NORTH AMERICAN TUNGSTEN CORPORATION LTD

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2011

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

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

(in thousands of dollars)	Note(s)	June 30, 2011	September 30, 2010
ASSETS			
Current assets			
Cash and cash equivalents	4	$ 2,152	$ 2,276
Accounts receivable	18 & 22	9,193	1,977
Inventories	5	8,244	2,259
Prepaid expenses		1,033	338
		20,622	6,850
Deferred royalty purchases	8	306	306
Investment in Tungsten Diversified Industries, LLC ("TDI")	6	5,908	6,268
Property, plant and equipment	7	32,313	17,484
Mineral properties - Mactung	8	15,457	14,882
Mineral properties - other		9	9
Reclamation deposits	11 & 15	4,428	4,128
		$ 79,043	$ 49,927
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		$ 17,903	$ 7,146
Operating loan	9	6,027	-
Current portion of customer advances	10 & 15	2,260	2,958
Current portion of loans and capital leases	9, 12 & 15	5,421	1,034
		31,611	11,138
Reclamation liabilities	11 & 15	4,091	3,979
Customer advances	10 & 15	3,346	5,017
Loans and capital leases	9, 12 & 15	6,979	1,801
Other obligations		248	235
Convertible debenture	14	2,640	-
Future income taxes		188	355
		49,103	22,525
SHARE CAPITAL AND DEFICIT			
Share capital	13	64,362	53,235
Equity component of convertible debenture	14	181	-
Contributed surplus	13	5,202	3,135
Deficit	13	(39,805)	(28,968)
		29,940	27,402
		$ 79,043	$ 49,927
Going concern	1		
Commitments and contingencies	15 & 17		

ON BEHALF OF THE BOARD

"signed"
Stephen M. Leahy

"signed"
Bryce M. A. Porter

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

NORTH AMERICAN TUNGSTEN CORPORATION LTD.

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT

FOR THE THREE AND NINE MONTHS ENDED JUNE 30

UNAUDITED

		For the three months		For the nine months	
(in thousands of dollars except for per share amounts)	Note(s)	2011	2010	2011	2010
REVENUES					
Sales	18 & 23	$ 19,287	$ 390	$ 38,103	$ 13,760
EXPENSES					
Minesite cost of sales	19	16,320	627	44,283	12,488
Freight, handling and conversion		546	15	933	777
Royalties		188	4	372	130
Accretion of reclamation liabilities	11	38	37	112	112
		17,092	683	45,700	13,507
Shut down/care and maintenance costs		-	1,426	-	3,884
General and administrative	20	603	567	2,037	1,681
Accretion	14	18	-	56	-
Interest and financing costs		450	188	1,153	384
Equity (gain) loss of TDI	6	(12)	159	360	522
Stock based compensation	13	-	13	54	68
Exploration expenses		-	-	23	71
Gain (loss) on disposal of assets		21	-	19	(9)
Interest income		(58)	(12)	(73)	(21)
Foreign exchange gain		(88)	(210)	(222)	(91)
		18,026	2,814	49,107	19,996
NET INCOME (LOSS) BEFORE INCOME TAXES		1,261	(2,424)	(11,004)	(6,236)
Future income tax recovery/(expense)		(4)	40	167	245
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		$ 1,257	$ (2,384)	$ (10,837)	$ (5,991)
DEFICIT-BEGINNING OF PERIOD		(41,062)	(20,638)	(28,968)	(17,031)
DEFICIT-END OF PERIOD		$ (39,805)	$ (23,022)	$ (39,805)	$ (23,022)
Net earnings/(loss) per share					
Basic		$ 0.01	$ (0.01)	(0.05)	$ (0.03)
Diluted		$ 0.01	$ (0.01)	(0.05)	$ (0.03)
Weighted average number of shares (in thousands)					
Basic		237,081	189,290	220,907	184,949
Diluted		237,962	189,290	220,907	184,949

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

NORTH AMERICAN TUNGSTEN CORPORATION LTD.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30
UNAUDITED

		For the three months		For the nine months	
(in thousand of dollars)	Note(s)	2011	2010	2011	2010
CASH FLOWS USED IN OPERATING ACTIVITIES					
Net income (loss) for the period		$ 1,257	$ (2,384)	$ (10,837)	$ (5,991)
Items not affecting cash:					
Amortization and depreciation		996	111	2,012	454
Equity loss/(gain) of TDI		(12)	159	360	522
Accretion of reclamation liabilities		38	37	112	112
Stock based compensation		-	13	54	68
Accretion	14	18	-	56	-
Loss (gain) on disposal of assets		21	-	19	(9)
Foreign exchange on customer advances	10	(31)	-	(437)	-
Foreign exchange on convertible debenture	14	(12)	-	(147)	-
Future income tax recovery/(expense)		5	(40)	(167)	(245)
		2,280	(2,104)	(8,975)	(5,089)
Change in non-cash working capital	21	(6,992)	124	(7,158)	7,044
Increase in reclamation deposits	15 a.	(100)	(11)	(300)	(128)
		(4,812)	(1,991)	(16,433)	1,827
CASH FLOWS USED IN INVESTING ACTIVITIES					
Proceeds on disposal of assets		43	-	48	9
Deferred buy out of royalty		-	-	-	(200)
Expenditure on Mactung development	21	(140)	(139)	(518)	(677)
Purchase of property, plant and equipment	21	(3,314)	(406)	(13,144)	(898)
		(3,411)	(545)	(13,614)	(1,766)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of customer advances	10 & 15	(496)	-	(1,932)	-
Issuance of capital stock	13	50	-	14,210	3,046
Capital stock issuance costs	13 & 21	(59)	-	(872)	-
Net increase/(decrease) in loans and capital lease obligations	9, 12 & 15	(341)	(115)	9,565	(411)
Convertible debentures	14	-	3,150	2,925	3,150
Operating loan borrowing, net	9	6,027	(2,346)	6,027	(5,895)
		5,181	689	29,923	(110)
Decrease in cash and cash equivalents		(3,042)	(1,847)	(124)	(49)
Cash and cash equivalents beginning of period		5,194	3,126	2,276	1,328
Cash and cash equivalents, end of period		$ 2,152	$ 1,279	$ 2,152	$ 1,279
Represented by:					
Cash		$ 817	$ 1,244	$ 817	$ 1,244
Cash equivalents	4	1,335	35	1,335	35
		$ 2,152	$ 1,279	2,152	$ 1,279
Non-cash working capital, investing and financing activities	21				

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

1. Nature of operations and going concern:

North American Tungsten Corporation Ltd. (the "Company") is engaged in tungsten mining and related activities including acquisition, exploration, 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 nine months ended June 30, 2011 the net loss was $10.8 million and, as at June 30, 2011, there was a deficiency of working capital of $11 million. 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 June 30, 2011; however, the bank has agreed to forbear covenant breaches provided that amended covenants are met in future (see Note 9).

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 continue to generate positive cash flows from the Cantung operations. 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 or maintain the 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 would 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 June 30, 2011 and the consolidated results of operations, cash flows and comprehensive income for the nine month period then ended June 30, 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, convertible debentures 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 nine months ended June 30, 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 $7.6 million as of June 30, 2011 ($nil as at September 30, 2010), all of which is 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 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 June 30, 2011, $1.3 million (September 30, 2010 $1.3 million) of guarantee investment certificates carried floating interest rates of under 1-1.05%. For financial liabilities, interest is payable on the equipment loans, CAT loans and capital leases rates ranging from 4.75% to 16.58%. $6.9 million of the equipment loans carry rates of Bank Prime + from 1.75% to 3.75% (See Note 9).

As at June 30, 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 were to decline for a prolonged period below the cost of production of the Company's mine, it might not be economically feasible to continue operations.

4. Cash and cash equivalents:

Cash and cash equivalents include $1.3 million (September 30, 2010 - $1.3 million) in bankers acceptances carrying interests of 1%-1.05%.

5. Inventories :

(in thousands of dollars)	June 30, 2011	September 30, 2010
Concentrates	$ 3,584	$ -
Intermediates	1,170	-
Materials and supplies	3,490	2,259
	$ 8,244	$ 2,259

For the period ended June 30, 2011 concentrates were valued at cost.

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 for the period	(360)
Balance - June 30, 2011	$ 5,908

7. Property, plant and equipment:

(in thousands of dollars)	Cost	Accumulated Amortization	June 30, 2011 Net
Deferred mining costs	$ 17,549	$ (7,884)	$ 9,666
Property, plant and equipment	47,605	(24,958)	22,647
Property, plant and equipment	$ 65,154	$ (32,842)	$ 32,313

	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 June 30, 2011 and September 30, 2010.

(in thousands of dollars)	
Balance September 30, 2010	$ 14,882
Expenditures during the period	575
Balance June 30, 2011	$ 15,457

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 June 30, 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 June 30, 2011 was $6 thousand (September 30, 2010 - $6 thousand).

9. Bank loan and other credit facilities:

HSBC Bank Canada facilities

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

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

The Company acknowledged a breach of the net tangible worth ratio and the current assets to current liabilities ratio as at June 30, 2011 The Bank has agreed to forbear these breaches provided that:

- the debt to tangible net worth ratio does not exceed 4.5:1.0 for fiscal 2011, 4.0:1.0 from October 1, 2011 to December 31, 2011, and 2.5:1.0 from January 1, 2012;
- the consolidated current assets to current liabilities ratio at no time is less than 0.5:1.0 to December 31, 2011 and 1.1:1.0 from January 1, 2012; and
- there is, in the opinion of the Bank, no further deterioration in the financial condition of the Company.

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

Operating loan

The operating loan facility is CDN$8.0 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 June 30, 2011 CDN$6.0 million 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 Prime Rate plus 1.75% to Bank Prime Rate plus 2.25%.

The Company entered into an agreement for a new "fourth" equipment loan for CDN$3.5 million. The loan carries an interest rate of Bank Prime Rate + 3.75%; interest only was payable for the first nine months; and then monthly payments 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 Prime Rate + 3.75%; interest only was payable for the first nine months; and then monthly payments commenced on April 30, 2011 for thirty months.

As at June 30, 2011 the outstanding equipment loan principal balances were $44 thousand; $107 thousand; $153 thousand; $3.3 million and $3.3 million respectively.

Interest in the amount of $132 thousand and $301 thousand were paid on the equipment loans for the three months and nine months ended June 30, 2011 (three and nine months ended June 30, 2010 - $6 thousand and $12 thousand).

Caterpillar Financial Services Corporation loan facility

During the year ended September 30, 2010, the Company contracted to purchase power generation, heat recovery equipment and electrical control systems for $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 repayments commencing on December 1, 2010 as to $0.7 million and on April 1, 2011 as to $2.1 million with an interest rate of 8.50% per annum. Interest in the amount of $92 thousand and $150 thousand were paid on the loan facility for the three months and nine months ended June 30, 2011 (for the three and nine months end June 30, 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 $0.5 million of the advances net of a foreign exchange gain of $0.031 million for the three month period and $1.9 million of the advances net of a foreign exchange gain of $0.4 million for the nine month period ended June 30, 2011. The balance outstanding as of June 30, 2011 is $5.6 million of which $2.3 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 27 months. US$2.8 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 $4.2 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)	June 30, 2011	September 30, 2010
Opening balance, asset retirement obligation	$ 3,979	$ 3,780
Accretion during the period	112	199
Closing asset retirement obligation	$ 4,091	$ 3,979

Deposits of $4.4 million in cash and $7.3 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 15 for details of payments over the next 4 years.

Interest in the amount of $22 thousand and $65 thousand were paid on capital leases for the three months and nine months ended June 30, 2011 (three and nine months end June 30, 2010 - $14 thousand and $37 thousand).

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	333,000	50
Private placements	30,000,000	14,160
Warrant issuances		(1,963)
Share issue costs		(1,147)
Reallocation of fair value related to options exercised		27
June 30, 2011	237,123,058	$ 64,362

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 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 June 30, 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

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	50	-	-	-	50
Reallocation of contributed surplus related to options exercised	27	-	(27)	-	-
Private placements	14,160	-	-	-	14,160
Equity component of convertible debenture	-	181	-	-	181
Warrant issuances	(1,963)	-	1,963	-	-
Share issue costs	(1,147)	-	77	-	(1,070)
Net loss	-	-	-	(10,837)	(10,837)
June 30, 2011	$ 64,362	$ 181	$ 5,202	$ (39,805)	$ 29,940

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 nine month period ended June 30, 2011:

- 413,666 options expired or forfeited without exercise
- 333,000 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%, giving a per option fair value of $0.29.

Option pricing models require the input of highly subjective assumptions including the expected price volatility and expected life. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options at the date of grant.

No. of Options Outstanding as of September 30, 2010	Exercised	Issued	Forfeited or Expired	No. of Options Outstanding as of June 30, 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	(333,000)	-	(332)	175,000	$0.15	19-Oct-14	175,000
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	(333,000)	240,000	(413,666)	3,196,700			2,956,700

The outstanding options have a weighted-average exercise price of $0.58 per share and the weighted-average remaining life of the options is 2.72 years.

Subsequent to June 30, 2011, 150,000 options were granted to an employee with a strike price of $0.32.

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 $188 thousand for the three months and nine months as at June 30, 2011 respectively, and an annual notional interest representing the accretion of the carrying value of the debentures. For the three months and nine months ended June 30, 2011, the notional interest expenses recorded were $18 thousand and $56 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)

15. Commitments:

(in thousands of dollars)	Payments due in years ended September 30,					
Contractual Obligations	2011	2012	2013	2014	2015	TOTAL
Mactung leases	$ 5	$ 8	$ 8	$ 8	$ 8	$ 37
Cantung leases	-	43	43	43	43	172
Customer advances	904	1,808	2,894	-	-	5,606
Loans & capital leases	1,375	5,343	4,528	817	337	12,400
Office leases[1]	53	214	-	-	-	267
	$ 2,337	$ 7,416	$ 7,473	$ 868	$ 388	$ 18,482

[1] - Including estimates of operating cost components.
See Note 15 (a) for obligations under the water license

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 expires January 29, 2014.

The security deposit required under the Company's license is $11.7 million, of which the Company has posted $4.4 million in cash and $7.3 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 nine months ended June 30, 2011 the Company posted $300 thousand of cash and reduced the posted secured promissory notes by $300 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.

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 $1.8 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 nine months ended June 30, 2011 (2010 – 100% to one customer).

As at June 30, 2011 $8.5 million in receivables was due from these four customers. (September 30, 2010 - $nil).

19. Mine site cost of sales:

(in thousands of dollars)	For the three months ended June 30, 2011	For the three months ended June 30, 2010	For the nine months ended June 30, 2011	For the nine months ended June 30, 2010
Mine operating costs	$ 16,248	$ -	$ 45,850	$ 1,837
Amortization and depreciation	996	111	2,012	454
Inventory changes, adjustments and write-downs	(924)	516	(3,579)	10,197
	$ 16,320	$ 627	$ 44,283	$ 12,488

20. General and administrative costs:

(in thousands of dollars)	For the three months ended June 30, 2011	For the three months ended June 30, 2010	For the nine months ended June 30, 2011	For the nine months ended June 30, 2010
Fees, wages and benefits	$ 358	$ 275	$ 1,050	$ 884
Office expenses	101	105	337	316
Accounting and audit	40	36	109	110
Legal fees	40	70	146	110
Investor relations, travel and business development	49	48	168	179
Consulting	12	9	203	39
Filing fees and transfer agent fees	3	24	24	43
	$ 603	$ 567	$ 2,037	$ 1,681

21. Supplemental cash flow:

(in thousands of dollars)	For the three months ended June 30, 2011	For the three months ended June 30, 2010	For the nine months ended June 30, 2011	For the nine months ended June 30, 2010
Changes in non-cash working capital				
Accounts receivable	$ (1,654)	$ 167	$ (7,216)	$ 2,711
Prepaid expenses	(501)	(119)	(695)	12
Accounts payable and accrued liabilities	(2,768)	(416)	6,738	(6,047)
Inventories	(2,069)	492	(5,985)	10,368
Change in non-cash working capital	$ (6,992)	$ 124	$ (7,158)	$ 7,044
Interest received	$ 7	$ 3	$ 17	$ 10
Interest paid	$ 451	$ 271	$ 1,153	$ 388
Outstanding non-cash investing and financing activities:				
Expenditures on property plant and equipment financed through accounts payable and accrued liabilities	$ 5,917	$ 35	$ 5,917	$ 35
Expenditures on Mactung development financed through accounts payable and accrued liabilities	$ 218	$ -	$ 218	$ -
Share issuance costs - non cash broker warrants	$ 249	$ -	$ 249	$ -
Share issuance costs - financed through accounts payable and accrued liabilities	$ 198	$ -	$ 198	$ -

22. Related party transactions:

Accounts receivable from TDI as at June 30, 2011were $nil (September 30, 2010 - $1.3 million).

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 nine months ended June 30, 2011, the Company paid $81 thousand and $262 thousand respectively to the director in respect to the guarantee. (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 June 30 2011	For the three months ended June 30 2010	For the nine months ended June 30 2011	For the nine months ended June 30 2010
TUNGSTEN:				
North America	$ 1,936	$ -	$ 4,064	$ 2,112
Asia	9,971	390	21,137	10,890
Europe	6,303	-	11,825	-
	18,210	390	37,026	13,002
COPPER:				
Europe	1,077	-	1,077	758
TOTAL	$ 19,287	$ 390	$ 38,103	$ 13,760