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

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 **March 31, 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	**98-1009717**
(State or other jurisdiction of incorporation or organization)	(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 [ ]

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 filed [ ]   Smaller reporting company [**X**]

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

Yes [ ]   No [**X**]

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

As of May 1, 2012, the registrant s outstanding common stock consisted of 150,678,713 shares.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

(An Exploration Stage Company)

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

QUARTER ENDED MARCH 31, 2012

EMC Metals Corp.
(An Exploration Stage Company)
CONDENSED CONSOLIDATED BALANCE SHEETS
(Expressed in Canadian Dollars) (Unaudited)

	March 31, 2012	December 31, 2011
ASSETS		
Current		
Cash	$ 1,066,375	$ 804,892
Investments in trading securities, at fair value (Note 3)	2,250	2,250
Prepaid expenses and receivables	201,666	192,158
Total Current Assets	1,270,291	999,300
Restricted cash (Note 4)	159,400	159,400
Property, plant and equipment (Note 5)	30,606,257	30,676,426
Mineral interests (Note 6)	2,288,479	679,711
Total Assets	$ 34,324,427	$ 32,514,837
LIABILITIES AND STOCKHOLDERS EQUITY		
Current		
Accounts payable and accrued liabilities	$ 443,323	$ 550,081
Current portion of promissory notes payable (Note 9)	511,472	529,752
Total Current Liabilities	954,795	1,079,833
Convertible debenture (Note 10)	1,620,674	-
Promissory notes payable (Note 9)	4,646,121	3,813,750
Total Liabilities	7,221,590	4,893,583
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)	1,763,773	1,476,285
Deficit accumulated during the exploration stage	(61,895,648)	(61,089,743)
Total Stockholders Equity	27,102,837	27,621,254
Total Liabilities and Stockholders Equity	$ 34,324,427	$ 32,514,837

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 March 31, 2012	Quarter ended March 31, 2012	Quarter ended March 31, 2011
EXPENSES			
Amortization	$ 2,354,388	$ 70,169	$ 88,638
Consulting	2,286,946	14,705	81,299
Exploration	14,763,499	337,794	63,491
General and administrative	7,363,545	82,082	37,200
Insurance	970,675	12,797	12,367
Professional fees	3,135,237	84,221	22,336
Research and development	3,474,068	-	-
Salaries and benefits	6,871,651	162,462	150,655
Stock-based compensation (Note 11)	5,452,335	38,660	67,732
Travel and entertainment	1,640,304	30,337	58,879
Loss before other items	(48,312,648)	(833,227)	(582,597)
OTHER ITEMS			
Foreign exchange gain	636,918	111,281	77,646
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)	163,259	(83,959)	(71,240)
Other income	502,965	-	-
Gain on disposition of assets	959,281	-	-
Change in fair value of derivative liability (Note 8)	485,358	-	228,741
Unrealized gain on marketable securities	53,830	-	-
	(17,247,319)	27,322	235,147
Loss before income taxes	(65,559,967)	(805,905)	(347,450)
Deferred income tax recovery	6,522,138	-	-
Loss and comprehensive loss for the period	$ (59,037,829)	$ (805,905)	$ (347,450)
Basic and diluted loss per common share		(0.01)	(0.00)

Weighted average number of common shares outstanding	150,678,713	149,863,023

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 March 31, 2012	Quarter ended March 31, 2012	Quarter ended March 31, 2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period	$ (59,037,829)	$ (805,905)	$ (347,450)
Items not affecting cash:			
Amortization	2,354,388	70,169	88,638
Research and development	3,474,068	-	-
Consulting paid with common shares	10,711	-	-
Gain on disposal of assets	(959,281)	-	-
Convertible debenture costs	(1,312,878)	-	-
Unrealized foreign exchange	705,737	(81,375)	(118,022)
Stock-based compensation	5,452,335	38,660	67,732
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	12,722	(8,530)	-
Accrued interest income	(2,809)	-	-
	(33,892,523)	(786,981)	(537,843)
Changes in non-cash working capital items:			
Increase in prepaids and receivables	(135,116)	(9,508)	(142,315)
Decrease in accounts payable and accrued liabilities	(619,586)	(106,758)	38,766
Increase in due to related parties	1,163,028	-	-
Asset retirement obligations	(1,065,891)	-	-
	(34,550,088)	(903,247)	(641,392)
CASH FLOWS FROM INVESTING ACTIVITIES			
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	-	-
Purchase of property, plant and equipment	(21,255,448)	-	(20,548)

Proceeds from sale of mineral interests	500,000	-	-
Additions to unproven mineral interests	(4,782,286)	(1,608,768)	-
	(34,940,292)	(1,608,768)	(20,548)
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	-	267,625
Notes payable	(9,966,000)	-	-
Receipt (payment) of promissory note	997,000	997,000	-
Convertible debenture	1,994,000	1,994,000	-
Debt issuance costs	(217,502)	(217,502)	-
Payment of promissory note	(1,260,700)	-	-
Advances from related party	216,500	-	-
Loans advanced to Midway	(2,000,000)	-	-
Loan repayment from Midway	2,000,000	-	-
	70,556,755	2,773,498	520,874
Change in cash during the period	1,066,375	261,483	(141,066)
Cash, beginning of period	-	804,892	4,126,424
Cash, end of period	$ 1,066,375	$ 1,066,375	$ 3,985,358

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 Capital Stock Number of Shares	Amount $	Additional Paid in Capital $	Treasury $	Deficit Accumulated During the Exploration Stage $	Total $
Balance, July 17, 2006	-	-	-	-	-	-
Private placements	5,000,000	3,500,000	-	-	-	3,500,000
Excess of exchange amount over carrying amount of				-		
	-	-	-		(2,857,819)	(2,857,819)
Springer Mining Company						
Loss for the period	-	-	-	-	(357,670)	(357,670)
Balance, December 31, 2006	5,000,000	3,500,000	-	-	(3,215,489)	284,511
Private placements	17,577,500	35,155,000	-	-	-	35,155,000
Conversion of special warrants	5,390,000	5,390,000	-	-	-	5,390,000
Exercise of warrants	50,000	75,000	-	-	-	75,000
Share issuance costs broker s fees	-	(1,215,074)	99,000	-	-	(1,116,074)
Share issuance costs shares issued	100,000	100,000	-	-	-	100,000
Shares issued for mineral properties	100,000	100,000	-	-	-	100,000
Stock-based compensation	40,000	40,000	489,562	-	-	529,562
Loss for the year	-	-	-	-	(6,128,912)	(6,128,912)
Balance, December 31,	28,257,500	43,144,926	588,562	-	(9,344,401)	34,389,087

2007						
Private placements	5,322,500	10,645,000	-	-	-	10,645,000
Conversion of special warrants	7,610,000	7,610,000	-	-	-	7,610,000
Share issuance costs broker s fees	-	(261,638)	-	-	-	(261,638)
Shares issued for mineral properties	110,000	210,000	-	-	-	210,000
Acquisition of Gold Standard Royalty Corp.	2,050,000	4,100,000	143,017	-	-	4,243,017
Acquisition of Great American Minerals Inc.	1,045,775	2,091,550	426,672	-	-	2,518,222
Acquisition of Fury Explorations Ltd.	10,595,814	13,774,558	7,787,783	(2,087,333)	-	19,475,008
Exercise of stock options	6,637,224	10,027,915	(184,265)	-	-	9,843,650
Shares issued for repayment of promissory note	4,728,000	2,364,000	-	-	-	2,364,000
Stock-based compensation	-	-	2,324,458	-	-	2,324,458
Loss for the year	-	-	-	-	(17,968,454)	(17,968,454)
Balance, December 31, 2008	66,356,813	93,706,311	11,086,227	(2,087,333)	(27,312,855)	75,392,350
Private placements	14,500,000	1,190,000	-	-	-	1,190,000
Exercise of stock options	101,000	126,186	(105,986)	-	-	20,200
Shares issued for mineral properties	2,765,643	367,695	-	-	-	367,695
Settlement of convertible debentures	7,336,874	2,934,752	62,903	-	-	2,997,655
Shares issued for consulting	89,254	10,711	-	-	-	10,711
Shares issued for acquisition of TTS	19,037,386	2,094,112	-	-	-	2,094,112

Stock-based compensation before spin-out	-	-	836,240	-	-	836,240
Spin-out of GPD	-	(18,540,194)	(11,879,384)	-	-	(30,419,578)
Stock-based compensation after spin-out	-	-	979,611	-	-	979,611
Loss for the year	-	-	-	-	(21,645,581)	(21,645,581)
Balance, December 31, 2009	110,186,970	81,889,573	979,611	(2,087,333)	(48,958,436)	31,823,415
Private placements	30,252,442	4,700,312	454,768	-	-	5,155,080
Exercise of stock options	1,320,000	456,602	(226,302)	-	-	230,300
Exercise of warrants	7,300,000	1,092,000	-	-	-	1,092,000
Stock-based compensation	-	-	795,268	-	-	795,268
Loss for the year	-	-	-	-	(4,722,755)	(4,722,755)
Balance, December 31, 2010	149,059,412	88,138,487	2,003,345	(2,087,333)	(53,681,191)	34,373,308
Exercise of stock options	250,000	118,959	(75,959)	-	-	43,000
Exercise/expiry of warrants	1,369,301	320,599	(744,000)	744,000	-	320,599
Stock-based compensation	-	-	292,899	-	-	292,899
Loss for the year	-	-	-	-	(7,408,552)	(7,408,552)
Balance, December 31, 2011	150,678,713	88,578,045	1,476,285	(1,343,333)	(61,089,743)	27,621,254
Stock-based compensation			38,660			38,660
Issue of convertible debenture warrants			248,828			248,828
Loss for the period					(805,905)	(805,905)
Balance, March 31, 2012	150,678,713	88,578,045	1,763,773	(1,343,333)	(61,895,648)	27,102,837

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
March 31, 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 on care and maintenance pending a sustained improvement in tungsten prices. To March 31, 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 refit its Springer tungsten mill and earn its 50% interest in 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. The Company is currently working on securing additional financing to meet its needs, including a US$500,000 payment due in June 2012; 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 ass ets 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 period ended March 31, 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
March 31, 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 March 31, 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

	March 31, 2012	**Quoted Prices in Active Markets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:				
Cash and restricted cash	$ 1,225,775	$ 1,225,775	$	$
Investments in trading securities	$ 2,250	$ 2,250	$	$
Total	$ 1,228,025	$ 1,228,025	$	$

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 March 31, 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 March 31, 2012, the fair value of trading securities was $2,250 (December 31, 2011 - $2,250).

March 31, 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	322,096	53,667	375,763	303,308	72,455
Building	222,685	49,223	173,462	222,685	46,438	176,247
Automobiles	179,767	161,714	18,053	179,767	159,432	20,335
Computer equipment	364,697	364,004	693	364,697	363,888	809
Small tools and equipment	963,537	903,079	60,458	963,537	863,583	99,954
Office equipment	134,691	127,253	7,438	134,691	120,551	14,140
	$ 32,533,626	$ 1,927,369	$ 30,606,257	$ 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
March 31, 2012
(Expressed in Canadian Dollars) (Unaudited)

6. MINERAL INTERESTS

March 31, 2012	Other	Tungsten	Total
Acquisition costs			
Balance, December 31, 2011	$ 482,260	$ 197,451	$ 679,711
Additions	1,608,768	-	1,608,768
Sold	-	-	-
Balance, March 31, 2012	$ 2,091,028	$ 197,451	$ 2,288,479

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

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 PROPERTY

Nyngan, New South Wales Property

On February 5, 2010, the Company entered in to an agreement with Jervois Mining Limited (Jervois) whereby it would acquire a 50% interest in certain properties located in New South Wales, Australia. In order for the Company to earn its interest which is subject to a 2% Net Smelter Royalty (NSR), the Company paid the sum of $300,000 into escrow, that was released to Jervois upon satisfaction of certain conditions precedent, including verification of title to the Nyngan property and approval of the Toronto Stock Exchange, and must:

a) Incur exploration and metallurgical work of A$500,000 (CAD$466,000) within 180 business days of the conditions precedent being satisfied, or pay cash in lieu thereof. On September 29, 2010 the Company received a six month extension to complete its exploration commitment. In the event that the Company wishes to continue the joint venture, the Company must deliver a feasibility study within 480 (extended to February 28, 2012) business days of the conditions precedent being satisfied, failing which the agreement will terminate.

b) Upon delivering the feasibility study to Jervois, pay to Jervois an additional A$1,300,000 plus GST at which time it will be granted a 50% interest in the joint venture. The joint venture agreement provides for straight-line dilution, with interests diluted below 10% being converted into a 2% NSR royalty.

EMC Metals Corp.
(An Exploration Stage Company)
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2012
(Expressed in Canadian Dollars) (Unaudited)

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. The Report was delivered to Jervois following an extensive discussion and presentation to the Jervois Board and management.

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. 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 have agreed to engage in further without prejudice communications in an attempt to resolve the dispute. If at any time it becomes apparent that a resolution satisfactory to both parties will not be reached, we will immediately continue formal steps under the dispute resolution provisions of the JV agreement.

EMC Metals Corp.
(An Exploration Stage Company)
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2012
(Expressed in Canadian Dollars) (Unaudited)

9. PROMISSORY NOTES PAYABLE

	March 31, 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.	$ 511,472	$ 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.	3,740,625	3,813,750
During the quarter ended March 31, 2012 the Company completed a USD$3,000,000 loan financing (note 11) which included a USD $1,000,000 note payable bearing interest at 7% per annum maturing August 15, 2013. Presented is this principle balance less financing and costs which are amortized over the term of the debt using the interest method. This resulted in a carrying amount of $905,496 upon deducting a debt discount of $92,004 from the principal balance of $997,500 (USD $1,000,000).	905,496	
	5,157,593	4,343,502
Less: current portion	(511,472)	(529,752)
	$ 4,646,121	$ 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 $149,550 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 carrying amount of $1,620,674 upon deducting a debt discount of $374,316 from the principal balance of $1,995,000 (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%.

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.

EMC Metals Corp.
(An Exploration Stage Company)
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2012
(Expressed in Canadian Dollars) (Unaudited)

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

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.

EMC Metals Corp.
(An Exploration Stage Company)
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2012
(Expressed in Canadian Dollars) (Unaudited)

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

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

	Warrants			Stock Options		
	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	-		-			