for $3.5 million each; advance payments from customers that will be in the region of $7.9 million; a $2.8 million loan from an equipment supplier; and other facilities. Security arrangements will alter, including an amendment of the reclamation security agreement in respect of the mine.

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 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 a 43.2% interest in Tungsten Diversified Industries, LLC ("TDI") which has a tungsten processing facility in Minnesota, USA.

Through the TDI investment, the Company is involved in the production and marketing of tungsten composites, a business that has potential for considerable growth. Replacement of lead in various uses, for safety and environmental reasons, will be amongst the growing uses for tungsten composites.

In fiscal 2009, due to the entry of additional investors, the Company's interest in TDI was reduced from 100% to 43.2%.

Overall Performance

Mactung

The Company plans an updated feasibility study for the proposed 2,000 tonne per day mining operation at Mactung. The new study would include an open pit as well as the underground mining that formed the basis of the original feasibility study published in February 2009.

The Company has received a request for supplementary information from the Yukon Environmental and Socio-economic Assessment Board (YESAB) on the Mactung Project Proposal pursuant to the Yukon Environmental and Socio-economic Assessment Act (YESAA). This step follows the review of comments on the proposal from the public, regulatory agencies and other interested parties. The supplementary information has been submitted by the Company and the project proposal will now proceed through the Screening phase, which will include one more public comment period. This phase will result in recommendations by YESAB. The assessment process then terminates with a Final Report by YESAB. The recommendations in the Final Report will be considered by the regulatory agencies when drafting permits. Subsequent steps in the process would be the acquisition of permits from the Yukon Government regulatory authorities, including the Quartz Mining License and Type A and Type B Water Permits, followed by project construction.

The Yukon Territorial Government has issued a class IV mining land use permit (#LQ00253) to allow continuing exploration and development of the Mactung property. The permit includes road construction and underground development.

Mine Operations

The Cantung mine, located on the western border of the Northwest Territories, is the Company's sole mining operation. Production from the mine will resume in October 2010. Production had been suspended as an inventory control measure on October 18, 2009.

An updated Technical Report on the Cantung mine as of July 1, 2009 and dated August 18 was filed on Sedar and is available under the Company's profile at www.sedar.com

The updated Mineral Reserves are summarized in Table 1-1.

TABLE 1-1 CANTUNG PROBABLE MINERAL RESERVES

Zone	Tons	Grade (WO_3 %)	STU'S
West Extension	95,666	1.08	103,271
West Extension Below 3700 elv.	271,451	1.07	291,340
West Extension Below 3570 elv.	148,187	1.11	164,146
E-Zone	23,967	1.09	26,023
Main Zone Pillars	376,554	1.06	400,460
Central Flats	22,750	0.87	19,775
South Flats	45,287	1.33	60,444
PUG	30,390	1.17	35,536
Stockpile	6,447	0.73	4,706
TOTAL Probable Reserves	1,020,699	1.08	1,105,602

Notes:

1. *Mineral Reserves conform to CIM and NI43-101 requirements.*
2. *All Mineral Reserves are classified as Probable.*
3. *Mineral Reserves are estimated at a cutoff grade of 0.80% WO_3.*
4. *A minimum mining width of 15 feet was used.*

Mineral Resources for the Cantung Mine, as of July 1, 2009, are listed below in Table 1-2.

TABLE 1-2 CANTUNG INDICATED MINERAL RESOURCES

Zone	Tons	Grade (WO_3 %)	STU'S
West Extension	132,597	1.20	158,537
West Extension Below 3700 elv.	379,763	1.38	524,473
E-Zone	24,183	1.97	47,738
Main Zone Pillars	414,090	1.26	520,691
Central Flats	29,023	1.07	31,183
South Flats	40,255	1.64	66,154
PUG	479,118	1.17	562,857
Stockpile	6,447	0.73	4,706
TOTAL Indicated Resources	1,505,476	1.27	1,916,339

Notes:

1. *Mineral Resources conform to CIM and NI43-101 requirements and are inclusive of reserves.*
2. *Mineral Resources are estimated at a cutoff grade of 0.8% WO_3 for underground as well as Pit and Pug*
3. *All Mineral Resources are listed as INDICATED*
4. *Allowances have been made for losses and dilution on mining*

Exploration Mineral Properties

Cantung General Exploration

An application for a land use permit to allow exploration diamond drilling on the complete Cantung mine property has been made to the Mackenzie Valley Land and Water Board.

Markets and Foreign Exchange

Since January 2010, there has been a strong upwards trend in the tungsten market.

The Metal Bulletin average monthly European quotation for APT per mtu increased 18.76% to US $234.50/mtu at June 30, 2010 from US $197.50/mtu at September 30, 2009. The quotation has increased fifteen times since mid January to US $239/mtu currently. Prices are now higher than in the comparable 2009 periods by about 11% as the average quotation for Q3 2010 was US $226/mtu compared to US $204/mtu for Q3 2009.

Sales of the few remaining concentrate inventories in Q3, 2010 were at low prices, not representative of the market, due to discounts for low quality.

In Q3, 2010, the Canadian dollar approached parity with the US dollar, but has since fallen back to the US$0.96 range. While exchange rates applicable to sales averaged one Canadian dollar only per US$0.9950 of sales in Q3 (as compared to US$0.8546 in Q3, 2009), sales were a very low $0.4 million and so the adverse impact of the high Canadian currency on sales was small. On the other hand, as the Canadian dollar was stronger at March 31, 2009 than at June 30, 2010, an exchange gain of $0.2 million was recorded in Q3, 2010 on US currency accounts receivable.

APT European Metal Bulletin Prices	2005 December	2006 December	2007 December	2008 December	2009 December	2010 June
Average Quarterly Prices						
APT European Free Market Average $US	$ 263	$ 252	$ 241	$ 246	$ 198	$ 235

Financial Review

The net loss for Q3 2010 was $2.4 million compared to a net loss of $0.8 million for Q3 2009; while the net loss for the nine months 2010 was $6.0 million, compared to net earnings of $3.8 million in the nine months, 2009.The adverse changes reflect 2010 costs relating to the shut-down and care and maintenance of the Cantung Mine, which were $1.4 million for the quarter and $3.9 million for the nine months, 2010. The nine months 2009 earnings included a $3.1 million dilution gain in Q1 2009 on the TDI transaction and a gain on sale of mineral property interests of $1.0 million in Q3 2009.

In addition, the gross margin on sales decreased in the 2010 periods due to lower sales prices and volumes, effects of the increased exchange value of the Canadian currency and a mix of sales that included lower grade concentrates in fiscal 2010. The gross margin decreased from $0.90 million in Q3 2009 to negative $0.15 million in Q3 2010 on the final disposal of low grade concentrates and was $0.43 million for the nine months 2010 compared to $5.47 million in the nine months 2009.

Minesite cost of sales was $0.5 million in Q3 2010 compared to $13.1 million in Q3 2009 and $12.0 million in the nine months 2010 compared to $38.6 million in the nine months 2009 reflecting the cessation of operations.

	3 Months Ending 30-Jun-10	3 Months Ending 30-Jun-09	9 Months Ended 30-Jun-10	9 Months Ended 30-Jun-09
Gross Margin ($ 000'S)				
Tungsten & copper sales	$ 390	$ 14,962	$ 13,370	$ 46,600
Minesite cost of sales	516	13,082	12,034	38,558
Freight, handling & conversion costs	15	831	777	2,129
Royalties	4	142	130	445
Gross Margin	**$ (145)**	**$ 907**	**$ 429**	**$ 5,468**

Prices and demand for tungsten products have been rising strongly since mid January.

The Company is currently completing final supply agreements, customer deposit arrangements and closing financing facilities to fund re-start of the Cantung mine. The Company's inventories, including inventories of its lower grade flotation product, which had risen to $10 million at the fiscal year end, have now been sold.

In Q3 2010, cash flows from the liquidation of inventories and accounts receivable fell from previous quarters and were insufficient to offset outlays for care and maintenance and accounts payable. This resulted in a cash drain from operating activities of $2.0 million. For the nine months 2010, however, the net operating cash flows were $1.8 million positive due to the large reduction in inventories and accounts receivable over that period.

Annual Information

(Annual Information $ 000,s except earnings (loss) per share)		**2009**		**2008**		**2007**
Earnings and Cash Flow						
Metal sales	$	58,166	$	56,025	$	59,420
Cash flow from operating activities		(2,255)		(5,706)		3,094
Net Earnings (Loss)		936		(11,693)		(1,203)
Net Earnings (Loss) per share		0.01		(0.09)		(0.01)
Balance Sheet						
Total assets	$	54,761	$	53,447	$	48,948
Total long term liabilities		5,592		4,627		4,655
Dividends						
Cash dividends declared per share		nil		nil		nil

Revenues

Sales revenues for Q3 2010 were $0.4 million from 2,999 mtus of concentrate compared to revenues in Q3 2009 of $15.0 million from sales of 64,623 mtus of concentrate, 2,726 mtus of APT and 5,683 mtus of TBO. The decrease in sales revenues resulted from the closure of the Cantung Mine as an inventory control measure.

Sales revenues for the nine months 2010 were $13.8 million, including copper sales of $0.8 million, from 69,801 mtus of concentrate and 11,045 mtus of TBO compared to revenues in the nine months 2009 of $46.6 million from sales of 187,402 mtus of concentrate, 7,134 mtus of APT and 8,523 mtus of TBO.

	For the three months ended		For the nine months ended	
	30-Jun-10	30-Jun-09	30-Jun-10	30-Jun-09
Sales Units				
Concentrate Sales mtus	2,999	64,623	69,801	187,402
APT Sales mtus (delivered to customer)	-	3,026	-	7,918
TBO Sales mtus (delivered to customer)	-	6,000	11,131	9,000
Total mtus sold	2,999	73,649	80,932	204,320
Conversion Losses				
APT mtus	-	300	-	784
TBO mtus	-	317	86	477
Total Conversion Losses	-	617	86	1,261
Total Shipments	2,999	74,266	81,018	205,581
Revenues $ Cdn	**($000s)**	**($000s)**	**($000s)**	**($000s)**
Concentrate Sales $ Cdn	390	12,751	10,895	42,098
APT Sales $ Cdn	-	770	-	2,244
TBO Sales $ Cdn	-	1,441	2,113	2,239
Total Sales Revenues $Cdn	390	14,962	13,008	46,581
Revenues $ US	**($000s)**	**($000s)**	**($000s)**	**($000s)**
Concentrate Sales $ US	388	10,905	10,381	34,925
APT Sales $ US	-	648		1,864
TBO Sales $ US	-	1,234	2,003	1,872
Total Sales Revenues $US	388	12,787	12,384	38,661
$US foreign exchange rate	0.9949	0.8546	0.9520	0.8300
Concentrates sales price $US	$ 129.38	$ 168.75	$ 148.72	$ 186.36
Average European APT Prices	**$ 225.66**	**$ 203.59**	**$ 210.00**	**$ 223.13**

Interest income earned in Q3 2010 was $12 thousand compared to $9 thousand during Q3 2009, interest income for the nine months 2010 was $21 thousand compared to $73 thousand in the nine months 2009 reflecting significantly reduced average cash balances coupled with lower deposit interest rates on general operating funds and on funds held in escrow.

Cost of Production

Mine operating costs were as follows:

	3 Months Ending 30-Jun-10	3 Months Ending 30-Jun-09	9 Months Ended 30-Jun-10	9 Months Ended 30-Jun-09
Operating Costs ($ 000'S)	**$**	**$**	**$**	**$**
Mining	150	5,963	1,023	19,001
Milling	188	1,998	828	6,636
Plant & Site Services	496	2,866	1,862	9,702
Site Administration	593	2,294	2,009	7,509
Care & Maintenance Costs	(1,427)	-	(3,884)	-
Operating Costs	**-**	**13,121**	**1,837**	**42,848**
Inventory Change & Adjustments	516	(39)	10,197	(4,290)
Cost Of Sales	**516**	**13,082**	**12,034**	**38,558**
Mtus produced	-	83,430	12,263	237,614
Cost per mtu	$ -	$ 157.26	$ 149.82	$ 180.33
Tons Milled	-	100,206	21,421	297,003
Feed Grade %	-	1.19	0.92	1.16
Recovery %	-	77.39	69.00	76.17

Mine shutdown costs were $1.4 million in Q3 2010 compared to nil in Q3 2009 and $3.9 million for the nine months 2010. Operating costs (net of care and maintenance costs of $3.9 million) were $1.8 million in the nine months 2010 compared to $42.8 million in the nine months 2009 reflecting only a partial quarter of operations in Q1 2010.

Other Expenses

Due to closure of mining operations, amortization and depreciation (on a straight line basis) decreased to $0.11 million in Q3 2010 from $1.4 million in Q3 2009 and $0.45 million in the nine months 2010 compared to $3.7 million in the nine months 2009.

	3 Months Ending 30-Jun-10	3 Months Ending 30-Jun-09	9 Months Ended 30-Jun-10	9 Months Ended 30-Jun-09
GENERAL AND ADMINISTRATIVE ($000's)				
Fees, wages and benefits	$ 275	$ 410	$ 884	$ 1,364
Office expenses	105	127	316	364
Accounting and audit	36	51	110	159
Legal fees	70	61	110	160
Investor relations, travel and business development	48	52	179	179
Consulting	9	1	39	89
Filing fees and transfer agent fees	24	31	43	59
	$ 567	$ 733	$ 1,681	$ 2,374

The decrease in general and administration expenses for Q3 2010 compared to Q3 2009 was principally due to reductions in salaries and benefits reflecting cost reduction initiatives and decreases in management staff levels. Accounting and audit and legal expenses were stable in the period. Travel for investor relations purposes and business development activities also remained flat for the period.

Stock based compensation was $13 thousand in Q3 2010 compared to $14 thousand in Q3 2009 and $68 thousand for the nine months 2010 compared to $90 thousand for the nine months 2009.

Exploration Expense

During the quarter no significant exploration expenditures were incurred.

Equity Loss And 2009 Dilution Gain

The Company accounts for its investment in TDI under the equity method. TDI's current quarter losses amounted to $0.37 million of which the Company's 43.2% share is $0.16 million. The current carrying value of the TDI investment is $6.6 million.

In December 2008, the Company finalized an agreement with Tundra Particle Technologies ("TPT") and Queenwood Capital Partners LLC ("Queenwood") to invest in TDI. 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.

As a result of the additional investments the Company's interest in TDI was reduced from 100% to 43.2% and a dilution gain of $3.1 million was recorded in fiscal 2009.

Financial Position and Liquidity

The temporary closure of the Cantung mine in October 2009 and subsequent costs of care and maintenance significantly impacted cash flows. Cash flows from operating activities, before working capital changes and increases in reclamation deposits, fell by $8.2 million (to a drain of $5.1 million) in the nine months 2010 as compared to positive cash flows ($3.1 million) in the corresponding 2009 period.

In the 2010 period, the primary source of funds was from reduction of working capital, particularly inventories. Substantially all product inventories have now been sold. The Company expects to re-establish positive cash flows from operations following the re-opening of the Cantung mine and re-building of working capital. Costs of restart and the working capital rebuild will be met from the new and expanded loan facilities being negotiated by the Company.

Funds realized in the nine months 2010 included $3.0 million from a private placement of shares and $3.15 million from the issuance of a convertible debenture. Borrowings available under a bank line of credit were reduced by $5.9 million. Available cash balances were $1.3 million at June 30, 2010 compared to $1.3 million at September 30, 2009. The Company's cash flows and financial position are discussed below.

Operating Cash Flow

The gross margin from the Company's mining operations was $ 0.1 million negative in Q3 2010 compared to positive $0.9 million in Q3 2009. The gross margin for the nine months 2010 was $0.4 million compared to $5.5 million for the nine months 2009 reflecting significantly reduced average selling prices, lower sales volumes and unfavorable exchange rates.

Due to downsizing during care and maintenance and cost reduction efforts, general and administrative costs decreased to $0.6 million from $0.7 million in Q3 2009 and to $1.7 million in the nine months 2010 from $2.4 million in the nine months 2009.

Adverse factors included $1.4 million in mine care & maintenance costs for the quarter and $3.9 million for the nine months 2010. However interest and financing costs decreased to $0.2 million in Q3 2010 compared to $0.4 million in Q3 2009 as a result of the elimination of the convertible debenture and loan facility.

Depreciation of the Canadian dollar against US currency resulted in a net gain of $210 thousand in Q3 2010 compared to a net gain of $30 thousand in Q3 2009; the net gain for the nine months 2010 was $91 thousand compared to a net gain of $374 thousand in the nine months 2009.

After adjustment for changes in working capital, the operating cash drain for Q3 2010 was $2.0 million primarily due to care and maintenance costs of $1.4 million compared to a drain of $0.3 million in Q3 2009. The cash flow due to changes in working capital was $0.1 million in Q3 2010 Cash flows were $1.8 million in the nine months 2010 compared to a cash drain of $1.4 million in the nine months 2009.

Investing Activities

While the Company continues to advance the Mactung project, expenditures have been reduced. Also, in fiscal 2010, there were no outlays on exploration properties. Outlays on mineral property interests were $0.1 million and $0.7 million respectively for Q3 and the nine months 2010 as compared to $0.8 million and $2.1 million in the prior year periods.

Capital expenditures at Cantung in anticipation of the restart were $0.1 million in the quarter and $0.8 million in the nine months; but were still well below the outlays of $0.7 million and $3.3 million in the prior year periods.

Financing Activities

During the Q3 2010 the Company decreased bank borrowings from $2.3 million to nil million and discharged approximately $0.1 million in existing lease obligations.

On May 21, 2010 the Company announced that it had closed an offering of $3,150,000 12.5% convertible debentures. These will mature in 26 months if not previously redeemed or converted to common shares at an issue price equal to the greater of $0.18 per common share and the volume weighted average trading price for the preceding 10 trading days. The Company may redeem after 60 days provided that the issue price is not greater than $0.25 per common share.

Finance for the restart, working capital and equipment upgrades will be from a combination of facilities that are expected to close shortly. It is expected that there will be: a renewal and extension of bank facilities including an increase in the line of credit to $8.0 million and two additional equipment loan facilities for $3.5 million each; advance payments from customers that will be in the region of $7.9 million; a $2.8 million loan from an equipment supplier; and other facilities. Security arrangements will alter, including an amendment of the reclamation security agreement in respect of the mine.

Bank Loan and Other Credit Facilities:

As of August 21, 2010 the Company is in the final stages of negotiating renewed and increased credit facilities with HSBC (the "Bank") including a $10 million foreign exchange facility and two equipment loans for $3.5 million each as well as equipment lease and loan facilities with equipment suppliers.

The following HSBC equipment loan facilities are currently in effect:

First demand non-revolving Equipment Loan of $231 thousand

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

Second demand non-revolving Equipment Loan of $198 thousand

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

Third demand non-revolving Equipment Loan of $249 thousand

The purpose of the loan is to assist in financing the acquisition by the Company of various items of equipment used in the Company's business. The loan is available by way of a direct advance made available only to the extent that such advance: (i) does not exceed 75% of the purchase price of any new piece of equipment pursuant to the purchase agreement or invoice relating thereto; and (ii) does not exceed 60% of the current market value/appraised value of any used piece of equipment. As of September 30, 2009, $249 thousand had been advanced. The amounts owing are repaid in equal monthly installments of principal and interest on the last day of each month, based on an interest rate of Bank's prime rate + 1.75% per annum and an amortization period of 5 years.

Cash Resources and Liquidity

At June 30, 2010, the Company had net current assets of $1.6 million compared to $2.3 million at September 30, 2009. Working capital included cash and cash equivalents of $1.3 million, compared to $1.3 million at September 30, 2009.

The Company has commenced the process of restarting the Cantung mine and expects that, following restart and the re-building of working capital, positive cash flows will be generated by the Company. It is essential for the maintenance of the Company's liquidity that the planned restart of the Cantung operations will be successful.

The Company has arranged new and extended loan facilities and advance payments from customers that should provide adequate liquidity during the restart period.

Quarterly Earnings and Cash Flow

	2008	2009				2010		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Quarterly Earnings and Cash Flow	**($000s)**	**($000s)**	**($000s)**	**($000s)**	**($000s)**	**($000s)**	**($000s)**	**($000s)**
Total Revenues	16,336	17,643	13,995	14,962	11,566	9,632	3,738	390
Net earnings (loss)	(942)	4,918	(318)	(815)	(2,849)	(1,497)	(2,110)	(2,384)
Income (Loss) per share	(0.01)	0.04	-	(0.01)	(0.02)	(0.01)	(0.01)	(0.01)
Cash flow from continuing operations before changes in non-cash working capital	978	3,540	(5)	(459)	635	(1,207)	(1,777)	(2,104)

Outlook

World economies are poised for further recovery at varying speeds across regions. The International Monetary Fund (IMF) predicts that in 2010, world output is expected to rise about 4.6% following a contraction in 2009. The projected growth for 2011 is 4.3%. Advanced economies including the United States, Europe and Japan are expected to expand by 2.6% in 2010 and 2.4% in 2011 with growth in emerging and developing economies including Asia forecast at 6.8% during 2010 and 6.45% in 2011. The projected growth in China is expected to be 10.5% in 2010 and 9.6% in 2011. While IMF predictions for the world recovery continues underlying financial risks particularly in the Euro zone could spread and impact future economic growth and stability.

Policy support was essential to the recovery process; monetary policy has been expansionary supported by high degrees of liquidity with fiscal policies providing stimulus in response to the recessionary pressures. Past financial sector failures must be remedied to sustain the current fragile recovery. The Company expects that with improving economic conditions, strengthening commodity prices and re-stocking by manufacturers will continue to drive the recovery in tungsten demand and prices. The market is currently improving following a cyclical low as Metal Bulletin European APT mid prices have now climbed to US $238.50/mtu up from US $197.50 per mtu at September 30, 2009. The current tungsten spot market is active with many inquiries from consumers particularly in the United States

The Company has finalized off-take agreements for a substantial portion of its fiscal 2011 and 2012 planned output. The Company during this temporary closure has evaluated its mining methods, tested new mill process technologies for tungsten and copper recoveries, and is installing new capital equipment with the view of enhancing productivity and reducing operating and unit costs.

Cantung Mine

The Cantung Mine is currently in the process of restarting, a substantial percentage of employees have been hired, key services have been restored and new equipment upgrades are well advanced.

Financing

Debt facilities currently being negotiated with HSBC and others in conjunction with supplier based equipment financing arrangements are expected to close in short order. The funds provided by these facilities will be utilized to fund the re-start of the Cantung mine operations.

In the longer term, bearing in mind the low level of western mine production versus consumption, tungsten markets are expected to strengthen considerably and should provide a firm basis for the Company's mining operations.

The Company expects that the development of the Mactung project will enhance the Company's position as a leading supplier of tungsten concentrate. Production from the Cantung mine, when resumed, may permit the Company to maintain its position in the market 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.

Through its interest in TDI the Company will participate in the development, manufacture and sales of tungsten related composite materials.

Other Information

Outstanding Share Data

As at June 30, 2010 there were 189,290,058 common shares outstanding. On November 27, 2009 the Company completed a $3.1 million non-brokered private placement of 20,433,333 shares.

As at June 30, 2010 there were 3,820,034 stock options outstanding with exercise prices ranging between $0.15 and $1.76 per share. During the nine months 2010 2,300,000 stock options were granted and 4,365,000 stock options were forfeited.

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 Corporation Ltd. are described in Note 2 of the audited financial statements. The policies which the Company believes are the most critical to assist with understanding and evaluating its reported financial results include the following:

Revenue recognition

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

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

Valuation of long-lived assets

North American Tungsten Corporation Ltd. 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. No impairment charge is required at this time.

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, 2009. Changes in market conditions, reserve estimates and other assumptions used in these estimates may result in future write downs. The underlying key assumptions include; identification and development of additional Cantung reserves resulting in a five year operating mine life, a constant foreign exchange rate of US $0.95, APT commodity prices of US $232.50 in 2010, US $255 in 2011, US $280 in 2012 and US $295 for the years 2013 through 2015. Recoveries are projected at 79% for the 5 year period.

Inventories

Concentrate inventory is comprised of tungsten and copper concentrates, APT and TBO. These are 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. Ore stockpile inventory excludes a small stockpile of low grade material that is currently considered uneconomic.

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 regulations. 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.

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

(in thousands of dollars)	June 30, 2010	September 30, 2009
Opening balance, asset retirement obligation	$ 3,780	$ 3,577
Accretion during the year	112	182
Additions during the year	-	252
Change in estimates of future costs	-	(231)
Closing asset retirement obligation	$ 3,892	$ 3,780

New Accounting Pronouncements:

Financial Instrument Disclosures

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

Financial Instruments – Recognition and Measurement

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

Business Combinations

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

Consolidated Financial Statements and Non-controlling Interests

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

Comprehensive Revaluation of Assets and Liabilities

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

Financial Instruments – Recognition and Measurement

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

Future Accounting Policies Changes

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

International Financial Reporting Standards

The CICA plans to converge Canadian GAAP with IFRS effective January 1, 2011. Although IFRS uses a conceptual framework similar to Canadian GAAP, differences in accounting policies will need to be addressed. The transition from Canadian GAAP to IFRS will be applicable in the first quarter ended December 31, 2011, when the Company will prepare both the current and comparative financial information using IFRS. The quarter ended December 31, 2010 will require the initial IFRS decision to be implemented to allow for comparability in the following year. Parallel financial statements (using Canadian GAAP and IFRS) will therefore begin in the quarter ended December 31, 2010.

Contractual and Other obligations

(in thousands of dollars) Contractual Obligations	2010	2011	2012	2013	2014	**TOTAL**
Property leases / equipment loans & leases	$ 122	$ 514	$ 247	$ 150	$ 93	$ 1,126
Office Leases	50	208	214	0	0	472
	$ 172	$ 722	$ 461	$ 150	$ 93	$ 1,598

Water License

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

The security deposit required under the Company's prior license was $7.9 million, which the Company posted a total of $3.7 million in cash and $4.2 million in the form of secured promissory notes pursuant to the Reclamation Security Agreement ("RSA"). The RSA is secured generally over the assets of the Company by way of a General Security Agreement ("GSA"). The total security posted under the Company's prior license in favour of the Department of Indian and Northern Development ("DIAND") is $7.9 million which fulfilled the security requirements of the RSA for the prior license. The Reclamation Security Agreement provides for the cash components payable to DIAND to increase under certain events. In addition, the renewed license (issued on January 30, 2009) requires the Company to post an additional security deposit of $5.2 million over time as follows:

Within thirty days of the effective date of the license an amount of $1.3 million of security shall be posted – this amount was posted on March 1, 2009; ($100,000 in cash and $1.2 million in the form of a secured promissory note)
On July 1, 2009 an amount of $1.3 million of security shall be posted – this amount was posted on July 1, 2009 ($100,000 cash and $1.2 million in the form of a secured promissory note)
On February 1, 2010 an amount of $1.3 million shall be posted; - this amount was posted on February 1, 2010 ($100,000 in cash and $1.2 million in the form of a secured promissory note) and
On July 1, 2010 an amount of $1.3 million of security was to be posted – On June 24, 2010 the MVLWB approved the Company's request to postpone the deadline from July 1, 2010 until September 30, 2010 pending the MVLWB's decision on the Company's amendment application as to the amount of the security deposit requirement under the January 30, 2009 renewed license.

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

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

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

Related Party Transactions

An entity in which a director of the Company has an interest directly owns 13.6% of the TDI membership units and, through its interest in TPT, owns a further 8.1% of the TDI membership units. A director appointed during the period through his interest in TPT owns 35.1% of the TDI membership units.

Accounts receivable as at June 30, 2010 include $1.5 million (2009 - $0.8 million) due from TDI. Sales to TDI were $nil for the three months ended June 30, 2010 (three months ended June 30, 2009 – $0.8).

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 limited 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.

Global commodity prices including tungsten were subject to significant downward pressures by the current uncertain economic climate. APT prices have fallen from a 2009 monthly average high of US $253 per MTU to a current price US $238.50 per MTU a reduction of 6%.

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:

There can be no assurance that development or construction activities at the Mactung project 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 market 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 resume its operations, develop its properties, nor 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 a significant impact under full production conditions.

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 hedges a portion of its cash flows against currency exchange risks. A five percent change in Canadian dollar in relation to the US dollar prices would also have a significant impact under full production conditions.

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, 2009 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
NQ	standard "Q" wire line bit sizes. Hole (outside) diameter, mm 96; Core (inside) diameter, mm 63.5
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.