



**UNAUDITED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED
MARCH 31, 2011**

NORTH AMERICAN TUNGSTEN CORPORATION LTD.
INTERIM CONSOLIDATED BALANCE SHEETS
AS AT MARCH 31, 2011 AND SEPTEMBER 30, 2010
UNAUDITED

(in thousands of dollars)	Note(s)	March 31, 2011	September 30, 2010
ASSETS			
Current assets			
Cash and cash equivalents	4	\$ 5,194	\$ 2,276
Accounts receivable	18 & 22	7,539	1,977
Inventories	5	6,175	2,259
Prepaid expenses		<u>532</u>	<u>338</u>
		19,440	6,850
Deferred royalty purchases	8	306	306
Investment in Tungsten Diversified Industries, LLC ("TDI")	6	5,896	6,268
Property, plant and equipment	7	28,283	17,484
Mineral properties - Mactung	8	15,177	14,882
Mineral properties - other		9	9
Reclamation deposits	11 & 15	<u>4,328</u>	<u>4,128</u>
		<u>\$ 73,439</u>	<u>\$ 49,927</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		\$ 18,773	\$ 7,146
Current portion of:			
customer advances	10 & 15	2,315	2,958
equipment and CAT loans	9 & 15	3,296	170
capital leases	12 & 15	<u>1,867</u>	<u>864</u>
		26,251	11,138
Reclamation liabilities	11 & 15	4,053	3,979
Customer advances	10 & 15	3,818	5,017
Equipment and CAT loans	9 & 15	6,084	723
Capital leases	12 & 15	1,494	1,078
Other obligations		243	235
Convertible debenture	14	2,639	-
Future income taxes		<u>183</u>	<u>355</u>
		44,765	22,525
SHARE CAPITAL AND DEFICIT			
Share capital	13	64,328	53,235
Equity component of convertible debenture	14	181	-
Contributed surplus	13	5,227	3,135
Deficit	13	<u>(41,062)</u>	<u>(28,968)</u>
		<u>28,674</u>	<u>27,402</u>
		<u>\$ 73,439</u>	<u>\$ 49,927</u>
Going concern	1		
Commitments and contingencies	15 & 17		

ON BEHALF OF THE BOARD

"signed"

Stephen M. Leahy

"signed"

Bryce M. A. Porter

NORTH AMERICAN TUNGSTEN CORPORATION LTD.
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
FOR THE THREE AND SIX MONTHS ENDED MARCH 31
UNAUDITED

(in thousands of dollars except for per share amounts)	Note(s)	For the three months		For the six months	
		2011	2010	2011	2010
REVENUES					
Sales	18 & 23	\$ 11,446	\$ 3,738	\$ 18,816	\$ 13,370
EXPENSES					
Minesite cost of sales	19	17,477	3,495	27,963	11,667
Freight, handling and conversion		220	74	387	762
Royalties		109	37	184	126
Accretion of reclamation liabilities	11	37	38	74	75
		<u>17,843</u>	<u>3,644</u>	<u>28,608</u>	<u>12,630</u>
Shut down/care and maintenance costs		-	1,209	-	2,643
General and administrative	20	723	612	1,434	1,114
Accretion	14	19	5	38	9
Interest and financing costs		405	122	703	196
Equity loss of TDI	6	134	277	372	363
Stock based compensation	13	41	41	54	55
Exploration expenses		-	1	23	71
Gain on disposal of assets		(2)	-	(2)	(9)
Interest income		(4)	(1)	(15)	(9)
Foreign exchange loss (gain)		18	75	(134)	119
		<u>19,177</u>	<u>5,985</u>	<u>31,081</u>	<u>17,182</u>
NET LOSS BEFORE INCOME TAXES		(7,731)	(2,247)	(12,265)	(3,812)
Future income tax recovery		60	137	171	205
NET LOSS AND COMPREHENSIVE LOSS		\$ (7,671)	\$ (2,110)	\$ (12,094)	\$ (3,607)
DEFICIT-BEGINNING OF PERIOD		(33,391)	(18,528)	(28,968)	(17,031)
DEFICIT-END OF PERIOD		\$ (41,062)	\$ (20,638)	\$ (41,062)	\$ (20,638)
Net earnings/(loss) per share					
Basic		\$ (0.04)	\$ (0.01)	(0.06)	\$ (0.02)
Diluted		\$ (0.04)	\$ (0.01)	(0.06)	\$ (0.02)
Weighted average number of shares (in thousands)					
Basic		213,823	189,290	212,821	182,778
Diluted		213,823	189,290	212,821	182,778

NORTH AMERICAN TUNGSTEN CORPORATION LTD.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE AND SIX MONTHS ENDED MARCH 31
UNAUDITED

(in thousand of dollars)	Note(s)	For the three months		For the six months	
		2011	2010	2011	2010
CASH FLOWS USED IN OPERATING ACTIVITIES					
Net loss		\$ (7,671)	\$ (2,110)	\$ (12,094)	\$ (3,607)
Items not affecting cash:					
Amortization and depreciation		607	108	1,016	334
Equity loss of TDI		134	277	372	363
Accretion of reclamation liabilities		37	38	74	75
Stock based compensation		41	41	54	55
Accretion	14	19	5	38	9
Gain on disposal of assets		(2)	-	(2)	(9)
Foreign exchange on customer advances	10	(157)	-	(406)	-
Foreign exchange on convertible debenture	14	(69)	-	(135)	-
Future income tax recovery		(61)	(137)	(172)	(205)
		<u>(7,122)</u>	<u>(1,778)</u>	<u>(11,255)</u>	<u>(2,985)</u>
Change in non-cash working capital	21	4,229	5,830	(166)	6,920
Increase in reclamation deposits	15 a.	(100)	(100)	(200)	(117)
		<u>(2,993)</u>	<u>3,952</u>	<u>(11,621)</u>	<u>3,818</u>
CASH FLOWS USED IN INVESTING ACTIVITIES					
Proceeds on disposal of assets		5	-	5	9
Deferred buy out of royalty		-	(200)	-	(200)
Expenditure on Mactung development	21	(236)	(298)	(378)	(538)
Purchase of property, plant and equipment	21	(6,531)	(147)	(9,830)	(492)
		<u>(6,762)</u>	<u>(645)</u>	<u>(10,203)</u>	<u>(1,221)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of customer advances	10 & 15	(945)	-	(1,436)	-
Issuance of capital stock	13	11,500	-	14,160	3,065
Capital stock issuance costs	13 & 21	(784)	-	(813)	(19)
Net increase/(decrease) in capital lease obligations	12 & 15	1,467	(126)	1,419	(296)
Net increase in equipment and CAT loans obligations	9 & 15	3,239	-	8,487	-
Convertible debentures	14	-	-	2,925	-
Operating loan borrowings net	9	(68)	(553)	-	(3,549)
		<u>14,409</u>	<u>(679)</u>	<u>24,742</u>	<u>(799)</u>
Increase in cash and cash equivalents		4,654	2,628	2,918	1,798
Cash and cash equivalents beginning of period		540	498	2,276	1,328
Cash and cash equivalents, end of period		\$ <u>5,194</u>	\$ <u>3,126</u>	\$ <u>5,194</u>	\$ <u>3,126</u>
<u>Represented by:</u>					
Cash		\$ 5,159	\$ 3,091	\$ 5,159	\$ 3,091
Cash equivalents	4	35	35	35	35
		<u>\$ 5,194</u>	<u>\$ 3,126</u>	<u>\$ 5,194</u>	<u>\$ 3,126</u>
Non-cash working capital, investing and financing activities	21				

NORTH AMERICAN TUNGSTEN CORPORATION LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
UNAUDITED

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, and 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 6), 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.

The Company re-started the Cantung mine in October 2010. For the six months ended March 31, 2011 the net loss was \$12.1 million and, as at March 31, 2011, there was a deficiency of working capital of \$6.8 million. A waiver was obtained for a covenant breach relating to the HSBC Credit Facilities. As described in Note 9, the Company acknowledged a breach of the net tangible worth ratio and the current assets to current liabilities ratio as at March 31, 2011; however, the bank has waived any default through September 30, 2011.

The Company's ability to continue as a going concern is dependent upon on its ability to meet its covenants related to its HSBC Credit Facilities and its ability to achieve positive cash flows from the Cantung operations, which will require a successful ramp up of production to close to planned levels. Additional funding may be required for development and working capital. 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:

Basis of Presentation

These unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian GAAP consistent with those used in the preparation of the Company's audited consolidated financial statements for the year ended September 30, 2010. As these unaudited interim consolidated financial statements do not contain all of the disclosures required by Canadian GAAP, they should be read in conjunction with the notes to the Company's audited consolidated financial statements for the year ended September 30, 2010.

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.

In the opinion of Management, all adjustments necessary to present fairly the consolidated financial position as at March 31, 2011 and the consolidated results of operations, cash flows and comprehensive income for the six month period then ended March 31, 2011 have been made. These interim results are not necessarily indicative of the results for a full year.

3. 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:

NORTH AMERICAN TUNGSTEN CORPORATION LTD.
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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 six months ended March 31, 2011 with other variables unchanged a \$0.01 strengthening (weakening) of the Canadian dollar against the US dollar would result in a decrease (increase) of \$0.1 million on net earnings (2010 – a \$0.01 decrease of \$0.1 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 three of the primary customers totaled \$5.5 million as of March 31, 2011 (\$nil as at September 30, 2010) which consists of \$4.86 million current and \$0.64 million non-current. (see Note 18)

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 March 31, 2011, \$35 thousand (September 30, 2010 \$1.3 million) of guarantee investment certificates carried floating interest rate of under 1%. For financial liabilities, interest is payable on equipment and CAT loans and capital leases rates ranging from 4.75% to 16.58%. \$6.6 million of the equipment loans carry rates of Bank Prime + from 1.75% to 3.75% (See Note 9).

As at March 31, 2011 and September 30, 2010, 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 and Note 9. The Company's contractual obligations are disclosed in Note 15.

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.

4. Cash and cash equivalents:

Cash and cash equivalents include \$35 thousand (September 30, 2010 - \$1.3 million) in bankers acceptances carrying an interest of under 1%.

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 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. Inventories :

(in thousands of dollars)	March 31, 2011	September 30, 2010
Concentrates	\$ 2,656	\$ -
Materials and supplies	3,519	2,259
	<u>\$ 6,175</u>	<u>\$ 2,259</u>

For the three months and six months ended March 31, 2011 concentrates were valued at their net realizable value, which resulted in a charge to mine site costs of sales of \$431 thousand and \$1,311 thousand respectively.

6. Investment in Tungsten Diversified Industries, LLC:

On December 9, 2008 of Tungsten Diversified Industries, LLC ("TDI") 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 equity accounted investment.

The Company's net investment in TDI is as follows:

Balance - September 30, 2010	\$ 6,268
Share of losses	(372)
Balance - March 31, 2011	<u>\$ 5,896</u>

7. Property, plant and equipment:

(in thousands of dollars)	Cost	Accumulated Amortization	March 31, 2011 Net
Property, plant and equipment	\$ 60,213	\$ (31,931)	\$ 28,283

(in thousands of dollars)	Cost	Accumulated Amortization	September 30, 2010 Net
Property, plant and equipment	\$ 48,402	\$ (30,918)	\$ 17,484

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

8. Mactung and deferred royalty purchases:

The following table summarizes the Company's interest in Mactung as at March 31, 2011 and September 30, 2010.

(in thousands of dollars)	
Balance September 30, 2010	\$ 14,882
Expenditures during the period	295
Balance March 31, 2011	<u>\$ 15,177</u>

NORTH AMERICAN TUNGSTEN CORPORATION LTD.
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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.

As the Company did not exercise the Option by March 30, 2010, it paid \$200 thousand to Teck to maintain the Option.

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 March 31, 2011 was \$300 thousand (September 30, 2010 - \$300 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 March 31, 2011 was \$6 thousand (September 30, 2010 - \$6 thousand).

9. Bank loan and other credit facilities:

Significant changes in our bank loan and other credit facilities from that disclosed in the September 30, 2010 annual consolidated financial statements are as follows:

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, but defaults have been waived by the Bank through September 30, 2011. The covenanted ratios must be achieved as at the quarter ending December 31, 2011 and be maintained going forward.

Operating loan

The operating loan facility is CDN\$8.0 million (2010 – CDN\$6.0 million). Drawings against the facility may be in U.S. dollars or 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 March 31, 2011 CDN\$nil had been drawn under the operating loan.

Demand non-revolving equipment loans

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

As at March 31, 2011 the outstanding equipment loan principal balances were \$66 thousand; \$117 thousand and \$166 thousand.

The Company entered into an agreement for a new "fourth" equipment loan for CDN\$3.5 million, the loan was fully advanced on October 7, 2010. The loan carries an interest rate of Bank's Prime Rate + 3.75%; interest only is payable for the first six months; and then monthly payments of \$130 thousand commenced on April 30, 2011 for thirty months.

The Company entered into an agreement for a "fifth" equipment loan for CDN\$3.5 million. The loan carries an interest rate of 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 March 31, 2011 the Company has drawn CDN\$2.8 million under this facility.

Interest in the amount of \$122 thousand and \$169 thousand were paid on the equipment loans for the three months and six months ended March 31, 2011. (for the three and six months ended March 31, 2010 were \$6 thousand and \$12 thousand respectively).

NORTH AMERICAN TUNGSTEN CORPORATION LTD.
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The Company's bank credit facilities contain the following covenants:

- debt to tangible net worth ratio of no more than 3.5:1.00 from October 1, 2010 till December 31, 2010; 3.0:1.00 - from January 1, 2011 till March 31, 2011; and 2.5:1.0 from April 1, 2011 thereafter;
- a current assets to current liabilities ratio of at least 0.75:1.00 from October 1, 2010 to September 30, 2011; achieve a ratio of at least 1.10:1.00 by December 31, 2011

The Company has acknowledged a breach of the net tangible worth ratio and the current assets to current liabilities ratio as at March 31, 2011; however, the bank has agreed to waive any default through September 30, 2011. The covenants must be achieved as at the quarter ending December 31, 2011 and be maintained going forward.

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

Caterpillar Financial Services Corporation loan facility

During the year ended September 30, 2010, the Company approved to purchase a power generation, heat recovery equipment and electrical control systems in the amount of \$3.5 million. The Company paid a deposit of \$696 thousand for the equipment and entered into an agreement with Caterpillar Financial Services Corporation ("CAT loan") in the amount of US\$2.8 million for a 48 month term with an interest rate of 8.50% per annum. Interest in the amount of \$40 thousand and \$58 thousand were paid on the loan facility for the three months and six months ended March 31, 2011 (for the three and six months end March 31, 2010 - \$nil).

10. Customer advances:

During the year ended September 30, 2010 the Company received financing advances totaling \$7.975 million (US\$7.75 million). The Company repaid \$0.95 million of the advances net of a foreign exchange gain of \$0.15 million for the three month period and \$1.4 million of the advances net of a foreign exchange gain of \$0.4 million for the six month period ended March 31, 2011. The balance outstanding as of March 31, 2011 is \$6.133 million of which \$2.315 million is included in current liabilities (September 30, 2010 - \$7.975 million of which \$2.958 was included in current liabilities). The outstanding balance of the advances is repayable over terms up to 30 months. US\$3.13 million is secured by a letter of credit which is guaranteed by a related party. (See Notes 15 and 22)

11. Reclamation liabilities:

The Company's total undiscounted amount of estimated cash flows required to settle the mine reclamation obligation is \$4.3 million (September 30, 2010 - \$4.2 million) which has been discounted using credit adjusted risk free rates of 1% to 4% (September 30, 2010 1%-4%).

(in thousands of dollars)	March 31, 2011	September 30, 2010
Opening balance, asset retirement obligation	\$ 3,979	\$ 3,780
Accretion during the period	74	199
Closing asset retirement obligation	\$ 4,053	\$ 3,979

Deposits of \$4.3 million in cash and \$7.4 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. (See Note 15 a.)

12. Capital leases:

The maturity dates of the capital leases range from August 2011 to August 2014 with interest rates ranging from 6.4% to 16.58%. See Note 16 for details of payments over the next 4 years.

Interest in the amount of \$26 thousand and \$43 thousand were paid on capital leases for the three months and six months ended March 31, 2011 (for the three and six months end March 31, 2010 were \$14 thousand and \$37 thousand respectively).

NORTH AMERICAN TUNGSTEN CORPORATION LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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13. 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, 2010	206,790,058	\$ 53,235
Exercise of options	33,000	5
Private placements	30,000,000	14,160
Warrant issuances		(1,963)
Share issue costs		(1,111)
Reallocation of fair value related to options exercised		2
March 31, 2011	236,823,058	\$ 64,328

b. 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 unit 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.

The warrants were valued using the following assumptions:

- Risk free interest rate of 2.53%
- Dividend yield of 0%
- Expected volatility of 98.78%
- Expected warrant life of 5 years

c. Bought-Deal Private Placement

On March 31, 2011 the Company closed a bought-deal private placement of 23,000,000 units (the "Units") of the Company which includes the exercise in full of the over-allotment options for 3,000,000 additional Units, for aggregate gross proceeds of \$11.5 million (the "Offering"). The Units were sold at a price of \$0.50 per Unit. Each Unit consists of one common share in the capital of the Company (a "Common Share") and one-half of a share purchase warrant, (a "Warrant"). Each warrant will entitle the holder to purchase one Common Share at a price of \$0.75 for a period of two years, expiring March 31, 2013.

The Units were sold pursuant to an underwriting agreement (the "Underwriting Agreement"); the Company paid the Underwriters a cash fee of \$625 thousand and 1,250,000 broker units (the "Broker Units"). Each Broker Unit is exercisable into one common share and one-half of a share purchase warrant at a price of \$0.75, expiring on March 31, 2013. Professional and regulatory fees totaling \$375 thousand were incurred in connection with the financing.

The warrants were valued using the following assumptions:

- Risk free interest rate of 1.73%
- Dividend yield of 0%
- Expected volatility of 84.16%
- Expected warrant life of 2 years

No. of Warrants Outstanding as of Sept. 30, 2010	Issued	Exercised	Expired	No. of Warrants Outstanding as of March 31, 2011	Exercise Price	Expiry Date	Warrants Exercisable
b)	2,000,000	-	-	2,000,000	\$1.00	27-Oct-15	2,000,000
c)	11,500,000	-	-	11,500,000	\$0.75	31-Mar-13	11,500,000
c)	1,250,000	-	-	1,250,000	\$0.75	31-Mar-13	1,250,000
	14,750,000	-	-	14,750,000			14,750,000

NORTH AMERICAN TUNGSTEN CORPORATION LTD.
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d. Shareholders' equity

(in thousands of dollars)	Capital Stock	Convertible Debenture	Contributed Surplus	Deficit	Total
September 30, 2010	\$ 53,235	\$ -	\$ 3,135	\$ (28,968)	\$ 27,402
Stock compensation	-	-	54	-	54
Exercise of stock options	5	-	-	-	5
Reallocation of contributed surplus related to options exercised	2	-	(2)	-	-
Private placements	14,160	-	-	-	14,160
Equity component of convertible debenture	-	181	-	-	181
Warrant issuances	(1,963)	-	1,963	-	-
Share issue costs	(1,111)	-	77	-	(1,034)
Net loss	-	-	-	(12,094)	(12,094)
March 31, 2011	\$ 64,328	\$ 181	\$ 5,227	\$ (41,062)	\$ 28,674

e. 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 six month period ended March 31, 2011:

- 413,666 options expired or forfeited without exercise
- 33,000 options were exercised
- 240,000 options were granted to an employee with a strike price of \$0.41. The option valuation for the issue was calculated using the Black-Scholes option pricing model based on an average expected option life of 5 years, a dividend yield of 0%, a risk free interest rate of 1.73%, and an expected volatility of 93.13%.

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.

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No. of Options Outstanding as of September 30, 2010	Exercised	Issued	Forfeited or Expired	No. of Options Outstanding as of March 31, 2011	Exercise Price	Expiry Date	Options Exercisable
80,000	-	-	(80,000)	-	\$1.15	9-Nov-10	-
200,000	-	-	(200,000)	-	\$1.76	31-Jan-11	-
50,000	-	-	(50,000)	-	\$0.70	27-Oct-11	-
1,106,700	-	-	(50,000)	1,056,700	\$1.25	19-Mar-12	1,056,700
75,000	-	-	-	75,000	\$1.28	14-Jun-12	75,000
33,334	-	-	(33,334)	-	\$1.24	27-May-13	-
508,332	(33,000)	-	(332)	475,000	\$0.15	19-Oct-14	475,000
1,650,000	-	-	-	1,650,000	\$0.19	1-Feb-15	1,650,000
-	-	240,000	-	240,000	\$0.41	5-Jan-16	-
3,703,366	(33,000)	240,000	(413,666)	3,496,700			3,256,700

The outstanding options have a weighted-average exercise price of \$0.54 per share and the weighted-average remaining life of the options is 3.02 years.

Subsequent to March 31, 2011, 300,000 stock options were exercised to acquire common shares at \$0.15 per share.

14. Convertible Debenture:

On October 28, 2010 the Company issued US Dollar Convertible Debentures ("debentures") in the principal amount of US\$2.87 million (CDN\$2.93 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 at the option of the holder. The debentures are secured by a general security agreement that has been subordinated to the Company's senior indebtedness.

The debentures have been classified into their debt and equity components using the credit adjusted rate. The carrying amount of the financial liability is first determined by discounting the stream of future principal and interest payments at the rate of interest (12.5%) prevailing at the date of issue for instruments of similar term and risk. The equity component equals the amount determined by deducting from the carrying amount of the compound instrument the amount of the debt component. For accounting purposes, the debt component was assigned a value of \$2.744 million (US\$2.693 million) and the conversion rights were assigned a value of \$0.181 million (US\$0.177 million).

Interest expense on the debentures is composed of the interest calculated on the face value of the debentures which amounted to \$69 thousand and \$120 thousand for the three months and six months as at March 31, 2011 respectively, and an annual notional interest representing the accretion of the carrying value of the debentures. For the three months and six months ended March 31, 2011, the notional interest recorded were \$15 thousand and \$30 thousand respectively.

Five directors participated directly and indirectly in the debenture financing for a total principal amount of US\$1.37 million. (See Note 22)

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15. Commitments:

(in thousands of dollars)	Payments due in years ended September 30,					
	2011	2012	2013	2014	2015	TOTAL
Contractual Obligations						
Mactung leases	\$ 5	\$ 8	\$ 8	\$ 8	\$ 8	\$ 37
Cantung leases	12	43	43	43	43	184
Customer Advances	1,406	1,818	2,909	-	-	6,133
Equipment loans	1,345	2,624	2,607	42	-	6,618
Capital leases	949	1,728	675	9	-	3,361
CAT loan	305	649	705	766	337	2,762
Office leases ¹	110	214	-	-	-	324
	\$ 4,132	\$ 7,084	\$ 6,947	\$ 868	\$ 388	\$ 19,419

¹ - Including estimates of operating cost components.

See Note 15 (a) for obligations under the water license

Purchase Commitment

The Company has an outstanding commitment to purchase equipment for its CanTung Mine of \$1.8 million.

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 \$11.7 million, of which the Company has posted \$4.3 million in cash and \$7.4 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 thousand 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.

During the six months ended March 31, 2011 the Company posted \$200 thousand of cash and reduced the posted secured promissory notes by \$200 thousand.

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 8.

16. Capital management:

The Company defines its capital as shareholders' equity, consisting of share capital, equity portion of convertible debentures, contributed surplus and deficit. 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.

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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.

17. 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 (2010 - \$1.3 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 (2010 - \$0.45 million).

18. Sales and economic dependence:

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

Sales to four customers accounted for 100% of sales made in the six months ended March 31, 2011 (2010 – 99% to two customers).

As at March 31, 2011 \$5.5 million in receivables was due from three customers. (September 30, 2010 - \$nil). See Note 22 for sales to TDI and receivables from TDI.

19. Mine site cost of sales:

(in thousands of dollars)	For the three months ended		For the six months ended	
	March 31,		March 31,	
	2011	2010	2011	2010
Mine operating costs	\$ 16,048	\$ -	\$ 29,591	\$ 1,837
Amortization and depreciation	607	-	1,016	149
Inventory changes, adjustments and write-downs	822	3,495	(2,644)	9,681
	<u>\$ 17,477</u>	<u>\$ 3,495</u>	<u>\$ 27,963</u>	<u>\$ 11,667</u>

20. General and administrative costs:

(in thousands of dollars)	For the three months ended		For the six months ended	
	March 31,		March 31,	
	2011	2010	2011	2010
Fees, wages and benefits	\$ 380	\$ 313	\$ 692	\$ 609
Office expenses	125	120	236	211
Accounting and audit	39	38	69	74
Legal fees	39	40	106	40
Investor relations, travel and business development	60	75	119	131
Consulting	63	7	191	30
Filing fees and transfer agent fees	17	19	21	19
	<u>\$ 723</u>	<u>\$ 612</u>	<u>\$ 1,434</u>	<u>\$ 1,114</u>

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21. Supplemental cash flow:

(in thousands of dollars)	For the three months ended March 31,		For the six months ended March 31,	
	2011	2010	2011	2010
Changes in non-cash working capital				
Accounts receivable	\$ (761)	\$ 3,666	\$ (5,562)	\$ 2,544
Prepaid expenses	(229)	38	(194)	131
Accounts payable and accrued liabilities	5,395	(1,362)	9,506	(5,631)
Inventories	(176)	3,488	(3,916)	9,876
Change in non-cash working capital	\$ 4,229	\$ 5,830	\$ (166)	\$ 6,920
Interest received	\$ 4	\$ 1	\$ 15	\$ 9
Interest paid	\$ 404	\$ 43	\$ 702	\$ 117

Outstanding non-cash investing and financing activities:

Expenditures on property plant and equipment financed through accounts payable and accrued liabilities	\$ 4,141	\$ 164	\$ 4,141	\$ 164
Expenditures on Mactung development financed through accounts payable and accrued liabilities	\$ 78	\$ -	\$ 78	\$ -
Share issuance costs - non cash broker warrants	\$ 249	\$ -	\$ 249	\$ -
Share issuance costs - financed through accounts payable and accrued liabilities	\$ 216	\$ -	\$ 216	\$ -

22. Related party transactions:

Accounts receivable as at March 31, 2011 include \$1.3 million (September 30, 2010 - \$1.3 million) due from TDI. Sales to TDI for the three months and six months ended March 31, 2011 were \$nil (three and six months ended March 31, 2010 - \$nil).

A director of the Company guaranteed the issuance of a letter of credit for a fee of 10% per annum of the outstanding face amount of the letter of credit. For the three months and six months ended March 31, 2011, the Company paid \$87 thousand and \$181 thousand respectively to the director. (See Note 10)

Directors of the Company participated directly and indirectly in the US\$2.87 million convertible debenture financing as to US\$1.37 million. (See Note 14)

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 three months ended March 31,		For the six months ended March 31,	
	2011	2010	2011	2010
TUNGSTEN:				
North America	\$ 1,788	\$ 36	\$ 2,128	\$ 2,113
Asia	6,495	3,702	11,166	10,505
Europe	3,163	-	5,522	-
	11,446	3,738	18,816	12,618
COPPER:				
Europe	-	-	-	752
TOTAL	\$ 11,446	\$ 3,738	\$ 18,816	\$ 13,370