

EMC METALS CORP.  
Form 10-Q  
August 14, 2012

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-Q**

**[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended **June 30, 2012**

**[ ] TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE EXCHANGE ACT**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**000-54416**

(Commission File Number)

**EMC METALS CORP.**

(Exact name of registrant as specified in its charter)

**British Columbia, Canada**

(State or other jurisdiction  
of incorporation or organization)

**98-1009717**

(IRS Employer  
Identification No.)

**1430 Greg Street, Suite 501, Sparks, Nevada 89431**

(Address of principal executive offices) (Zip Code)

**(775) 355-9500**

(Registrant's telephone number, including area code)

**N/A**

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) filed all reports required to be filed by sections 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes **[X]** No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes **[X]** No [ ]

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company, as defined in Rule 12b-2 of the Exchange Act.

Yes ☐ No ☒

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date:

**As of August 14, 2012, the registrant's outstanding common stock consisted of 162,358,337 shares.**

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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**(An Exploration Stage Company)**

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**SIX MONTHS AND QUARTER ENDED JUNE 30, 2012**

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**EMC Metals Corp.**

(An Exploration Stage Company)

**CONDENSED CONSOLIDATED BALANCE SHEETS**

(Expressed in Canadian Dollars) (Unaudited)

<b>As at:</b>	June 30, 2012	December 31, 2011
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**ASSETS****Current**

Cash	\$ 1,003,662	\$ 804,892
Investments in trading securities, at fair value (Note 3)	2,250	2,250
Prepaid expenses and receivables	191,451	192,158

<b>Total Current Assets</b>	<b>1,197,363</b>	<b>999,300</b>
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<b>Restricted cash</b> (Note 4)	<b>159,400</b>	<b>159,400</b>
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<b>Property, plant and equipment</b> (Note 5)	<b>30,547,925</b>	<b>30,676,426</b>
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<b>Mineral interests</b> (Note 6)	<b>746,322</b>	<b>679,711</b>
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<b>Total Assets</b>	<b>\$ 32,651,010</b>	<b>\$ 32,514,837</b>
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**LIABILITIES AND STOCKHOLDERS EQUITY****Current**

Accounts payable and accrued liabilities	\$ 270,989	\$ 550,081
Current portion of promissory notes payable (Note 9)	-	529,752

<b>Total Current Liabilities</b>	<b>270,989</b>	<b>1,079,833</b>
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<b>Convertible debenture</b> (Note 10)	<b>1,784,066</b>	<b>-</b>
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<b>Promissory notes payable</b> (Note 9)	<b>4,713,658</b>	<b>3,813,750</b>
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<b>Total Liabilities</b>	<b>6,768,713</b>	<b>4,893,583</b>
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**Stockholders Equity**

Capital stock (Note 11) (Authorized: Unlimited number of shares; Issued and outstanding: 150,678,713 (2011 150,678,713))	88,578,045	88,578,045
Treasury stock (Note 12)	(1,343,333)	(1,343,333)
Additional paid in capital (Note 11)	1,929,394	1,476,285
Deficit accumulated during the exploration stage	(63,281,809)	(61,089,743)

<b>Total Stockholders Equity</b>	<b>25,882,297</b>	<b>27,621,254</b>
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<b>Total Liabilities and Stockholders Equity</b>	<b>\$ 32,651,010</b>	<b>\$ 32,514,837</b>
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Nature and continuance of operations (Note 1)

Subsequent event (Note 15)

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

**EMC Metals Corp.**

(An Exploration Stage Company)

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

(Expressed in Canadian Dollars) (Unaudited)

	Cumulative amounts from incorporation on July 17, 2006 to June 30, 2012	Three month period ended June 30, 2012	Three month period ended June 30, 2011	Six month period ended June 30, 2012	Six month period ended June 30, 2011
<b>EXPENSES</b>					
Amortization	\$ 2,412,720	\$ 58,332	\$ 86,333	\$ 128,501	\$ 174,971
Consulting	2,368,414	81,468	69,278	96,173	150,577
Exploration	14,851,163	87,664	529,877	425,458	593,368
General and administrative	7,632,396	268,851	165,097	350,933	202,297
Insurance	993,825	23,150	4,491	35,947	16,858
Professional fees	3,196,071	60,834	82,644	145,055	104,980
Research and development	3,474,068	-	-	-	-
Salaries and benefits	7,129,782	258,131	131,019	420,593	281,674
Stock-based compensation (Note 11)	5,613,394	161,059	59,463	199,719	127,195
Travel and entertainment	1,657,206	16,902	35,341	47,239	94,220
<b>Loss before other items</b>	<b>(49,329,039)</b>	<b>(1,016,391)</b>	<b>(1,163,543)</b>	<b>(1,849,618)</b>	<b>(1,746,140)</b>
<b>OTHER ITEMS</b>					
Foreign exchange gain (loss)	383,401	(253,517)	139,806	(142,236)	217,452
Loss on transfer of marketable securities	(3,115,889)	-	-	-	-
Gain on settlement of convertible debentures	1,449,948	-	-	-	-
Gain on sale of marketable securities	1,836,011	-	-	-	-
Write-off of mineral interests	(18,091,761)	-	-	-	-
Write-off of land and water rights	(3,100,000)	-	-	-	-
Gain on insurance proceeds	972,761	-	-	-	-
Interest income (expense)	47,006	(116,253)	(58,182)	(200,212)	(129,422)
Other income	502,965	-	-	-	-
Gain on disposition of assets (Note 6)	959,281	-	491,897	-	491,897
Change in fair value of derivative liability (Note 8)	485,358	-	-	-	228,741
Unrealized gain on marketable securities	53,830	-	-	-	-

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	(17,617,089)	(369,770)	573,521	(342,448)	808,668
<b>Loss before income taxes</b>	(66,946,128)	(1,386,161)	(590,022)	(2,192,066)	(937,472)
<b>Deferred income tax recovery</b>	6,522,138	-	-		
<b>Loss and comprehensive loss for the period</b>	\$ (60,423,990)	\$ (1,386,161)	\$ (590,022)	\$ (2,192,066)	\$ (937,472)
<b>Basic and diluted loss per common share</b>		(0.00)	(0.00)	(0.01)	(0.01)
<b>Weighted average number of common shares outstanding</b>		150,678,713	150,384,412	150,678,713	150,120,292

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

**EMC Metals Corp.**

(An Exploration Stage Company)

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Expressed in Canadian Dollars) (Unaudited)

	Cumulative amounts from incorporation on July 17, 2006 to June 30, 2012	Six month period ended June 30, 2012	Six month period ended June 30, 2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss for the period	\$ (60,423,990)	\$ (2,192,066)	\$ (937,472)
Items not affecting cash:			
Amortization	2,412,720	128,501	174,971
Research and development	3,474,068	-	-
Consulting paid with common shares	10,711	-	-
Gain on disposal of assets	(959,281)	-	(474,482)
Convertible debenture costs	(1,312,878)	-	-
Unrealized foreign exchange	926,672	139,560	(147,010)
Stock-based compensation	5,613,394	199,719	127,195
Unrealized gain on marketable securities	(53,830)	-	-
Realized gain on marketable securities	(1,836,011)	-	-
Write-off of mineral properties	18,091,761	-	-
Write-off of land and water rights	3,100,000	-	-
Realized loss on transfer of marketable securities	3,115,889	-	-
Change in fair value of derivative liability	(485,358)	-	(228,741)
Deferred income tax recovery	(6,522,138)	-	-
Accrued interest expense	21,252	-	-
Finance charge	131,178	131,178	-
Accrued interest income	(2,809)	-	-
	(34,698,650)	(1,593,108)	(1,485,539)
Changes in non-cash working capital items:			
Decrease (increase) in prepaids and receivables	(124,901)	707	(62,246)
Decrease in accounts payable and accrued liabilities	(791,920)	(279,092)	(76,268)
Increase in due to related parties	1,163,028	-	-
Asset retirement obligations	(1,065,891)	-	-
	(35,518,334)	(1,871,493)	(1,624,053)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash acquired from subsidiary	4,857,012	-	-
Cash paid for Subsidiary	(11,359,511)	-	-
Spin-out of Golden Predator Corp.	(76,388)	-	-
Restricted cash	(159,400)	-	-
Reclamation bonds	795,785	-	-
Proceeds from sale of marketable securities, net	(4,135,798)	-	-
Proceeds from sale of property, plant and equipment	675,742	-	-



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Purchase of property, plant and equipment	(21,255,448)	-	(37,484)
Proceeds from sale of mineral interests	500,000	-	500,000
Additions to unproven mineral interests	(4,783,673)	(1,610,155)	(136,609)
Recoveries from unproven mineral interests	1,452,095	1,452,095	-
	(33,489,584)	(158,060)	325,907

**CASH FLOWS FROM FINANCING ACTIVITIES**

Common shares issued	55,521,421	-	210,249
Share issuance costs	(1,277,713)	-	-
Special warrants	13,000,000	-	-
Options exercised	384,900	-	43,000
Warrants exercised	11,164,849	-	298,099
Notes payable	(9,966,000)	-	-
Receipt of promissory note	997,000	997,000	-
Convertible debenture	1,994,000	1,994,000	-
Debt issuance costs	(249,827)	(249,827)	-
Payment of promissory note	(1,773,550)	(512,850)	-
Advances from related party	216,500	-	-
Loans advanced to Midway	(2,000,000)	-	-
Loan repayment from Midway	2,000,000	-	-
	70,011,580	2,228,323	551,348

<b>Change in cash during the period</b>	1,003,662	198,770	(746,798)
<b>Cash, beginning of period</b>	-	804,892	4,126,424

<b>Cash, end of period</b>	\$ 1,003,662	\$ 1,003,662	\$ 3,379,626
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**Supplemental disclosure with respect to cash flows (Note 14)**

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

**EMC Metals Corp.**

(An Exploration Stage Company)

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

(Expressed in Canadian Dollars) (Unaudited)

	Capital Stock				Deficit Accumulated During Exploration
	Number of Shares	Amount \$	Additional Paid in Capital \$	Treasury \$	\$
<b>Balance, July 17, 2006</b>	-	-	-	-	-
Private placements	5,000,000	3,500,000	-	-	-
Excess of exchange amount over carrying amount of Springer Mining Company	-	-	-	-	(2,000,000)
Loss for the period	-	-	-	-	-
<b>Balance, December 31, 2006</b>	5,000,000	3,500,000	-	-	(2,000,000)
Private placements	17,577,500	35,155,000	-	-	-
Conversion of special warrants	5,390,000	5,390,000	-	-	-
Exercise of warrants	50,000	75,000	-	-	-
Share issuance costs - broker's fees	-	(1,215,074)	99,000	-	-
Share issuance costs - shares issued	100,000	100,000	-	-	-
Shares issued for mineral properties	100,000	100,000	-	-	-
Stock-based compensation	40,000	40,000	489,562	-	-
Loss for the year	-	-	-	-	(6,000,000)
<b>Balance, December 31, 2007</b>	28,257,500	43,144,926	588,562	-	(9,000,000)
Private placements	5,322,500	10,645,000	-	-	-
Conversion of special warrants	7,610,000	7,610,000	-	-	-
Share issuance costs - broker's fees	-	(261,638)	-	-	-
Shares issued for mineral properties	110,000	210,000	-	-	-
Acquisition of Gold Standard Royalty Corp.	2,050,000	4,100,000	143,017	-	-
Acquisition of Great American Minerals Inc.	1,045,775	2,091,550	426,672	-	-
Acquisition of Fury Explorations Ltd.	10,595,814	13,774,558	7,787,783	(2,087,333)	-
Exercise of stock options	6,637,224	10,027,915	(184,265)	-	-
Shares issued for repayment of promissory note	4,728,000	2,364,000	-	-	-
Stock-based compensation	-	-	2,324,458	-	-
Loss for the year	-	-	-	-	(17,000,000)
<b>Balance, December 31, 2008</b>	66,356,813	93,706,311	11,086,227	(2,087,333)	(27,000,000)
Private placements	14,500,000	1,190,000	-	-	-
Exercise of stock options	101,000	126,186	(105,986)	-	-
Shares issued for mineral properties	2,765,643	367,695	-	-	-
Settlement of convertible debentures	7,336,874	2,934,752	62,903	-	-
Shares issued for consulting	89,254	10,711	-	-	-
Shares issued for acquisition of TTS	19,037,386	2,094,112	-	-	-
Stock-based compensation before spin-out	-	-	836,240	-	-
Spin-out of GPD	-	(18,540,194)	(11,879,384)	-	-
Stock-based compensation after spin-out	-	-	979,611	-	-
Loss for the year	-	-	-	-	(21,000,000)
<b>Balance, December 31, 2009</b>	110,186,970	81,889,573	979,611	(2,087,333)	(48,000,000)
Private placements	30,252,442	4,700,312	454,768	-	-

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Exercise of stock options	1,320,000	456,602	(226,302)	-	
Exercise of warrants	7,300,000	1,092,000	-	-	
Stock-based compensation	-	-	795,268	-	
Loss for the year	-	-	-	-	(4)
<b>Balance, December 31, 2010</b>	149,059,412	88,138,487	2,003,345	(2,087,333)	(53)
Exercise of stock options	250,000	118,959	(75,959)	-	
Exercise/expiry of warrants	1,369,301	320,599	(744,000)	744,000	
Stock-based compensation	-	-	292,899	-	
Loss for the year	-	-	-	-	(7)
<b>Balance, December 31, 2011</b>	150,678,713	88,578,045	1,476,285	(1,343,333)	(61)
Stock-based compensation			199,719		
Issue of convertible debenture warrants			253,390		
Loss for the period					(2)
<b>Balance, June 30, 2012</b>	150,678,713	88,578,045	1,929,394	(1,343,333)	(63)

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

**EMC Metals Corp.**

(An Exploration Stage Company)

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2012

(Expressed in Canadian Dollars) (Unaudited)

**1. NATURE AND CONTINUANCE OF OPERATIONS**

EMC Metals Corp. (the Company) is incorporated under the laws of the Province of British Columbia. The Company is focused on specialty metals exploration and production and has recently acquired various metallurgical technologies and licenses that it is utilizing to gain access to a number of specialty metals opportunities.

The Company's principal properties are located in the state of Nevada, Australia, and Norway. The Company's principal asset, the Springer Tungsten mine and mill, is currently not operating, and the Company is now working to restart mine operations because of a sustained tightening of supply and accompanying price increases in tungsten markets. To June 30, 2012, the Company has not commenced production and has generated no revenue. The Company's remaining properties are in the exploration or pre-exploration stage. As such, the Company is in the exploration stage and anticipates incurring significant expenditures prior to commencement of contract milling operations.

These condensed consolidated financial statements have been prepared on a going concern basis that contemplates the realization of assets and discharge of liabilities at their carrying values in the normal course of business for the foreseeable future. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

The Company currently earns no operating revenues and will require additional capital in order to restart its Springer tungsten mill and advance the Nyngan property. The Company's ability to continue as a going concern is uncertain and is dependent upon the generation of profits from mineral properties, obtaining additional financing or maintaining continued support from its shareholders and creditors. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern. The Company is currently working on securing additional financing to meet its needs; however there is no guarantee that these efforts will be successful. In the event that additional financial support is not received or operating profits are not generated, the carrying values of the Company's assets may be adversely affected. The inability to raise additional financing may affect the future assessment of the Company as a going concern.

**2. BASIS OF PRESENTATION**

**Basis of presentation**

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (SEC). The interim condensed consolidated financial statements include the consolidated accounts of EMC Metals Corp. (the Company) and its wholly-owned subsidiaries with all significant intercompany transactions eliminated. In the opinion of management, all adjustments necessary for a fair statement of the consolidated financial position, results of operations and cash flows for the interim periods have been made. Certain information and footnote disclosures normally included in the consolidated financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such SEC rules and regulations. These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2011, in our Annual Report on Form 10-K

filed with the SEC on February 14, 2012. Operating results for the three- month and six-month periods ended June 30, 2012, are not necessarily indicative of the results for the year ending December 31, 2012.

### **Use of estimates**

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Fair value of financial assets and liabilities**

The Company measures the fair value of financial assets and liabilities based on US GAAP guidance which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

The Company classifies financial assets and liabilities as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities depending on their nature. Financial assets and financial liabilities are recognized at fair value on their initial recognition, except for those arising from certain related party transactions which are accounted for at the transferor's carrying amount or exchange amount.

Financial assets and liabilities classified as held-for-trading are measured at fair value, with gains and losses recognized in net income. Financial assets classified as held-to-maturity, loans and receivables, and financial liabilities other than those classified as held-for-trading are measured at amortized cost, using the effective interest method of amortization. Financial assets classified as available-for-sale are measured at fair value, with unrealized gains and losses being recognized as other comprehensive income until realized, or if an unrealized loss is considered other than temporary, the unrealized loss is recorded in income.

Financial instruments, including receivables, accounts payable and accrued liabilities, convertible debentures and promissory notes payable are carried at cost, which management believes approximates fair value due to the short term nature of these instruments. Investments in trading securities are classified as held for trading, with unrealized gains and losses being recognized in income.

**EMC Metals Corp.**

(An Exploration Stage Company)

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2012

(Expressed in Canadian Dollars) (Unaudited)

**2. BASIS OF PRESENTATION (cont d )**

The following table presents information about the assets that are measured at fair value on a recurring basis as of June 30, 2012, and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability, and included situations where there is little, if any, market activity for the asset:

**Fair value of financial assets and liabilities**

	<b>June 30, 2012</b>	<b>Quoted Prices in Active Markets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>Assets:</b>				
Cash and restricted cash	\$ 1,163,062	\$ 1,163,062	\$	\$
Investments in trading securities	\$ 2,250	\$ 2,250	\$	\$
<b>Total</b>	<b>\$ 1,165,312</b>	<b>\$ 1,165,312</b>	<b>\$</b>	<b>\$</b>

The fair values of cash, restricted cash and investments in trading securities are determined through market, observable and corroborated sources.

**Recently Adopted and Recently Issued Accounting Standards**

The Company reviewed significant newly issued accounting pronouncements and concluded that they are either not applicable to the Company's business or that no material effect is expected on the consolidated financial statements as a result of future adoption.

**3. INVESTMENTS IN TRADING SECURITIES**

At June 30, 2012, the Company held investments classified as trading securities, which consisted of various equity securities. All trading securities are carried at fair value. As of June 30, 2012, the fair value of trading securities was \$2,250 (December 31, 2011 \$2,250).

**4. RESTRICTED CASH**

The Company has a Bank of Montreal line of credit of up to \$159,400 as a deposit on the Company's Vancouver office lease and is secured by a short-term investment of \$159,400 bearing interest at prime less 2.05% maturing on May 8, 2014, contemporaneous with the date the office lease expires.

**5. PROPERTY, PLANT AND EQUIPMENT**

	June 30, 2012			December 31, 2011		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land and water rights	\$ 4,673,958	\$ -	\$ 4,673,958	\$ 4,673,958	\$ -	\$ 4,673,958
Plant and equipment	25,618,528	-	25,618,528	25,618,528	-	25,618,528
Cosgrave plant and equipment	375,763	340,884	34,879	375,763	303,308	72,455
Building	222,685	52,005	170,680	222,685	46,438	176,247
Automobiles	179,767	163,997	15,770	179,767	159,432	20,335
Computer equipment	364,697	364,120	577	364,697	363,888	809
Small tools and equipment	963,537	942,575	20,962	963,537	863,583	99,954
Office equipment	134,691	122,120	12,571	134,691	120,551	14,140
	\$ 32,533,626	\$ 1,985,701	\$ 30,547,925	\$ 32,533,626	\$ 1,857,200	\$ 30,676,426

Land and water rights are in respect of properties in Nevada. The plant and equipment is comprised of the Springer Plant and Mill in Nevada which is currently under care and maintenance.

**Impairment of land and water rights**

During the year ended December 31, 2011, the Company reviewed the carrying value of its land and water rights for impairment and compared the carrying value to the estimated recoverable amount and wrote down its land and water rights by \$3,100,000.

**EMC Metals Corp.**

(An Exploration Stage Company)

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2012

(Expressed in Canadian Dollars) (Unaudited)

**6. MINERAL INTERESTS**

June 30, 2012	Other	Tungsten	Total
<b>Acquisition costs</b>			
Balance, December 31, 2011	\$ 482,260	\$ 197,451	\$ 679,711
Additions	66,611	-	66,611
Sold	-	-	-
<b>Balance, June 30, 2012</b>	<b>\$ 548,871</b>	<b>\$ 197,451</b>	<b>\$ 746,322</b>

December 31, 2011	Other	Tungsten	Total
<b>Acquisition costs</b>			
Balance, December 31, 2010	\$ 300,000	\$ 203,020	\$ 503,020
Additions	182,260	2,534	184,794
Sold	-	(8,103)	(8,103)
<b>Balance, December 31, 2011</b>	<b>\$ 482,260</b>	<b>\$ 197,451</b>	<b>\$ 679,711</b>

Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral property interests. The Company has investigated title to all of its mineral property interests and, to the best of its knowledge, title to all of its properties is in good standing.

**TUNGSTEN PROPERTY***Springer Property*

On November 21, 2006, the Company acquired all outstanding and issued shares of Springer Mining Company ( Springer ). Included in the assets of Springer and allocated to property, plant and equipment (Note 5) are the Springer Mine and Mill located in Pershing County, Nevada.

*Fostung Property*

The Company held a 100% interest certain mineral claims known as the Fostung Property, Ontario. During the year ended December 31, 2011, the Company sold these claims for \$500,000 and recorded a gain on the sale of \$491,897.

**SCANDIUM PROPERTIES***Nyngan, New South Wales Property*

On February 5, 2010, the Company entered in to an earn-in agreement with Jervois Mining Limited ( Jervois ), whereby it would acquire a 50% interest in the Nyngan Scandium property located in New South Wales, Australia. In order for the Company to earn its 50% interest, which is subject to a 2% Net Smelter Royalty (NSR), the Company



paid an initial cash sum of \$300,000 to Jervois, and was additionally required to meet two additional work steps:

- a) Incur exploration and metallurgical work expenditures of A\$500,000 (CAD\$466,000) within 180 business days of the conditions precedent being satisfied, or pay cash in lieu thereof. The Company received a six month extension to complete its exploration spending commitment, which it met in advance of the extended deadline in Q2, 2011.
- b) Deliver a feasibility study on the Nyngan Scandium Project to Jervois, and pay Jervois an additional cash payment of A\$1,300,000 plus GST, by a deadline of February 28, 2012,

**6. MINERAL INTERESTS** (cont d..)

- c) On February 24, 2012, the Company delivered to Jervois the A\$1.43 million cash payment and an independent NI 43-101 report entitled "***Technical Report on the Feasibility of the Nyngan Scandium Project***" dated February 23, 2012 (the "Report"), which was compiled by SNC-Lavalin.

**EMC Metals Corp.**

(An Exploration Stage Company)

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2012

(Expressed in Canadian Dollars) (Unaudited)

On February 27, 2012 EMC, received written notice from Jervois rejecting the Report for the stated reason that the Report does not fall within the definition of "Feasibility Study" provided in the Agreement. Jervois also returned the cash payment. The Company believes that it has fully met the conditions under the Agreement to earn its 50% joint venture interest in the Project and will take all lawful steps to secure its proprietary rights to the 50% joint venture interest.

On March 23, 2012, the Company announced that, following discussions with Jervois, the parties agreed to engage in further without prejudice communications in an attempt to resolve the dispute. Those discussions have now ceased and on June 22, 2012, the Company received notification that Jervois had filed a lawsuit against it in the Supreme Court of Victoria, Australia. The lawsuit contends that JV Agreement was automatically terminated because the Report delivered by EMC failed to meet the standards set out in the agreement, The formal Dispute Notice has no force and effect as the JV Agreement was effectively terminated by Jervois and that EMC must remove legal claims placed on the Nyngan property by EMC that prevent Jervois from transferring property interests. EMC is taking all lawful steps to secure its proprietary rights to a 50% joint venture interest.

*Tordal and Evje-Iveland properties, Norway*

The Company has entered into an earn-in agreement with REE Mining AS ( REE ), whereby the Company has an option to earn up to a 100% interest in the Tordal and Evje-Iveland properties. To earn its interest, the Company must pay REE US\$630,000, including an initial cash payment of US\$130,000 (paid) and issue 1,000,000 common shares.

The Company is also required to incur US\$250,000 of exploration work to be completed over 18 months from the date of closing in order to acquire its interest. The Company shall also issue 250,000 common shares upon releasing the second of two full feasibility studies on the two properties.

*Fairfield property, Utah*

The Company has entered into an earn-in agreement with Mineral Exploration Services LLC, whereby the Company has an option to earn a 100% interest in a patented mining claim and former scandium property known as The Little Green Monster near Fairfield, Utah.

The Company is required to pay US\$380,000 over a 3 year period from the date of closing in order to acquire its interest. Mineral Exploration Services LLC maintains a production right of US\$5 per ton of resource mined up to US\$500,000.

*Hogtuva property, Norway*

The Company has entered into an earn-in agreement with REE Mining AS ( REE ), whereby the Company has an option to earn a 100% interest in three scandium and beryllium exploration sites in Norway. To earn 100% of the exploration rights, the Company must pay REE US\$150,000 over 18 months, including an initial cash payment of US\$50,000 (paid) and issue up to 200,000 common shares. In consideration for paying the Company US\$200,000, REE may elect to accelerate the Company's option to earn a 100% interest in the properties.

**7. RELATED PARTY TRANSACTIONS**

A promissory note due to a director of the Company (principal balance of US\$500,000) matured and was paid during June 2012. The promissory note was issued as part of the purchase of a subsidiary company during November 2009.

**EMC Metals Corp.**

(An Exploration Stage Company)

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2012

(Expressed in Canadian Dollars) (Unaudited)

During the year ended December 31, 2011, the warrants expired and the derivative liability was valued at \$Nil resulting in a change in fair value of \$228,741 realized through the statement of operations.

**9. PROMISSORY NOTES PAYABLE**

	June 30, 2012	December 31, 2011
Promissory note with a principal balance of US\$500,000, bearing interest at prime per annum, maturing June 30, 2012 due to a director of the Company secured by the stock of a subsidiary company.	\$ Nil	\$ 529,752
Promissory note with a principal balance of US\$ 3,750,000, bearing interest at 6% per annum, maturing July 3, 2013 and secured by land and water rights.		
During fiscal 2008 the Company entered into a promissory note for US\$6,750,000 as consideration for the acquisition of land and water rights. The Company subsequently made principal payments of US\$3,000,000 consisting of a cash payment of US\$1,000,000 and 4,728,000 units of the Company equity valued at US\$2,000,000. Each unit consisted of one common share and one-half share purchase warrant exercisable at CDN\$0.75 each and exercisable for a period of two years.	3,821,625	3,813,750
During the period ended June 30, 2012 the Company completed a USD\$3,000,000 loan financing (note 10) which included a USD \$1,000,000 note payable bearing interest at 7% per annum maturing August 15, 2013. Presented is this principal balance less financing and costs which are amortized over the term of the debt using the effective interest method. This resulted in a carrying amount of \$892,033 upon deducting a debt discount of \$127,067 from the principal balance of \$1,019,100 (USD \$1,000,000).	892,033	
	4,713,658	4,343,502
Less: current portion	Nil	(529,752)
	\$ 4,713,658	\$ 3,813,750

**10. CONVERTIBLE DEBENTURE**

On February 17, 2012, the Company completed a USD \$3,000,000 loan financing consisting of a term loan of USD \$1,000,000 (Note 9), a convertible debenture of USD \$2,000,000 and warrants to acquire 3,000,000 common shares. The convertible debenture has a maturity date of August 15, 2013 and bears interest at 7% per

annum. The lender may convert a maximum of USD \$2,000,000 of the principal amount of the loan into 10,000,000 common shares of the Company. There was no beneficial conversion feature associated with the conversion option. The warrants are exercisable at \$0.20 per share expiring February 15, 2014. A relative fair value of \$217,267 was assigned to the warrants and recorded in additional paid in capital. The Company paid financing cost of \$249,827 and also issued 750,000 purchase warrants exercisable at \$0.20 per share expiring February 15, 2014. These warrants were valued at \$58,716 and recorded in additional paid in capital. The financing costs were allocated between debt and the equity components. This resulted in a convertible debenture carrying amount of \$1,784,066 upon deducting a debt discount of \$254,134 from the principal balance of \$2,038,200 (USD \$2,000,000).

## **11. CAPITAL STOCK AND ADDITIONAL PAID IN CAPITAL**

On December 3, 2010, the Company issued 18,929,740 common shares at a value of \$0.19 per common share for total proceeds of \$3,596,651. A total of \$210,249 was received during fiscal 2011.

On November 25, 2010, the Company issued 6,100,000 units at a value of \$0.10 per unit for total proceeds of \$610,000. Each unit consisted of one common share and one-half of one share purchase warrant exercisable at \$0.18 expiring on November 25, 2011. The warrants have a calculated total fair value of \$142,358 using the Black-Scholes pricing model with a volatility of 142.52%, risk-free rate of 1.73%, expected life of 1 year, and a dividend rate of 0%.

On June 30, 2010, the Company issued 2,947,702 units at a value of \$0.10 per unit for total proceeds of \$294,770. Each unit consisted of one common share and one-half of one share purchase warrant exercisable at \$0.18 until June 30, 2011. The warrants have a calculated total fair value of \$35,638 using the Black-Scholes pricing model with a volatility of 123.84%, risk-free rate of 1.39%, expected life of 1 year, and a dividend rate of 0%.

## **11. CAPITAL STOCK AND ADDITIONAL PAID IN CAPITAL (cont d )**

**EMC Metals Corp.**

(An Exploration Stage Company)

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2012

(Expressed in Canadian Dollars) (Unaudited)

On February 17, 2010, the Company issued 2,275,000 units at a value of \$0.20 per unit for total proceeds of \$455,000. Each unit consisted of one common share and one-half of one share purchase warrant exercisable at \$0.25 until February 17, 2011. The warrants have a calculated total fair value of \$78,113 using the Black-Scholes pricing model with a volatility of 131.19%, risk-free rate of 1.34%, expected life of 1 year, and a dividend rate of 0%. All of the warrants were exercised during fiscal 2011.

On November 17, 2009, the Company issued 13,000,000 units at a value of \$0.08 per unit for total proceeds of \$1,040,000. Each unit consisted of one common share and one-half of one share purchase warrant. Each full warrant entitled the holder to purchase an additional share at \$0.15 per share until November 17, 2010.

On October 13, 2009, the Company issued 500,000 common shares at a value of \$45,000 for the Fostung Tungsten project.

On August 27, 2009, the Company issued 1,500,000 units at a value of \$0.10 per unit, pursuant to a non-brokered private placement for proceeds of \$150,000. Each unit consisted of one common share and one-half of one share purchase warrant. Each full warrant entitled the holder to purchase an additional share at \$0.15 per share until August 27, 2010.

On May 13, 2009, the Company issued 89,254 common shares at a value of \$0.12 per share to a consultant for settlement of consulting fees for Fury Explorations Ltd. ( "Fury" ), a subsidiary of GPD, under the plan of Arrangement of spin-out. On April 21, 2009, the Company issued 51,859 common shares at a value of \$0.10 per share for the Platte River property.

On January 21, 2009, the Company issued 66,784 common shares at a value of \$0.20 per share for the Guijoso property for Fury.

On January 6, 2009, the Company issued 2,147,000 common shares at a value of US\$250,000 for the Adelaide and Tuscarora projects for Golden Predator Mines US Inc., a wholly owned subsidiary of the Company prior to the spin-out.

On November 17, 2008, the Company issued 76,274 common shares in connection with the acquisition of the subsidiary, Great American Minerals Inc.

On October 18, 2008, the Company issued 4,728,000 units to Cosgrave for repayment of a promissory note at a value of US\$2,000,000. Each unit consisted of one common share of the Company and one-half of one common share purchase warrant with a two year life and exercisable at \$0.75.

In July 2008, the Company completed a private placement consisting of 2,500,000 common shares at \$2.00 per share for proceeds of \$5,000,000. In connection with this private placement the Company paid a finder's fee of \$250,000.

In January 2008, the Company completed a private placement consisting of 2,822,500 units at \$2.00 per unit for gross proceeds of \$5,645,000. Included in the proceeds was \$3,620,000 received in advance as of December 31, 2007. Each unit consisted of one common share and one half of one share purchase warrant. Each whole warrant entitled the holder to acquire one additional common share at \$3.00 for a period of 12 months.

In November 2007, the Company completed private placements consisting of 17,577,500 units at \$2.00 per unit for proceeds of \$35,155,000. Each unit consisted of one common share and one half of one common share purchase warrant. Each whole warrant entitled the holder to acquire one additional common share at \$3.00 for a period of 12 months following the closing of the placement.

In December 2007, the Company issued 5,390,000 common shares pursuant to the conversion of special warrants. The Company paid \$1,016,074 and issued 100,000 common share valued at \$100,000 as issuance costs and finder's fees. The Company also granted warrants to acquire 300,000 common shares exercisable at \$1.50 expiring September 22, 2008. The warrants were valued at \$99,000 with the Black-Scholes option pricing model using an expected volatility of 115%, life of one year, a risk free interest rate of 4% and a dividend yield of 0%.

In December 2006, the Company issued 5,000,000 common shares at \$0.70 per common share for gross proceeds of \$3,500,000.

### **Stock Options and Warrants**

The Company established a stock option plan (the Plan) under which it is authorized to grant options to executive officers and directors, employees and consultants and the number of options granted under the Plan shall not exceed 15% of the shares outstanding. Under the Plan, the exercise period of the options may not exceed five years from the date of grant and vesting is determined by the Board of Directors.

### **11. CAPITAL STOCK AND ADDITIONAL PAID IN CAPITAL (continued)**

**EMC Metals Corp.**

(An Exploration Stage Company)

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2012

(Expressed in Canadian Dollars) (Unaudited)

Stock option and share purchase warrant transactions are summarized as follows:

	<b>Warrants</b>		<b>Stock Options</b>	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding, December 31, 2010	23,792,485	\$ 1.82	11,473,750	\$ 0.18
Granted	-	-	1,470,000	0.28
Cancelled	(22,423,184)	1.97	(845,000)	0.22
Exercised	(1,369,301)	0.24	(250,000)	0.17
Outstanding, December 31, 2011	-	-	11,848,750	0.19
Granted	3,750,000	0.20	2,335,000	0.08
Cancelled	-	-	(750,000)	0.24
Exercised	-	-	-	-
Outstanding, June 30, 2012	3,750,000	\$ 0.20	13,433,750	\$ 0.17
Number currently exercisable	3,750,000	\$ 0.20	12,335,750	\$ 0.17

As at June 30, 2012, incentive stock options were outstanding as follows:

	Number of options	Exercise Price	Expiry Date
<b>Options</b>	182,500	\$ 0.200	July 26, 2012 *
	5,000	1.000	July 26, 2012 *
	40,000	0.200	October 4, 2012
	15,000	1.000	October 4, 2012
	220,000	0.390	January 18, 2013
	152,500	0.200	February 25, 2013
	100,000	2.000	February 25, 2013
	100,000	0.200	March 4, 2013
	90,000	0.200	May 13, 2013
	5,000	2.150	May 13, 2013
	50,000	0.200	June 2, 2013
	30,000	0.200	August 20, 2013
	645,000	0.200	October 31, 2013



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652,500	0.300	January 23, 2014
50,000	0.300	February 26, 2014
1,245,000	0.160	June 16, 2014
225,000	0.120	August 27, 2014
50,000	0.160	December 14, 2014
200,000	0.105	December 16, 2014
1,071,250	0.250	January 4, 2015
4,800,000	0.100	November 5, 2015
120,000	0.310	April 27, 2013
250,000	0.315	May 4, 2016
500,000	0.250	May 16, 2016
300,000	0.155	September 15, 2016
2,335,000	0.080	April 24, 2017
13,433,750		

\* Subsequent to June 30, 2012,  
these options expired unexercised.

**11. CAPITAL STOCK AND ADDITIONAL PAID IN CAPITAL (cont d )**

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**EMC Metals Corp.**

(An Exploration Stage Company)

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2012

(Expressed in Canadian Dollars) (Unaudited)

As at June 30, 2012, warrants were outstanding as follows;

<b>Warrants</b>	<b>Number of Warrants</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
	3,750,000	\$ 0.200	February 15, 2014

**Stock-based compensation**

During the six months ended June 30, 2012, the Company recognized stock-based compensation of \$199,719 (June 30, 2011 - \$127,195) in the statement of operations as a result of incentive stock options granted and vested in the current period. There were 2,335,000 stock options issued during the six months ended June 30, 2012 (June 30, 2011 870,000).

The weighted average fair value of the options granted in the period was \$0.07 (2011 - \$0.31) .

The fair value of all compensatory options and warrants granted is estimated on grant date using the Black-Scholes option pricing model. The weighted average assumptions used in calculating the fair values are as follows:

	2012	2011
Risk-free interest rate	0.51%	2.44%
Expected life	5 years	4.36 years
Volatility	136.82%	127.51%
Forfeiture rate	0.00%	0.00%
Dividend rate	0.00%	0.00%

**12. TREASURY STOCK**

	Number	Amount
Treasury shares, June 30, 2012	1,033,333	\$ 1,343,333
	1,033,333	\$ 1,343,333

Treasury shares comprise shares of the Company which cannot be sold without the prior approval of the TSX.

**13. SEGMENTED INFORMATION**

The Company's mineral properties are located in Norway, Australia, and the United States and its capital assets geographic information is as follows:

<b>June 30, 2012</b>	<b>Norway</b>	<b>Australia</b>	<b>United States</b>	<b>Total</b>
Property, plant and equipment	\$ -	\$ -	\$ 30,547,925	\$ 30,547,925
Mineral interests	248,871	300,000	197,451	746,322
	\$ 248,871	\$ 300,000	\$ 30,745,376	\$ 31,294,247

<b>December 31,2011</b>	Norway		Australia		United States	Total
Property, plant and equipment	\$	-	\$	-	\$ 30,676,426	\$ 30,676,426
Mineral interests		182,260		300,000	197,451	679,711
	\$	182,260	\$	300,000	\$ 30,873,877	\$ 31,356,137

**14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

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**EMC Metals Corp.**

(An Exploration Stage Company)

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2012

(Expressed in Canadian Dollars) (Unaudited)

		2012		2011
Cash paid during the six months ended June 30 for interest	\$	139,761	\$	129,422
Cash paid during the year for income taxes	\$	-	\$	-

Significant non-cash transactions for the six month period ended June 30, 2012 include the Company granting 750,000 share purchase warrants at a value of \$58,510 as finder's fees pursuant to the promissory note and convertible debenture financings. (Note 10)

There were no significant non cash transactions for the six month period ended June 30, 2011.

**15. SUBSEQUENT EVENT**

Subsequent to June 30, 2012, the Company closed a private placement consisting of 11,679,624 common shares of the Company at a price of \$0.06 per share for gross proceeds of \$700,777.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of the operating results, corporate activities and financial condition of EMC Metals Corp. (hereinafter referred to as we, us, EMC, or the Company) and its subsidiaries provides an analysis of the operating financial results between March 31, 2012 and June 30, 2012 and a comparison of the material changes in our results of operations and financial condition between the three-month period ended June 30, 2011 and the three-month period ended June 30, 2012. This discussion should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2011.

The interim statements have been prepared in accordance with US Generally Accepted Accounting Principles (US GAAP) in accordance with the requirements of U.S. federal securities laws as applicable to the Company, and as permitted under applicable Canadian securities laws. The Company is a reporting company under applicable securities laws in Canada, and in July of 2011 also became a reporting issuer under U.S. federal laws. As a result of the Company's U.S. reporting status, the financial statements for the annual period ended December 2010 were restated in accordance with US GAAP and were filed with the SEC and Canadian securities regulators as part of our annual filing on Form 10K for the year ended December 31, 2011. The reporting currency used in our financial statements is the Canadian Dollar.

The information contained within this report is current as of August 14, 2012 unless otherwise noted. Additional information relevant to the Company's activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Technical information in this MD&A has been reviewed by Willem Duyvesteyn, a Qualified Person as defined by Canadian National Instrument 43-101 (NI 43-101). Mr. Duyvesteyn is a director and consultant of EMC Metals.

### Overview

EMC is a specialty metals and alloys company focusing on scandium, tungsten, molybdenum, vanadium, and other specialty metals. The Company intends to utilize its patented technologies and know-how to maximize opportunities in these and other specialty metals.

The Company was formed in 2006, under the name Golden Predator Mines Inc. As part of a reorganization and spin-out of the Company's precious metals portfolio in March 2009, the Company changed its name to EMC Metals Corp. The Company currently trades on the Toronto Stock Exchange under the symbol EMC.

The Company's most advanced asset is the Springer Tungsten Mine, a fully constructed mine and mill asset in Nevada, USA. The Springer mine is currently not operating, and the Company is now working to restart mine operations following sustained tightening of supply and accompanying price increases in tungsten markets.

The Company is also claiming it has earned a 50% interest in the Nyngan scandium project in New South Wales, Australia although this interest is under dispute with our partner, Jervois Mining Limited. We also own the Carlin vanadium property in Nevada, USA and four other specialty metals properties: the Fairfield scandium property (Utah, USA), and Hogtva beryllium property (central Norway) and two scandium plus specialty metals properties in southern Norway (Tordal and Evje-Iveland).

The Company acquired rights to metallurgical processing know-how as part of the acquisition of The Technology Store (TTS) during the prior year, which it is utilizing to gain access to a number of specialty metals opportunities.

The Company's focus during the quarter regarding Springer Mine included maintaining that asset on standby mode, and organizing, planning and pursuing mine and mill restart. A formal sale process on the Springer asset, initiated in September 2010, was terminated in March 2012, consistent with the restart strategy..

The Company advanced the Nyngan scandium project during the first quarter of 2012 through metallurgical work, process definition, and optimization work. During February, 2012, the Company completed and presented to our joint venture partner a NI 43-101 report entitled "Technical Report on the Feasibility of the Nyngan Scandium Project". On February 27, 2012, we received written notice from our joint venture partner, Jervois Mining Ltd. ("Jervois"), that we had failed to meet certain Agreement earn-in milestones. In June 22, 2012 we received notification that Jervois had filed a lawsuit against us in the Supreme Court of Victoria, Australia. The Company believes that the lawsuit is without merit and that we have fully met the conditions under the Agreement to earn our 50% joint venture interest in the Project. We will take all lawful steps to secure our proprietary rights to the 50% joint venture interest. Please see additional discussion in the following Principal Properties section.

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## Principal Properties Review

**Springer Tungsten:** The Springer Tungsten Mine ( Springer ), located in Pershing County in northwestern Nevada, was constructed by Utah International Inc. for the General Electric Company ( GE ), and was completed and commissioned in late 1981. The facility consists of a 1,000 ton per day ( tpd ) electro-pneumatic underground rail mine and a mill facility with crushing, grinding, flotation circuits and an APT (ammonium paratungstate) plant. Springer operated for less than a full year in 1982 before being put on care and maintenance by GE, due to low tungsten prices. Since acquiring Springer in 2006, EMC has spent approximately \$38 million on the facility, specifically on rehabilitation, process improvements, resource exploration, process automation and a mill throughput expansion. The necessary federal, state and local permits are predominantly in place, along with an adequate industrial water resource, to restart the facility.

The latest NI 43-101 resource technical report on the Springer property, independently prepared by Dr. Bart Stryhas of SRK Consulting Engineers and Scientists of Lakewood, Colorado, titled, "NI 43-101 Technical Report on Resources Springer Facility- Sutton Beds, Nevada, USA," is dated May 15, 2009 and was filed on SEDAR on May 26, 2009. That resource estimate can be summarized as follows:

Springer Tungsten Project NI 43-101 Resource Estimation Stryhas (2010) of SRK Consulting				
Resource Category	Cut-off % WO <sub>3</sub>	Total (tonnes)	Average Grade % WO <sub>3</sub>	Contained STU s WO <sub>3</sub>
Indicated	0.30	274,000	0.619	169,606
Inferred	0.30	1,097,000	0.562	616,514

*Dr. Stryhas is a Principal Resource Geologist with SRK Consulting's Denver Mining Group and a Qualified Person as defined by NI 43-101. He is independent of EMC by all tests of NI 43-101.*

**Nyngan Scandium:** In February of 2010, the Company entered into a joint venture agreement (the JV Agreement ) with Jervois Mining Limited ( Jervois ) of Melbourne, Australia (ASX: JRV) to develop the Nyngan scandium property in New South Wales, Australia. The terms specified in the JV Agreement required EMC to earn a 50% position in the property and the JV through a two stage work program as follows:

- Stage I required EMC to spend a minimum of AUD\$500,000 on project exploration and metallurgical test work by mid December 2010, and
- Stage II required the delivery of a feasibility study in the first quarter of 2012, along with a cash payment of AUD\$1,300,000 (plus applicable GST)

The JV partners agreed to extend the stage I work timeframe into 2011 and those first stage requirements were met during the second quarter of 2011. On February 24, 2012, the Company delivered to Jervois a AUD\$1,430,000 cash payment and an independent NI 43-101 report entitled "*Technical Report on the Feasibility of the Nyngan Scandium Project*" dated February 23, 2012 (the "Report"), which was compiled by SNC-Lavalin of Brisbane, Australia. On February 27, 2012 EMC received written notice from Jervois rejecting the Report as inadequate, claiming that the Report did not fall within the definition of "Feasibility Study" provided for in the JV Agreement. Jervois also subsequently returned the cash payment to EMC.

On March 23, 2012, the Company announced that, following discussions with Jervois, the parties agreed to engage in further without prejudice communications in an attempt to resolve the dispute. Those discussions have now ceased and on June 22, 2012, we received notification that Jervois had filed a lawsuit against us in the Supreme Court of Victoria, Australia. The lawsuit brought by Jervois contends that:

- The JV Agreement (including EMC's earn-in right) was automatically terminated because the Report failed to meet the standards set out in that agreement,
-



- EMC's formal Dispute Notice (dated March 13, 2012) has no force and effect as the JV Agreement was effectively terminated by Jervois prior to that date, and
- EMC must remove legal claims placed on the Nyngan property by EMC that prevent Jervois from transferring property interests.

The Company believes that it has fully met the conditions under the JV Agreement to earn its 50% joint venture interest in the Project and will take all lawful steps to secure its rights to the 50% joint venture interest, including vigorously defending the lawsuit brought by Jervois. .

On July 20, 2012, EMC's Australian legal counsel met with Jervois' legal counsel in the Supreme Court of Victoria at Melbourne, Australia (Commercial Court), to attend a First Directions Meeting of the Court. Both companies have submitted to the timetable and steps established by that Court.

**Carlin Vanadium:** The Carlin vanadium project consists of 72 unpatented mineral claims covering approximately 578 hectares, located along the western flank of the Piñon Range near the town of Carlin, Nevada.

The Carlin resource was discovered in the 1960s by Union Carbide Corp. ( UCC ) when significantly anomalous vanadium was found in samples collected by UCC Geologists (Galli, 1968, Morgan, 1968). During 1967 and 1968 UCC conducted exploration work including geological mapping, ~15,000 feet of trenching, and ~36,500 feet of drilling in 112 holes, outlining a zone of vanadium mineralization within the current claim boundary.

The vanadium mineralization is hosted within a 15-metre (50-foot) thick horizon of black shales within the Devonian Woodruff Formation, which consists of dark grey to black siliceous mudstones, and chert with lesser amounts of shale, siltstone, dolomitic siltstone, and calcareous sandstone. The Woodruff formation is unconformably overlain by shallow dipping Permian-Pennsylvanian siltstones, shales, conglomerates, and carbonates of the Chainman and Diamond Peak Formations.

Historical metallurgical test work from the Carlin vanadium project, completed by the U.S. Department of Mines (Brooks and Potter, 1974), showed that up to 69% of the vanadium could be recovered from weathered dolomitic shales containing 1% V<sub>2</sub>O<sub>5</sub> (vanadium oxide). Preliminary test work on fresh black shales shows similar recoveries using a salt roast and acid leaching.

In April, 2010, EMC announced receipt of an NI 43-101 compliant technical report and resource estimation for the Carlin vanadium project, located approximately 40 kilometers south of Elko, Nevada, USA. The Technical Report, titled, "NI 43-101 Technical Report on Resources, EMC Metals Corp., Carlin Vanadium Project. Carlin, Nevada", prepared by SRK Consulting US, was subsequently filed on SEDAR in May, 2010. The technical report outlines a NI 43-101 compliant inferred resource of 25.4 million tonnes grading 0.5% V<sub>2</sub>O<sub>5</sub> for a total of 289 million pounds of total contained V<sub>2</sub>O<sub>5</sub>, as outlined below:

Carlin Vanadium Project NI 43-101 Resource Estimation Stryhas (2010) of SRK Consulting				
Resource Category	Cut-off V <sub>2</sub> O <sub>5</sub> (%)	Total (tonnes)	Grade V <sub>2</sub> O <sub>5</sub> (%)	Contained V <sub>2</sub> O <sub>5</sub> (pounds)
Inferred	0.30	25,400,000	0.51	289,000,000

#### Exploration Properties Review

**Norwegian Properties:** In April of 2011, the Company acquired 100% option rights to the Tørdal property in Telemark county, Southern Norway. The property, originally encompassing a 40 sq. km area, has since been increased

to 140 sq. km. As part of the same agreement, we also acquired 100% option rights to the Evje-Iveland, property, located west of the Tørdal property in Aust-Agder county, also in Southern Norway. The Evje-Iveland property originally encompassed an 80 sq km area, but has been subsequently been increased in size to 150 sq. km. Both Tørdal and Evje-Iveland contain pegmatite formations, prospective for scandium and REE's, while Evje-Iveland is also prospective for certain base metals, notably nickel.

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In September, 2011 EMC entered into an option agreement to earn a 100% interest in the exploration rights to a beryllium exploration site in Central Norway, known as the Hogtuva property. To earn 100% of the exploration rights, we must pay a total of \$150,000 over 18 months (including \$50,000 paid on the agreement date) and up to 200,000 shares of EMC common stock. The three exploration sites cover a total of approximately 80 square kilometers prospective for scandium, beryllium and other specialty metals.

Exploration work done to date has focused on the Tørdal pegmatites. In July, 2011 we announced encouraging assay results from a surface soil sampling program conducted in June on a 3.75 sq. km portion at Tørdal.

Highlights of Initial Surface Soil Sample Program are as follows:

- The best sample assay returned a 217 ppm scandium value,
- Eleven soil samples contained +50 ppm scandium, of which five samples exceeded 85 ppm and three exceeded 150 ppm,
- The eleven soil samples were clustered within an area measuring 700 x 100 meters, or approximately 35% of the total sample area,
- A total of 131 soil samples were collected at 100-metre spacing intervals, in more accessible areas that avoided steep terrain,
- The total sample area represented a zone of about 1,500 x 2,500 meters within the Heftetjern pegmatite field, and
- Many previously unmapped pegmatite dykes were noted in the areas traversed, some traceable on surface for several hundred meters.

The results of this initial soil sampling program are, by their nature, preliminary, and not conclusive evidence of the likelihood of a mineral resource.

The soil sampling program focused on a 3.75 sq km area, northwest of the town of Bø, in an area between the communities of Høydalen and Skardsfjell. Known as the Heftetjern region, this location exhibits numerous known pegmatite occurrences, including a locally famous pegmatite quarry associated with several unique scandium, tin, and beryllium mineral types. Steep slopes were generally avoided and sampling was carried out in the most accessible locations. The sampling program of 131 samples was based on soil sampling of 100 x 100 metre grids and covered somewhat less than half of the target area due to terrain impediments. The most promising scandium-bearing zone was observed at the north end of the tested area, and remains open to the north.

***Fairfield Scandium Exploration Property:*** In September 2011 EMC Metals Corp. announced that it entered into an option agreement with Mineral Exploration Services LLC of Reno, Nevada, pursuant to which EMC has an option to earn a 100% interest in a patented mining claim and former scandium property, known as The Little Green Monster, near the town of Fairfield, Utah. The property represents a high-grade scandium phosphate exploration target, is the site of a historical small underground scandium mining operation, and has been a popular collecting site with hobbyists seeking rare and semi-precious phosphate minerals, including the scandium phosphate mineral kolbeckite [ $\text{ScPO}_4 \cdot 2\text{H}_2\text{O}$ ], for over a century.

#### **Other Developments**

On February 15, 2012 the Company entered into USD\$3,000,000 loan financing. The loan has a maturity date of 18 months from February 15, 2012 and interest is payable monthly in arrears at a rate of 7% per annum. The lender may convert a maximum of USD\$2,000,000 of the principal amount of the loan into 10,000,000 common shares of the Company. In connection with the loan, the Company issued 3,000,000 warrants to the lender, each warrant exercisable into one common share of the Company at an exercise price of \$0.20 per share for a period of 24 months from the closing date. The Company will use commercially reasonable efforts to file a registration statement in the United States, qualifying any common shares issuable for resale.

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The Company paid a cash commission of USD\$150,000 and issued 750,000 agent's warrants to the agent. Each agent's warrant is exercisable into one common share of the Company at an exercise price of D\$0.20 per share for a period of 24 months from the closing date.

The loan is secured by an interest in the assets of the Company's subsidiary, Springer Mining Company. The Company intends to use the loan to fund the advancement of the Company's metal and mineral properties and for general working capital purposes.

On April 24, 2012 the Company issued 2,335,000 stock options with an exercise price of \$0.08 per share, exercisable until April 24, 2017 to directors, officers, employees and other service providers of the Company.

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On July 30, 2012, the Company announced that it had completed a private placement of 11,679,624 common shares of the Company at a price of \$0.06 per share for gross proceeds of \$700,777. The proceeds from the financing will be used for general working capital and restart work on the Springer Tungsten Mine.

### Operating results-Revenues and Expenses

The Company continued its tight cost management at the Springer facility. The Company believes that it has fulfilled its commitments in respect of the Nyngan Joint Venture with Jervois Mining Limited.

### Summary of quarterly results

	2012		2011				2010	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net Sales		-	-	-	-	-	-	-
Net Income (Loss)	(1,386,161)	(805,905)	(5,312,937)	(1,158,143)	(590,022)	(347,450)	(1,341,524)	(1,514,237)
Basic and diluted Net Income (Loss) per share	(0.01)	(0.00)	(0.03)	(0.01)	(0.01)	(0.00)	(0.01)	(0.01)

### Results of Operations for the three months ended June 30, 2012

The net loss for the quarter was \$1,386,161, an increase of \$796,139 from \$590,022 in the same quarter of the prior year, mainly as a result of a non-recurring gain on the sale of the Fostung property in 2011, and increases in foreign exchange charges. Details of the individual items contributing to the increased net loss are as follows:

Item	Q2 2012 vs. Q2 2011 - Variance Analysis	
	Variance Favourable / (Unfavourable)	Explanation
Gain on disposition of assets	(\$491,897)	In the second quarter of 2011 the Company disposed of the Fostung property for a profit of \$491,897. No such disposal took place in Q2 2012.
Foreign exchange	(\$393,323)	Foreign exchange losses and gains result from the holding of short and long term obligations and cash in currencies other than Canadian dollars (primarily US dollars). The Canadian dollar weakened against other currencies in Q2 resulting in a \$253,517 loss. The Canadian dollar strengthened against other currencies during the comparable quarter of 2011, resulting in a gain of \$139,806 and a total unfavourable variance between the quarters of \$393,323.

Salaries and benefits	(\$127,112)	During the first and second quarters of 2011 EMC contracted for a significant portion of its administrative services. During the second half of 2011, the Company replaced contract expenses with direct office and staff.
General and administrative	(\$103,754)	The increased costs relate to equipment repairs at Springer (\$23,000), TSX fees and overall increased activity levels from one year ago.
Stock based	(\$101,596)	During Q2 2012, stock options were issued. 75% of

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<b>Q2 2012 vs. Q2 2011 - Variance Analysis</b>		
<b>Item</b>	<b>Variance Favourable / (Unfavourable)</b>	<b>Explanation</b>
compensation		these options vested immediately which resulted in immediate expensing.
Interest expense	(\$58,791)	Monthly interest due on the new convertible debt (February 2012) resulted in a higher interest expense during the quarter. There was no comparable loan outstanding during the same quarter of 2011.
Insurance	(\$18,659)	Higher insurance policy costs, providing broader coverage led to this unfavorable variance.
Consulting	(\$12,190)	Increases in consulting are related to work done at the Springer project in Q2 2012 to enable a project restart.
Travel and entertainment	\$18,439	Lower travel costs incurred in Q2 2012 when compared to Q2, 2011.
Professional fees	\$21,810	Decrease in non-recurring expenses in 2012 resulting from one-time costs to complete our US filer status in 2011.
Amortization	\$28,001	Lower depreciation costs reflect an increase in fully depreciated assets.
Exploration	\$442,213	Q2 of 2012 expenses reflected lower activity levels on Nyngan project metallurgical work.

#### **Results of Operations for the six months ended June 30, 2012**

The net loss for the six month period was \$2,192,066, an increase of \$1,254,594 from \$937,472 in the same period of the prior year, mainly as a result of a non-recurring gain on the sale of the Fostung property during 2011, and increases in foreign exchange charges. Details of the individual items contributing to the increased net loss are as follows:

<b>Six months ended June 30 2012 vs. six months ended June 30, 2011 - Variance Analysis</b>		
<b>Item</b>	<b>Variance Favourable / (Unfavourable)</b>	<b>Explanation</b>
Gain on disposition of assets	(\$491,897)	In the second quarter of 2011 the Company disposed of the Fostung property for a profit of \$491,897. No such disposal took place in Q2 2012.
Foreign exchange	(\$359,688)	Foreign exchange losses and gains result from the holding of short and long term obligations and cash in currencies other than Canadian

dollars (primarily US dollars). The Canadian dollar weakened against other currencies during the first six months of 2012 resulting in a \$142,236 loss. The Canadian dollar strengthened against other currencies during the comparable quarter of 2011, resulting in a gain of \$217,452 and a total unfavourable variance between

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Six months ended June 30 2012 vs. six months ended June 30, 2011 - Variance Analysis		
Item	Variance Favourable / (Unfavourable)	Explanation
		the quarters of \$359,688.
Change in fair value of derivative liability	(\$228,741)	A one-time (non-cash), non-recurring valuation recognition event was taken in Q1 of 2011, resulting in the negative variance to 2012.
General and administrative	(\$148,636)	The increased costs relate to equipment repairs at Springer (\$23,000), TSX fees and overall increased activity levels from one year ago.
Salaries and benefits	(\$138,919)	During the first six months of 2011 EMC contracted for a significant portion of its administrative services. During the second half of 2011 and through 2012, the Company replaced contract expenses with direct office and staff expenses.
Stock-based compensation	(\$72,524)	During the second half of 2012, stock options were issued. 75% of these options vested immediately which resulted in immediate expensing of this non- cash item.
Interest expense	(\$70,790)	Monthly interest due on the new convertible debt (February 2012) resulted in a higher interest expense during the quarter. There was no comparable loan outstanding during the same period of 2011.
Professional fees	(\$40,075)	Increased audit, legal and professional costs are primarily associated with the Nyngan project.
Insurance	(\$19,089)	Higher insurance policy costs, providing broader coverage led to this unfavorable variance.
Amortization	\$46,470	Certain assets were fully amortized in the year ending December 31, 2011.
Travel and entertainment	\$46,981	Lower travel costs incurred in 2012 as exploration work at Nyngan was completed early in 2012.
Consulting	\$54,404	In-house staff in 2012 replaced administrative consulting costs in 2011.

Exploration	\$167,910	Exploration and test work expenditure at the Nyngan Project was completed in Q1 of the current year accounting for the favorable variance when compared to the corresponding period in the prior year.
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**Cash flow discussion for the six months ended June 30, 2012 compared to June 30, 2011**

The cash outflow for operating activities was \$1,871,493, an increase of \$247,440 (June 30, 2011 \$1,624,053), due to increased activity levels as described in the variance analysis in addition to a decrease in accounts payable during the period.

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Cash outflows for investing activities increased by \$483,967 to \$158,060 (June 30, 2011 - \$325,907 (cash inflow)) due to the payment of \$66,611 for the Company's buy-in on the Hogtuva property in Norway and a foreign exchange loss related to the Nyngan project earn-in.

Cash inflows from financing activities increased by \$1,666,975 to \$2,228,323 (June 30, 2011 - \$561,348), reflecting issuance of the convertible debenture which was partially offset by the repayment of a promissory note.

## **Financial Position**

### *Cash*

The Company's cash position improved during the quarter by \$198,770, to \$1,003,662 (December 31, 2011 - \$804,892) primarily due to the issuance of a convertible debenture for US\$3,000,000 which was offset by the repayment of a promissory note of US\$500,000.

### *Marketable securities*

Marketable securities is unchanged at \$2,250 (December 31, 2011 - \$2,250).

### *Property, plant and equipment*

Property plant and equipment consists of land and water rights in Nevada, the Springer plant and equipment, and various other items of property plant and equipment. The decrease of \$128,501 to \$30,547,925 (December 2011 - \$30,676,426) is due to amortization of net fixed assets.

### *Mineral interests*

Mineral interests increased by \$66,611 to \$746,322 (December 31, 2011 - \$679,711) because of a progress payment on the Hogtuva property in Norway.

### *Accounts Payable*

Accounts Payable has decreased by \$279,092 to \$270,989 (December 2011 - \$550,081) due to a general decrease in activity from the year-end.

### *Convertible Debenture*

During the current period a debenture of US\$3,000,000 was issued. The amount shown here is the convertible portion less legal and commission fees paid to acquire the debenture.

### *Promissory note payable - current portion*

The current promissory note payable decreased by \$529,752 to \$Nil (December 31, 2011 - \$529,752) which is attributable to the payment of this liability in June 2012. The note was payable to a director.

### *Promissory note payable - long-term portion*

The long-term promissory note payable increased by \$899,908 to \$4,713,658 (December 31, 2011 - \$3,813,750) due to the inclusion of the non-convertible portion of the loan financing taken out in Q1 of this year, less associated legal and commission costs paid, offset by a change in foreign exchange on conversion of the USD designated promissory notes to CAD for reporting purposes.

*Capital Stock*

Capital stock did not change and remained at \$88,578,045 (December 31, 2011 - \$88,578,045).

Additional paid-in capital increased by \$453,109, to \$1,929,394 (December 31, 2011 - \$1,476,285) as a result of the warrants issued in association with the convertible debt financing and the expensing of stock options.

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## **Liquidity and Capital Resources**

At June 30, 2012, the Company had a working capital of \$926,374 including cash of \$1,003,662 as compared to a working capital of (\$80,533) including cash of \$804,892 at December 31, 2011. Also included in working capital, at June 30, 2012, were marketable securities with a market value of \$2,250 (December 31, 2011 - \$2,250).

During the six month period ended June 30, 2012, the Company received cash of \$Nil (2011 - \$210,249) for stock issuances. At June 30, 2012, the Company had 3,750,000 share purchase warrants exercisable at \$0.20 per share which have the potential upon exercise to convert to approximately \$750,000 in cash over the next two years. Further, a total of 13,433,750 stock options exercisable between \$0.08 and \$2.15 have the potential upon exercise to generate a total of \$2,262,563 in cash over the next four and three quarter s years. There is no assurance that these securities will be exercised.

Our major capital expenditure requirements in the next 12 months relate to our efforts to restart the Springer Tungsten project, certain earn-in requirements associated with our projects in Norway, and the maturity of certain loan facilities. Detail on the loan maturities is as follows:

- Cosgrave Ranch property mortgage maturity in August 2013-US\$3,750,000
- Convertible debenture, maturing in August 2013 - US\$3,000,000

We expect these commitments will be funded from available cash when, due in 2013, although US\$2,000,000 of the debenture is convertible, at the lender s discretion, to shares of the Company. The Company will need additional funding to meet the commitments shown above and will seek to raise additional equity financing in the short term.

The Company s continued development is contingent upon its ability to raise sufficient financing both in the short and long term. There are no guarantees that additional sources of funding will be available to the Company; however, management is committed to pursuing all possible sources of financing in order to execute its business plan. The Company continues its cost cutting measures to conserve cash to meet its operational obligations.

## **Outstanding share data**

At the date of this report the Company has 162,358,337 issued and outstanding common shares, 13,433,750 stock options currently outstanding at a weighted average exercise price of \$0.17, and 3,750,000 warrants currently outstanding at a weighted average exercise price of \$0.20.

## **Off-balance sheet arrangements**

At June 30, 2012, the Company had no material off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

## **Transactions with Related Parties**

A promissory note due to a current director of the company (principal balance of US\$500,000) matured and was paid during June 2012. The promissory note was originally issued in November 2009 as partial payment for the acquisition of a mineral technology company (TTS), which remains a subsidiary of EMC.

## **Proposed Transactions**

There are no proposed transactions outstanding other than as disclosed.

### **Critical Accounting Estimates**

The preparation of financial statements in conformity with generally accepted accounting policies requires management of the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on past experience, industry trends and known commitments and events. By their nature, these estimates are subject to measurement uncertainty and the effects on the financial statements of changes in such estimates in future periods could be significant. Actual results will likely differ from those estimates.

#### *Stock-based compensation*

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The Company uses the Black-Scholes option pricing model to calculate the fair value of stock options and compensatory warrants granted. This model is subject to various assumptions. The assumptions the Company makes will likely change from time to time. At the time the fair value is determined; the methodology the Company uses is based on historical information, as well as anticipated future events. The assumptions with the greatest impact on fair value are those for estimated stock volatility and for the expected life of the instrument.

#### *Future income taxes*

The Company accounts for tax consequences of the differences in the carrying amounts of assets and liabilities and their tax bases using tax rates expected to apply when these temporary differences are expected to be settled. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no future income tax asset is recognized. The Company has taken a valuation allowance against all such potential tax assets.

#### *Mineral properties and exploration and development costs*

We capitalize the costs of acquiring mineral rights at the date of acquisition. After acquisition, various factors can affect the recoverability of the capitalized costs. Our recoverability evaluation of our mineral properties and equipment is based on market conditions for minerals, underlying mineral resources associated with the assets and future costs that may be required for ultimate realization through mining operations or by sale. We are in an industry that is exposed to a number of risks and uncertainties, including exploration risk, development risk, commodity price risk, operating risk, ownership and political risk, funding and currency risk, as well as environmental risk. Bearing these risks in mind, we have assumed recent world commodity prices will be achievable. We have considered the mineral resource reports by independent engineers on the Springer and Nyngan projects in considering the recoverability of the carrying costs of the mineral properties. All of these assumptions are potentially subject to change, out of our control, however such changes are not determinable. Accordingly, there is always the potential for a material adjustment to the value assigned to mineral properties and equipment.

#### **Recent Accounting Pronouncements**

In April 2010, the Financial Accounting Standards Board ( FASB ) issued ASU 2010-13, Compensation – Stock Compensation (Topic 718), amending ASC 718. ASU 2010-13 clarifies that a stock-based payment award with an exercise price denominated in the currency of a market in which the entity's equity securities trade should not be classified as a liability if it otherwise qualifies as equity. ASU 2010-13 also improves US GAAP by improving consistency in financial reporting by eliminating diversity in practice. ASU 2010-13 is effective for interim and annual reporting periods beginning after December 15, 2010 (January 1, 2011 for the Company). The Company is currently evaluating the impact of ASU 2010-09, but does not expect its adoption to have a material impact on the Company's financial reporting disclosures.

In December 2010, the FASB issued ASU 2010-29, which contains updated accounting guidance to clarify the acquisition date that should be used for reporting pro forma financial information when comparative financial statements are issued. This update requires that a company should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. This update also requires disclosure of the nature and amount of material, nonrecurring pro forma adjustments. The provisions of this update, which are to be applied prospectively, are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010, with early adoption permitted. The impact of this update on the Company's consolidated financial statements will depend on the size and nature of future business combinations.

#### **Financial instruments and other risks**

The Company's financial instruments consist of cash, investments in trading securities, subscriptions receivable, receivables, accounts payable and accrued liabilities, due to related parties, and promissory notes payable. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from its financial instruments. The fair values of these financial instruments approximate their carrying values unless otherwise noted. The Company has its cash primarily in one commercial bank in Vancouver, British Columbia, Canada.

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## **Risk Factors**

Prior to making an investment decision investors should consider the investment risks set out below and those described elsewhere in this document, which are in addition to the usual risks associated with an investment in a business at an early stage of development. The directors of the Company consider the risks set out below to be the most significant to potential investors in the Company, but are not all of the risks associated with an investment in securities of the Company. If any of these risks materialize into actual events or circumstances or other possible additional risks and uncertainties of which the Directors are currently unaware, or which they consider not to be material in relation to the Group's business, actually occur, the Group's assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects, are likely to be materially and adversely affected. In such circumstances, the price of the Company's securities could decline and investors may lose all or part of their investment.

### ***EMC Will Require Significant Amounts of Additional Capital in the Future***

The Company has limited financial resources. The Company will continue to make substantial capital expenditures related to exploration, development and production. In particular the Company will have further capital requirements as it proceeds to expand its present exploration activities at its mineral projects, or to take advantage of opportunities for acquisitions, joint ventures or other business opportunities that may be presented to it.

In addition, the Company may incur major unanticipated liabilities or expenses. There can be no assurance that the Company will be able to obtain necessary financing in a timely manner on commercially acceptable terms, if at all.

Volatile demand for tungsten and other metals and the volatile prices for tungsten and other metals may make it difficult or impossible for the Company to obtain debt financing or equity financing on commercially acceptable terms or at all. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its tungsten and other mineral projects with the possible loss of the rights to such properties. If exploration or the development of any mine is delayed, such delay would have a material and adverse effect on the Company's business, financial condition and results of operation.

### ***Stage of Development***

The Company's properties are in the exploration stage and the Company does not have an operating history. Exploration and development of mineral resources involves a high degree of risk and few properties which are explored are ultimately developed into producing properties. The amounts attributed to the Company's interest in its properties as reflected in its financial statements represent acquisition and exploration expenses and should not be taken to represent realizable value. There is no assurance that the Company's exploration and development activities will result in any discoveries of commercial bodies of ore. The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors such as unusual or unexpected geological formations, and other conditions. As a result of the Company's lack of operating history, it also faces many of the risks inherent in starting a new business.

### ***Profitability of Operations***

The Company is not currently operating profitably and it should be anticipated that it will operate at a loss at least until such time as production is achieved from one of the Company's properties, if production is, in fact, ever achieved. The Company has never earned a profit. Investors also cannot expect to receive any dividends on their investment in the foreseeable future.

### ***Tungsten and other mineral Industries Competition is Significant***

The international tungsten and other mineral industries are highly competitive. The Company will be competing against competitors that may be larger and better capitalized, have state support, have access to more efficient technology, and have access to reserves of tungsten and other mineral that are cheaper to extract and process. As such, no assurance can be given that the Company will be able to compete successfully with its industry competitors.

***Fluctuations in Metal Prices***

Although the Company does not hold any known mineral reserves of any kind, its future revenues, if any, are expected to be in large part derived from the future mining and sale of tungsten and other metals or interests related thereto. The prices of these commodities have fluctuated widely, particularly in recent years, and are affected by numerous factors beyond the Company's control including international economic and political conditions, expectations of inflation, international currency exchange rates, interest rates, global or regional consumption patterns, speculative activities, levels of supply and demand, increased production due to new mine developments and improved mining and production methods, availability and costs of metal substitutes, metal stock levels maintained by producers and others and inventory carrying costs. The effect of these factors on the prices of tungsten and other metals, and therefore the economic viability of the Company's operations, cannot be accurately predicted.

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Depending on the price obtained for any minerals produced, the Company may determine that it is impractical to commence or continue commercial production.

***EMC Metals Corp. s Operations are Subject to Operational Risks and Hazards Inherent in the Mining Industry***

The Company s business is subject to a number of inherent risks and hazards, including environmental pollution; accidents; industrial and transportation accidents, which may involve hazardous materials; labor disputes; power disruptions; catastrophic accidents; failure of plant and equipment to function correctly; the inability to obtain suitable or adequate equipment; fires; blockades or other acts of social activism; changes in the regulatory environment; impact of non-compliance with laws and regulations; natural phenomena, such as inclement weather conditions, underground floods, earthquakes, pit wall failures, ground movements, tailings, pipeline and dam failures and cave-ins; and encountering unusual or unexpected geological conditions and technical failure of mining methods.

There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the Company s tungsten and other mineral properties, personal injury or death, environmental damage, delays in the Company s exploration or development activities, costs, monetary losses and potential legal liability and adverse governmental action, all of which could have a material and adverse effect on the Company s future cash flows, earnings, results of operations and financial condition.

***Mineral Reserve and Resource Estimates are Only Estimates and May Not Reflect the Actual Deposits or the Economic Viability of Tungsten, Scandium and/or Gold Extraction***

Reserve and resource figures included for tungsten and other minerals are estimates only and no assurances can be given that the estimated levels of tungsten and other minerals will actually be produced or that the Company will receive the tungsten and other metal prices assumed in determining its reserves. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling and exploration results and industry practices. Estimates made at any given time may significantly change when new information becomes available or when parameters that were used for such estimates change. While the Company believes that the reserve and resource estimates included are well established and reflect management's best estimates, by their nature reserve and resource estimates are imprecise and depend, to a certain extent, upon statistical inferences which may ultimately prove unreliable. Furthermore, market price fluctuations in tungsten and other metals, as well as increased capital or production costs or reduced recovery rates, may render ore reserves containing lower grades of mineralization uneconomic and may ultimately result in a restatement of reserves. The extent to which resources may ultimately be reclassified as proven or probable reserves is dependent upon the demonstration of their profitable recovery. The evaluation of reserves or resources is always influenced by economic and technological factors, which may change over time.

***Exploration, Development and Operating Risk***

The exploration for and development of tungsten and other mineral properties involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices, which are highly cyclical, drilling and other related costs which appear to be rising; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.



### ***Currency Risk***

The Company maintains accounts in Canadian and American currency. The Company's equity financings are sourced in Canadian dollars but for the most part it incurs its expenditures in local currencies or in US dollars. The Company's operations are subject to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results. The Company does not engage in currency hedging activities.

### ***Environmental Risks and Hazards***

All phases of the Company's operations are subject to environmental regulation in the jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the general, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties. Reclamation costs are uncertain and planned expenditures estimated by management may differ from the actual expenditures required.

### ***Government Regulation***

The Company's mineral exploration and planned development activities are subject to various laws governing prospecting, mining, development, production, taxes, labor standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people and other matters. Although the Company believes its exploration and development activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development.

Many of the mineral rights and interests of the Company are subject to government approvals, licenses and permits. Such approvals, licenses and permits are, as a practical matter, subject to the discretion of applicable governments or governmental officials. No assurance can be given that the Company will be successful in maintaining any or all of the various approvals, licenses and permits in full force and effect without modification or revocation. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from continuing or proceeding with planned exploration or development of mineral properties. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations or applicable laws or regulations.

Amendments to current laws and regulation governing operations or more stringent implementation thereof could have a substantial impact on the Company and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

### ***EMC has no History of Mineral Production or Mining Operations***

The Company has never had tungsten and other mineral producing properties. There is no assurance that commercial quantities of tungsten and other minerals will be discovered at the Properties or other future properties nor is there any

assurance that the Company's exploration program thereon will yield positive results. Even if commercial quantities of tungsten and other minerals are discovered, there can be no assurance that any property of the Company will ever be brought to a stage where tungsten and other mineral resources can profitably be produced therefrom. Factors which may limit the ability of the Company to produce tungsten and other mineral resources from its properties include, but are not limited to, the spot prices of tungsten and other metals, availability of additional capital and financing and the nature of any mineral deposits.

The Company does not have a history of mining operations and there is no assurance that it will produce revenue, operate profitably or provide a return on investment in the future.

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### ***Future Sales of Common Shares by Existing Shareholders***

Sales of a large number of Common Shares in the public markets, or the potential for such sales, could decrease the trading price of the Common Shares and could impair the Company's ability to raise capital through future sales of Common Shares. Substantially all of the Common Shares can be resold without material restriction in Canada.

### ***No Assurance of Titles or Borders***

The acquisition of the right to exploit mineral properties is a very detailed and time consuming process. There can be no guarantee that the Company has acquired title to any such surface or mineral rights or that such rights will be obtained in the future. To the extent they are obtained, titles to the Company's surface or mineral properties may be challenged or impugned and title insurance is generally not available. The Company's surface or mineral properties may be subject to prior unregistered agreements, transfers or claims and title may be affected by, among other things, undetected defects. Such third party claims could have a material adverse impact on the Company's operations.

### **Information Regarding Forward-Looking Statements**

This Management's Discussion and Analysis of Financial Condition and Results of Operations contain certain forward-looking statements. Forward-looking statements include but are not limited to those with respect to the prices of tungsten and other metals, the estimation of mineral resources and reserves, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, Government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage and the timing and possible outcome of pending litigation. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "anticipates" or "does not anticipate", or "believes" or variations of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of EMC to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and uncertainties include, among others, the actual results of current exploration activities, conclusions or economic evaluations, changes in project parameters as plans continue to be refined, possible variations in grade and or recovery rates, failure of plant, equipment or processes to operate as anticipated, accidents, labor disputes or other risks of the mining industry, delays in obtaining government approvals or financing or incompleteness of development or construction activities, risks relating to the integration of acquisitions, to international operations, and to the prices of tungsten and other metals. While EMC has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. EMC expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

### **Item 4. Controls and Procedures**

#### **Disclosure Controls and Procedures**

At the end of the period covered by this Quarterly Report on Form 10-Q for the three months ended March 31, 2012, an evaluation was carried out under the supervision of and with the participation of the Company's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e))

under the Exchange Act). It is the responsibility of the Company's management for establishing and maintaining adequate internal control over financial reporting for the Company.

The Company took into consideration the following three characteristics common to companies of a similar size:

- The limited number of personnel in smaller companies, which constrains the Company's ability to fully segregate conflicting duties;
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- The Company relies on an active Board and management with open lines of communication to maintain the effectiveness of the Company's disclosure controls and procedures.
- The dynamic and evolving nature of smaller companies, which limits their ability to have static processes that are well-documented.

In addition, management has relied upon certain informal procedures and communication, and upon hands-on knowledge of senior management to maintain the effectiveness of disclosure controls and procedures.

Based on that evaluation the CEO and the CFO have concluded that as of the end of the period covered by this report, the Company's disclosure controls and procedures are effective in ensuring that: (i) information required to be disclosed by the Company in reports that it files or submits to the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms and (ii) material information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow for accurate and timely decisions regarding required disclosure.

### Changes in Internal Control over Financial Reporting

During the period covered by this report, there were no changes to internal control over financial reporting that materially affected or are reasonably likely to materially affect our internal control over financial reporting.

## PART II OTHER INFORMATION

### Item 6. Exhibits

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|-------------|---|
| <u>31.1</u> | <u>Certification of the Principal Executive Officer, pursuant to Rule 13a-14(a) or 15d-14(a) of the U.S. Securities Exchange Act of 1934.</u> |
| <u>31.2</u> | <u>Certification of the Principal Financial Officer, pursuant to Rule 13a-14(a) or 15d-14(a) of the U.S. Securities Exchange Act of 1934.</u> |
| <u>32.1</u> | <u>Section 1350 Certification of the Principal Executive Officer.</u>   |
| <u>32.2</u> | <u>Section 1350 Certification of the Principal Financial Officer.</u>   |

### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: August 14, 2012

**EMC METALS CORP.**  
(Registrant)

By: /s/ George Putnam  
George Putnam  
Principal Executive Officer

By: /s/ Edward Dickinson  
Edward Dickinson  
Principal Financial Officer