NORTH AMERICAN TUNGSTEN CORPORATION LTD

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE QUARTER ENDED:

MARCH 31, 2011

REPORT DATED: MAY 30, 2011

This discussion and analysis of financial position and results of operations of North American Tungsten Corporation Ltd., the "Management Discussion and Analysis" (MD&A), is prepared as of May 27, 2011, and should be read in conjunction with the unaudited interim consolidated financial statements for the period ended March 31, 2011 and the audited consolidated financial statements for the year ended September 30, 2010. This MD&A reviews the business of North American Tungsten Corporation Ltd. and compares the Company's financial results for the quarter ended March 31, 2011 (Q2 2011) with those of the quarter ended March 31, 2010 (Q2 2010) and for the six month period ended March 31, 2011 (H1 2011) with those of the six month period ended March 31, 2010 (H1 2010). In this discussion, unless the context otherwise dictates, a reference to North American Tungsten, NATC, or the Company refers to North American Tungsten Corporation Ltd. and its subsidiaries. Additional information relating to the Company including its Annual Information Filing is available on SEDAR at www.sedar.com.

Caution on Forward-Looking Information

Certain of the statements made and information contained herein is "forward-looking information" within the meaning of the Ontario Securities Act. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to foreign currency fluctuations; risks inherent in mining including environmental hazards, industrial accidents, unusual or unexpected geological formations, ground control problems and flooding; risks associated with the estimation of mineral resources and reserves and the geology, grade and continuity of mineral deposits; the possibility that future exploration, development or mining results will not be consistent with the Company's expectations; the potential for and effects of labor disputes or other unanticipated difficulties with or shortages of labor or interruptions in production; actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses, commodity price fluctuations; uncertain political and economic environments; changes in laws or policies, delays or the inability to obtain necessary governmental permits; and other risks and uncertainties, including those described under Risk Factors Relating to the Company's Business in the Company's Annual Information Form and in each management discussion and analysis. Forward-looking information is in addition based on various assumptions including, without limitation, the expectations and beliefs of management, the assumed long term price of tungsten and copper; that the Company can access financing, appropriate equipment and sufficient labour and that the political environment where the Company operates will continue to support the development and operation of mining projects. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements.

A glossary of terms is affixed

BUSINESS OVERVIEW

Based on increased output and rising sales realizations, the Company anticipates it will soon return to profitability and generate positive cash flows from operations. This in contrast to the $12.1 million net loss recorded over the first two quarters that were affected by ramp-up problems and low production at the Cantung mine.

The Cantung mine re-opened in October 2010, correctly anticipating market improvement. The ramp-up process was affected by various factors: excessive downtime for mining equipment hampered operations underground; there were difficulties with some older pumps and other equipment in the mill; while power supply was affected by delays in installation of new generating equipment.

These problems have now largely been rectified. New and efficient load-haul-dump equipment and trucks for transporting ore from underground have been delivered; new equipment has been installed as necessary in the mill; and efficient power generating capacity is now in place. Management has been changed and strengthened. Production in the third quarter to date has already improved considerably.

Average sales prices realized are also moving up. They are still well below the current spot market quotations due to prior-period averaging provisions in the Company's sales contracts and delayed deliveries. These provisions, however, assure higher prices in future months. Sales realizations will tend to rise towards today's attractive spot prices over a period of months.

Based on the above, there is sound reason for optimism. While the Company may require some additional funds to carry out all the mine development and tailings impoundment activities that are currently planned for the next few months, operating cash flows are improving significantly. Management expects its long term financial position to improve considerably. The Company appreciates the actions of its bankers in waiving covenanted balance sheet ratios for a period. Breaches of covenants at March 31, 2011 as well as any further breaches through September 30, 2011 have been waived. The covenanted ratios must be achieved as at the quarter ending December 31, 2011 and be maintained going forward.

Market conditions for tungsten miners have rarely been so good. As Cantung production rises, there is significant profit potential for the Company. Prospective returns from the Company's Mactung property have also improved significantly.

Some specific highlights:

-Tungsten prices reach another milestone
The MB European quotation for APT (from which concentrate prices are derived by varying formulae) has risen to US$463/MTU based on a range of (US$460-465). That average has risen 148% from a monthly low of US$187/MTU in July 2009. The September 2010 closing average price was US$250/MTU.

-Cantung production has been below plan but is improving
Due to development delays and poor underground and mill equipment availability, concentrate production in this post re-start quarter was significantly below plan. Shortfalls in tons mined, grade and mill recovery negatively impacted cash flows. The net loss for the quarter was $7.7 million and the cash drain from operating activities was $7.1 million. Production was 43,728 mtus of tungsten concentrates comprised of 33,132 of gravity concentrate and 10,596 mtus of flotation concentrates. The Company has received new production mining equipment during March and April 2011. Production in the third quarter to May 22 was 45,000 mtus, evidencing that output is improving significantly.

-Strong demand for tungsten is expected to continue
The International Monetary Fund ("IMF") expects global growth of 4.5% in calendar 2011 and 2012. Strong global demand for commodities including tungsten has reduced inventories and has caused a strong and broad based increase in prices. For Developing Asia including China, growth is projected to be 8.4% in 2011 and 2012. Historically, China has been a major supply factor in the tungsten market but is now using its production internally while its imports are rising. Production of western mines is materially less than western demand.

-Financing
On March 31, 2011 the Company closed a public offering for proceeds of CDN$11,500,000 consisting of 23,000,000 units at a price of $0.50 per unit.

-Special Committee
In order to most effectively and responsively move forward to create greater shareholder value from Mactung, the Company's Board of directors established a special committee to explore all strategic alternatives relating to the Mactung deposit. The Board believes that the value of the Mactung deposit is not currently reflected in the Company's share price.

-Updated 43-101 Compliant Technical Report

On February 9, 2011 the Company released an updated 43-101 compliant technical report on the Cantung Mine. The Company has increased its probable minerals reserves to an estimated 1,693,000 tons grading 1.17% WO3 as of October , 2010; in addition, indicated mineral resources are estimated at 2.45 million tons grading 1.11% WO3 and inferred mineral resources are estimated at 0.43 million tons grading 0.84% WO3.

DESCRIPTION OF BUSINESS

North American Tungsten Corporation Ltd. is engaged in tungsten mining and related activities which includes the acquisition, exploration, development and processing of ores and concentrates. The Company owns the Cantung mine in the Northwest Territories; the Mactung mineral property on the border of the Yukon Territory and the Northwest Territories; other tungsten exploration prospects; and has a 43.2% interest in Tungsten Diversified Industries, LLC ("TDI") which has a tungsten processing facility in Minnesota, USA.

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

OVERALL PERFORMANCE

Mactung

Special Committee

In order to most effectively and responsively move forward to create greater shareholder value from Mactung, the Company's Board of directors has established a special committee to explore all strategic alternatives relating to the Mactung deposit. The Board believes that the value of the Mactung deposit is not currently reflected in the Company's share price. The timing of the Company's decision takes into account the status of the permitting and licensing, highly favorable tungsten price levels, significant global M&A activities, a growing worldwide demand for tungsten and related significant potential shortfalls in worldwide tungsten supply.

The National Instrument 43-101 Compliant Technical Report on the Mactung Property – Yukon Canada ("Feasibility Study") dated April 3, 2009 prepared by Wardrop, A Tetra Tech Company showed a $276 million NPV and a $402 million CAPEX, all based on an Ammonium Para Tungsten ("APT") price of US$300 per mtu.

The Company continues to consider an update of the feasibility study for the proposed 2,000 tonne per day mining operation at Mactung. The new study could include an open pit as well as the underground mining that formed the basis of the original feasibility study published in 2009.

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

Leading up to the submission of the YESAB application, the Company had completed at monthly intervals 1 year of water quality monitoring of the surface and ground water in and around the Mactung property. During 2011, the Company continued the water sampling program, and has accumulated 2 years of data as of January 2011. This data will be available to the Yukon regulatory agencies as required under the permitting process for the issuance of the Type A and B Water Licenses and the Quartz Mining License required commencing construction and operations at Mactung.

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

Mine Operations

The Cantung mine, located on the western border of the Northwest Territories, is the Company's sole mining operation. Production of tungsten concentrates from the mine resumed on October 7, 2010. Production of tungsten concentrates was below target for the quarter and six months periods primarily due to equipment availabilities in both the mine and mill. During the quarter, a decision was made to replace the majority of the underground production fleet (load/haul/dump scoops and replacement trucks). At the same time, new pumps were ordered to replace all the main pumps in the mill. There were also two scheduled maintenance shutdowns in the mill to address repairs, including a liner change in the rod mill.

Inconsistent power generation was another contributing factor to poor mill availability and mine development. One of three new generators was installed and commissioned by the end of Q2. Two other generators are due on site towards the beginning of June. The 3612 main generator failed during the quarter and was removed from service. An existing old hydraulic backfill system (Zimpro) was installed in the mill and a 3" backfill line was installed underground to provide sand-fill to mined out areas in the mine.

The mining contractor carrying out the underground West Extension development was hampered by flooding (power issues) as well as equipment and manpower problems. A temporary ventilation raise was developed to help improve the overall ventilation supply in the West Extension until the final system is installed.

Turnover of Company personnel has proven a significant challenge. The mining cycle is currently at an all time high. Due to competition attracting and retaining qualified and experienced people is difficult.

The production shortfalls have had a significant impact on the Company's earnings and cash flows; the net loss was $7.7 million for Q2 2011 and $12.1 million for H1 2011. Cash flow losses from operations were negative $7.1 million for Q2 2011 prior to changes in non-cash working capital and increase in reclamation deposit and $11.3 million negative for H1 2011.

The overall cash drain from operating activities was $3.0 million in the quarter and $11.6 million for H1 2011. This compared to positive cash flows of $4.0 million for Q2 2010 and $3.8 million for H1 2010 when working capital was being reduced during a suspension of operations.

Production of copper concentrates commenced on December 12, 2010 and is currently stockpiled for shipment. During Q2 2011 production was 43,728 mtus of tungsten concentrates comprised of 33,133 mtus of gravity concentrate and 10,595 mtus of flotation concentrates compared to nil production in Q2 2010 when the operation was on care and maintenance. Tons milled for Q2 2011 were 76,980 tons at a grade of 0.85% WO_3 compared to nil in Q2 2010. Mill recovery for Q2 2011 was 73.35%.

An updated Technical Report on the Cantung mine was filed on February 9, 2011 and is available under the Company's profile at www.sedar.com.

The updated Mineral Reserves and Mineral Resources as of October 1, 2010 are summarized in Tables 1-1, 1-3 and 1-4.

TABLE 1-1 CANTUNG PROBABLE MINERAL RESERVES

Zone	Tons	Grade (WO_3 %)	STU'S
West Extension 3600 Area	553,432	1.47	813,650
E Zone Pillars	541,860	1.00	539,701
Pit Underground	598,162	1.05	627,986
TOTAL Probable Reserves	**1,693,454**	**1.17**	**1,981,337**

Notes:

1. *Mineral Reserves conform to CIM and NI43-101 requirements.*
2. *All Mineral Reserves are classified as Probable.*
3. *Mineral Reserves are estimated at a cutoff grade of 0.80% WO_3.*
4. *A minimum mining width of 15 feet was used.*
5. *The E Zone Pillars include the West Extension, E-Zone, Main Zone Pillars.*

TABLE 1-3 CANTUNG INDICATED MINERAL RESOURCES

Zone	Tons	Grade (WO_3%)	STU'S
West Extension Below 3700el	344,485	1.49	513,283
West Extension Below 3570el	305,324	1.46	445,773
West Extension	115,601	1.20	138,652
E-Zone	24,183	1.97	47,738
Main Zone Pillars	387,448	1.27	491,461
Central Flats	6,198	1.07	6,646
South Flats	38,990	1.64	64,079
Pit/PUG	1,230,580	0.83	1,021,381
TOTAL Indicated Resources	**2,452,809**	**1.11**	**2,729,013**

Notes:

1. Mineral Resources conform to CIM and NI43-101 requirements.
2. Mineral Resources are estimated at a cutoff grade of 0.5% WO_3 for underground as well as Pit and PUG
3. All Mineral Resources are listed as Indicated
4. Pit/PUG refers to Pit Underground

TABLE 1-4 CANTUNG INFERRED MINERAL RESOURCES

Zone	Tons	Grade (WO_3%)	STU'S
West Extension Below 3700el	571	0.92	525
West Extension Below 3700el	15,371	1.15	17,677
Pit/PUG	417,323	0.83	346,378
TOTAL Inferred Resources	**433,265**	**0.84**	**364,580**

Notes:

1. Mineral Resources conform to CIM and NI43-101 requirements.
2. Mineral Resources are estimated at a cutoff grade of 0.5% WO_3 for underground as well as Pit and PUG
3. All Mineral Resources are listed as Inferred
4. Pit/PUG refers to Pit Underground

Markets and Foreign Exchange

Since January 2010, there has been a consistent robust upwards trend in the tungsten market with tungsten prices reaching record levels.

The Metal Bulletin average monthly European quotation for APT per mtu increased 19% to US $395.39/mtu at March 31, 2011 from US $332.06/mtu at December 31, 2010. Tungsten prices have now reached several historic highs as the current APT average quotation is US $462.50 on a range of US $460.00 to US $465.00. That average has risen 148% from a monthly low of US$186.50/MTU in July 2009.

The CAD-US dollar closing rate at March 31 was US$1.03 per Canadian dollar. The exchange rates applicable to sales averaged one Canadian dollar per US$1.01 of sales in Q2 2011as compared to US$0.96 in Q2 2010 and (US$1.0 for H1 2011 compared to US$0.95 in H1 2010). The net exchange loss of $18 thousand recorded in Q2 2011 and the net exchange gain of $134 thousand for H1 2011 arose primarily on translation of US currency denominated loans and deposits offset by losses of US denominated accounts receivable. This compared to a net foreign exchange loss of $75 thousand in Q2 2010 and a net foreign exchange loss of $119 thousand in H1 2010.

APT European Metal Bulletin Prices	**2006 December**	**2007 December**	**2008 December**	**2009 December**	**2010 December**	**2011 March**
Average Quarterly Prices						
APT European Free Market Average $US	$ 252	$ 241	$ 246	$ 198	$ 299	$ 364

FINANCIAL REVIEW

Continued significant production shortfalls resulted in a net loss for Q2 2011 of $7.7 million compared to a net loss of $2.1 million for Q2 2010. The loss for H1 2011 was $12.1 million compared to a loss of $3.6 million for H1 2010. The resulting cash flows for Q2 2011 from operating activities were negative $7.1 million compared to negative $1.8 million for Q2 2010. Cash flows for H1 2011 were negative $11.3 million compared to negative $3.0 million for H1 2010. The adverse results continue to reflect low production and sales volumes during the period. Shut down/care and maintenance costs were nil in Q2 2011 compared to $1.2 million in Q2 2011 and nil for H1 2011 compared to $2.6 million for H1 2010. The Q2 2011 earnings included a $0.13 million equity loss of TDI compared to a $0.28 million equity loss in Q2 2010; the equity loss for H1 2011 was $0.37 million compared to $0.36 million in H1 2010.

The gross margin (as defined by the under-noted table) was negative $6.4 million for Q2 2011 and negative $9.7 million in H1 2011 due to higher unit production costs. In Q2 2011 production costs were $381/mtu including depreciation compared to $263/mtu in Q1 2011 including depreciation. Unit costs rose due to low mine production volumes. Mine-site cost of sales includes a charge of $0.4 million to adjust concentrate inventories to market value during Q2 2011 and $1.3 million in H1 2011.

	3 Months Ending 31-Mar-11	**3 Months Ending 31-Mar-10**	**6 Months Ended 31-Mar-11**	**6 Months Ended 31-Mar-10**
Gross Margin ($ 000'S)				
Tungsten & copper sales	$ 11,446	$ 3,738	$ 18,816	$ 13,370
Minesite cost of sales	17,477	3,495	27,963	11,667
Freight, handling & conversion costs	220	74	387	762
Royalties	109	37	184	126
Gross Margin	**$ (6,360)**	**$ 132**	**$ (9,718)**	**$ 815**

As a result of production shortfalls the Company is behind schedule in delivery of tungsten concentrates against supply agreements entered into in fiscal 2010. The Company continues to work closely with it's customers in scheduling concentrate shipments as production increases.

For Q2 2011, the net operating cash flows were $3.0 million negative due to cash flow losses from operating activities of $7.1 million, changes in non cash working capital of $4.2 million and an increase in reclamation deposits of $0.10 million. For H1 2011, the net operating cash flows were $11.6 million negative due to cash flow losses from operating activities of $11.3 million, changes in non cash working capital of $0.2 million and an increase in reclamation deposits of $0.2 million. In comparison Q2 2010 net operating cash flows were $4.0 million, changes in non cash working capital of $5.8 million and an increase in reclamation deposits of $0.1 million. For H1 2010, the net operating cash flows were $3.8 million from negative cash flow losses from operating activities of $3.0 million, offset by changes in non cash working capital of $6.9 million and an increase in reclamation deposits of $0.1 million.

Annual Information

(Annual Information $ 000,s except earnings (loss) per share)		**2010**		**2009**		**2008**
Earnings and Cash Flow						
Metal sales	$	13,792	$	58,166	$	56,025
Cash flow from operating activities		(2,800)		(2,255)		(5,706)
Net Earnings (Loss)		(11,937)		936		(11,693)
Net Earnings (Loss) per share		(0.06)		0.01		(0.09)
Balance Sheet						
Total assets	$	49,927	$	54,761	$	53,446
Total long term liabilities		11,387		5,592		4,627
Dividends						
Cash dividends declared per share		nil		nil		nil

Revenues

Sales revenues for Q2 2011 were $11.4 million from 50,834 mtus of concentrate and $18.9 million from sales of 87,217 mtus of concentrate in H1 2011. In Q2 2010 sales were $3.7 million from 24,263 mtus of concentrate and $13.4 million in H1 2010 from sales of 66,802 mtus of concentrates and 11,045 mtus of TBO. There were no copper sales in Q2 2011 as production was accumulated prior to shipping. Average realized prices for concentrates were US$228/mtu for Q2 2011 and US$ 217/mtu in H1 2011 compared to US$146/mtu for Q2 2010 and US$150/mtu for H1 2010.

	For the three months ended		For the six months ended	
	31-Mar-11	31-Mar-10	31-Mar-11	31-Mar-10
Sales Units				
Concentrate Sales mtus	50,834	24,263	87,217	66,802
TBO Sales mtus (delivered to customer)	-	-	-	11,131
Total mtus sold	50,834	24,263	87,217	77,933
Conversion Losses				
TBO mtus	-	-	-	86
Total Conversion Losses	-	-	-	86
Total Shipments	50,834	24,263	87,217	78,019
Revenues $ Cdn	**($000s)**	**($000s)**	**($000s)**	**($000s)**
Concentrate Sales $ Cdn	11,446	3,702	18,816	10,505
TBO Sales $ Cdn	-	36	-	2,113
Copper Sales $ Cdn	-	-	-	752
Total Sales Revenues $Cdn	11,446	3,738	18,816	13,370
Revenues $ US	**($000s)**	**($000s)**	**($000s)**	**($000s)**
Concentrate Sales $ US	11,599	3,550	18,894	9,993
TBO Sales $ US	-	35	-	2,003
Copper Sales $ US	-	-	-	710
Total Sales Revenues $US	11,599	3,585	18,894	12,706
$US foreign exchange rate	1.01	0.96	1.00	0.95
Concentrates sales price $US	$ 228.17	$ 146.31	$ 216.63	$ 149.59
Average European APT Prices	$ 364	$ 207	$ 331	$ 202

Interest income earned in H1 2011 was $15 thousand compared to $9 thousand during H1 2010 reflecting significantly reduced average cash balances coupled with lower deposit interest rates on general operating funds and on funds held in escrow.

Cost of Production

Mine operating costs were as follows:

	3 Months Ending 31-Mar-11	3 Months Ending 31-Mar-10	6 Months Ended 31-Mar-11	6 Months Ended 31-Mar-10
Operating Costs ($ 000'S)	**$**	**$**	**$**	**$**
Mining	6,483	39	12,292	873
Milling	2,826	113	5,023	640
Plant & Site Services	3,740	379	6,921	1,366
Site Administration	3,000	570	5,354	1,416
Care & Maintenance Costs	-	(1,102)	-	(2,458)
Operating Costs	**16,048**	**-**	**29,591**	**1,837**
Depreciation	**607**	**-**	**1,016**	**149**
Inventory Change & Adjustments	390	3,495	**(3,955)**	9,680
Inventory Write-down	431	-	**1,311**	-
Cost Of Sales	**17,477**	**3,495**	**27,963**	**11,667**
Mtus produced	43,727	-	96,701	12,263
Cost Including Depreciation per mtu	$ 380.90	-	$ 316.51	$ 161.99
Tons Milled	76,980	-	155,923	21,421
Feed Grade %	0.85	-	0.94	0.92
Recovery %	73.35	-	72.68	69.00

* Cost per/mtu is comprised of direct mine operating costs plus depreciation divided by mtus of tungsten concentrates produced.

Mine shutdown/care and maintenance costs were nil in Q2 2011 compared to $1.2 million for Q2 2010. Operating costs for Q2 2011 were $16.0 million compared to Q2 2010 costs of nil as the mine remained on care and maintenance through-out Q2 2010. Depreciation charged against inventory was $0.6 million for Q2 2011 and $1.0 million for H1 2011 compared to nil in Q2 2010 and $0.2 million in H1 2010. Due to low levels of production; operating costs per mtu of $362/mtu in Q2 2011 and $303/mtu in H1 2011 required an inventory write-down of $0.4 million in Q2 2011 and $1.3 million in H1 2011.

Other Expenses

Amortization and depreciation was $0.6 million in Q2 2011 primarily based on units of production compared to a reduced $0.1 million in Q2 2010 when mining operations were suspended. Amortization and depreciation increased to $1.0 million for H1 2011 compared to $.3 million in H1 2010, due also to the resumption of production. Accretion of reclamation liabilities was $37 thousand in Q2 2011 and $38 thousand in Q2 2010 and $74 thousand for H1 2011. Accretion of the equity component of the convertible debenture was $15 thousand in Q2 2011 and $30 thousand for H1 2011compared to nil in Q1/H1 2010.

	3 Months Ended 31-Mar-11	3 Months Ended 31-Mar-10	6 Months Ended 31-Mar-11	6 Months Ended 31-Mar-10
GENERAL AND ADMINISTRATIVE ($000's)				
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
	$ **723**	$ **612**	$ **1,434**	$ **1,114**

The increase in general and administration expenses for Q2 2011 compared to Q2 2010 reflects the resumption of operations at the Cantung mine in October 2010. Increases in salaries and benefits reflect the addition of personnel over the comparable period. Accounting and audit and investor relations and related expenses were stable in the period. Consulting costs also increased reflecting the higher level of activity associated with re-start and operations.

Stock based compensation was $41 thousand in both Q2 2011 and Q2 2010 and $54 thousand for H1 2011 compared to $55 thousand for H1 2010.

Exploration Expense

Exploration activity has been minimal. During 2011, Q2 exploration expenditures were nil and $23 thousand for H1 2011, compared to $1 thousand in Q2 2010 and $71 thousand for H1 2010.

Equity Loss

The Company accounts for its investment in TDI under the equity method. TDI's current quarter losses amounted to $0.32 million of which the Company's 43.2% share is $0.13 million compared to $0.28 million in Q2 2010. TDI losses for H1 amounted to $0.86 million of which the Company's 43.2% share is $0.37 million compared to $0.36 million in Q2 2010. The current carrying value of the TDI investment is $5.9 million.

FINANCIAL POSITION, LIQUIDITY AND GOING CONCERN

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. Accounts payable increased considerably and working capital was reduced to a negative $6.8 million. A waiver was obtained as at March 31, 2011 for a covenant breach relating to the HSBC Credit Facilities. The waiver extends to any breaches until September 30, 2011. The covenanted ratios must be achieved as at the quarter ending December 31, 2011 and be maintained going forward. There is no assurance that any further extension of the waiver, if needed, will be available.

The Company's ability to continue as a going concern is dependent firstly upon its ability to achieve positive cash flows from the Cantung operations, which will require successful implementation of its operating plan. Additional funding will 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.

Available cash balances were $5.2 million at March 31, 2011 compared to $2.3 million at September 30, 2010. The Company's cash flows and financial position are discussed below.

Operating Cash Flow

The gross margin decreased from $0.1 million in Q2 2010 to negative $6.4 million in Q2 2011 and from $0.8 million in H1 to negative $9.7 million in H1 2011. The gross margin for Q1 and H1 2011 was negatively impacted by high unit production costs due to low levels of production off-set by increased sales prices.

Due to the re-start of mine operations general and administrative costs increased to $0.7 million in Q2 2011 compared to $0.6 million in Q2 2010 and $1.4 million in H1 2011 compared to $1.1 million in H1 2010.

Interest and financing costs increased to $0.4 million in Q2 2011 compared to $0.1 million in Q2 2010 and $0.7 million in H1 2011 compared to $0.20 million in H1 2010 as a result of the increase in borrowing in the form of bank loans, equipment loans and leases and convertible debentures.

A small foreign exchange loss of $18 thousand was realized in Q1 2011 compared to a loss of $75 thousand in Q1 2010; a foreign exchange gain of $134 thousand was realized in H1 2011 as a result of an increase in the Canadian dollar against US currency primarily on US currency equipment loans and US based customer deposits offset by US based accounts receivable compared to a net loss of $119 thousand in H1 2010.

After adjustment for changes in working capital, the operating cash drain for Q2 2011 was $3.0 million due to cash flow losses from operating activities of $7.1 million, changes in non cash working capital of $4.2 million (primarily due to an increase in accounts receivable and inventories offset by an increase in accounts payable) and an increase in reclamation deposits of $0.10 million. In comparison Q2 2010 net operating cash flows were $4.0 million. The operating cash drain for H1 2011 was $11.6 million due to cash flow losses from operating activities of $11.3 million, changes in non cash working capital of negative $0.17 million (primarily due to increases in accounts receivable, pre-paids and inventories offset by an increase in accounts payable) and an increase in reclamation deposits of $0.20 million. In comparison H1 2010 net operating cash flows were $3.8 million primarily due to the liquidation of inventories, accounts receivable and the discharge of accounts payable.

Investing Activities

The Company continues to advance the Mactung project, expenditures in Q2 2011 were $0.2 million compared to $0.3 million in Q2 2010 and $0.4 million in H1 2011 compared to $0.5 million in H1 2010.

Capital expenditures at Cantung for mining equipment, milling equipment, power generation and underground haulage ways were $6.5 million in Q2 2011 compared to $0.1 million in Q2 2011. Expenditures for H1 2011 were $9.8 million compared to $0.5 million in H1 2010. Significant capital investment is required to access the ore reserves on the 3600 and pit underground levels of the mine and to construct tailings impoundment facilities.

Financing Activities

Loan facilities

- The Company's bank facilities which had been renewed in September 2010 included an operating loan facility based on traded receivables and inventories of up to $8.0 million. This had not been used at quarter end, but is now partially drawn down.

  The bank facilities also include two equipment loan facilities for $3.5 million each. These have been drawn against for $3.5 million and $2.8 million ($1.2 million in Q2) at March 31, 2011. Subsequent to the quarter end both loans have been fully drawn.

- Improved power generating and heat recovery equipment has been largely financed by the Cat Loan facility of $2.8 million with the finance arm of the supplier. Following an initial draw–down of $0.7 million the balance of $2.1 million was taken up on February 28, 2011.

- An additional $1.8 million in equipment financing was taken up in Q2 2011 and $2.3 million in H1 2011 with equipment suppliers.

- $0.46 million in lease and equipment loan obligations were discharged in Q2 2011 and $0.72 million in equipment lease obligations were discharged in H1 2011. Equipment obligations funded by bank loans were reduced by $45 thousand in Q2 and $90 thousand for H1 2011.

Customer advances

Advance payments received from customers in fiscal 2010 were $7.9 million ($US 7.75 million); the advances were repayable over terms from 6 months to 3 years. The Company repaid $1.4 million of the advances net of a foreign exchange gain of $0.4 million during the six month period ended March 31, 2011. The balance outstanding as of March 31, 2011 is $6.13 million of which $2.32 million is 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; subsequent to the quarter end this amount was reduced to US$2.97 million. A portion of these deposits (initially $US 3.75 million) are secured by a letter of credit which is guaranteed by a director of the Company for a fee of 10% per annum of the outstanding face amount of the letter of credit.

Share placements and convertible instruments

- On October 27, 2010 the Company closed a non-brokered private placement of 7,000,000 units at a price of CDN$0.38 per unit for proceeds of CDN$2,660,000. Each unit consists of one common share and 2/7 of a share purchase warrant. Each whole purchase warrant is exercisable at a price of CDN$1.00 into one common share for a period of five years expiring on October 27, 2015.

- 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. The principal is convertible into common shares of the Company at CDN$0.45 per common share (US$0.44 based on a pre-determined fixed exchange rate of US$1.00 = CDN$0.98) until maturity. Each US$1,000 principal is convertible into 2,267 common shares. The Convertible Debentures are secured by a general security agreement that will be subordinated to the Company's senior indebtedness. Five directors participated directly and indirectly in the Convertible Debentures for a total of US$1.37 million principal.

- 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 $11,500,000 (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 $625,000 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 $375,000 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

Use of Proceeds

The planned use of proceeds from the bought deal private placement is as follows:

Planned Use Of Proceeds for
Short Form Prospectus Dated March 24, 2011

Gross Proceeds	$	11,500,000				
Commissions	$	625,000				
Net Proceeds-Received from the Offering	$	10,875,000				
Expected use				**Use of Proceeds to March 31, 2011**		**Balance Use of Proceeds**
Expenses of the Offering	$	375,000	$	159,000	$	216,000
Mactung Project		1,500,000		-		1,500,000
Cantung Mine Development		4,000,000		-		4,000,000
Cantung Mine Equipment		1,000,000		-		1,000,000
Working Capital		4,000,000		4,000,000		-
Total	**$**	**10,875,000**	**$**	**4,159,000**	**$**	**6,716,000**

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).

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).

Cash Resources and Liquidity

At March 31, 2011 the Company had net current liabilities of $6.8 million compared to September 30, 2010, when the Company had net current liabilities of $4.3 million. Working capital included cash and cash equivalents of $5.2 million, compared to $2.3 million at September 30, 2010. Current liabilities include $2.7 million of equipment loans, $0.6 million under the CAT financial facility, $1.9 million of capital leases and $2.3 million in customer advances.

The Company has completed the process of restarting the Cantung mine and expects that, following the delivery and commissioning of new mill, mine and power generation equipment, increased production of concentrates will facilitate the re-building of working capital and that positive cash flows will be generated by the Company.

The Company has now accessed the new and extended loan facilities to provide working capital and capital funding. During Q2 2011 the Company closed a brokered private placement to provide additional liquidity to its operations.

Summary of Quarterly Results

	2009		2010				2011	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Quarterly Earnings and Cash Flow	**($000s)**	**($000s)**	**($000s)**	**($000s)**	**($000s)**	**($000s)**	**($000s)**	**($000s)**
Total Revenues	14,962	11,566	9,632	3,738	390	32	7,370	11,446
Net earnings (loss)	(815)	(2,849)	(1,497)	(2,110)	(2,384)	(5,946)	(4,423)	(7,671)
Income (Loss) per share	(0.01)	(0.02)	(0.01)	(0.01)	(0.01)	(0.03)	(0.02)	(0.04)
Cash flow from continuing operations before changes in non-cash working capital	(459)	635	(1,207)	(1,777)	(2,104)	(5,598)	(4,133)	(7,122)

Despite high levels of production in Q3 2009 declining tungsten prices resulted in a net loss of $0.82 million for that quarter. Tungsten prices started their recovery in Q4 2009 and although the Company realized an operating margin of $0.43 million net of depreciation in the quarter a $1.2 million write-down of mineral property interests as well as a $0.8 million provision for future income taxes was the main component of the loss of $2.85 million for Q4 2009.

The Company suspended operations at the Cantung Mine in October 2009, (Q1 2010) due in part to high inventory levels after tungsten prices for APT fell to a low of $186.50/mtu in July 2009. During the periods of Q1 2010 to Q3 2010 the Company liquidated its product inventories and held the Cantung Mine on a care and maintenance basis. Losses incurred during 2010 were primarily due to mine-site care and maintenance costs of $3.35 million and mine re-start costs in Q4 2010 of $5.27 million. Against the back drop of increasing tungsten demand and prices, in Q4 2010 the Company commenced with the rehabilitation of the Cantung Mine.

The Company then resumed production on October 7, 2010. Equipment problems and delays in development necessary to access the ore zones, primarily in the 3600 level of the mine resulted in mined tonnages that were significantly below plan. Production of tungsten concentrates was negatively impacted due to poor equipment availabilities in both the mine and mill. These low production levels resulted in unit costs of $317/mtu in H1 2011 including charges for depreciation while the average realized sales price was $217/mtu. These high unit costs of production coupled with the effects on sales revenues of the increased exchange value of the Canadian currency resulted in losses despite improving sales prices of $7.7 million for Q2 2011 and $12.1 million for H1 2011.

OUTLOOK

The International Monetary Fund ("IMF") expects global growth of 4.5% in calendar 2011 and 2012. Strong global demand for commodities including tungsten has reduced inventories and has caused a strong and broad based increase in prices. For Developing Asia including China, growth is projected to be 8.4% in 2011 and 2012. Real GDP in advanced economies and emerging and developing economies is expected to expand by about 2.5% and 6.5% respectively potentially tempered by significant potential down side risks associated with commodity prices notably oil and various global geo-political and monetary risks.

The Company's expectation that with improving economic conditions, strengthening commodity prices and re-stocking by manufacturers would drive the recovery in tungsten demand and prices appears to have been realized. The market has improved dramatically from the 2009 cyclical low. Metal Bulletin European APT mid quotations has now climbed to US $462.50/mtu up from US $197.50/mtu at September 30, 2009. The current tungsten spot market is active with many inquiries from consumers particularly in the United States and Asia.

Cantung Mine

In October 2010 the Company commenced shipping concentrates against off-take agreements (which had been finalized in fiscal 2010 for a substantial portion of its fiscal 2011 and 2012 planned output); prices for concentrates sold under these off-take agreements are market based. The Company has purchased and taken possession of new underground mining equipment and installed new mill process equipment with the view of enhancing productivity and reducing operating and unit costs. New equipment upgrades for power generation/heat recovery are nearing final completion. Additional mechanical and process improvements are being investigated and tested in the mill to increase mill availability, throughput and recoveries. The Company is working with its key mining contractor to increase productivity and tons mined from the 3600 level of the mine. The Company has also commenced with development access to the Pit Underground Zone.

Financing

Debt facilities with HSBC and others in conjunction with supplier based equipment financing arrangements have now been accessed. Customer deposits are now being repaid. On October 27, 2010 the Company closed a non-brokered private placement for proceeds of $2.66 million. October 28, 2010 the Company issued Convertible Debentures in the amount of US$2.87 million for a three year term. On March 31, 2011 the Company closed a bought-deal private placement of 23,000,000 units (the "Units") at a price of $0.50 per unit for gross proceeds of $11.5 million.

Mactung Project

The Company expects that the development of the Mactung project will enhance the Company's position as a leading supplier of tungsten concentrate. Production from the Cantung mine will permit the Company to maintain its position in the market until Mactung production commences; however this will depend on the ability of the Cantung mine to increase its ore reserves through its current underground and surface exploration efforts.

OTHER INFORMATION

Share Capital

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**

As at March 31, 2011 there were 236,823,058 common shares outstanding. 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. 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 the over-allotment options for 3,000,000 additional Units, for aggregate gross proceeds of $11,500,000 (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 $625,000 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. The number of warrants outstanding at March 31, 2011 is 14,750,000 with exercise prices ranging from $0.75 to $1.00. During H1 33,000 stock options were exercised. Subsequent to March 31, 2011, 300,000 stock options were exercised to acquire common shares at $0.15 per share. The total number of shares outstanding is 237,123,058.

As at March 31, 2011 there were 3,496,700 stock options outstanding with exercise prices ranging between $0.15 and $1.28 per share. During the six month period ended March 31, 2011, 413,666 options were expired or forfeited without exercise and 240,000 options were granted to an employee exercisable at $0.41 per share which expires on January 5, 2016. During the six month period 33,000 options were exercised at $0.15 per share. Subsequent to the period end the total number of stock options outstanding is 3,196,700.

Critical Accounting Estimates

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

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

Revenue recognition

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

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

Valuation of long-lived assets

North American Tungsten Corporation Ltd. reviews the carrying values of its buildings and equipment on a regular basis by reference to estimates of future operating results and undiscounted net cash flows. If the carrying value of these assets exceeds estimated net recoverable amounts, a provision for impairment will be made unless the decline is temporary. No impairment charge is required at this time.

The Company capitalizes the exploration costs of mining properties to the extent that such costs are considered to be recoverable. Upon commencement of production, these costs are amortized over the life of the mine based on proven and probable reserves. Inherent in these assumptions are significant risks and uncertainties. In management's view, based on assumptions which management believes to be reasonable, a reduction in the carrying value of property, plant and equipment is not required at September 30, 2010. Changes in market conditions, reserve estimates and other assumptions used in these estimates may result in future write downs. The underlying key assumptions included identification and development of additional Cantung reserves resulting in a five year operating mine life, a constant foreign exchange rate of US $0.95, APT commodity prices of US $232.50 in 2010, US $255 in 2011, US $280 in 2012 and US $295 for the years 2013 through 2015. Recoveries were projected at 79% for the 5 year period.

Inventories

Concentrate inventory comprises tungsten and copper concentrates. Value added inventories may include APT and TBO. These inventories are valued at the lower of average cost and net realizable value. Concentrate inventory includes all direct costs incurred in production, including direct labour and materials, freight, and directly attributable overhead costs; value added inventories include costs associated with toll conversion.

Ore stockpile inventory consists of stockpiled ore on the surface, and is valued at the lower of average cost and net realizable value. Ore stockpile inventory includes all directly attributable costs up to that point of production.

Supplies inventory is valued at average cost.

Asset Retirement Obligation

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

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

(in thousands of dollars)	**March 31, 2011**	**September 30, 2010**
Opening balance, asset retirement obligation	$ 3,979	$ 3,780
Accretion during the year	74	199
Additions during the year	-	-
Change in estimates of future costs	-	-
Closing asset retirement obligation	**$ 4,053**	**$ 3,979**

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.

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:

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.

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 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 10).

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.

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.

International Financial Reporting Standards

The Canadian Accounting Standards Board ("AcSB") has a strategic plan which outlines the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly accountable enterprises to use IFRS, replacing Canada's own GAAP. The changeover is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is required to adopt IFRS on October 1, 2011 for its 2012 fiscal year. The Company will also be required to restate for comparative purposes amounts reported by the Company for the year ended September 30, 2011. While the Company has begun assessing the adoption of IFRS for 2012; the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

The Company has been reviewing the various exemptions and elections available to it under IFRS 1 and has been assessing its options in determining its new accounting policies under IFRS. This work will continue over the next fiscal year. The Company has made some preliminary determinations regarding its transition to IFRS but these may be amended pending: further analysis by the Company, changes to existing IFRS standards or upon advice from outside consultant's the Company may engage. Based on analysis to date, the Company has determined the following:

- That the transition to IFRS will require only minimal changes to internal controls.
- That the transition to IFRS will require little or no change to the Company's information technology or systems.
- That the transition to IFRS will require additional disclosures in the notes to the financial statements but this information appears readily available and the expectation is that this will not require significant changes to the current disclosure controls and procedures.
- The functional currencies of its foreign subsidiaries are expected to be the Canadian dollar, which means that the foreign exchange gains and losses on translation of its subsidiaries' financial statements will be treated the same as they currently are under Canadian GAAP and accordingly the Company will not need to make an election regarding translation differences under IFRS 1.
- The cost method will be used to value its various classes of equipment and therefore the Company will not elect to fair value any of these assets.
- There are currently no equipment assets that are material or complex enough to require componentization under IFRS.
- Mineral property acquisition, exploration and evaluation costs will continue to be capitalized under IFRS 6 and that there will be no significant adjustments from GAAP.
- The Company has no significant intangible assets aside from mineral properties.
- As of the transition date, all of the stock option grants were fully vested and therefore no transition date adjustments are required.
- The Company is expecting to have selected its accounting policies under IFRS by the end of the fourth quarter of fiscal 2011 and anticipates that it will have quantified its IFRS adjustments and developed its transition balance sheet by the end of the fourth quarter.

- The Company expects that it will have the expertise, training and resources in order to meet the transition requirements.

Contractual and Other obligations

(in thousands of dollars) Contractual Obligations	Payments due in years ended September 30, 2011	2012	2013	2014	2015	TOTAL
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	1,346	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	110	214	0	0	0	324
	$ 4,132	**$ 7,084**	**$ 6,947**	**$ 868**	**$ 388**	**$ 19,419**

The Company has entered into agreements to purchase underground mining equipment for its Cantung mine in the amounts of $1.8 million. Subsequent to the quarter end this equipment has now been delivered to the mine and is currently in service.

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 $4.3 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 $100,000 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.

During the six months ended March 31, 2011 the Company posted $200,000 of cash and reduced the posted secured promissory notes by $200,000.

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 through his interest in TPT owns 35.1% of the TDI membership units.

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

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. For the three months and six months ended March 31, 2011, the Company paid $87 thousand and $181 thousand for the guarantee respectively.

Directors of the Company participated directly and indirectly in the US$2.87 million convertible debenture financing as to US$1.37 million.

Risks and Uncertainties

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

Risks Associated with Loan Agreements

The Company's bankers have waived breaches of covenanted balance sheet ratios up to September 30, 2011. The covenanted ratios must be achieved as at the quarter ending December 31, 2011 and be maintained going forward. There is no assurance that any further waivers, if needed will be obtained.

Risks associated with the Cantung mine:

In recent years of operations, the Cantung mine has successfully added more tons to its ore reserves than have been extracted by mining. It is uncertain if, or for how long, it will be able to add new economic ore reserves in the future, but it is certain that the mine has a limited life. There are uncertainties in planning the operation of the mine in the years remaining and projecting expected results. Significant capital investments are required to develop ore reserves and construct tailings impoundment facilities which may require additional funding.

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

Risks associated with the Mactung project:

There can be no assurance that development or construction activities at the Mactung project will commence in accordance with current expectations or at all.

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

Risks associated with the Tungsten Diversified Industries

There can be no assurance that TDI will generate sufficient earnings and cash flows to enable the Company to recover its investment in TDI. TDI is involved in the production and marketing of tungsten composites, a business that has potential for considerable growth however TDI has had losses totaling approximately $3.3 million for the past two years. TDI may require additional capital to maintain operations and fund business development.

Tungsten Price Volatility

The profitability of the Company's operation is significantly affected by changes in the tungsten price. The tungsten price can fluctuate widely and is affected by numerous factors beyond the Company's control including market demand, inflation and expectations with respect to the rate of inflation, international economic and political trends, currency exchange fluctuations, new mine developments, governmental stockpile policies, duties and regulations affecting international trade.

If tungsten prices were to decline significantly or for an extended period of time, the Company might be unable to continue its operations, develop its properties, nor fulfill its obligations under its permits and licenses. As a result, the Company might lose its interest in, or be forced to sell some of its properties. At present, the outlook for tungsten prices is relatively strong; however cyclical movements must be expected.

Currency Fluctuations

The Company maintains its accounts in Canadian currency and most of its costs are denominated in that currency. The Company's tungsten concentrate is sold in United States dollars and the Company is subject to fluctuations in the rates of currency exchange between United States dollars and the Canadian dollars. Due to currency fluctuations, construction, development and other costs may also be higher than the Company anticipates. The Company has facilities in place to hedge a portion of its cash flows against currency exchange risks. A five percent change in Canadian dollar in relation to the US dollar prices would have a significant impact under full production conditions.

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

In addition Management has identified various other risk factors which are set out in detail in the Annual Information Form for the year ended September 30, 2010 which is available on SEDAR at www.sedar.com.

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

GLOSSARY OF TERMS

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