

CANTUNG PROPERTY

North American Tungsten Corporation Ltd.

Chairman: Stephen M. Leahy

Corporate headquarters

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Stock symbol: NTC-V (TSX Venture Exchange)

PROJECT STATUS

Active mining



Location

300 km north of Watson Lake

Ownership

North American Tungsten Corporation Ltd.

Commodity

Tungsten

Ore type

Oxide

Mineral reserve/resource*

Indicated Resource: 2.934 million tonnes grading 1.21% WO₃

Probable Reserve: 1.031 million tonnes grading 1.17% WO₃

*NI 43-101-compliant technical report by Scott Wilson Roscoe Postle Associates Inc., December, 2006

Mining method

Underground, open pit

Employees when in operation

195

Mine life

2.75 years

Production

2006: 237 869 MTUs

2007: 286 031 MTUs

2008 Q1-Q3: 196 850 MTUs (1 MTU = 10 kg)

HISTORY

The CanTung deposit was first discovered in 1954 by A. Berglund for Northwestern Exploration Ltd. The property was staked in 1955 and drilled in 1956. When the claims lapsed in November, 1958, the property was restaked by the Mackenzie Syndicate (Leitch, Highland Belt, Area Exploration Ltd., Dome Minerals Ltd., Ventures Ltd. and Lake Expanse Gold Minerals Ltd.), which formed a new company, Canada Tungsten Mining Corporation Ltd. (CanTung) and drilled 11 holes in 1959 and 41 holes in 1960. Falconbridge, Amax and Dome financed production which commenced in November, 1962. Production was suspended for a year in 1963-64 because of low metal prices, and was interrupted in 1967 by a mill

fire. Falconbridge sold its interest in 1966 and Dome sold its interest about 1985.

A new deposit, the E-Zone, was discovered with four deep surface holes in 1971 and explored with an additional eight surface holes, a 1250-m adit and detailed underground drilling in 1972-73. Open-pit mining of the original CanTung orebody was completed in September, 1973 and milling began on underground ore from the E-Zone during the first half of 1974.

An expansion of mill capacity to 1000 tpd (tonnes/day) was completed in mid-1979 but production was halted by a strike from November, 1980 to May, 1981. The mine was closed most of 1983 because of low metal

prices and then operated at half capacity until May, 1986 when it closed indefinitely due to low tungsten prices and a labour dispute. In 1985, Amax transferred all of its tungsten assets, including the Mactung deposit, to Canada Tungsten Inc. but retained majority control. Canada Tungsten Inc. and Aur Resources Ltd. merged in 1996. In 1997, North America Tungsten acquired 100% interest in both the CanTung and Mactung deposits. The mine was on care and maintenance status awaiting higher commodity prices.

In May, 2001, North American Tungsten announced that it had entered into a sales agreement with Sandvik AB and Osram Sylvania Products Inc. pursuant to which Sandvik and Osram Sylvania agreed to purchase all of North American Tungsten's concentrate production from its CanTung mine, estimated to be 900 000 metric ton units over three years. (One MTU is equal to 10 kg.) The purchase agreement involved a cash advance, a minimum floor price, a small-scale discount from quoted (London Metals Bulletin price) tungsten commodity prices, and a defined exclusive option to negotiate participation rights for the future development of Mactung.

A total of CDN\$10 million was required by North American Tungsten for financing the re-opening of the mine. Sandvik AB and Osram Sylvania advanced \$6.5 million and North American Tungsten completed financing for the remaining funds. The financing arrangements were restructured in September, 2002.

The Yukon government spent approximately \$730 000 in 2001 to open and upgrade the road to the Yukon/NWT border, plus an additional \$150 000 to strengthen the Frances River bridge. The annual maintenance costs to the Yukon government for the road were estimated at \$450 000. North American Tungsten performed year-round maintenance for the remaining 70 km of road.

In 2001, North American Tungsten announced a production decision. Commercial production commenced April, 2002, after pre-production and start-up.

In January, 2003, North American Tungsten reported that tungsten production at the CanTung mine had exceeded, by 33%, the amount called for in the 2002 mine plan. Consequently, North American Tungsten decided to reduce production by shutting down the mine for five weeks commencing March 6, 2003. Operations were resumed on April 9, 2003.

On December 5, 2003 the company announced that the mine was to be shut down immediately and placed on

care and maintenance. The announcement was made after Sandvik and Osram Sylvania Products (the mine's two customers) announced they were terminating their supply agreements and issuing a demand with respect to loan obligation and security. On December 16, 2003, the company announced that they had applied for protection under the Companies' Creditors Arrangement Act to give the company time to develop a reorganization plan.

Protection was subsequently granted and extended until December 20, 2004. On November 2, 2004, the company received support from its creditors, approving its plan of arrangement and compromise.

Effective January 31, 2005 the company entered into amended agreements with Aur Resource Inc. on the royalty payable on both the CanTung and Mactung properties. Aur Resources would reduce its royalty from 4% to 1% of the Net Smelter Returns for the CanTung property on the condition that NATC pay to Aur Resources the amount of \$125 000 on the Plan Implementation Date (March 30, 2005). This payment was completed on schedule.

North American Tungsten reactivated the CanTung mine in September, 2005 but production was hampered by lower recovery grades than targeted, power production issues, limited tailings capacity, and limited forward mine development at start-up. Using long-hole drilling, mining of pillars with good grades commenced prior to the fiscal year-end but behind schedule; however, problems with ore recovery and grade control persist with this method.

Production of 237 869 MTU in 2006 was below target and below production levels achieved in the past. In 2007, the company produced 286 031 MTU and in the first three quarters of 2008 produced 196 850 MTU.

PROJECT SUMMARY

The CanTung mine is located 300 km north of Watson Lake, Yukon along the Nahanni Range road. Although the mine is situated in the Northwest Territories, the town of Watson Lake is the staging area for trucking the tungsten ore and for supplying the minesite.

The CanTung mineral claims are renewable and subject to total annual assessments and maintenances costs of approximately \$71 000/year. The mineral interests are subject to a 4% net smelter royalty, vendor right of first refusal to re-acquire the properties, and mine reclamation and water bond deposits. Funds of \$2 650 000 against

mine reclamation obligations, and a \$900 000 water license security bond are being held in escrow. The company negotiated a draw-down of \$1 million of the fund for the restart of the mine, which will be repaid by depositing 1% of the net smelter returns.

As of June 30, 2007, the company has posted a total of \$2.7 million in cash and \$4.2 million in the required form of a secured promissory note pursuant to the RSA. The total security posted in favour of DIAND is \$6.9 million which fulfills the security requirements of the Water License up to November 30, 2007. The amounts owing are secured against the Company's assets by way of a General Security Agreement ("GSA"). The remaining amounts required to be posted as security are \$500 000 in cash and \$500 000 in the form of a secured promissory note on November 29, 2007.

A total of 195 non-union full time employees are currently working. Only select structures at the townsite were re-opened. The workers at the mine stayed in an 80-apartment complex.

The company rehabilitated the mine production equipment fleet and complemented the loading, haulage and drilling equipment with additional reconditioned units to sustain required equipment availability.

Geology, mineralogy and ore reserves

The CanTung deposit is one of several large tungsten skarn deposits, including Mactung, located along the eastern margin of the Selwyn basin. Tungsten mineralization is associated with scheelite-bearing skarn within contact metamorphosed and metasomatized Lower Paleozoic carbonate rocks cut by Cretaceous felsic intrusions.

Original reserves in the E-Zone were about 4 million tonnes grading 1.6% WO₃ and 0.22% Cu, which made it, at the time, one of the largest tungsten deposits being mined in the world. An extension was discovered about 150 m west in 1984, from which intersections on the first five holes ranged from 1.2 to 3.0% WO₃, across thicknesses of 1 to 16 m.

Both the CanTung and E-Zone deposits consist of pyrrhotite, scheelite and chalcopyrite in a diopside skarn. Scheelite and skarn show a direct relationship. Minor constituents include garnet, epidote, actinolite and sphalerite.

Up until its shutdown in 1986, the CanTung mine produced about 31 185 tonnes of tungsten metal, or about 85% of Canadian production to date. At its peak, the mine produced 1200 tonnes of ore per day, six days per week.

Production

	September, 2005 to August, 2006	September, 2006 to August, 2007
concentrate production (MTU*)	237 869	286 031
tonnes of ore processed	339 743	367 939
average head grade	1.09% WO ₃	1.16% WO ₃
mill recovery	70.9%	74.1%

*1 MTU = 10 kg

Company's fiscal year runs September 1 to August 31.