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THIRD QUARTER 2011 REPORT

This discussion and analysis of financial position and results of operations of North American Tungsten Corporation Ltd., the "Management Discussion and Analysis" (MD&A), is prepared as of August 26, 2011, and should be read in conjunction with the unaudited interim consolidated financial statements for the period ended June 30, 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. (the "Company") and compares the Company's financial results for the quarter ended June 30, 2011 (Q3 2011) with those of the quarter ended June 30, 2010 (Q3 2010) and for the nine month period ended June 30, 2011 (nine months 2011) with those of the nine month period ended June 30, 2010 (nine months 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.

All $ figures are in thousands of CDN dollars unless otherwise specified (except per share, per options, per warrants and per unit information).

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THIRD QUARTER HIGHLIGHTS

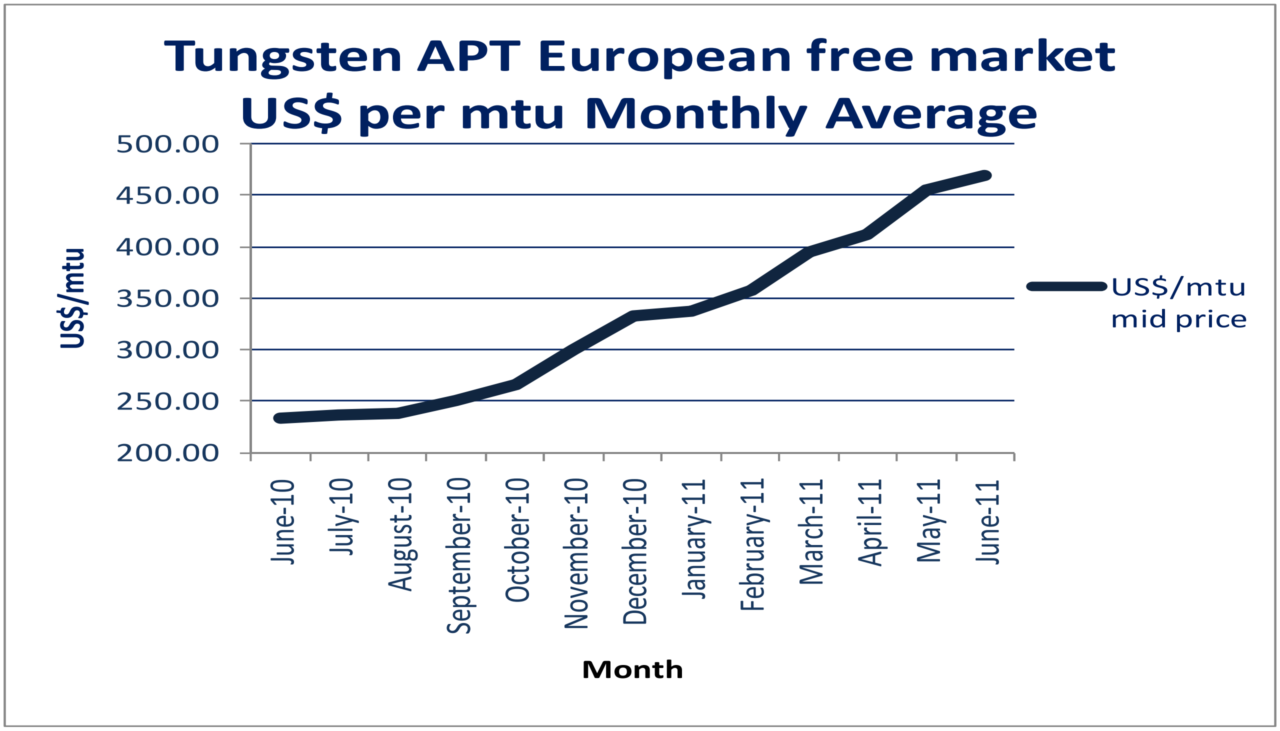
In Q3 2011, benefits of the Company's Cantung investment program began to be realized. Positive net earnings were recorded; tons of ore mined rose following the delivery of new mobile underground equipment; and continuing upgrades at the mill resulted in satisfactory metallurgical recoveries, bearing in mind the grades of ore being processed.

Results for Q3 2011 were, nonetheless, sub-optimal. The tons and grade of ore mined were affected by delays in development work to access higher grade ore in sections of the West Extension. The benefit of the major rise in APT world market prices was only partially realized due to prior months' averaging provisions in sales contracts and deliveries made in the quarter against shipment commitments of previous, lower-priced periods.

- **Net earnings were $1.3 million (Q2 2011 – net loss of $7.7 million)**
- **Discussions with bankers commenced with a view to enhancing the Company's credit facilities**
- **Concentrate production increased to 74,652 mtus WO_3 (Q2 2011 – 43,727 mtus)**
- **Tons milled were 101,873 grading 1.03% WO_3 (Q2 2011 – 76,980 grading 0.85%)**
- **Metallurgical recovery improved to 78.4% (Q2 2011 – 73.4%)**
- **The MB European mean quotation for APT (June 30, 2011) rose to US$461/mtu**
- **Revenues were $19.3 million (Q2 2011 - $11.4 million). The average selling price was US$272/mtu (Q2 2011 – US$228/mtu)**
- **Copper concentrate production was 166,397 pounds (Q2 2011 - 88,842 pounds) of contained Cu**
- **Operating cash flows before working capital changes were a positive $2.3 million (Q2 2011 – negative $7.1 million)**
- **A special committee commenced work on a project to optimize shareholder value from the Company's Mactung project**

TUNGSTEN PRICE

The current Metal Bulletin Tungsten Ammonium Paratungstate ("APT") European Free Market Mid Price is US$458.50/mtu (August 26, 2011)



- The average price realized on the Company's concentrate sales was US$272/mtu in Q3 2011 as compared to the US$461/mtu mean MB European quotation for APT (the basis for concentrate pricing) at the month-end. The differential is far above historical norms in the industry. Prior months' pricing provisions in sales contracts and delayed deliveries have resulted in a very significant lag in realized prices as compared to the world market. Higher prices should be realized in the future as the weighting of lower, prior prices diminishes.
- If market quotations were to continue at current levels for an extended period and assuming a similar product mix as in Q3 2011, average concentrate sales realizations could rise to the broad region of US$350/mtu to US$360/mtu.

OVERVIEW

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").

NATC is listed on the TSX Venture Exchange (symbol: NTC) and the Company has share purchase warrants which trade on the TSX Venture Exchange.

The Company placed its Cantung mine on care and maintenance on October 18, 2009 due to low (uneconomical) tungsten price and uncertain world economic conditions. The mine was restarted on

October 7, 2010. Accordingly the Company is providing quarter over quarter information as well as comparing to the prior year. It should be noted most of the comparisons to the prior year are not meaningful as a result of this shutdown and care and maintenance period.

Corporate Developments

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 merger & acquisition activities, a growing worldwide demand for tungsten and related significant potential shortfalls in worldwide tungsten supply.

OUTLOOK

The Company's expectation that the 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$458.50/mtu up from US$197.50/mtu at September 30, 2009. The current tungsten spot market is active with inquiries from consumers particularly in the United States and Asia.

Mactung Project

Development of the Mactung project is a significant part of the Company's future operations given the size and scope of the deposit. As the Mactung Feasibility Study completed in 2009 estimated a capital cost of $400 million it will be imperative that the Company seek and obtain financial partner(s) to fully develop the project to operational status. The development of the Mactung project will enhance the Company's position as a leading supplier of tungsten concentrate.

The Special Committee formed during Q2 2011 has garnered significant interest from several industry leaders and the process to most effectively and responsively move forward to create greater shareholder value will continue.

Cantung Mine

New equipment upgrades for power generation/heat recovery are expected to be largely complete by the end of the fourth quarter. The mining industry has been impacted by cost pressures on operating costs with respect to labour, energy and supplies. Personnel turnover/retention may be an issue going forward as long as the mining sector remains robust as there is a limited supply of individuals with the required skill sets. Short falls in development particularly in the West Extension will present challenges in the next several months in terms of ore supply to the mill which will result in mill feed grades below plan. Back-fill will be required. The Company is evaluating both cemented rock-fill and cemented back-fill technologies.

Financing

Debt facilities with HSBC and others in conjunction with supplier based equipment financing arrangements have been drawn down. 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. Although operating cash flows improved significantly in Q3 2011, significant amounts of capital expenditures relating to mine development, tailings impoundment, geo-technical drilling, backfill and ventilation systems will require additional financing in the near term.

Discussions have commenced with the Company’s bankers with a view to further enhancing the company’s credit facilities.

SUMMARIZED FINANCIAL RESULTS

	Three Months Ended		
	June 30 2011	March 31 2011	December 31 2010
Operating highlights			
Tons Milled	101,873	76,980	78,943
Feed Grade %	1.03	0.85	1.03
Recovery%	78.4	73.4	72.1
Tungsten concentrate produced (mtu's)	74,652	43,728	52,972
Opening tungsten concentrate (mtu's) inventory	9,242	16,590	-
- produced	74,652	43,727	52,973
- sold	69,070	50,834	36,383
- adjustments	(302)	(241)	-
Ending tungsten concentrate (mtu's) inventory	14,522	9,242	16,590
Average realized price $US/mtu	$ 272.30	$ 228.17	$ 200.51
Cost per mtu[1]	$ 217.65	$ 367.00	$ 255.79
Costs of sales per mtu[2]	$ 236.28	$ 343.79	$ 288.29
Copper produced (lbs)	166,397	88,842	16,301
Copper sold	244,447	-	-
Quarterly average $US foreign exchange rate (US$1 to CDN)	$ 0.9691	$ 0.9868	$ 1.0102
Financial Data (in $000's)			
Revenues	19,287	11,446	7,370
Mine site operating costs			
- Mining	6,614	6,482	5,817
- Milling	2,883	2,826	2,197
- Plant & Site Services	3,839	3,740	3,181
- Site Administration	2,912	3,000	2,355
Sub total mine site operating costs	16,248	16,048	13,550
Inventory change, adjustments & write-downs	(924)	821	(3,474)
Depreciation	996	607	413
Freight, handling and conversion	546	220	167
Royalties	188	109	75
Accretion of reclamation liabilities	38	37	37
Gross margin[3]	2,233	(6,360)	(3,361)
Cost of goods sold[4]	16,320	17,476	10,489
Net earnings (loss)	1,257	(7,671)	(4,423)
Cash flow from operating activities before change in non-cash working capital and increase in reclamation deposit	2,280	(7,122)	(4,133)

NOTE: Gross margin and cost per mtu are non-GAAP financial performance measured with no standard definition under Canadian GAAP.

1 - Cost per mtu is comprised of mine operating costs (not including depreciation) divided by mtu's of tungsten concentrates produced.

2 - Costs of sales per mtu is comprised of: mine operating costs, depreciation and inventory change, adjustments & write-downs divided by mtu's of tungsten concentrates sold.

3 - Gross Margin is comprised of gross revenues less cost of sales, freight, handling & conversion and royalties

4 - Cost of goods sold is comprised of mine site operating costs, inventory change, adjustments & write-downs and depreciation

Q3 2011 compared to Q2 2011

The net income for Q3 2011 was $1.3 million or $0.01 per share, compared with a net loss of $7.7 million in Q2 2011.

- Production increased by 30,923 mtus in Q3 2011 compared to Q2 2011
- Revenues increased by $7.8 million in Q3 2011 compared to Q2 2011 primarily due to increased sales volumes (including copper sales) resulting from higher production levels and higher average realized sales prices
- Net earnings in Q3 2011 increased by $8.9 million compared to Q2 2011 primarily due to a 40% increase in mtu sales, a 20% increase in realized sales price per mtu and 30% decrease in costs of sale per mtu
- Mine site operating costs increased by $0.2 million compared to Q2 2011
- Average realized price per US$/mtu increased by 19% to US$272.30 in Q3 2011 compared to US $228.17 in Q2 2011

Review of Financial Results

Comparison of Q3 2011 to Q3 2010 and nine months 2011 to nine months 2010

	Three Months Ended June 30		**Change**	**Nine Months Ended June 30**		Change
	2011	2010		2011	2010	
Financial Data (in $000's)						
Operating highlights						
Tungsten concentrate produced (mtu's)	74,652	-	74,652	171,352	69,801	101,551
Tungsten concentrate sold (mtu's)	69,070	2,999	66,071	156,287	81,018	75,269
Average tungsten concentrate realized price $US/mtu	$ 272.30	$ 129.38	142.92	$ 241.22	$ 148.72	92.50
Average European APT prices ($US/mtu)	$ 445.65	$ 225.66	219.99	$ 369.44	$ 210.00	159.44
Copper produced (lbs)	166,397	-	166,397	271,540	-	271,540
Financial Data (in $000's, except per share amounts)						
Revenues	19,287	390	18,897	38,103	13,760	24,343
Cost of Sales [1]	16,320	627	15,693	44,283	12,488	31,795
Gross Margin [2]	2,233	(256)	2,489	(7,485)	365	(7,850)
Net earnings (loss)	1,257	(2,384)	3,641	(10,837)	(5,991)	(4,846)
Net earnings (loss) per share						
- basic	0.01	(0.01)	0.02	(0.05)	(0.03)	(0.02)
- diluted [3]	0.01					
Cash flow from operating activities before changes in non-cash working capital	2,280	(2,104)	4,384	(8,975)	(5,089)	(3,886)

NOTE: Gross Margin is a non-GAAP performance measure with no standard definition under Canadian GAAP.

1 - Cost of Sales consists of: operating costs, Inventory change, adjustments & writedowns and depreciation

2 - Gross Margin consists of - revenues less: operating costs; freight, handling & conversion costs; inventory change, adjustments & writedowns, and royalties

3 - Diluted net earnings per share is only for the 3 month period ended June 30, 2011

DURING Q3 2010, THE CANTUNG MINE WAS ON CARE AND MAINTENANCE AND DURING Q3 2011 THE CANTUNG MINE WAS IN OPERATIONS; THEREFORE THESE TWO PERIODS ARE NOT DIRECTLY COMPARABLE. SALES MADE DURING Q3 2010 WERE FROM EXISTING INVENTORY.

Q3 2011 compared to Q3 2010

The net earnings for Q3 2011 were $1.3 million or $0.01 per share, compared with a net loss of $2.4 million or $0.01 per share in Q3 2010. The net earnings for Q3 2011 were impacted by the following factors:

- Revenues increased by $19 million primarily due to the fact the Cantung Mine was not in production during Q3 2010.
- Net earnings increased by $3.6 million, from a loss of $2.4 million in Q3 2010 primarily as a result of the fact the Cantung mine was not in production during Q3 2010.
- Average tungsten concentrate realized price $US/mtu increased by US$142.92/mtu or 110%.

DURING THE NINE MONTHS 2010, THE CANTUNG MINE WAS ON CARE AND MAINTENANCE FROM OCTOBER 18, 2009 AND DURING Q3 2011 THE CANTUNG MINE WAS IN OPERATIONS; THEREFORE, THESE TWO PERIODS ARE NOT DIRECTLY COMPARABLE.

Nine Months 2011 compared to the Nine Months 2010

The net loss for the nine months 2011 was $10.8 million or $0.05 per share, compared with a net loss of $6.0 million or $0.03 per share for the nine months 2010. The net loss for the nine months 2011 was impacted by the following factors:

- The Company experienced significant production shortfalls in mine production, primarily due to delays in underground development, back fill, power generation issues in the re-start, shortage of skilled labour and poor underground equipment availability during Q1 and Q2 2011.

Cantung Mine

- Tungsten concentrate production for Q3 2011 of 74,652 mtus compared to nil production in Q3 2010 primarily due to the fact the mine was on care in maintenance in Q3 2010.

- Tungsten concentrate production for Q3 2011 was 30,925 mtus higher compared to Q2 2011. In Q2 2011 CanTung experienced a 32% lower mill throughput and 21% lower grade as compared to Q3 2011. The increase in mill throughput was mainly attributed to higher mined tonnages combined with increased mill availability.

- Mine unit costs of production (cash costs excluding depreciation) for Q3 2011 were $217.65 or 40% lower than in the Q2 2011 at $367.00 mtu primarily due to a significant increase in production from 43,728 mtus in Q2 2011 to 74,652 mtus in Q3 2011.

- Mine operating costs increased by $0.2 million compared to Q2 2011 primarily due to an increase in employee costs, additional maintenance related contractor costs offset by lower fuel costs in the quarter.

- Throughout Q3 2011, underground development activities continued primarily in the West Extension of the mine. A significant amount of development is required in the next several months to ensure delivery of an adequate ore supply to the mill.

Operating Performance

Production of tungsten concentrates from the CanTung mine resumed on October 7, 2010. During the year, 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. Since resumption of production there have been 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. Two new generators were installed and commissioned during August 2011. 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. Further commissioning work on the Zimpro is required.

Since resumption of work the mining contractor carrying out the underground West Extension development was hampered by flooding due to 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 can be difficult. The Company continues to upgrade its site accommodation and recreation facilities to help recruit and retain staff.

The Company is designing and constructing waste development and backfill programs to help ensure an adequate ore supply over the next several months. With the commissioning of the new power house, power interruptions should be reduced and fuel costs lowered.

Initial upgrades to electrical distributor systems, pumping and ventilation to the 3600 level of the west extension are now complete and are resulting in higher productivity from those headings.

Mactung Project Update

During Q3 2011 the Company incurred $0.14 million in cash expenditures on the MacTung Project compared to $0.24 million during Q2 2011.

The Special Committee formed during Q2 2011 has garnered significant interest from several industry leaders and the process to most effectively and responsively move forward to create greater shareholder value is continuing.

The Company completed laboratory testing of additional core samples from Mactung to provide information required in the response for the supplementary information as requested by the Yukon Environmental and Socia-economic Assessment Board ("YESSAB") on the Mactung Project Proposal pursuant to the Yukon Environmental and Socio-economic Assessment Act ("YESAA"). The Company continued with water sampling programs for surface monitoring, hydrology and groundwater quality. The Company filed its response to YESSA on July 18, 2011.

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 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.

Expenses & Other Income

Financial Data (in $000's)	Three Months Ended June 30			Nine Months Ended June 30		
	2011	2010	Change	**2011**	2010	Change
Shut down/care & maintenance costs	**-**	1,426	(1,426)	**-**	3,884	(3,884)
General & administrative	**603**	567	36	**2,037**	1,681	356
Accretion	**18**	-	18	**56**	-	56
Interest and financing costs	**450**	188	262	**1,153**	384	769
Equity loss (gain) TDI	**(12)**	159	(171)	**360**	522	(162)
Stock based compensation	**-**	13	(13)	**54**	68	(14)
Exploration expenses	**-**	-	-	**23**	71	(48)
Loss (gain) on disposal of assets	**21**	-	21	**19**	(9)	28
Interest income	**(58)**	(12)	(46)	**(73)**	(21)	(52)
Foreign exchange (gain)	**(88)**	(210)	122	**(222)**	(91)	(131)
Future income tax recovery (expense)	**(4)**	40	(44)	**167**	245	(78)

Q3 2011 compared to Q3 2010

- General and administrative expense increased by $0.04 million in Q3 2011 compared to Q3 2010 mainly due to the Cantung Mine returning to operations and the associated increase in corporate activities, employee costs and corporate reporting requirements related to being a producing company.
- Interest and financing costs increased by $0.3 million or 139% in Q3 2011 compared to Q3 2010 primarily due to the costs associated with the guarantee of the letter of credit which secures a certain customer deposit and additional loan and capital lease facilities entered into to fund the expenditures required for the restart of the Cantung mine operations.
- The Company realized a nominal equity gain of its interest in TDI primarily from powder and composite sales.
- Foreign exchange decreased by $0.12 million in Q3 2011 compared to Q3 2010 primarily due to the continued appreciation of the Canadian dollar to the US dollar.

Nine Months 2011 compared to the Nine Months 2010

- General and administration expenses increased by $0.4 million for the nine months 2011 compared to the nine months 2010 primarily due to the Cantung Mine returning to operations and the associated increase in corporate activities, employee costs and corporate reporting requirements related to being a producing company.
- Interest and financing costs increased by $0.8 million the nine months 2011 compared to the nine months 2010 primarily due to the costs associated with both the guarantee of the letter of

credit which secures a certain customer deposit and additional loan and capital lease facilities entered into to fund the expenditures required for the restart of the Cantung mine operations.

- The Company realized a loss of $0.36 million on its interest in TDI in the nine month period 2011.
- Foreign exchange increased by $0.13 million in the nine months 2011 compared to the nine months 2010 primarily due to the revaluation of the US denominated convertible debenture and customer deposits.

LIQUIDITY, CAPITAL RESOURCES AND GOING CONCERN

Q3 2011 compared to Q2 2011

Summarized Cash Flow Activity (in $000's)	Three Months Ended June 30 2011	March 31 2011	December 31 2010
Cash flow from operating activities before changes in non cash working capital	$ 2,280	$ (7,122)	$ (4,133)
Change in non-cash working capital	(6,992)	4,229	(4,395)
Increase in reclamation deposits	(100)	(100)	(100)
Provided by (used in) operating activities	(4,812)	(2,993)	(8,628)
Provided from (used in) investing activities	(3,411)	(6,762)	(3,441)
Provided from (used in) financing activities	5,181	14,409	10,333
Increase (decrease) in cash and cash equivalents	(3,042)	4,654	(1,736)
Cash and cash equivalents, beginning of period	5,194	540	2,276
Cash and cash equivalents, end of period	$ 2,152	$ 5,194	$ 540

Operating activities before changes in non-cash working capital generated $2.3 million in cash an increase of $9.4 million compared to a use of cash of $7.1 million in Q2 2011 primarily due to an increase in sales revenues of $7.9 million.

After changes in non-cash working capital, the cash used in operating activities for Q3 2011 was $4.8 million, an increase in use of cash of $1.8 million compared to Q2 2011 primarily due to an increase of cash flow from operations of $9.4 million offset by use of cash of: $1.1 million in receivables and prepaid, $8.2 million in discharge of accounts payable; and an inventory build of $1.9 million.

Investing activities used $3.4 million of cash a decrease in the use of cash of $3.4 million compared to a use of cash of $6.8 million in Q2 2011 primarily due to the $3.2 million decrease in use of cash for capital expenditures at the Cantung mine.

Cash provided from financing activities of $5.2 million for Q3 2011 is a decrease of $9.2 million compared to Q2 2011. Repayment of customer advances decreased by $0.45 million; funds from issuance of share capital decreased by $11.5 million; net funds from loans and capital leases decreased by $5.0 million and funds from operating loan borrowings increased by $6.0 million.

Cash Flow

Comparison of Q3 2011 to Q3 2010 and the nine months 2011 to the nine months 2010

Summarized Cash Flow Activity (in $000's)	Three months ended June 30 2011	June 30 2010	Change	Nine months ended June 30 2011	June 30 2010	Change
Cash flow from operating activities before changes in non cash working capital	2,280	(2,104)	4,384	(8,975)	(5,089)	(3,886)
Change in non-cash working capital	(6,992)	124	(7,116)	(7,158)	7,044	(14,202)
Increase in reclamation deposits	(100)	(11)	(89)	(300)	(128)	(172)
Provided by (used in) operating activities	(4,812)	(1,991)	(2,821)	(16,433)	1,827	(18,260)
Provided from (used in) investing activities	(3,411)	(545)	(2,866)	(13,614)	(1,766)	(11,848)
Provided from (used in) financing activities	5,181	689	4,492	29,923	(110)	30,033
Decrease in cash and cash equivalents	(3,042)	(1,847)	(1,195)	(124)	(49)	(75)
Cash and cash equivalents, beginning of period	5,194	3,126	2,068	2,276	1,328	948
Cash and cash equivalents, end of period	2,152	1,279	873	2,152	1,279	873

Operating Activities:

Q3 2011 compared to Q3 2010

Operating activities before changes in non-cash working capital generated $2.3 million in cash, an increase of $4.4 million compared to a use of cash of $2.1 million in Q3 2010.

After changes in non-cash working capital and change in reclamation deposits, the cash used in operating activities for Q3 2011 was $4.8 million, an increase of $2.8 million compared to Q3 2010. The net increase of $2.8 million resulted from: an increase of cash flow from operations of $2.3 million, offset by: a decrease of $2.2 million in receivables and prepaid expenses; $2.8 million in discharge of accounts payable and an inventory build of $2.0 million.

Nine months 2011 compared to nine months 2010

Operating activities before changes in non-cash working capital used $9.0 million in cash an increase of $3.9 million compared to cash used of $5.1 million in the nine months 2010.

After changes in non-cash working capital and change in reclamation deposits, the cash used in operating activities for the nine months 2011 was $16.4 million an increase of $18.3 million compared to the nine months 2010.

Investing Activities:

Q3 2011 compared to Q3 2010

Net cash used in investing activities during the Q3 2011 was $3.4 million compared to $0.5 million in Q3 2010. The primary use of cash during Q3 2011 was capital expenditures of $3.3 million at Cantung.

Nine months 2011 compared to nine months 2010

Net cash used in investing activities during nine months 2011 was $13.6 million, an increase of $11.8 million compared to the nine months 2010. The primary uses of cash during the nine months 2011 were; capital expenditures of $13.1 million at Cantung and $0.5 million on the Mactung property.

Financing Activities:

Q3 2011 compared to Q3 2010

Net cash flows from financing activities during Q3 2011 were $5.2 million compared to net cash provided of $0.7 million. The primary sources of cash in Q3 2011 were the net proceeds of $6.0 million from operating loans offset by repayment of customer advances of $0.5 million and net repayments of capital leases and loans of $0.34 million.

Nine months 2011 compared to Nine months 2010

Net cash provided by financing activities during the nine months 2011 was $29.9 million compared to a use of $0.1 million for the nine months 2010. The primary sources of cash in the nine months 2011 were the net proceeds of $6.0 million from operating loans and $2.9 million from issuance of a convertible debenture, net funds from capital leases and loans of $9.6 million; net proceeds from issuance of share capital of $13.3 million offset by repayment of customer advances of $1.9 million.

Liquidity and Going Concern

	As at		
Balance Sheet	**June 30**	March 31	December 31
(in $000's, except for working capital ratio)	**2011**	2011	2010
Cash and cash equivalents	$ 2,152	$ 5,194	$ 540
Current assets	20,622	19,440	13,620
Total assets	79,043	73,439	59,696
Current liabilities	31,611	26,251	17,124
Total debt, including current portion [1]	20,646	21,513	17,962
Total liabilities	49,103	44,765	33,892
Shareholders' equity	29,940	28,674	25,804
Statistics:			
Working Capital	(10,989)	(6,811)	(3,504)
Working capital ratio [2]	0.65:1	0.74:1	0.80:1

1 - Includes current portion and long term portion of customer advances, loans, capital leases and convertible debenture
2 - Current assets divided by current liabilities

As stated in Note 1 to the June 30, 2011 Unaudited Interim Financial Statements for the three and nine months ended June 30, 2011:

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).

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.

At June 30, 2011 the Company had cash and cash equivalents of $2.2 million, and a working capital deficiency of $11 million, compared to cash of $2.3 million and a working capital deficiency of $4.3 million at the beginning of the year.

Credit facilities, debt and financing

HSBC Bank Canada Facilities

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 has four outstanding equipment loans, interest on these loans ranges from Bank Prime Rate plus 1.75% to Bank Prime Rate plus 3.75%.

HSBC BANK DEMAND NON-REVOLVING EQUIPMENT LOANS:
(in $000's)

Equipment Loan Number	Balance September 30, 2010	Draws	Repayments	Balance March 31, 2011	Draws	Repayments	Balance June 30, 2011
1	$ 110	$ -	$ 43	$ 67	$ -	$ 23	$ 44
2	$ 139	$ -	$ 22	$ 117	$ -	$ 11	$ 106
3	$ 191	$ -	$ 25	$ 166	$ -	$ 12	$ 154
4	$ -	$ 3,500	$ -	$ 3,500	$ -	$ 221	$ 3,279
5	$ -	$ 2,768	$ -	$ 2,768	$ 732	$ 224	$ 3,276

Caterpillar Financial Services Corporation loan facility

The loan facility is for a 48 month term with an interest rate of 8.50% per annum:

Caterpillar Financial Services Corporation Loan Facility
(in $000's)

Balance September 30, 2010	Draws	Repayments	Balance March 31, 2011	Draws	Repayments	Balance June 30, 2011
$ 702	$ 2,085	$ 27	$ 2,760	$ -	$ 149	$ 2,611

Capital lease obligations

The Company has additional capital lease obligations as follows with maturity dates ranging from August 2011 to August 2014 with interest rates ranging from 6.4% to 18.58%.

Capital Leases
(in $000's)

Balance September 30, 2010	Draws	Repayments	Balance March 31, 2011	Draws	Repayments	Balance June 30, 2011
$ 1,693	$ 2,258	$ 587	$ 3,364	$ 970	$ 1,404	$ 2,930

Customer advances

In fiscal 2010, the Company received advance payments of $7.9 million (US$7.75 million); the advances were repayable over terms from 6 months to 3 years. During Q3 2011 the Company repaid $0.5 million of the advances. The outstanding balance as of June 30, 2011 is $5.6 million of which $2.3 million is included in current liabilities. US$2.8 million is secured by a letter of credit which is guaranteed by a related party.

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$2.66 million. 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 $11.5 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,

("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 $0.63 million 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 $0.38 million were incurred in connection with the financing.

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

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

(in $000's)			
Gross Proceeds	$ 11,500		
Commissions	$ 625		
Net Proceeds	$ 10,875		
Expected use		**Use of Proceeds to June 30, 2011**	**Balance Use of Proceeds**
Expenses of the Offering	$ 375	$ 375	$ -
Mactung Project	1,500	81	1,419
Cantung Mine Development	4,000	371	3,629
Cantung Mine Equipment	1,000	754	246
Working Capital	4,000	4,000	-
Total	**$ 10,875**	**$ 5,581**	**$ 5,294**

Liquidity Outlook

At June 30, 2011 the Company had cash and cash equivalents of $2.2 million and a working capital deficiency of $11 million. Additional finance will be required for fixed and working capital outlays over the next six months.

Factors that will impact liquidity in the forthcoming months:

- Various capital improvements have been completed during the ramp up period, however, there will be further capital expenditures required, particularly on tailings ponds (including geotechnical drilling), ongoing underground mine waste development and backfill & heat recovery projects in the months to come.
- Realized sales prices are expected to rise, based on the current mid APT quote of US$458.50/mtu (August 26, 2011). The Company has not fully benefited from the rise in the quoted APT prices due to prior period pricing provisions in its sales contracts and delays in fulfilling delivery quotas. Assuming that market quotations continue at the current level for an extended period and assuming a similar product mix and contract deliveries as in Q3 2011, average sales realizations could rise to the broad region of US$350/mtu to US$360/mtu. This compares with the Q3 2011 average realized sales price US$272/mtu.

- While production will continue to be adversely impacted by the development shortfall in the West Extension for several months, thereafter improved results are expected from the West Extension.
- Discussions have commenced with the Company's bankers with a view to further enhancing the company's credit facilities.

Contractual Obligations

(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 Below for obligations under the water license

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 on 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 $0.1 million 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 $0.3 million of cash and reduced the posted secured promissory notes by $0.3 million.

SUMMARY OF QUARTERLY INFORMATION

	2009	2010				2011		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
in $000's, except per share amounts								
Total revenues	11,566	9,632	3,738	390	32	7,370	11,446	19,287
Net earnings (loss)	(2,849)	(1,497)	(2,110)	(2,384)	(5,946)	(4,423)	(7,671)	1,257
Income (Loss) per share	(0.02)	(0.01)	(0.01)	(0.01)	(0.03)	(0.02)	(0.04)	0.01
Cash flow from								
Continuing operations before changes in non-cash working capital	635	(1,207)	(1,777)	(2,104)	(5,598)	(4,133)	(7,122)	2,280

The Company's results over the quarters reviewed have been driven by:

- initially weak tungsten prices followed by a strong upward price trend;
- efforts to ramp up production levels at the CanTung Mine following its closure between October 2009 and October 2010;
- cost efficiencies at the CanTung Mine; and
- exchange rate of US to Canadian dollar

The key drivers in each quarter were as follows:

Q4 2009 – despite rising tungsten prices, there was a $1.2 million write-down of mineral property interests and a $0.8 million provision for future income taxes in the quarter;
Q1 2010 – low tungsten prices and high inventory levels;
Q2 2010 and Q3 2010 – the Company was on care and maintenance and liquidating its product inventories;
Q4 2010 – mine site care and maintenance costs and mine re-start costs;
Q1 2011 – low production levels, high unit cost of production and exchange rate;
Q2 2011 – increased production and higher operating costs due to mine and mill issues
Q3 2011 – increased production and tungsten prices

OTHER INFORMATION

Equity

Common share outstanding	
- as of June 30, 2011 and August 24, 2011	237,123,058
- as of September 30, 2010	206,790,058

Share purchase options	
- as of June 30, 2011	3,196,700

Share purchase warrants	
- as of June 30, 2011	14,750,000

Related Party Transactions

Accounts receivable from TDI as at June 30, 2011 was $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 $0.08 million and $0.26 million respectively to the director.

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

Off-Balance Sheet Arrangements

The Company is not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the Company's financial condition, changes in financial condition, revenues, expenses, results of operations, liquidity, capital expenditures or capital resources.

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, life of mine assumptions 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 September 30, 2010 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. See "Commodity Price Risk" in the Financial Instruments section of this MD&A for further explanation of the potential impact due to price fluctuations of tungsten.

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

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 it believes to be reasonable, a reduction in the carrying value of property, plant and equipment is not required at June 30, 2011. 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, TBO, W Powder and tungsten composite material. 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 estimates.

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% (September 30, 2010 – 1% to 4%).

Asset Retirement Obligation
(in $000's)

	June 30, 2011	September 30, 2010
Opening balance, asset retirement obligation	3,979	3,780
Accretion during the year	**112**	199
Additions during the year	**-**	-
Change in estimates of future costs	**-**	-
Closing asset retirement obligation	**4,091**	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, convertible debenture 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 type 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:

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.

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

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).

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.

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.

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 rate of under 1%-1.05%. For financial liabilities, interest is payable on equipment and 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%.

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.

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.

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 prices 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.

International financial reporting standards (IFRS)

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, not all of the stock option grants were fully vested and therefore transition date adjustments may be required.
- The Company is expecting to have selected its accounting policies under IFRS by the end of the year and anticipates that it will have quantified its IFRS adjustments and developed its transition balance sheet by the end of the year.
- The Company expects that it will have the expertise, training and resources in order to meet the transition requirements.

The Company has retained a consultant to assist the Company with its transition to IFRS.

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.

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 agreed to forbear breaches of covenanted balance sheet ratios until the Company's second quarter of fiscal 2012 provided that the amended covenants are met. There is no assurance that these future loan covenant ratios will be achieved. If these covenant ratios are not achieved there is no assurance that the Bank will agree to forbear any future breach.

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 has a license to process WO_3 concentrate to APT and the ability to convert TBO to W powder. TDI has had losses totaling approximately $3.9 million for the past two and half 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
Capex	capital expenditure requirement to develop a project
Concentrates	the valuable fraction of an ore that is left after waste material is removed in processing
Cu	Copper
MB	Metal Bulletin of London that issues high and low quotations for APT (as well as various other metals) on a frequent basis
MTU	metric tonne unit of 1 percent of a metric tonne (22.046 pounds) of contained WO3
NPV	net present value
Scheelite	A brown tetragonal mineral, CaWO4. 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.