NORTH AMERICAN TUNGSTEN CORPORATION LTD

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009 (RESTATED)

PricewaterhouseCoopers LLP
Chartered Accountants
PricewaterhouseCoopers Place
250 Howe Street, Suite 700
Vancouver, British Columbia
Canada V6C 3S7
Telephone +1 604 806 7000
Facsimile +1 604 806 7806
www.pwc.com/ca

Auditors' Report

To the Shareholders of
North American Tungsten Corporation Ltd.

We have audited the consolidated balance sheets of **North American Tungsten Corporation Ltd.** (the "Company") as at September 30, 2010 and 2009, and the consolidated statements of operations, comprehensive earnings and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Our previous audit opinion dated January 28, 2011 has been withdrawn and the financial statements as of September 30, 2010 and for the year then ended have been restated as explained in note 26 of these financial statements

Signed "PricewaterhouseCoopers LLP"

Chartered Accountants
Vancouver, British Columbia
January 28, 2011
(except for note 26, which is as of February 21, 2011)

NORTH AMERICAN TUNGSTEN CORPORATION LTD.

CONSOLIDATED BALANCE SHEETS

AS AT SEPTEMBER 30

(in thousands of dollars)	Note(s)	2010	2009
ASSETS			
Current assets			
Cash and cash equivalents	5	$ 2,276	$ 1,328
Accounts receivable	19 & 22	1,977	4,786
Inventories	6	2,259	12,087
Prepaid expenses		338	218
		6,850	18,419
Deferred royalty purchases	9	306	107
Investment in Tungsten Diversified Industries, LLC ("TDI")	7	6,268	7,132
Property, plant and equipment	8	17,484	11,143
Mineral properties - Mactung	9	14,882	14,051
Mineral properties - other	10	9	9
Reclamation deposits	13 & 16	4,128	3,900
		$ 49,927	$ 54,761
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		$ 7,146	$ 9,717
Operating loan	11	-	5,895
Current portion of advances, equipment loans and capital leases	12 & 14	3,992	527
		11,138	16,139
Reclamation liabilities	13 & 16	3,979	3,780
Advances, equipment loans and obligations under capital leases	12, 14 & 16	7,053	1,018
Future income taxes	24	355	794
		22,525	21,731
SHARE CAPITAL AND DEFICIT			
Share capital	15	53,235	47,039
Contributed surplus	15	3,135	3,022
Deficit	15	(28,968)	(17,031)
		27,402	33,030
		$ 49,927	$ 54,761
Going concern	1		
Commitments and contingent liabilities	16 & 18		
Subsequent events	25		

ON BEHALF OF THE BOARD

"signed"

Stephen M. Leahy

"signed"

Bryce M. A. Porter

NORTH AMERICAN TUNGSTEN CORPORATION LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE EARNINGS AND DEFICIT
FOR THE YEARS ENDED SEPTEMBER 30

(in thousands of dollars except for per share amounts)	Note(s)	2010	2009
REVENUES			
Sales	19 & 23	$ 13,792	$ 58,166
EXPENSES			
Minesite cost of sales		12,040	47,406
Freight, handling and conversion		794	3,029
Amortization and depreciation		523	5,018
Royalties		130	551
Accretion of reclamation liabilities	13	199	182
		13,686	56,186
Start up costs	1	5,270	-
Shut down/care and maintenance costs	1	3,351	-
General and administrative	20	2,388	2,965
Interest & financing costs		617	908
Equity loss of TDI	7	864	588
Stock based compensation	15	113	90
Exploration expense		73	-
Accretion of equity of convertible debenture		-	54
Gain on disposal of assets		(9)	(60)
Interest income		(27)	(82)
Foreign exchange loss (gain)		(158)	(40)
		26,168	60,609
NET LOSS BEFORE UNDERNOTED ITEMS		(12,376)	(2,443)
Gain on disposal of mineral property interest		-	1,000
Dilution gain on TDI transaction	7	-	3,083
Write down of mineral property interests		-	(1,236)
NET LOSS BEFORE INCOME TAXES		(12,376)	404
Future income tax recovery	24	439	532
NET EARNINGS/(LOSS) AND COMPREHENSIVE EARNINGS/(LOSS)		$ (11,937)	$ 936
DEFICIT-BEGINNING OF PERIOD		(17,031)	(17,967)
DEFICIT-END OF PERIOD		$ (28,968)	$ (17,031)
Net earnings/(loss) per share			
Basic		$ (0.06)	$ 0.01
Diluted		$ (0.06)	$ 0.01
Weighted average number of shares (in thousands)			
Basic		187,002	134,268
Diluted		187,002	134,268

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

NORTH AMERICAN TUNGSTEN CORPORATION LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30

(in thousand of dollars)	Note(s)	2010 (Restated Note 26)	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Net earnings/(loss)		$ (11,937)	$ 936
Items not affecting cash:			
Amortization and depreciation		523	5,018
Equity loss of TDI		864	588
Accretion of reclamation liabilities		199	182
Stock based compensation		113	90
Foreign exchange and accretion on convertible debenture		-	336
Gain on disposal of mineral interest		-	(1,000)
Dilution gain on TDI transaction		-	(3,083)
Loss on writedown of mineral property interests		-	1,236
Loss/(gain) on disposal of assets		(9)	(60)
Future income tax recovery		(439)	(532)
		(10,686)	3,711
Change in non-cash working capital	21 & 26	8,114	(5,482)
Increase in reclamation deposits		(228)	(484)
	26	(2,800)	(2,255)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds on disposal of assets		9	60
Proceeds on disposal of mineral property interest		-	1,000
Arising on disposition of interest in Tungsten Joint Venture		-	(1)
Royalty payment		(200)	-
Expenditure on Mactung development	26	(670)	(4,261)
Expenditure on mineral property interests		-	(1,001)
Purchase of property, plant and equipment	26	(5,175)	(4,061)
	26	(6,036)	(8,264)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances	12	7,974	-
Issuance of capital stock		3,046	6,194
Capital lease obligations		1,509	(290)
Convertible debentures		3,150	(3,473)
Loan facility		-	(3,000)
Bank borrowings net	11	(5,895)	2,921
		9,784	2,352
Increase (decrease) in cash and cash equivalents		948	(8,167)
Cash and cash equivalents beginning of period		1,328	9,495
Cash and cash equivalents, end of period		$ 2,276	$ 1,328
Represented by:			
Cash		$ 976	$ 1,294
Cash equivalents	5	1,300	34
		$ 2,276	$ 1,328
Non-cash working capital, investing and financing activities	21 & 26		

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

1. Nature of operations and going concern:

North American Tungsten Corporation Ltd. (the "Company") is engaged in tungsten mining and related activities including acquisition, exploration, development and processing of ores and concentrates. The Company owns the Cantung mine in the Northwest Territories; the Mactung mineral property in the Yukon Territory; other tungsten exploration prospects; and, through its 43.2% interest in Tungsten Diversified Industries, LLC (See Note 7), has an interest in new and upgraded tungsten products.

While these consolidated financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to continue operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business, there are conditions and events that cast significant doubt on the validity of this assumption.

As a product inventory control measure, the Company suspended mining and milling operations at the Cantung mine in October, 2009. In the remainder of the 2010 fiscal year, all sales contracts were fulfilled and all product inventories were sold. During the year the market for tungsten concentrates improved substantially and work to restart operations at the mine commenced. Operations resumed in October 2010.

Including costs of shut-down, care and maintenance and costs to reopen the mine, the net loss for fiscal 2010 was $11.9 million. Working capital was reduced to a negative $4.3 million. As described in Note 11 the HSBC Credit Facilities were renegotiated and a waiver obtained for covenant breaches.

The Company's ability to continue as a going concern is dependent firstly upon its ability to achieve positive cash flows following the restart of the Cantung operations. Additional funding may be required for development and working capital. In October 2010, proceeds from equity and debt financings were $5.3 million. (see Note 25) Eventual development of the Mactung project will require further major external funding. While there has been a major improvement in market prices for tungsten, there is no assurance that the Company will succeed in arranging all necessary finance and continuing support of its creditors.

If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary to the carrying values of assets and liabilities, the reported revenue and expenses and the balance sheet classifications used. The adjustments could be material.

2. Significant accounting policies:

a. Basis of presentation

These consolidated financial statements include the accounts of North American Tungsten Corporation Ltd. and all of its subsidiaries. The significant subsidiaries are 100% owned and include Numbered Company incorporated in Delaware and International Carbitech Industries Inc. incorporated in British Columbia. All inter company balances and transactions have been eliminated on consolidation. The Company has a 43.2% interest in Tungsten Diversified Industries, LLC incorporated in Minnesota, USA.

b. Financial instruments

There are five possible categories of financial instruments, as follows: held-for trading; held-to-maturity; loans and receivables; available for sale financial assets; and other financial liabilities. Procedures for measurement of each instrument depend on the category initially selected.

All financial instruments including derivatives are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost.

Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; while available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is de-recognized or impaired when the amounts would be recorded in net income.

The Company's material financial instruments are: cash and cash equivalents, which are classified as held-for-trading and measured at fair value; accounts receivable and reclamation deposits which are classified as loans and receivables and measured at amortized cost; accounts payable and accrued liabilities, customer advances, equipment loans, capital leases and convertible debentures which are classified as other financial liabilities and measured at amortized cost.

Cash and cash equivalents include cash on account, demand deposits and money market investments with maturities from the date of acquisition of three months or less.

Trade receivables and payables are non-interest bearing and are stated at carrying values, which approximate fair values due to the short terms to maturity. Where necessary, trade receivables are net of allowances for uncollectable amounts.

Short-term debt and long-term debt are initially recorded at total proceeds received less direct issuance costs. Debt is subsequently measured at amortized cost, calculated using the effective interest rate method.

c. Inventories

Concentrate inventory is comprised of tungsten and copper concentrates. Intermediates comprise products that have been further upgraded to, ammonium paratungstate (APT), tungsten blue oxide (TBO) and other tungsten products. Inventories are valued at the lower of cost and net realizable value and include all direct costs incurred in production including labour, materials, freight and depreciation as well as 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.

d. Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated amortization and write-downs. All property, plant and equipment and deferred mining and development costs are amortized using the unit of mine production method based on estimated recoverable reserves which includes both proven and probable reserves.

Repairs and maintenance costs, including shutdown maintenance costs, are charged to expense as incurred, except when these repairs significantly extend the life of an asset or result in an operating improvement. In these instances the portion of these repairs relating to the betterment is capitalized as part of plant and equipment.

e. Capital leases

Assets under capital leases are capitalized as part of plant, property and equipment and the outstanding future lease obligations are shown in long term loans, equipment loans and obligations under capital leases. The assets are amortized using the unit of production method. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

f. Mineral property interests

Costs related to the acquisitions, exploration, evaluation and development of mineral property interests are capitalized on a property-by-property basis, to the extent that such costs are considered to be recoverable. Such expenditures are comprised of net direct costs and an appropriate portion of related overhead expenditures, but do not include general overhead or administrative expenditures not having a specific connection with a particular area of interest. Administrative costs that do not relate to a specific property are expensed in the period they are incurred. Each property is evaluated on a periodic basis in order to determine if the costs incurred to date continue to be recoverable. Capitalized costs that exceed estimated recoveries are charged to earnings in the period of determination.

g. Asset impairment

The Company performs impairment tests on the mineral properties and property, plant and equipment when events or changes in circumstances occur that indicate the carrying value of an asset may not be recoverable. Estimated future cash flows are calculated using estimated future prices, mineral resources, operating and capital costs on an undiscounted basis. When the carrying value of the mine or development project exceeds estimated undiscounted future cash flows, the asset is impaired. Write-downs are recorded to the extent the carrying value exceeds the discounted value of the estimated future cash flows.

h. Research and development costs

Research costs are expensed in the year in which they are incurred. Development costs are expensed in the year incurred unless such costs meet the criteria under Canadian generally accepted accounting principles for deferral and amortization.

i. Reclamation liabilities

Future obligations to retire an asset including dismantling, remediation and ongoing monitoring of the site are initially recognized as a liability at fair value, assuming a credit adjusted risk-free discount rate and an inflation factor. The liability is adjusted for changes in the estimated amounts and timing of costs to be incurred, and accreted to full value over time through periodic charges to earnings.

j. Use of estimates

The preparation and consolidation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Actual results could differ from these estimates. Significant areas where management's judgment is applied include concentrate and ore stockpile inventory, property, plant and equipment (asset valuations and asset useful lives), reclamation liabilities, amortization and depreciation, stock compensation expense, future income taxes, and ore reserve determinations as they relate to the amortization bases. Ore reserve determinations involve estimates of future costs and future commodity prices.

k. Measurement uncertainty – specific items

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary should these material measurement uncertainties prove to be inaccurate, and these adjustments could be material.

- The amounts recorded for depletion, depreciation, amortization and impairment of property, plant and equipment, for future site restoration costs and research, forecast tungsten prices and development costs depend on estimates of tungsten reserves or the economic lives and future cash flow from assets. The provision for future site restoration costs also depends on estimates of such costs.

- Costs that have been deferred in relation to mineral property interests and research and development have been deferred to the extent that they are expected to be recovered. The viability of exploration properties depends on market prices and the estimated tungsten grades. Recovery of development costs depends on estimates of cash flows from the resulting product or products.

l. Translation of foreign currencies

For integrated foreign operations, balances denominated in foreign currencies are translated into Canadian dollars as follows:
- Monetary assets and liabilities at period end rates;
- All other assets and liabilities at historical rates;
- Revenue and expense transactions at the average rate of exchange prevailing during the period.

Exchange gains or losses arising on these transactions are charged to operations in the period in which they occurred.

m. 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 of 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.

n. Income taxes

The Company follows the liability method of accounting for income taxes. Under the liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for tax losses and other deductions carried forward. Future tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of substantive enactment. If on the basis of available evidence, it is more likely than not that all or a portion of the future tax asset will not be realized, the future tax asset is reduced by a valuation allowance.

o. Stock based compensation

The Black-Scholes fair value method of accounting is used for stock-based awards. Under this method, the compensation cost of options and other stock-based compensation arrangements are estimated at fair value at the grant date and recognized as an expense over the vesting period. When exercised, the associated cost is allocated from contributed surplus to share capital.

p. Earnings per share

Earnings per share is calculated based on the weighted average number of shares outstanding during the year. The Company follows the treasury stock method in the calculation of diluted earnings per share. Under this method, dilution is calculated based upon the net number of common shares issued should “in the money” options and warrants be exercised and the proceeds are used to repurchase common shares at the average market price in the period. Dilution from convertible securities is calculated based on the number of shares to be issued after taking into account the reduction of the related after-tax interest expense. When a loss is incurred, basic and diluted earnings per share are the same because the exercises of options, warrants and conversion of debentures are anti-dilutive.

q. Share capital

The Company records proceeds from share issuances net of share issuance costs. Share capital issued for non-monetary consideration is recorded at the fair market value of the shares on the date the shares are issued.

r. Investments

Investments where the Company has the ability to exercise significant influence, generally 20% to 50% owned by the Company, are accounted for using the equity method. Under this method, the Company's share of the investment's earnings or losses is included in operations and its investment therein is adjusted by a like amount. Dividends received from these investments are credited to the investments accounts.

3. New accounting pronouncements:

Financial Instrument Disclosures

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

Financial Instruments – Recognition and Measurement

CICA Handbook Section 3862, Recognition and Measurement, has been amended to change the categories into which a debt instrument is required or permitted to be classified, change the impairment model for held-to-maturity financial assets to the incurred credit loss model in Section 3025 and require reversal of previously recognized impairment losses on available-for-sale financial assets in specified circumstances. The Company adopted this standard effective October 1, 2009 and there was no impact to the financial statements as a result of this new standard.

Business Combinations

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

Consolidated Financial Statements and Non-controlling Interests

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

Comprehensive Revaluation of Assets and Liabilities

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

Financial Instruments – Recognition and Measurement

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

4. Financial instruments:

a. Financial assets and financial liabilities

The Company has financial assets and liabilities which include cash and cash equivalents, reclamation deposits, accounts receivable, accounts payable, bank loans and obligations under capital leases, the carrying values of which approximate fair values.

b. Risk exposure and risk management

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

i. Foreign Exchange Risk

The Company operates on an international basis and therefore, foreign exchange risk exposures arise from transactions denominated in a foreign currency. The foreign exchange risk arises primarily with respect to the US dollar. The cash flows from Canadian operations are exposed to foreign exchange risk as commodity sales are denominated in US dollars, and the majority of operating expenses are in Canadian dollars. For the year ended September 30, 2010 with other variables unchanged a $0.01 strengthening (weakening) of the Canadian dollar against the US dollar would result in a decrease (increase) of $0.14 million on net earnings (2009 – a decrease of $0.67 million on net earnings).

ii. Credit Risk

The Company is exposed to credit-related losses in the event of non-performance by counterparties to the financial instruments. Credit exposure is minimized by dealing with only credit worthy counterparties and by having Economic Development Canada ("EDC") insure the Company's receivables from its primary customers for up to 90% of the total outstanding amounts. Accounts receivable for the three primary customers total nil ($4.2 million as at September 30, 2009) all of which were current.

The maximum exposure of the Company to credit risk is represented by the amounts shown in the balance sheet for Cash and cash equivalents and accounts receivable. Cash and cash equivalents are deposited with a Tier-1, high credit quality financial institution, as determined by ratings agencies.

iii. Interest Rate Risk

The Company's interest rate risk mainly arises from the interest earned on cash and cash equivalents and floating rate interest paid on its debt. The interest rate management policy is generally to borrow at fixed rates to match the duration of the long lived assets. In some circumstances, floating rate funding may be used for short term borrowing. Cash and cash equivalents receive interest based on market rates.

At September 30, 2010 $1.3 million (2009- $nil) of bankers' acceptances carried floating interest rates of 1.25% to 2.60%. For financial liabilities, interest is payable on equipment loans and capital leases at fixed rates ranging from 4.75% to 16.58% and as such these payments are not subject to fluctuations in interest rates.

As at September 30, 2010 and 2009, with other variables unchanged, a 1% change in the Bank of Canada rate would have an insignificant impact on net earnings.

iv. Liquidity Risk

The Company manages liquidity risk by maintaining adequate cash and cash equivalent balances, and by appropriately utilizing lines of credit. Management continuously monitors and reviews both actual and forecasted cash flows, and also matches the maturity profile of financial assets and liabilities. The Company ensures that there is sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's holdings of cash and bankers' acceptances. The Company's cash and cash equivalents are invested in business accounts and bankers' acceptances which are available on demand for the Company's programs and are not invested in any asset backed deposits or investments. Additional information regarding liquidity risk is disclosed in Note 1.

v. Commodity Price Risk

The value of the Company's mineral resource properties is related to the price of tungsten. The Company does not have any hedging or other commodity based risks respecting its operations.

Tungsten prices historically have fluctuated and are affected by numerous factors outside of the Company's control, including, but not limited to, supply and demand, forward sales by producers and traders, levels of worldwide production and short-term changes in supply and demand. The profitability of the Company's operations is highly correlated to the market price of tungsten. If the metal price declines for a prolonged period below the cost of production of the Company's mine, it may not be economically feasible to continue operations.

5. Cash and cash equivalents:

Cash and cash equivalents include $1.3 million in bankers acceptances carrying an interest rate of 1.03% and redeemable in 7 days.

6. Inventories :

(in thousands of dollars)	September 30, 2010	September 30, 2009
Concentrates	$ -	$ 8,776
Intermediates	-	1,278
Ore stockpile	-	122
Materials and supplies	2,259	1,911
	$ 2,259	$ 12,087

At September 30, 2009, $1,278 thousand of intermediates was valued at its net realizable value, which resulted in a charge to operating costs of $185 thousand. This charge was caused by a decrease in the market price of tungsten during the fourth quarter of fiscal 2009.

7. Investment in Tungsten Diversified Industries, LLC:

As a result of the reorganization on December 9, 2008 of Tungsten Diversified Industries, LLC ("TDI") (formerly Tungsten Joint Venture, LLC "TJV") the Company's interest was diluted from 100% to 43.2%. The remaining 56.8% is held by Tundra Particle Technologies, LLC ("TPT") (43.2%) and Queenwood Capital Partners LLC ("Queenwood") (13.6%). The Company's interest in TDI is accounted for as an equity accounted investment.

As TDI issued its own equity to outside interests, a dilution gain of $3,083 thousand arose as a result of the difference between the Company's share of the proceeds and the carrying value of the underlying equity.

The Company accounts for its investment in TDI under the equity method. The Company's net investment in TDI is determined as follows:

Balance - December 9, 2008	$ 7,720
Share of losses	(588)
Balance -September 30, 2009	7,132
Share of losses	(864)
Balance - September 30, 2010	$ 6,268

TUNGSTEN DIVERSIFIED INDUSTRIES, LLC (condensed Balance Sheet) (in thousands of dollars)	September 30 2010	September 30 2009
CURRENT ASSETS		
Cash	$ 132	$ 72
Trade accounts receivable	4	22
Due from related parties	326	34
Inventory	2,298	2,847
Other current assets	43	-
	2,803	2,975
Property, plant & equipment	3,448	3,512
License & patents	7,263	7,684
Deposits	1	3
	$ 13,515	$ 14,174
CURRENT LIABILITIES		
Accounts payable & accrued liabilities	$ 5,819	$ 4,543
SHAREHOLDERS' EQUITY	7,696	9,631
	$ 13,515	$ 14,174

TUNGSTEN DIVERSIFIED INDUSTRIES, LLC (condensed Statement of Operations) (in thousands of dollars)	September 30 2010	September 30 2009
Net sales	$ 1,882	$ 461
Costs of goods sold	2,235	494
Gross profit	(353)	(33)
Operating Expenses	1,562	1,079
Operating loss	(1,915)	(1,112)
Other income (expense)	(21)	(3)
Net loss	$ (1,936)	$ (1,115)

Sales to TDI of intermediates for the fiscal year ended September 30, 2010 were $nil (September 30, 2009 - $3.0 million).

8. Property, plant & equipment:

Property, plant and equipment include mining costs that relate to certain access drifts and roadways.

(in thousands of dollars)	Cost	Accumulated Amortization	September 30, 2010 Net
Property, plant and equipment	$ 48,401	$ (30,918)	$ 17,484

	Cost	Accumulated Amortization	September 30, 2009 Net
Property, plant and equipment	$ 41,554	$ (30,412)	$ 11,143

9. Mactung & deferred royalty purchases:

The following table summarizes the Company's interest in Mactung as at September 30, 2009 and September 30, 2010.

(in thousands of dollars)	Mactung Property Yukon Canada
Balance September 30, 2008	$ 9,790
Expenditures during the year	4,261
Balance September 30, 2009	14,051
Expenditures during the year	831
Balance at September 30, 2010	$ 14,882

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

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

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

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

If the Company did not exercise the Option by March 30, 2010, it must pay an additional $200 thousand to Teck in order to maintain the Option. The Company maintained the Option on March 30, 2010, by paying the additional $200 thousand.

The $300 thousand paid by the Company has been treated as a deferred royalty and will be amortized over the life of the mine once the Mactung property is brought into production. The balance at September 30, 2010 was $300 thousand (September 30, 2009 - $100 thousand).

A similar payment of $125 thousand was made to reduce the Cantung mine royalty from 4% to 1% and the payment is being amortized over the remaining life of the Cantung mine. The balance at September 30, 2010 was $6 thousand (September 30, 2009 - $7 thousand).

10. Other mineral property interests:

(in thousands of dollars)	Rifle Range Creek Property, NWT Canada	Bailey Claims, Yukon Canada	Cantung Area NWT Canada	Total
Balance September 30, 2008	$ 217	$ 25	$ 2	$ 244
Expenditures during the year	378	-	623	1,001
Write down of exploration properties	(595)	(16)	(625)	(1,236)
Balance September 30, 2009	-	9	-	9
Expenditures during the period	-	-	-	-
Balance at September 30, 2010	$ -	$ 9	$ -	$ 9

a. Rifle Range Creek – NWT

In fiscal 2006, the Company staked two claims (63 units) at Rifle Range Creek near the Cantung mine, NWT. The potential for success on these early stage exploration projects which is considered low; accordingly the capitalized expenditures of $625 thousand relating to the project were written off in the year ended September 30, 2009.

b. Bailey Claims – Yukon

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

c. Jennings (formerly Tootsee River Property) – Yukon

In June 2009 the Company sold its remaining 30% working interest in the Jennings Property to Agnico-Eagle Mines Limited for $1 million cash. The net book value of the property was nil.

11. Bank loan and other credit facilities:

HSBC Bank Canada facilities

In September, 2010, the Company renewed and increased its credit facilities with HSBC Bank Canada (the “Bank”).

As part of the credit facilities the Company and the bank entered into a general security agreement over the Company’s assets.

Balance sheet ratios originally covenanted with the Bank were not achieved; however, the Bank permitted the default. The loan facilities were continued and amended until December 31, 2010. The original covenants were reinstated for the periodic reviews thereafter.

The Company's credit facilities consist of:

Operating loan

The operating loan facility is CDN$8.0 million (2009 – CDN$6.0 million). Drawings against the facility may be in U.S. dollars as well as Canadian dollars, subject to a $5-million (U.S.) maximum. The borrowing base is based on a percentage of trade accounts receivable and product inventory. The loan is supported by the Accounts Receivable Insurance and Foreign Inventory Guarantee Program of Export Development Canada ("EDC"). The loan carries an interest rate of bank prime + 2% per annum.

As at September 30, 2010 the Company repaid amounts previously drawn on the facility and as at September 30, 2009 the Company had drawn $5.8 million on the facility.

Demand non-revolving equipment loans

The Company renewed its three outstanding equipments loans, in the principal amounts of $132,008; $149,008; $203,350. Interest on these loans range from Bank's Prime Rate plus 1.75% to Bank's Prime Rate plus 2.25%.

The Company entered into an agreement for a new "fourth" equipment loan for CDN$3.5 million. The loan, when advanced, will carry an interest rate of Bank's Prime Rate + 3.75%; interest only is payable for the first six months; amortization period is 30 months thereafter. As of September 30, 2010 the Company did not draw on this facility. See Note 25.

The Company entered into an agreement for a "fifth" equipment loan for CDN$3.5 million. The loan when advanced will carry interest at the Bank's Prime Rate + 3.75%; interest only is payable for the first six months; amortization period is 30 months after the initial interest only first six months. As of September 30, 2010 the Company did not draw on this facility. See Note 25.

$10 million demand revolving line (the "Foreign Exchange Loan")

Renewed the $10 million Foreign Exchange Loan. The purpose of the Foreign Exchange Loan is to purchase foreign exchange forward contracts (the "F/X Contracts") for major currencies indentified by the Bank in order to hedge against currency fluctuations in connection with the Company's operations. The Foreign Exchange Loan is payable on demand unless and until otherwise demanded, the contracts are to be fulfilled by the Company as they fall due and the Foreign Exchange Loan is guaranteed by EDC under the Foreign Exchange Guarantee Program in the amount of $2.6 million. Amount outstanding under this facility at September 30, 2010 were nil (2009 – nil).

The Company's bank credit facilities contain the following covenants:

- debt to net tangible net worth ratio of 3.5:1:00 from October 1, 2010 till December 31, 2010; 3.0:1.00 - from January 1, 2010 till March 31, 2010; and 2.5:1.0 from April 1, 2011 thereafter;
- a current assets to current liabilities ratio of 0.75:1.00 from October 1, 2010 to September 30, 2011; achieve a ratio of 1.10:1.00 by December 31, 2011

The Company has acknowledged a breach of these ratios however the bank has agreed it will not take steps to act on the default.

The credit facilities are subject to periodic review by the Bank.

Caterpillar Financial Services Corporation loan facility

The Company entered into an agreement with Caterpillar Financial Services Corporation ("CAT Financial") for a loan facility in the amount of US$2,785,560 for a 48 month term with an interest rate of 8.50% per annum (the Cat Financial facility) to acquire power generation, heat recovery equipment and electrical control systems in the amount $3,481,950. The agreement requires a deposit of $696,390 which has been paid in September 2010. In September 2010 the Company received the first piece of equipment and borrowed $700,840 (US$678,294) against the CAT Financial facility. The facility is secured by the financed equipment.

12. Advances:

The Company received financing advances totaling US$7.75 million (C$7.975 million). Of these $3.0 million is included in current liabilities. The advances are repayable over terms from 6 months to 36 months. US$3.75 million is secured by a letter of credit which is guaranteed by a related party. (See Notes 22 and 16)

13. Reclamation liabilities:

The Company's total undiscounted amount of estimated cash flows required to settle the mine reclamation obligation is $4.2 million (2009 - $4.2 million) which has been discounted using credit adjusted risk free rates of 1% to 4% (2009 1%–4%).

(in thousands of dollars)	September 30, 2010	September 30, 2009
Opening balance, asset retirement obligation	$ 3,780	$ 3,577
Accretion during the year	199	182
Additions during the year	-	252
Change in estimates of future costs	-	(231)
Closing asset retirement obligation	$ 3,979	$ 3,780

Deposits of $4.1 million in cash and $7.6 million in the form of secured promissory notes are held in escrow to secure mine reclamation obligations under the water license for the Cantung mine issued by the Mackenzie Valley Land and Water Board.

14. Obligations under advances, equipment loans and capital leases:

(in thousands of dollars)	September 30, 2010	September 30, 2009
Obligations under equipment loans and capital leases	$ 2,835	$ 1,327
Billiton loan provision	235	218
Obligations under advances (Note 12)	7,975	-
	11,045	1,545
Current portion of equipment loans and capital leases	(1,034)	(527)
Current portion of advances	(2,958)	-
Long term loans, equipment loans and obligations under capital leases	$ 7,053	$ 1,018

The maturity dates of the leases range from August 2011 to July 2014 with interest rates ranging from 4.75% to 16.58%. See Note 16 for details of payments over the next 5 years.

Interest in the amount of $94 thousand was paid on equipment loans and capital leases for the year ended September 30, 2010 ($101 thousand – 2009).

15. Share capital:

a. Capital stock

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

Issued	Number of Shares	Consideration (in thousands of dollars)
September 30, 2008	126,826,725	$ 42,049
Exercise of options	2,030,000	244
Future income tax recovery		(1,326)
Private placement*	40,000,000	6,000
Share issue costs		(50)
Reallocation of fair value related to options exercised		122
September 30, 2009	168,856,725	$ 47,039
Private placement**	20,433,333	3,065
Conversion of debenture***	17,500,000	3,150
Share issue costs		(19)
September 30, 2010	206,790,058	$ 53,235

*$6,000,000 Private placement:

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

**$3,065,000 Private placement:

On November 30, 2009 the Company closed a non-brokered private placement of 20,433,333 common shares at a price of $0.15 per common share for proceeds of $3,065 thousand.

***$3,150,000 Convertible debenture:

On May 21, 2010 the Company closed an offering of $3,150,000, 12.5% convertible debentures. The conversion feature was valued for accounting purposes as $nil as the conversion feature was at market price or higher upon conversion. During September, 2010 the holders converted the principal of $3,150,000 into 17,500,000 common shares at an issue price of $0.18 per share. Insiders of the Company subscribed for $1,095 thousand of the offering.

b. Shareholders' equity

(in thousands of dollars)	Capital Stock	Convertible Debenture	Contributed Surplus	Deficit	Total
September 30, 2008	42,049	54	3,000	(17,967)	27,136
Stock compensation	-	-	90	-	90
Exercise of stock options	244	-	-	-	244
Reallocation of contributed surplus related to options exercised	122	-	(122)	-	-
Private placement	6,000	-	-	-	6,000
Reallocation of equity component of convertible debenture	-	(54)	54	-	-
Future income tax recovery	(1,326)	-	-	-	(1,326)
Share issue costs	(50)	-	-	-	(50)
Net earnings	-	-	-	936	936
September 30, 2009	$ 47,039	$ -	$ 3,022	$ (17,031)	$ 33,030
Stock compensation	-	-	113	-	113
Share issue costs	(19)	-	-	-	(19)
Private placement	3,065	-	-	-	3,065
Conversion of convertible debenture	3,150	-	-	-	3,150
Net loss	-	-	-	(11,937)	(11,937)
September 30, 2010	$ 53,235	$ -	$ 3,135	$ (28,968)	$ 27,402

c. Stock option plan

The Company has a rolling Stock Option Plan which reserves up to a maximum of 10% of the issued and outstanding shares for the granting of options to eligible participants. The Option Plan provides that the Company's Board of Directors may from time to time grant Options to acquire Common Shares to any participant who is an employee, officer or director of the Company or a consultant to the Company. The total number of Common Shares that may be reserved for issuance to any one participant pursuant to options granted under the Option Plan may not exceed 5% of the issued and outstanding shares of the Company on the date of the grant of the Options in any twelve month period. The maximum number of options granted to any one consultant may not exceed 2% of the issued and outstanding shares of the Company on the date of the grant of the options in any twelve month period and the options granted to persons employed to provide investor relation services may not exceed 2% of the issued and outstanding shares of the Company on the date of grant of the options in any 12 month period. No more than an aggregate of 10% of the issued shares of the Corporation, within any 12 month period may be granted to Insiders; unless the Corporation has received disinterested shareholder approval. The options may not be granted at prices that are less than the Discounted Market Price as defined in the TSX Venture Exchange policy. Each option is exercisable, subject to vesting terms as may be determined by the Board, into one common share of the Company.

During the year ended September 30, 2010 (September 30, 2009 – nil):

- 575,000 options with a strike price of $0.15 were granted to employees and consultants. The option valuation for the issue was calculated using the Black-Scholes option pricing model based on an average expected option life of 1.5 years, a dividend yield of 0%, a risk free interest rate of 0.97%, and an expected volatility of 113%.
- 1,725,000 options with a strike price of $0.19 were granted to directors, officers and employees. The option valuation for the issue was calculated using the Black-Scholes option pricing model based on an average expected option life of 1.5 years, a dividend yield of 0%, a risk free interest rate of 0.94%, and an expected volatility of 116%.

Option pricing models require the input of highly subjective assumptions including the expected price volatility and expected life.

Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options at the date of grant.

No of Options Outstanding as of September 30, 2009	Exercised	Granted	Forfeited	No of Options Outstanding as of September 30, 2010	Exercise Price	Expiry Date	Options Exercisable
100,000	-	-	(100,000)	-	$0.23	1-Feb-10	-
3,075,000	-	-	(3,075,000)	-	$1.08	24-May-10	-
100,000	-	-	(100,000)	-	$1.50	22-Jun-10	-
50,000	-	-	(50,000)	-	$1.26	22-Aug-10	-
110,000	-	-	(30,000)	80,000	$1.15	9-Nov-10	80,000
200,000	-	-	-	200,000	$1.76	31-Jan-11	200,000
50,000	-	-	-	50,000	$0.70	27-Oct-11	50,000
400,000	-	-	(400,000)	-	$0.65	10-Jan-12	-
1,266,700	-	-	(160,000)	1,106,700	$1.25	19-Mar-12	1,106,700
75,000	-	-	-	75,000	$1.28	14-Jun-12	75,000
175,000	-	-	(175,000)	-	$1.39	18-Jul-12	-
200,000	-	-	(200,000)	-	$1.30	2-Jan-13	-
83,334	-	-	(50,000)	33,334	$1.24	27-May-13	33,334
-	-	575,000	(66,668)	508,332	$0.15	19-Oct-14	383,330
-	-	1,725,000	(75,000)	1,650,000	$0.19	1-Feb-15	1,100,006
5,885,034	-	2,300,000	(4,481,668)	3,703,366			3,028,370

Subsequent to the year ended September 30, 2010 – 138,667 options were forfeited, 33,000 were exercised and 240,000 were granted to an employee with a strike price of $0.41, expiring on January 5, 2016.

The outstanding options have a weighted-average exercise price of $0.65 and the weighted-average remaining life of the options is 3.02 years.

16. Commitments:

(in thousands of dollars)	Payments due in years ended September 30,					
Contractual Obligations	2011	2012	2013	2014	2015	TOT
Property leases, advances, equipment loans & leases	$ 4,043	$ 2,798	$ 3,846	$ 292	$ 86	$ 11,06
Office leases**	208	214	-	-	-	42
	$ 4,251	$ 3,012	$ 3,846	$ 292	$ 86	$ 11,48

** - Including estimates of operating cost components.
See Note 16 (a) for obligations under the water license

Purchase Commitments

The Company has entered into agreements to purchase equipment for its CanTung Mine in the total amount of $3.2 million (See Note 11). All of this equipment is expected to be delivered by the end of March 2011.

a. 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 license is $11,677,839, of which the Company has posted $4.1 million in cash and $7.6 million in the form of secured promissory notes pursuant to the Reclamation Security Agreement ("RSA"). The RSA further provides for:

- the Company to post $100,000 in cash commencing in 2010 on the 1st of September, 1st of December, 1st of March, and 1st of June (1st payment made on the 1st of September), to reduce the amounts pledged under the promissory notes until $nil is outstanding under the promissory notes;

- the cash components payable to Department of Indian and Northern Affairs ("DIAND") to increase under certain events.

Any security amounts owing under the license and monies owed by way of secured promissory notes are secured by a Security Agreement charging specific assets.
Any funds in excess of ultimate reclamation costs will be returned to the Company.

Subsequent to the year end the Company posted $100,000 of cash and reduced the posted secured promissory notes by $100,000. (Total amount posted as of December 1, 2010 - $4.2 million in cash and $7.5 million in the form of secured promissory notes).

b. Smelter royalties

The Cantung Mine is subject to a 1% net smelter royalty payable to Teck.

c. Mactung option

The Company is committed to payments to keep its option agreement in good standing as disclosed in Note 9.

17. Capital management:

The Company defines its capital as shareholders' equity, consisting of share capital, equity portion of convertible debentures, contributed surplus and retained earnings. The Company's objectives when managing its capital are:

- to ensure that the Company will be able to continue as a going concern;
- to ensure compliance with debt covenants; and
- to maximize the return to shareholders.

To assist in the management of the Company's capital, the Company prepares an annual budget, which is approved by the Board of Directors. Actual results are reviewed against the budget monthly. The Company may adjust its capital structure by issuing new shares, issuing new debt with different characteristics to replace existing debt, selling assets to reduce debt and reducing operating and capital expenditure levels.

Additional information regarding capital management is disclosed in Note 1.

18. Contingencies:

Pursuant to agreements with officers, in the event of their contracts being terminated, the Company would be liable for payments totaling $1.4 million (2009 - $1.5 million).

Pursuant to contracts with directors, in the event of a change in control of the Company, the Company would be liable for payments totaling $0.4 million (2009 - $0.4 million).

19. Sales and economic dependence:

The Company sells tungsten concentrates together with smaller quantities of copper concentrates and some tungsten intermediate products.

Sales to three customers accounted for 93% of sales made in the year ended September 30, 2010 (2009 - 92% to two customers).

As at September 30, 2010 $1.3 million in receivables was due from one customer (September 30, 2009 - $4.1 million in receivables was due from three customers). See Notes 7 and 22 for sales to TDI and receivables from TDI.

20. General & administrative costs:

	For the years ended September 30,	
(in thousands of dollars)	2010	2009
GENERAL AND ADMINISTRATIVE		
Fees, wages and benefits	$ 1,207	$ 1,721
Office expenses	415	475
Accounting and audit	134	142
Legal fees	282	229
Investor relations, travel & business development	229	235
Consulting	74	102
Filing fees and transfer agent fees	47	61
	$ 2,388	$ 2,965

21. Supplemental cash flow:

	For the years ended	
	Restated September 30	September 30
(in thousands of dollars)	2010	2009
Changes in non-cash working capital		
Accounts receivable	$ 2,809	$ 216
Prepaid expenses	(120)	117
Accounts payable and accrued liabilities (Note 26)	(4,404)	(1,066)
Inventories	9,829	(4,749)
Change in non-cash working capital	$ 8,114	$ (5,482)
Interest paid	$ 379	$ 683
Changes in other non-cash investing and financing activities:		
Issuance of share capital on conversion of debenture	3,150	-
Expenditures on property, plant & equipment financed by accounts payable and accrued liabilities	2,153	481
Expenditures on Mactung development financed by accounts payable and accrued liabilities	161	-

22. 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, indirectly owns a further 8.1% of the TDI membership units. A director appointed during the period through his interest in TPT owns 35.1% of the TDI membership units. (See Note 7).

Accounts receivable as at September 30, 2010 include $1.3 million (2009 - $2.0 million) due from TDI. Sales to TDI were $nil for the year ended September 30, 2010 (2009 – $3.0).

A director of the Company provided a guarantee for the issuance of a letter of credit for a fee of 10% per annum of the outstanding face amount of the letter of credit. (See Note 12)

A director of the Company participated in the $6 million private placement as to 10,000,000 common shares and an entity in which a director has an interest participated as to 15,325,670 common shares. (See Note 15)

A director of the Company participated in the $6 million private placement as to 7,662,835 common shares. (see Note 15)

Subsequent to September 30, 2010 directors of the Company participated in the US$2.87 million convertible debenture as to US$1.37 million. (see Note 25)

23. Segmented information:

The Company operates in the single business segment of tungsten mining and processing. Copper production is a by-product of that segment.

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

SALES: (in thousands of dollars)	For the years ended September 30, 2010	September 30, 2009
TUNGSTEN:		
United States	$ 2,144	$ 26,069
Asia	10,890	30,407
Europe	-	645
	13,034	57,121
COPPER:		
Europe	758	1,045
TOTAL	$ 13,792	$ 58,166

24. Income and resource taxes:

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings/(losses) before income taxes. These differences result from the following items:

in thousand of dollars	For the years ended September 30, 2010	September 30, 2009
Earnings (loss) before income taxes	$ (12,376)	$ 404
Canadian federal and provincial income tax rates	29.75%	30.63%
Income tax recovery based on the above rates	$ (3,682)	$ 124
Increase (decrease) due to:		
Non-deductible expenses and other	$ 33	$ 87
Foreign exchange	(57)	(274)
Differences between foreign and Canadian tax rates	(97)	268
Change in Canadian long term tax rates	373	
NWT Mining Royalty	(36)	36
Losses and temporary differences for which no future income tax asset has been recognized	3,027	553
Income tax benefit recognized on issuance of flow-through shares	-	(1,326)
Income tax recovery	$ (439)	$ (532)
Consists of		
Canadian future income tax recovery	$ -	$ (1,326)
US future income tax expense (recovery)	(403)	758
NWT Mining royalty expense (recovery)	(36)	36
	$ (439)	$ (532)

The components of future income and mining taxes are as follows:

	For the years ended September 30, 2010	For the years ended September 30, 2009
Future income and mining tax assets		
Non-capital losses	$ 4,454	$ 1,471
Share issuance costs and other	263	393
Property, plant and equipment and mineral property interests	2,662	2,722
Capital lease obligation	447	169
Asset retirement obligation	1,054	1,002
Total future tax assets	8,880	5,757
Valuation allowance	(8,880)	(5,702)
Net future tax assets	$ -	$ 55
Future income and mining tax liabilities		
Property, plant and equipment and mineral property interests	$ -	$ 91
Investment in TDI	355	758
Future income tax liabilities	355	849
Future income tax liability, net	$ 355	$ 794

At September 30, 2010 the Company has non-capital carry-forwards of approximately $16.8 million (2009 $5.7 million) that may be available for tax purposes. The loss carry-forwards are all in respect of Canadian operations and expire as follows:

2028	$ 5.7 million
2029	$11.1 million
	$16.8 million

A full valuation allowance has been recorded against the net potential future income tax assets associated with these carry-forwards and certain other deductible temporary differences as their utilization is not considered more likely than not at this time.

25. Subsequent events:

Subsequent to September 30, 2010 the Company:

Credit facilities – HSBC Bank Canada

On October 7, 2010 the Company drew $3.5 million under the new "fourth" equipment loan facility. Interest only is payable for the first six months and then monthly payments of $130,065 will commence on April 30, 2011 for thirty months. (Amortization period).

The Company also drew the following amounts under the "fifth equipment loan facility:

- October 1, 2010 $1.2 million;
- November 26, 2010 $264 thousand and
- February 2, 2011 $351 thousand

Private placement

On October 27, 2010 the Company closed a non-brokered private placement of 7,000,000 units at a price of $0.38 per units for proceeds of $2.66 million. Each unit consists of one common share and two-sevenths of a share purchase warrant. Each whole share purchase warrant is exercisable at a price of $1.00 into one common share expiring on October 27, 2015.

Convertible debenture

On October 28, 2010 the Company issued Convertible Debentures in the amount of US$2.87 million for a three year term. The interest rate on the outstanding debt portion is fixed at 10% per annum compounded quarterly. Each US$1,000 principal is convertible into 2,267 common shares. Five directors participated in the Convertible Debentures for a total of US$1.37 million principal.

26. Restatement of Cash Flow Statement:

The cash flow statement for the year ended September 30, 2010 has been restated to adjust the allocation of cash outflows between operating and investing activities. The Company had previously included $4.2 million of cash outflows for settlement of operating accounts payable in investing activities.

The operating and investing cash flows before and after the adjustments are as follows:

For the year ended September 30, 2010

(in thousand of dollars)	As previously filed	Adjustment	Restated
Change in non-cash working capital	12,272	(4,158)	8,114
Purchase of property, plant and equipment	(9,172)	3,997	(5,175)
Expenditure on Mactung development	(831)	161	(670)