

EMC METALS CORP.  
Form 10-Q  
May 14, 2013

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

**FORM 10-Q**

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

For the quarterly period ended **March 31, 2013**

**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  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  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 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 May 13, 2013, the registrant's outstanding common stock consisted of 165,358,337 shares.**

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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**(An Exploration Stage Company)**

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**QUARTER ENDED MARCH 31, 2013**

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**EMC Metals Corp.**

(An Exploration Stage Company)

**CONDENSED CONSOLIDATED BALANCE SHEETS**

(Expressed in US Dollars) (Unaudited)

**As at:** March 31, 2013      December 31, 2012**ASSETS****Current**

|                                  |    |         |    |         |
|----------------------------------|----|---------|----|---------|
| Cash                             | \$ | 249,970 | \$ | 190,215 |
| Prepaid expenses and receivables |    | 77,088  |    | 109,335 |

|                             |  |         |  |         |
|-----------------------------|--|---------|--|---------|
| <b>Total Current Assets</b> |  | 327,058 |  | 299,550 |
|-----------------------------|--|---------|--|---------|

|                                 |  |         |  |         |
|---------------------------------|--|---------|--|---------|
| <b>Restricted cash</b> (Note 3) |  | 156,951 |  | 160,217 |
|---------------------------------|--|---------|--|---------|

|                                               |  |            |  |            |
|-----------------------------------------------|--|------------|--|------------|
| <b>Property, plant and equipment</b> (Note 4) |  | 30,187,752 |  | 30,193,679 |
|-----------------------------------------------|--|------------|--|------------|

|                                   |  |         |  |         |
|-----------------------------------|--|---------|--|---------|
| <b>Mineral interests</b> (Note 5) |  | 753,182 |  | 753,182 |
|-----------------------------------|--|---------|--|---------|

|                     |    |            |    |            |
|---------------------|----|------------|----|------------|
| <b>Total Assets</b> | \$ | 31,424,943 | \$ | 31,406,628 |
|---------------------|----|------------|----|------------|

**LIABILITIES AND STOCKHOLDERS EQUITY****Current**

|                                          |    |         |    |         |
|------------------------------------------|----|---------|----|---------|
| Accounts payable and accrued liabilities | \$ | 827,705 | \$ | 656,499 |
|------------------------------------------|----|---------|----|---------|

|                                 |  |           |  |           |
|---------------------------------|--|-----------|--|-----------|
| Convertible debentures (Note 8) |  | 2,568,676 |  | 1,861,373 |
|---------------------------------|--|-----------|--|-----------|

|                                   |  |           |  |           |
|-----------------------------------|--|-----------|--|-----------|
| Promissory notes payable (Note 7) |  | 4,709,750 |  | 4,680,688 |
|-----------------------------------|--|-----------|--|-----------|

|                                  |  |           |  |           |
|----------------------------------|--|-----------|--|-----------|
| <b>Total Current Liabilities</b> |  | 8,106,131 |  | 7,198,560 |
|----------------------------------|--|-----------|--|-----------|

|                          |  |           |  |           |
|--------------------------|--|-----------|--|-----------|
| <b>Total Liabilities</b> |  | 8,106,131 |  | 7,198,560 |
|--------------------------|--|-----------|--|-----------|

**Stockholders Equity**

|                                                                            |  |            |  |            |
|----------------------------------------------------------------------------|--|------------|--|------------|
| Capital stock (Note 9) (Authorized: Unlimited number of shares; Issued and |  | 87,310,708 |  | 87,310,708 |
|----------------------------------------------------------------------------|--|------------|--|------------|

|                                              |  |  |  |  |
|----------------------------------------------|--|--|--|--|
| outstanding: 165,358,337 (2012 165,358,337)) |  |  |  |  |
|----------------------------------------------|--|--|--|--|

|                          |  |             |  |             |
|--------------------------|--|-------------|--|-------------|
| Treasury stock (Note 10) |  | (1,264,194) |  | (1,264,194) |
|--------------------------|--|-------------|--|-------------|

|                                     |  |           |  |           |
|-------------------------------------|--|-----------|--|-----------|
| Additional paid in capital (Note 9) |  | 2,054,750 |  | 2,033,718 |
|-------------------------------------|--|-----------|--|-----------|

|                                      |  |             |  |             |
|--------------------------------------|--|-------------|--|-------------|
| Accumulated other comprehensive loss |  | (2,844,668) |  | (2,844,668) |
|--------------------------------------|--|-------------|--|-------------|

|                                                  |  |              |  |              |
|--------------------------------------------------|--|--------------|--|--------------|
| Deficit accumulated during the exploration stage |  | (61,937,784) |  | (61,027,496) |
|--------------------------------------------------|--|--------------|--|--------------|

|                                  |  |            |  |            |
|----------------------------------|--|------------|--|------------|
| <b>Total Stockholders Equity</b> |  | 23,318,812 |  | 24,208,068 |
|----------------------------------|--|------------|--|------------|

|                                                  |    |            |    |            |
|--------------------------------------------------|----|------------|----|------------|
| <b>Total Liabilities and Stockholders Equity</b> | \$ | 31,424,943 | \$ | 31,406,628 |
|--------------------------------------------------|----|------------|----|------------|

Nature and continuance of operations (Note 1)

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 US Dollars) (Unaudited)

|                                                | Cumulative amounts<br>from incorporation on<br>July 17, 2006 to March<br>31, 2013 | Quarter ended<br>March 31, 2013 | Quarter ended<br>March 31, 2012 |
|------------------------------------------------|-----------------------------------------------------------------------------------|---------------------------------|---------------------------------|
| <b>EXPENSES</b>                                |                                                                                   |                                 |                                 |
| Amortization (Note 4)                          | \$ 2,343,296                                                                      | \$ 5,927                        | \$ 70,092                       |
| Consulting                                     | 2,412,476                                                                         | 44,903                          | 14,689                          |
| Exploration                                    | 15,042,298                                                                        | 307,071                         | 337,423                         |
| General and administrative                     | 7,462,681                                                                         | 111,259                         | 84,877                          |
| Insurance                                      | 993,329                                                                           | 19,395                          | 12,783                          |
| Professional fees                              | 3,120,625                                                                         | 47,160                          | 84,128                          |
| Research and development                       | 3,042,091                                                                         | -                               | -                               |
| Salaries and benefits                          | 7,542,717                                                                         | 247,179                         | 162,283                         |
| Stock-based compensation (Note 9)              | 5,361,408                                                                         | 21,032                          | 38,618                          |
| Travel and entertainment                       | 1,599,947                                                                         | 10,699                          | 30,304                          |
| <b>Loss before other items</b>                 | <b>(48,920,868)</b>                                                               | <b>(814,625)</b>                | <b>(835,197)</b>                |
| <b>OTHER ITEMS</b>                             |                                                                                   |                                 |                                 |
| Foreign exchange gain (loss)                   | 416,572                                                                           | (10,316)                        | 111,159                         |
| Gain on transfer of marketable securities      | 181,238                                                                           | -                               | -                               |
| Gain on settlement of convertible debentures   | 1,268,246                                                                         | -                               | -                               |
| Gain on sale of marketable securities          | 1,720,016                                                                         | -                               | -                               |
| Write-off of mineral interests                 | (15,965,169)                                                                      | -                               | -                               |
| Write-off of land and water rights (Note 4)    | (3,243,685)                                                                       | -                               | -                               |
| Gain on insurance proceeds                     | 912,534                                                                           | -                               | -                               |
| Interest expense                               | (736,589)                                                                         | (202,529)                       | (83,867)                        |
| Other income                                   | 583,645                                                                           | 117,182                         | -                               |
| Gain on disposition of assets                  | 933,075                                                                           | -                               | -                               |
| Change in fair value of derivative liability   | 453,790                                                                           | -                               | -                               |
| Unrealized loss on marketable securities       | (3,070,425)                                                                       | -                               | -                               |
|                                                | (16,546,752)                                                                      | (95,663)                        | 27,292                          |
| <b>Loss before income taxes</b>                | <b>(65,467,620)</b>                                                               | <b>(910,288)</b>                | <b>(807,905)</b>                |
| <b>Deferred income tax recovery</b>            | <b>6,020,527</b>                                                                  | <b>-</b>                        | <b>-</b>                        |
| <b>Loss for the period</b>                     | <b>(59,447,093)</b>                                                               | <b>(910,288)</b>                | <b>(807,905)</b>                |
| <b>Foreign currency translation adjustment</b> | <b>(2,844,668)</b>                                                                | <b>-</b>                        | <b>(543,031)</b>                |
| <b>Comprehensive loss for the period</b>       | <b>\$ (62,291,761)</b>                                                            | <b>\$ (910,288)</b>             | <b>\$ (1,350,936)</b>           |

|                                                             |    |             |    |             |
|-------------------------------------------------------------|----|-------------|----|-------------|
| <b>Basic and diluted loss per common share</b>              | \$ | (0.01)      | \$ | (0.01)      |
| <b>Weighted average number of common shares outstanding</b> |    | 165,358,337 |    | 150,678,713 |

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 US Dollars) (Unaudited)

|                                                                 | Cumulative amounts<br>from incorporation on |                                 |                                 |
|-----------------------------------------------------------------|---------------------------------------------|---------------------------------|---------------------------------|
|                                                                 | July 17, 2006 to<br>March 31, 2013          | Quarter ended<br>March 31, 2013 | Quarter ended<br>March 31, 2012 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |                                             |                                 |                                 |
| Loss for the period                                             | \$ (59,447,093)                             | \$ (910,288)                    | \$ (807,905)                    |
| Items not affecting cash:                                       |                                             |                                 |                                 |
| Amortization                                                    | 2,343,296                                   | 5,927                           | 70,092                          |
| Research and development                                        | 3,042,091                                   | -                               | -                               |
| Consulting paid with common shares                              | 9,379                                       | -                               | -                               |
| Gain on disposal of assets                                      | (933,075)                                   | -                               | -                               |
| Convertible debenture costs                                     | (1,149,630)                                 | -                               | -                               |
| Unrealized foreign exchange                                     | 787,157                                     | 3,266                           | -                               |
| Stock-based compensation                                        | 5,361,408                                   | 21,032                          | 38,618                          |
| Unrealized gain on marketable securities                        | (46,707)                                    | -                               | -                               |
| Realized gain on marketable securities                          | (1,720,016)                                 | -                               | -                               |
| Write-off of mineral properties                                 | 15,965,169                                  | -                               | -                               |
| Write-off of land and water rights                              | 3,243,685                                   | -                               | -                               |
| Realized loss on transfer of marketable securities              | 2,935,895                                   | -                               | -                               |
| Change in fair value of derivative liability                    | (453,790)                                   | -                               | -                               |
| Deferred income tax recovery                                    | (6,020,527)                                 | -                               | -                               |
| Finance charge                                                  | 383,729                                     | 87,190                          | -                               |
|                                                                 | (35,699,029)                                | (792,873)                       | (699,195)                       |
| Changes in non-cash working capital items:                      |                                             |                                 |                                 |
| Decrease (increase) in prepaids and receivables                 | (43,562)                                    | 32,247                          | (16,290)                        |
| Increase (decrease) in accounts payable and accrued liabilities | (69,563)                                    | 171,206                         | (96,452)                        |
| Increase in due to related parties                              | 1,091,043                                   | -                               | -                               |
| Asset retirement obligations                                    | (999,176)                                   | -                               | -                               |
|                                                                 | (35,720,287)                                | (589,420)                       | (811,937)                       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |                                             |                                 |                                 |
| Cash acquired from subsidiary                                   | 4,543,435                                   | -                               | -                               |
| Cash paid for Subsidiary                                        | (10,602,498)                                | -                               | -                               |
| Spin-out of Golden Predator Corp.                               | (66,890)                                    | -                               | -                               |
| Restricted cash                                                 | (161,161)                                   | -                               | -                               |
| Reclamation bonds                                               | 747,862                                     | -                               | -                               |
| Proceeds from sale of marketable securities, net                | (3,881,287)                                 | -                               | -                               |
| Proceeds from sale of property, plant and equipment             | 633,294                                     | -                               | -                               |



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|                                                                     |              |            |              |
|---------------------------------------------------------------------|--------------|------------|--------------|
| Purchase of property, plant and equipment                           | (19,920,751) | -          | -            |
| Proceeds from sale of mineral interests                             | 517,550      | -          | -            |
| Additions to unproven mineral interests                             | (3,115,904)  | -          | (1,607,000)  |
|                                                                     | (31,306,350) | -          | (1,607,000)  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                         |              |            |              |
| Common shares issued                                                | 52,484,603   | -          | -            |
| Share issuance costs                                                | (1,190,801)  | -          | -            |
| Special warrants                                                    | 12,095,274   | -          | -            |
| Options exercised                                                   | 370,812      | -          | -            |
| Warrants exercised                                                  | 10,534,109   | -          | -            |
| Notes payable                                                       | (9,272,423)  | -          | -            |
| Receipt of promissory note                                          | 1,000,000    | -          | 1,000,000    |
| Convertible debenture                                               | 2,649,175    | 649,175    | 2,000,000    |
| Debt issuance costs                                                 | (249,827)    | -          | (286,668)    |
| Payment of promissory note                                          | (1,685,228)  | -          | -            |
| Advances from related party                                         | 191,508      | -          | -            |
| Loans advanced to Midway                                            | (1,822,651)  | -          | -            |
| Loan repayment from Midway                                          | 1,760,221    | -          | -            |
|                                                                     | 66,864,772   | 649,175    | 2,713,332    |
| <b>Effect of foreign exchange on cash flows</b>                     | 411,835      | -          | (16,785)     |
| <b>Change in cash during the period</b>                             | 249,970      | 59,755     | 277,610      |
| <b>Cash, beginning of period</b>                                    | -            | 190,215    | 791,438      |
| <b>Cash, end of period</b>                                          | \$ 249,970   | \$ 249,970 | \$ 1,069,048 |
| <b>Supplemental disclosure with respect to cash flows (Note 12)</b> |              |            |              |

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 US Dollars) (Unaudited)

|                                                                           | Capital Stock       |                   | Additional<br>Paid in Capital<br>\$ | Treasury<br>Stock<br>\$ | Accumulated<br>Other<br>Comprehensive<br>Loss<br>\$ | Deficit Accumulated<br>During the Exploration<br>Stage<br>\$ | Total<br>\$       |
|---------------------------------------------------------------------------|---------------------|-------------------|-------------------------------------|-------------------------|-----------------------------------------------------|--------------------------------------------------------------|-------------------|
|                                                                           | Number of<br>Shares | Amount<br>\$      |                                     |                         |                                                     |                                                              |                   |
| <b>Balance, July 17, 2006</b>                                             | -                   | -                 | -                                   | -                       | -                                                   | -                                                            | -                 |
| Private placements                                                        | 5,000,000           | 3,017,350         | -                                   | -                       | -                                                   | -                                                            | 3,017,350         |
| Excess of exchange amount over carrying amount of Springer Mining Company | -                   | -                 | -                                   | -                       | -                                                   | (2,490,691)                                                  | (2,490,691)       |
| Loss for the period                                                       | -                   | -                 | -                                   | -                       | -                                                   | (316,382)                                                    | (316,382)         |
| <b>Balance, December 31, 2006</b>                                         | 5,000,000           | 3,017,350         | -                                   | -                       | -                                                   | (2,807,073)                                                  | 210,277           |
| Private placements                                                        | 17,577,500          | 35,598,475        | -                                   | -                       | -                                                   | -                                                            | 35,598,475        |
| Conversion of special warrants                                            | 5,390,000           | 5,590,529         | -                                   | -                       | -                                                   | -                                                            | 5,590,529         |
| Exercise of warrants                                                      | 50,000              | 74,235            | -                                   | -                       | -                                                   | -                                                            | 74,235            |
| Share issuance costs - broker's fees                                      | -                   | (1,202,721)       | 97,565                              | -                       | -                                                   | -                                                            | (1,105,156)       |
| Share issuance costs - shares issued                                      | 100,000             | 99,910            | -                                   | -                       | -                                                   | -                                                            | 99,910            |
| Shares issued for mineral properties                                      | 100,000             | 95,822            | -                                   | -                       | -                                                   | -                                                            | 95,822            |
| Stock-based compensation                                                  | 40,000              | 38,314            | 472,489                             | -                       | -                                                   | -                                                            | 510,803           |
| Loss for the year                                                         | -                   | -                 | -                                   | -                       | -                                                   | (5,579,477)                                                  | (5,579,477)       |
| <b>Balance, December 31,</b>                                              | <b>28,257,500</b>   | <b>43,311,914</b> | <b>570,054</b>                      | <b>-</b>                | <b>-</b>                                            | <b>(8,386,550)</b>                                           | <b>35,495,918</b> |

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|                                                |            |            |           |             |   |              |              |
|------------------------------------------------|------------|------------|-----------|-------------|---|--------------|--------------|
| Private placements                             | 5,322,500  | 10,543,442 | -         | -           | - | -            | 10,543,442   |
| Conversion of special warrants                 | 7,610,000  | 7,484,629  | -         | -           | - | -            | 7,484,629    |
| Share issuance costs broker's fees             | -          | (263,169)  | -         | -           | - | -            | (263,169)    |
| Shares issued for mineral properties           | 110,000    | 206,229    | -         | -           | - | -            | 206,229      |
| Acquisition of Gold Standard Royalty Corp.     | 2,050,000  | 4,088,552  | 138,529   | -           | - | -            | 4,227,081    |
| Acquisition of Great American Minerals Inc.    | 1,045,775  | 2,065,059  | 419,891   | -           | - | -            | 2,484,725    |
| Acquisition of Fury Explorations Ltd.          | 10,595,814 | 12,963,070 | 7,343,879 | (1,964,364) | - | -            | 18,342,389   |
| Exercise of stock options                      | 6,637,224  | 9,690,543  | (178,482) | -           | - | -            | 9,511,765    |
| Shares issued for repayment of promissory note | 4,728,000  | 2,017,257  | -         | -           | - | -            | 2,017,257    |
| Stock-based compensation                       | -          | -          | 2,251,500 | -           | - | -            | 2,251,500    |
| Loss for the year                              | -          | -          | -         | -           | - | (16,979,874) | (16,979,874) |

**Balance, December 31, 2008**

|                                      |            |            |            |             |   |              |            |
|--------------------------------------|------------|------------|------------|-------------|---|--------------|------------|
| Private placements                   | 66,356,813 | 92,107,527 | 10,545,371 | (1,964,364) | - | (25,366,423) | 75,322,003 |
| Exercise of stock options            | 14,500,000 | 1,123,489  | -          | -           | - | -            | 1,123,489  |
| Shares issued for mineral properties | 101,000    | 110,689    | (92,970)   | -           | - | -            | 17,719     |
| Settlement of convertible debentures | 2,765,643  | 311,606    | -          | -           | - | -            | 311,606    |
| Shares issued for consulting         | 7,336,874  | 2,299,061  | 49,278     | -           | - | -            | 2,348,113  |
| Shares issued for acquisition        | 89,254     | 9,168      | -          | -           | - | -            | 9,168      |
|                                      | 19,037,386 | 1,976,697  | -          | -           | - | -            | 1,976,697  |

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|                                          |             |              |              |             |             |   |              |              |
|------------------------------------------|-------------|--------------|--------------|-------------|-------------|---|--------------|--------------|
| of TTS                                   |             |              |              |             |             |   |              |              |
| Stock-based compensation before spin-out | -           | -            | 799,008      | -           | -           | - | -            | 799,008      |
| Spin-out of GPD                          | -           | (18,044,538) | (11,300,687) | -           | -           | - | -            | (29,345,225) |
| Stock-based compensation after spin-out  | -           | -            | 935,595      | -           | -           | - | -            | 935,595      |
| Foreign currency translation adjustment  | -           | -            | -            | -           | (2,536,527) | - | -            | (2,536,527)  |
| Loss for the year                        | -           | -            | -            | -           | -           | - | (18,954,099) | (18,954,099) |
| <b>Balance, December 31, 2009</b>        | 110,186,970 | 79,893,700   | 935,595      | (1,964,364) | (2,536,527) | - | (44,320,522) | 32,008,172   |
| Private placements                       | 30,252,442  | 4,563,680    | 441,565      | -           | -           | - | -            | 5,005,687    |
| Exercise of stock options                | 1,320,000   | 443,329      | (219,732)    | -           | -           | - | -            | 223,597      |
| Exercise of warrants                     | 7,300,000   | 1,060,257    | -            | -           | -           | - | -            | 1,060,257    |
| Stock-based compensation                 | -           | -            | 772,179      | -           | -           | - | -            | 772,179      |
| Foreign currency translation adjustment  | -           | -            | -            | -           | 99,091      | - | -            | 99,091       |
| Loss for the year                        | -           | -            | -            | -           | -           | - | (4,585,644)  | (4,585,644)  |
| <b>Balance, December 31, 2010</b>        | 149,059,412 | 85,960,966   | 1,930,007    | (1,964,364) | (2,437,436) | - | (48,906,166) | 34,583,020   |
| Exercise of stock options                | 250,000     | 140,466      | (76,796)     | -           | -           | - | -            | 63,670       |
| Exercise/expiry of warrants              | 1,369,301   | 378,563      | (700,170)    | 700,170     | -           | - | -            | 378,563      |
| Stock-based compensation                 | -           | -            | 296,127      | -           | -           | - | -            | 296,127      |
| Foreign currency translation adjustment  | -           | -            | -            | -           | (984,896)   | - | -            | (984,896)    |
| Loss for the year                        | -           | -            | -            | -           | -           | - | (7,156,033)  | (7,156,033)  |
| <b>Balance, December 31, 2011</b>        | 150,678,713 | 86,479,995   | 1,449,168    | (1,264,194) | (3,422,332) | - | (56,062,199) | 27,180,151   |
|                                          | 13,679,624  | 790,508      | -            | -           | -           | - | -            | 790,508      |

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|                                         |             |            |           |             |             |   |              |             |
|-----------------------------------------|-------------|------------|-----------|-------------|-------------|---|--------------|-------------|
| Private placements                      |             |            |           |             |             |   |              |             |
| Stock-based compensation                | -           | -          | 331,794   | -           | -           | - | -            | 331,794     |
| Shares issued for mineral properties    | 1,000,000   | 40,205     | -         | -           | -           | - | -            | 40,205      |
| Issue of convertible debenture warrants | -           | -          | 252,756   | -           | -           | - | -            | 252,756     |
| Foreign currency translation adjustment | -           | -          | -         | -           | 577,664     | - | -            | 577,664     |
| Loss for the year                       | -           | -          | -         | -           | -           | - | (4,965,297)  | (4,965,297) |
| <b>Balance, December 31, 2012</b>       | 165,358,337 | 87,310,708 | 2,033,718 | (1,264,194) | (2,844,668) | - | (61,027,496) | 24,208,511  |
| Stock-based compensation                | -           | -          | 21,032    | -           | -           | - | -            | 21,032      |
| Loss for the period                     | -           | -          | -         | -           | -           | - | (910,288)    | (910,288)   |
| <b>Balance, March 31, 2013</b>          | 165,358,337 | 87,310,708 | 2,054,750 | (1,264,194) | (2,844,668) | - | (61,937,784) | 23,319,223  |

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, 2013

(Expressed in US 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 United States, 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 with a partner or sell the assets outright. To March 31, 2013, the Company has not commenced production and has generated no revenue. Our other focus of operations is the exploration and development of our specialty metals assets, including the Nyngan scandium deposit located in New South Wales, Australia and the Tørdal scandium/rare earth minerals deposit in Norway. As such, the Company is an exploration stage company and anticipates incurring significant additional expenditures prior to production at any and all of its properties.

These 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 and maintaining continued support from its shareholders and creditors. These are material uncertainties that raise substantial 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 and/or restructuring certain obligations; 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.

**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, 2012, in our Annual Report on Form 10-K filed with the SEC on March 27, 2013. Operating results for the three-month period ended March 31, 2013 are not necessarily indicative of the results for the year ending December 31, 2013.

**Change in functional and presentation currency**

The Company's expenses and overheads are now primarily being incurred in United States Dollars ( USD ) and it is anticipated that cash flows will continue to be primarily in USD. Accordingly the Company has decided that effective January 1, 2013 to change the functional currency from the Canadian Dollar to the USD for the parent company and its wholly owned subsidiaries.

Effective December 31, 2012, the Company changed its presentation currency from the Canadian dollar to the US dollar. The Company's consolidated financial statements for the year ended December 31, 2012 are the Company's first financial statements that were presented in U.S. dollars. As a result of changing the presentation currency, all the comparative assets and liabilities were translated using the closing rate at the balance sheet date, all comparative equity items were translated at the exchange rates at the dates of transaction and the comparative statements of loss were translated at the average exchange rate for the period covered. All resulting change differences are recognized in the accumulated other comprehensive loss in the balance sheets equity section.

A change in presentation currency is accounted for as a change in accounting policy and is applied retrospectively, as if the new presentation currency had always been the presentation currency. Consequently, the comparatives for the quarter ended March 31, 2012 have been restated to be presented in United States dollars. The exchange rates applied for translation purposes were as follows:

| <u>Date or period</u>                | <u>Exchange rate</u> |
|--------------------------------------|----------------------|
| For the quarter ended March 31, 2012 | 1 USD = 1.00110 CAD  |

**Use of estimates**

The preparation of consolidated financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results experienced by the Company may differ materially and adversely from the Company's estimates.

**EMC Metals Corp.**

(An Exploration Stage Company)

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2013

(Expressed in US Dollars) (Unaudited)

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

The following table presents information about the assets that are measured at fair value on a recurring basis as of March 31, 2013, 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:

|                          | <b>March 31,<br/>2013</b> | <b>Quoted Prices<br/>in Active Markets<br/>(Level 1)</b> | <b>Significant Other<br/>Observable Inputs<br/>(Level 2)</b> | <b>Significant<br/>Unobservable Inputs<br/>(Level 3)</b> |
|--------------------------|---------------------------|----------------------------------------------------------|--------------------------------------------------------------|----------------------------------------------------------|
| <b>Assets:</b>           |                           |                                                          |                                                              |                                                          |
| Cash and restricted cash | \$ 406,921                | \$ 406,921                                               | \$                                                           | \$                                                       |
| <b>Total</b>             | <b>\$ 406,921</b>         | <b>\$ 406,921</b>                                        | <b>\$</b>                                                    | <b>\$</b>                                                |

The fair values of cash and restricted cash 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. RESTRICTED CASH**

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

**EMC Metals Corp.**

(An Exploration Stage Company)

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2013

(Expressed in US Dollars) (Unaudited)

**4. PROPERTY, PLANT AND EQUIPMENT**

2013

|                          | December 31,<br>2012 Net Book<br>Value | Additions<br>(disposals)<br>(write-offs) | Amortization | Currency<br>Translation<br>Adjustment | March 31, 2013<br>Net Book Value |
|--------------------------|----------------------------------------|------------------------------------------|--------------|---------------------------------------|----------------------------------|
| Land and water rights \$ | 4,252,146                              | \$ -                                     | \$ -         | \$ -                                  | \$ 4,252,146                     |
| Plant and equipment      | 25,749,852                             | -                                        | -            | -                                     | 25,749,852                       |
| Buildings                | 165,959                                | -                                        | (2,724)      | -                                     | 163,235                          |
| Automobiles              | 11,262                                 | -                                        | (2,128)      | -                                     | 9,134                            |
| Computer equipment       | 3,402                                  | -                                        | (286)        | -                                     | 3,116                            |
| Office Equipment         | 11,058                                 | -                                        | (789)        | -                                     | 10,269                           |
|                          | \$ 30,193,679                          | \$ -                                     | \$ (5,927)   | \$ -                                  | \$ 30,187,752                    |

2012

|                                 | December 31,<br>2011 Net Book<br>Value | Additions<br>(disposals)<br>(write-offs) | Amortization | Currency<br>Translation<br>Adjustment | December 31,<br>2012 Net Book<br>Value |
|---------------------------------|----------------------------------------|------------------------------------------|--------------|---------------------------------------|----------------------------------------|
| Land and water rights \$        | 4,595,829                              | \$ (443,499)                             | \$ -         | \$ 99,816                             | \$ 4,252,146                           |
| Plant and equipment             | 25,190,293                             | -                                        | -            | 559,559                               | 25,749,852                             |
| Cosgrave plant and<br>equipment | 71,244                                 | -                                        | (72,484)     | 1,240                                 | -                                      |
| Buildings                       | 173,301                                | -                                        | (11,139)     | 3,797                                 | 165,959                                |
| Automobiles                     | 19,995                                 | -                                        | (9,138)      | 405                                   | 11,262                                 |
| Computer equipment              | 795                                    | 3,338                                    | (800)        | 69                                    | 3,402                                  |
| Small tools and<br>equipment    | 98,283                                 | -                                        | (99,994)     | 1,711                                 | -                                      |
| Office Equipment                | 13,904                                 | -                                        | (3,140)      | 294                                   | 11,058                                 |
|                                 | \$ 30,163,644                          | \$ (440,161)                             | \$ (196,695) | \$ 666,891                            | \$ 30,193,679                          |

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, 2012, 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 \$443,685. During the year ended December 31, 2011, the Company made a similar review and wrote down its land and water rights by \$2,800,000.

**5. MINERAL INTERESTS**

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March 31, 2013

Other

Tungsten

Total

**Acquisition costs**

|                                |    |         |    |         |    |         |
|--------------------------------|----|---------|----|---------|----|---------|
| Balance, December 31, 2012     | \$ | 554,719 | \$ | 198,463 | \$ | 753,182 |
| Additions                      |    | -       |    | -       |    | -       |
| Write-off                      |    | -       |    | -       |    | -       |
| Translation adjustment         |    | -       |    | -       |    | -       |
| <b>Balance, March 31, 2013</b> | \$ | 554,719 | \$ | 198,463 | \$ | 753,182 |

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**EMC Metals Corp.**

(An Exploration Stage Company)

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2013

(Expressed in US Dollars) (Unaudited)

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

| December 31, 2012                 | Other             | Tungsten          | Total             |
|-----------------------------------|-------------------|-------------------|-------------------|
| <b>Acquisition costs</b>          |                   |                   |                   |
| Balance, December 31, 2011        | \$ 474,199        | \$ 194,150        | \$ 668,349        |
| Additions                         | 75,205            | -                 | 75,205            |
| Sold                              | (4,910)           | -                 | (4,910)           |
| Translation adjustment            | 10,225            | 4,313             | 14,538            |
| <b>Balance, December 31, 2012</b> | <b>\$ 554,719</b> | <b>\$ 198,463</b> | <b>\$ 753,182</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 4) are the Springer Mine and Mill located in Pershing County, Nevada.

**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 (the Nyngan Project ) located in New South Wales, Australia. The JV Agreement, as amended, gave us the right to earn a 50% interest in a joint venture with Jervois, for the purpose of holding and developing the Nyngan Project. On June 22, 2012, we received notice of a lawsuit filed against the Company with regard to the achievement of certain milestones required under the JV Agreement. On February 6, 2013, we announced agreement of an out of court settlement to the dispute with Jervois. The terms of the settlement transferred 100% ownership and control of the Nyngan Project to the Company, in return for AUD\$2.6 million cash payments and a percentage royalty payable to Jervois on sales of product from the project.

*Tørdal and Evje-Iveland properties, Norway*

During fiscal 2012 the Company entered into an option agreement with REE Mining AS ( REE ) to earn up to a 100% interest in the Tørdal and Evje-Iveland properties pursuant to which the Company paid \$130,000 and issued 1,000,000 common shares valued at \$40,000. To earn its interest, the original agreement required the Company to pay REE an additional \$500,000, incur \$250,000 of exploration work and issue 250,000 common shares upon releasing the second

of two full feasibility studies on the two properties. The Company subsequently renegotiated the payments required to earn the interest and the Evje-Iveland property was removed from the option agreement. Pursuant to the amendment, the Company earned a 100% interest in the Tørdal property by paying an additional \$35,000 and granting a 1% Net Smelter Return ( NSR ) payable to REE.

*Fairfield property, Utah*

In 2011 the Company entered into an earn-in agreement with Mineral Exploration Services LLC, whereby the Company had 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 decided to write-off its investment of \$4,910 in this project in fiscal 2012.

*Hogtuva property, Norway*

During fiscal 2011 the Company entered into an option agreement with REE Mining AS ( REE ) to earn a 100% interest in three scandium and beryllium exploration sites in Norway pursuant to which the Company paid \$50,000. To earn its interest, the original agreement required the Company to pay REE an additional \$100,000 and issue up to 200,000 common shares. Subsequent to December 31, 2012 the Company renegotiated the payments required to earn the interest and removed two of the exploration sites from the agreement. Pursuant to the amendment, the Company earned a 100% interest in the Hogtuva property in consideration for the \$50,000 original payment and the grant of a 1% NSR payable to REE.

**EMC Metals Corp.**

(An Exploration Stage Company)

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2013

(Expressed in US Dollars) (Unaudited)

**6. RELATED PARTY TRANSACTIONS**

A promissory note due to a director of the Company (principal balance of \$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.

During the quarter ended March 31, 2013, the Company expensed a consulting fee of \$25,500 for one of its directors. This amount remains unpaid at period end. There were no such fees paid in the corresponding quarter of 2012.

**7. PROMISSORY NOTES PAYABLE**March 31  
2013

Promissory note with a principal balance of \$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 \$6,750,000 as consideration for the acquisition of land and water rights. The Company subsequently made principal payments of \$3,000,000 consisting of a cash payment of \$1,000,000 and 4,728,000 units of the Company equity valued at \$2,000,000. Each unit consisted of one common share and one-half share purchase warrant exercisable at C\$0.75 each and exercisable for a period of two years. The note is secured by a First Deed of Trust on the Cosgrave property land and water rights.

3,750,000

During the year ended December 31, 2012 the Company completed a \$3,000,000 loan financing (Note 10) which included a \$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 \$831,841 upon deducting a debt discount of \$168,159 from the principal balance of \$1,000,000. During the first quarter of 2013, the Company recognized \$29,062 in accretion through interest expense. During fiscal 2012, the Company recognized \$98,847 in accretion through interest expense. The note payable is secured by an interest in the assets of the Company's subsidiary, Springer Mining Company.

959,750

4,709,750

Less: current portion

(4,709,750)

\$ Ni

**8. CONVERTIBLE DEBENTURE**

On February 22, 2013, the Company completed a \$650,000 loan financing consisting of convertible debentures. The convertible debenture has a maturity date of February 22, 2014 and bears interest at 10% per annum. The lenders may convert the loan into 13,000,000 common shares of the Company. There is no beneficial conversion

feature associated with the conversion option. The loan is secured by an interest in the assets of the Company's wholly owned subsidiary, Wolfram Jack Mining Corp. and the Company's interest in the Hogtuva and Tordal properties in Norway.

On February 17, 2012, the Company completed a \$3,000,000 loan financing consisting of a term loan of \$1,000,000 (Note 9), a convertible debenture of \$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 \$2,000,000 of the principal amount of the loan into 10,000,000 common shares of the Company. The loan is secured by an interest in the assets of the Company's subsidiary, Springer Mining Company. There was no beneficial conversion feature associated with the conversion option. The warrants are exercisable at C\$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 costs of \$249,827 and also issued 750,000 purchase warrants exercisable at C\$0.20 per share expiring February 15, 2014. These warrants were valued at \$58,716 with a volatility of 120%, expected life of 2 years, risk free rate of 1.0% and expected dividend yield of 0.0% 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 \$1,663,681 upon deducting a debt discount of \$336,319 from the principal balance of \$2,000,000. During the quarter ended March 31, 2013, the Company recognized \$58,128 in accretion through interest expense. During fiscal 2012, the Company recognized \$197,692 in accretion through interest expense.

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

On December 20, 2012, the Company issued 1,000,000 common shares at a value of \$40,205 for the Tørdal and Hogtuva projects in Norway.

**EMC Metals Corp.**

(An Exploration Stage Company)

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2013

(Expressed in US Dollars) (Unaudited)

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

On December 16, 2012, the Company issued 2,000,000 common shares at a value of C\$0.05 per common share for total proceeds of C\$100,000.

On July 24, 2012, the Company issued 11,679,624 common shares at a value of C\$0.06 per common share for total proceeds of C\$700,777.

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

On November 25, 2010, the Company issued 6,100,000 units at a value of C\$0.10 per unit for total proceeds of C\$610,000. Each unit consisted of one common share and one-half of one share purchase warrant exercisable at C\$0.18 expiring on November 25, 2011. The warrants have a calculated total fair value of C\$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 C\$0.10 per unit for total proceeds of C\$294,770. Each unit consisted of one common share and one-half of one share purchase warrant exercisable at C\$0.18 until June 30, 2011. The warrants have a calculated total fair value of C\$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 C\$0.20 per unit for total proceeds of C\$455,000. Each unit consisted of one common share and one-half of one share purchase warrant exercisable at C\$0.25 until February 17, 2011. The warrants have a calculated total fair value of C\$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 C\$0.08 per unit for total proceeds of C\$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 C\$0.15 per share until November 17, 2010.

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

On August 27, 2009, the Company issued 1,500,000 units at a value of C\$0.10 per unit, pursuant to a non-brokered private placement for proceeds of C\$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 C\$0.15 per share until August 27, 2010.

On May 13, 2009, the Company issued 89,254 common shares at a value of C\$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 C\$0.10



per share for the Platte River property.

On January 21, 2009, the Company issued 66,784 common shares at a value of C\$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 \$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 \$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 C\$0.75.

In July 2008, the Company completed a private placement consisting of 2,500,000 common shares at C\$2.00 per share for proceeds of C\$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 C\$2.00 per unit for gross proceeds of C\$5,645,000. Included in the proceeds was C\$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 C\$3.00 for a period of 12 months.

In November 2007, the Company completed private placements consisting of 17,577,500 units at C\$2.00 per unit for proceeds of C\$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 C\$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 C\$1,016,074 and issued 100,000 common shares valued at C\$100,000 as issuance costs and finder's fees. The Company also granted warrants to acquire 300,000 common shares exercisable at C\$1.50 expiring September 22, 2008. The warrants were valued at C\$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%.

**EMC Metals Corp.**

(An Exploration Stage Company)

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2013

(Expressed in US Dollars) (Unaudited)

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

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

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

|                                | Warrants  |                                                | Stock Options |                                                |
|--------------------------------|-----------|------------------------------------------------|---------------|------------------------------------------------|
|                                | Number    | Weighted average exercise price in Canadian \$ | Number        | Weighted average exercise price in Canadian \$ |
| Outstanding, December 31, 2011 | -         | \$ -                                           | 11,848,750    | \$ 0.19                                        |
| Granted                        | 3,750,000 | 0.20                                           | 3,885,000     | 0.08                                           |
| Cancelled                      | -         | -                                              | (2,187,500)   | 0.28                                           |
| Exercised                      | -         | -                                              | -             | -                                              |
| Outstanding, December 31, 2012 | 3,750,000 | 0.20                                           | 13,546,250    | 0.14                                           |
| Granted                        | -         | -                                              | 600,000       | 0.05                                           |
| Cancelled                      | -         | -                                              | (357,500)     | 0.58                                           |
| Exercised                      | -         | -                                              | -             | -                                              |
| Outstanding, March 31, 2013    | 3,750,000 | \$ 0.20                                        | 13,788,750    | \$ 0.13                                        |
| Number currently exercisable   | 3,750,000 | \$ 0.20                                        | 12,687,750    | \$ 0.13                                        |

As at March 31, 2013, incentive stock options were outstanding as follows:

| Number of options | Exercise Price in Canadian \$ | Expiry Date |
|-------------------|-------------------------------|-------------|
|-------------------|-------------------------------|-------------|

|                |            |       |                    |
|----------------|------------|-------|--------------------|
| <b>Options</b> | 120,000    | 0.310 | April 27, 2013 (1) |
|                | 55,000     | 0.200 | May 13, 2013 (1)   |
|                | 645,000    | 0.200 | October 31, 2013   |
|                | 537,500    | 0.300 | January 23, 2014   |
|                | 50,000     | 0.300 | February 26, 2014  |
|                | 1,020,000  | 0.160 | June 16, 2014      |
|                | 225,000    | 0.120 | August 27, 2014    |
|                | 200,000    | 0.105 | December 16, 2014  |
|                | 601,250    | 0.250 | January 4, 2015    |
|                | 4,800,000  | 0.100 | November 5, 2015   |
|                | 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     |
|                | 1,550,000  | 0.070 | August 8, 2017     |
|                | 600,000    | 0.050 | March 18, 2018     |
|                | 13,788,750 |       |                    |

(1) These options expired unexercised.

As at March 31, 2013, warrants were outstanding as follows:

| <b>Warrants</b> | Number of<br>Warrants | Exercise<br>Price in<br>Canadian \$ | Expiry Date       |
|-----------------|-----------------------|-------------------------------------|-------------------|
|                 | 3,750,000             | \$ 0.20                             | February 15, 2014 |

**EMC Metals Corp.**

(An Exploration Stage Company)

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2013

(Expressed in US Dollars) (Unaudited)

**9. CAPITAL STOCK AND ADDITIONAL PAID IN CAPITAL (cont d )****Stock-based compensation**

During the three months ended March 31, 2013, the Company recognized stock-based compensation of \$21,032 (March 31, 2012 - \$38,618) in the statement of operations as a result of incentive stock options granted and vested in the current period. There were 600,000 stock options issued during the three months ended March 31, 2013 (March 31, 2012 Nil).

The weighted average fair value of the options granted in the period was C\$0.08 (2011 - C\$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:

|                         | 2013    | 2012 |
|-------------------------|---------|------|
| Risk-free interest rate | 0.40%   | N/A  |
| Expected life           | 5 years | N/A  |
| Volatility              | 143.82% | N/A  |
| Forfeiture rate         | 0.00%   | N/A  |
| Dividend rate           | 0.00%   | N/A  |

**10. TREASURY STOCK**

|                                                      | Number    | Amount       |
|------------------------------------------------------|-----------|--------------|
| Treasury shares, March 31, 2013 and December 31 2012 | 1,033,333 | \$ 1,264,194 |
|                                                      | 1,033,333 | \$ 1,264,194 |

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

**11. 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>March 31, 2013</b>         | Norway     | Australia  | United States | Total         |
|-------------------------------|------------|------------|---------------|---------------|
| Property, plant and equipment | \$ -       | \$ -       | \$ 30,187,752 | \$ 30,187,752 |
| Mineral interests             | 253,181    | 301,538    | 198,463       | 753,182       |
|                               | \$ 253,181 | \$ 301,538 | \$ 30,386,215 | \$ 30,940,934 |

| <b>December 31, 2012</b>      | Norway  | Australia | United States | Total         |
|-------------------------------|---------|-----------|---------------|---------------|
| Property, plant and equipment | \$ -    | \$ -      | \$ 30,193,679 | \$ 30,193,679 |
| Mineral interests             | 253,181 | 301,538   | 198,463       | 753,182       |

|    |         |    |         |    |            |    |            |
|----|---------|----|---------|----|------------|----|------------|
| \$ | 253,181 | \$ | 301,538 | \$ | 30,392,142 | \$ | 30,946,861 |
|----|---------|----|---------|----|------------|----|------------|

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

|                                               |    | 2013   |    | 2012    |
|-----------------------------------------------|----|--------|----|---------|
| Cash paid during the quarter for interest     | \$ | 56,250 | \$ | 102,212 |
| Cash paid during the quarter for income taxes | \$ | -      | \$ | -       |

There were no significant non cash transactions for the quarter ending March 31, 2013. During the period ended March 31, 2012 include the Company granted 750,000 share purchase warrants at a value of \$58,305 as finder's fees pursuant to the promissory note and convertible debenture financings.

**EMC Metals Corp.**

(An Exploration Stage Company)

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2013

(Expressed in US Dollars) (Unaudited)

**13. SUBSEQUENT EVENT**

Subsequent to March 31, 2013, the Company granted 1,000,000 stock options at an exercise price of \$0.10 per share, exercisable until May 9, 2018 to directors of the Company and 500,000 stock options at an exercise price of \$0.05 per share exercisable until May 9, 2015 to officers, employees and consultants of the Company.

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## 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 December 31, 2012 and March 31, 2013 and a comparison of the material changes in our results of operations and financial condition between the three-month period ended March 31, 2012 and the three-month period ended March 31, 2013. 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, 2012.

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. The reporting currency used in our financial statements is the United States Dollar.

The information contained within this report is current as of May 13, 2013 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 and approved 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 tungsten, molybdenum, scandium, vanadium, and other specialty metals. The Company intends to utilize its know-how and, in certain instances, patented technologies 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 (Springer), a fully constructed mine and mill asset in Nevada, USA. The Springer mine is currently not operating. During 2012, we prepared mine restart planning documents and are currently seeking either a development partner for the financing and restart of the mine, or a buyer for the entire asset. Our other focus of operations is the exploration and development of our specialty metals assets, including the Nyngan scandium deposit located in New South Wales, Australia and the Tørdal scandium/rare earth minerals deposit in Norway.

On February 5, 2010, we entered into an Exploration Joint Venture Agreement (JV Agreement) with Jervois Mining Limited (Jervois) to develop the Nyngan scandium property in New South Wales, Australia, which is commonly referred to as the Nyngan Project. The JV Agreement, as amended, gave us the right to earn a 50% interest in a joint venture with Jervois, for the purpose of holding and developing the Nyngan Project. On June 22, 2012, we received notice of a lawsuit filed against the Company with regard to the achievement of certain milestones required under the JV Agreement. On February 6, 2013, we announced an agreement of an out of court settlement regarding the dispute with Jervois. The terms of the settlement transferred 100% ownership and control of the Nyngan Project to the Company in return for AUD\$2.6 million cash payments and a percentage royalty payable to Jervois on sales of product from the project. We have completed metallurgical test work and are pursuing further feasibility study and development options on the Nyngan Project.

**Principal Properties Review**

*Springer Tungsten:* The Springer mine, 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. Since acquiring Springer in 2006,

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EMC has spent approximately \$38 million on the facility, specifically on rehabilitation, process improvements, resource exploration, process automation and a mill throughput expansion.

On September 20, 2012 we announced the results of a Preliminary Economic Assessment ( PEA ), including an updated resource estimate. The PEA was prepared for EMC by Associated Geosciences LTD. of Calgary, Alberta, Canada, and Practical Mining LLC. of Elko, Nevada, USA, both independent mining industry consultants. The PEA provides the first NI 43-101 compliant economic analysis on Springer, and was commissioned as part of EMC's planned restart of the Springer mining and milling operations.

Highlights from the PEA/Resource Update:

- Project restart is economic, feasible, and supported by current tungsten prices, based on a five year NI 43- 101 production resource;
- Five year mine life NPV of \$22.8 million (8% discount, constant dollar, after tax);
- IRR of 47% on restart capital of \$30 million;
- Indicated resource increase of 81,000 tons (+29.6 %) over previous resource estimate;
- Inferred resource increase of 837,600 tons (+76.3 %) over previous resource estimate;
- New resource added on western side of the property, no previous resource estimate; and
- Average annual tungsten (WO<sub>3</sub>) production of 134,960 MTU (total 674,790 MTU).

The PEA updates the resource estimate published in a prior NI 43-101 Technical Report titled, *NI 43-101 Technical Report on Resources, EMC Metals Corp., Springer Facility - Sutton Beds, Nevada, USA* prepared by SRK Consulting of Lakewood, Colorado, filed on SEDAR in May, 2009. The PEA both increases the resource tonnage and also adds an economic estimate to the project in restart. The resource update also adds tonnage on the western side of the property, where no resource had previously been established, despite having been the site of historic tungsten production. The western resource has exciting potential for Springer, because the historic production records and current NI 43-101 drilling confirm superior tungsten grades, albeit at narrower vein widths.

The financial analysis of the mine restart, based on the current NI 43-101 resource, defines a 5 year mine life. The overall financial results, as presented in the PEA, are as follows:

| Key Performance Measures<br>Summary                                                                | Financial<br>Result<br>(US\$) |
|----------------------------------------------------------------------------------------------------|-------------------------------|
| <b>Capital Cost (millions)*</b>                                                                    | \$29.8                        |
| <b>Average Annual Revenue (millions)</b>                                                           | \$43.2                        |
| <b>Average Annual Operating Cost (millions)</b>                                                    | \$25.0                        |
| <b>Average Operating Cost (\$/MTU)</b>                                                             | \$186                         |
| <b>Average Annual EBITDA (millions)</b>                                                            | \$17.8                        |
| <b>Constant Dollar NPV (8%)</b>                                                                    | \$22.8                        |
| <b>Constant Dollar NPV (10%)</b>                                                                   | \$20.1                        |
| <b>Internal Rate of Return (IRR)</b>                                                               | 47%                           |
| WO <sub>3</sub> Concentrate Price Assumption/MTU<br>(based on 80% of \$400/MTU 24 month APT price) | \$320                         |
| *NOTE: Includes working capital and contingency                                                    |                               |

NOTE: A metric tonne unit (MTU) is the standard unit of measure for tungsten in trading markets. One MTU equals 22.04 pounds of contained WO<sub>3</sub>, or 100<sup>th</sup> of a tonne of WO<sub>3</sub>. 3 3

The mine plan in the PEA calls for the conversion of the existing Sutton Mine from a cut and fill operation, as designed by the prior operator, GE, to a modern longhole mining operation, more properly termed end-slicing.

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Sutton will be re-developed with ramps connecting drifts at various levels, modern rubber-tired equipment, and production and mine access utilizing both the existing shaft/hoist house and a new mine adit approaching mineralized beds from lower elevation ground to the south.

The mine plan also calls for a second independent mining operation at O Byrne, on the western side of the granite intrusion, utilizing the same mining techniques and equipment, with twin adit access. The hilly topography in the western beds lends itself to declined adit techniques that achieve sufficient depth to make for economic development.

The updated NI 43-101 resource provides for 4.8 years of mining from Sutton, and only 1.5 years from O Byrne, but at substantially higher grades.

This updated resource, included in the PEA, is as follows:

| Springer Mine- Mineral Resource Statement of Resources |                                  |                  |                          |                                   |         |
|--------------------------------------------------------|----------------------------------|------------------|--------------------------|-----------------------------------|---------|
| Resource Category                                      | Cut-Off Grade<br>WO <sub>3</sub> | Resource<br>Tons | Grade<br>WO <sub>3</sub> | Contained Tungsten Units<br>STU's | MTU's   |
| <b>Indicated Total<br/>(Sutton only)</b>               | 0.20%                            | 355,000          | 0.537%                   | 190,635                           | 172,990 |
| <b>Inferred (by location)</b>                          |                                  |                  |                          |                                   |         |
| Sutton Resource                                        | 0.20%                            | 1,616,000        | 0.459%                   | 741,744                           | 673,089 |
| George Resource                                        | 0.20%                            | 143,950          | 0.423%                   | 60,863                            | 55,230  |
| O'Byrne Resource                                       | 0.20%                            | 173,670          | 0.862%                   | 149,719                           | 135,861 |
| <b>Inferred Total</b>                                  | 0.20%                            | 1,933,620        | 0.493%                   | 952,326                           | 864,180 |

Note: a short ton unit (STU) = 20 lbs. WO<sub>3</sub>; a metric tonne unit (MTU) = 22.04 lbs. WO<sub>3</sub>  
The effective date of each estimate of mineral resources above is August 20, 2012.

The existing mill at Springer has benefitted from considerable investment since the purchase from GE in 2006, although there are still important changes and investments left to be made prior to restart. The process flowsheet calls for the production of a 65% WO<sub>3</sub> scheelite concentrate, using modern gravity separation techniques and traditional flotation circuits. There are no plans to utilize the digester system or the APT plant on site at this time.

Permitting and environmental matters are largely in place, although the Company is currently seeking a right of way from the US Bureau of Land Management for rights to re-install a tailings pipeline to an existing tailings pond, planned to be put into service to secure mill tailings are not backfilled into the mine.

Project economics assume a two year trailing average constant dollar \$400/MTU APT price, and derive a concentrate price from that benchmark tungsten price, which is publically quoted. All dollar amounts for costs are also considered to be constant dollar. No escalation for inflation has been considered, and thus the 8% discount rate applied to cash flows to generate Net Present Values ( NPV s ) should also be considered a constant dollar rate.

Economics do not assume any economic recovery of molybdenum disulphide (MoS<sub>2</sub>). There is no molybdenum resource established for the property which corresponds to the mineable tungsten resource, therefore there is no co-product credit in the PEA. There is capital included in the \$30 million total restart estimate to separate (float) molybdenum, because it has historically been present in the resource and must be removed from concentrates to meet customer product specifications.

The NI 43-101 compliant Technical Report, titled *Preliminary Economic Assessment on the Springer Tungsten Mine, Pershing County, Nevada, USA.* (the PEA ), was filed on SEDAR October 2, 2012 and is available for public review

at [www.sedar.com](http://www.sedar.com).

The earlier NI 43-101 compliant 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, was filed on SEDAR on May 26, 2009 and is also available for public review at [www.sedar.com](http://www.sedar.com).

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**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 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 contended 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.

On August 20, 2012, EMC filed its formal defense and a counterclaim with the Supreme Court in Victoria, Australia. In its counterclaim, EMC sought relief that included a declaration from Jervois that EMC satisfied the earn-in conditions set out in the Joint Venture Agreement and that upon payment to Jervois of the sum of AUD\$1.3 million (plus GST), EMC was entitled to a 50% interest in the Joint Venture, and a damages award, to compensate EMC for the loss and damage that it suffered as a result of Jervois wrongfully treating the joint venture as terminated.

On February 6, 2013, we announced agreement of an out of court settlement regarding the dispute with Jervois. The terms of the settlement transferred 100% ownership and control of the Nyngan Project to the Company, in return for AUD\$2.6 million cash payments and a percentage royalty payable to Jervois on sales of product from the project. The binding settlement entered into with Jervois brings to an end all court actions, claims and counterclaims, including claims for damages and legal and other costs. The settlement is subject to Australian Foreign Investment Review Board (FIRB) approval of EMC's 100% ownership of the project. FIRB approval was secured on April 2, 2013 and the FIRB statement of no objections stands for 12 months from the date thereof. If the Company wishes to proceed with the proposal after this date, a new FIRB application would be required.

Nyngan Project metallurgical test work has been completed and we are pursuing further feasibility study and development options.

**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, approximately 40 kilometers south of Elko, 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%  $V_2O_5$  (vanadium oxide). Preliminary test work on fresh black shales shows similar recoveries using a salt roast and acid leaching.

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In April, 2010, EMC announced receipt of an NI 43-101 compliant technical report and resource estimation for the Carlin vanadium project. 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 and is also available for public review at [www.sedar.com](http://www.sedar.com). 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<br>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 a 100% option rights to the Tørdal property in Telemark County, Southern Norway. The property, originally encompassing a 40 square kilometer area, has since been increased to 140 square kilometers. As part of the same agreement, we also acquired a 100% option rights to the Evje-Iveland, property, located west of the Tørdal property in Aust-Agder County, also in Southern Norway. Both Tørdal and Evje-Iveland contain pegmatite formations, prospective for scandium and rare earth elements ("REE's").

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. The exploration sites cover a total of approximately 80 square kilometers prospective for scandium, beryllium and other specialty metals.

On January 16, 2013 we announced a renegotiated earn-in immediately accelerating our ownership of both the Tørdal and Hogtuva exploration licenses to 100%. The renegotiated agreement canceled all outstanding cash payments, share grants and remaining work commitments, in return for payment of certain property costs and other costs totaling \$65,000 in December/January 2013, a 1 million EMC share grant, and a 1% net smelter return ( NSR ) on production proceeds from the properties. As part of the amended agreement, EMC relinquished all rights to the Evje-Iveland property.

Exploration work done to date has focused on the Tørdal scandium-bearing pegmatites. On February 14, 2013 we announced promising results from field exploration work on the Tørdal property during the summer and fall months of 2012. The 2012 work included independent assay results of pegmatite rock samples taken from one specific property area, and also includes an extensive pegmatite mapping program covering approximately 30 square kilometers. The assay results indicated the presence of high levels of scandium and various REE s, including heavy rare earth elements ( HREE s ) in particular. Field XRF readings indicated elevated scandium content in hundreds of large and small pegmatite bodies found and mapped in the reconnaissance area.

Highlights of the results of the 2012 field exploration are as follows:

- Tørdal 2012 assays of pegmatite rocks show presence of both scandium and REE s,
- Best scandium assays exceed 1,600 ppm,
- Promising HREE assay results from pegmatites with gadolinite mineralization,
- Host rock mineralization points to higher grade scandium or HREE contents,
- 2012 summer exploration program mapped and sampled over 300 pegmatites,
- A total of 1,940 Niton XRF scandium readings were taken on whole rock samples, and
- Overall program results at Tørdal are very encouraging and warrant expanded exploration.

EMC's mapping and sampling work has confirmed that much of the Tørdal property is heavily populated with complex, near-surface pegmatite bodies. Based on hand-held XRF readings and mineralogy, these pegmatites show excellent promise for significant scandium enrichment, particularly within bodies containing micas, and for REE mineralization where the rare earth silicate gadolinite is present. Based on the results of 2012 exploration work, planning for exploration work to be conducted during 2013 is underway.

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## Other Developments

On February 22, 2013, the Company completed a \$650,000 loan financing consisting of convertible debentures. The convertible debenture has a maturity date of February 22, 2014 and bears interest at 10% per annum. The lenders may convert the loan into 13,000,000 common shares of the Company. The loan is secured by an interest in the assets of the Company's wholly owned subsidiary, Wolfram Jack Mining Corp. and the Company's interest in the Hogtuva and Tørdal properties in Norway.

On March 18, 2013, the Company issued 600,000 stock options with an exercise price of \$0.05 per share, exercisable until March 18, 2018, to an officer of the Company.

On May 9, 2013, the Company granted 1,000,000 stock options at an exercise price of \$0.10 per share, exercisable until May 9, 2018, to directors of the Company and 500,000 stock options at an exercise price of \$0.05 per share, exercisable until May 9, 2015, to officers, employees and consultants of the Company.

## 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

|                                                           | 2013                | 2012                  |                       |                       |                     | 2011                  |                       |                     |
|-----------------------------------------------------------|---------------------|-----------------------|-----------------------|-----------------------|---------------------|-----------------------|-----------------------|---------------------|
|                                                           | Q1                  | Q4                    | Q3                    | Q2                    | Q1                  | Q4                    | Q3                    | Q2                  |
| Net Sales                                                 | -                   | -                     | -                     | -                     | -                   | -                     | -                     | -                   |
| Net Income<br>(Loss)                                      | (910,288)<br>(0.01) | (1,623,015)<br>(0.01) | (1,148,216)<br>(0.01) | (1,386,161)<br>(0.01) | (807,905)<br>(0.00) | (4,189,370)<br>(0.03) | (2,008,200)<br>(0.01) | (633,233)<br>(0.01) |
| Basic and<br>diluted Net<br>Income<br>(Loss) per<br>share |                     |                       |                       |                       |                     |                       |                       |                     |

## Results of Operations for the three months ended March 31, 2013

The net loss for the quarter was \$910,288, an increase of \$102,383 from \$807,905 in the same quarter of the prior year. Details of the individual items contributing to the increased net loss are as follows:

| Q1 2013 vs. Q1 2012 - Variance Analysis |                                         |                                                                                                                                                                                                                                                                                                                                                                                                 |
|-----------------------------------------|-----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Item                                    | Variance Favourable /<br>(Unfavourable) | Explanation                                                                                                                                                                                                                                                                                                                                                                                     |
| Foreign exchange                        | (\$121,475)                             | In Q1 of 2012, the Company held larger positions in the Canadian dollar than in Q1 of 2013. The Canadian dollar one year ago strengthened considerably against the US dollar resulting in a large gain in value. In the current year, the US and Canadian dollars experienced very little fluctuation combined with the lower amount of Canadian dollars held leading to a much smaller foreign |

|  |                    |
|--|--------------------|
|  | exchange exposure. |
|--|--------------------|

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| <b>Q1 2013 vs. Q1 2012 - Variance Analysis</b> |                                             |                                                                                                                                                                                                                                                                                            |
|------------------------------------------------|---------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Item</b>                                    | <b>Variance Favourable / (Unfavourable)</b> | <b>Explanation</b>                                                                                                                                                                                                                                                                         |
| Interest expense                               | (\$118,662)                                 | In February of 2012, the Company took out debt financing of \$3,000,000. The Company also took out additional financing in February 2013 of \$650,000. The interest expense of both these obligations was fully realized in the current quarter compared to the same quarter one year ago. |
| Salaries and benefits                          | (\$84,896)                                  | Subsequent to Q1 of 2012, the Company hired a full time manager of the Springer operations which is the primary cause of this negative variance in Q1 2013 when compared to the same period one year ago.                                                                                  |
| Consulting                                     | (\$30,214)                                  | Consulting in the pursuit of the Springer mine and mill restart Q1 2013 resulted in the increase in consulting costs when compared to Q1 2012.                                                                                                                                             |
| General and administration                     | (\$26,382)                                  | Increased G&A expenses relate to the non-cash amortization of costs associated with February 2012 financing. Financing costs are amortized over the life of the financing and were recognized over the entire first quarter of 2013.                                                       |
| Insurance                                      | (\$6,612)                                   | The higher costs of Workers Compensation coverage for employees at the Springer mine resulted in the negative variance in Q1 2013.                                                                                                                                                         |
| Stock based compensation                       | \$17,586                                    | Fewer options were vested in Q1 2013 as well as the lower stock price of EMC shares resulted in the lower expense when compared to one year ago.                                                                                                                                           |
| Travel & entertainment                         | \$19,605                                    | Travel costs in Q1 of 2012 included expenses related to travel to Australia to conclude the Nyngan buy-in agreement. Fewer such costs were incurred in 2013.                                                                                                                               |
| Exploration                                    | \$30,352                                    | Q1 2013 expenses reflected lower activity levels for overall exploration work compared to Q1 2012.                                                                                                                                                                                         |
| Professional fees                              | \$36,968                                    | Decrease in expenses in 2013 resulting from costs to complete our finalizing the Nyngan project earn-in in 2012.                                                                                                                                                                           |
| Amortization                                   | \$64,165                                    | Lower depreciation costs reflect an increase in fully depreciated assets at the Springer mine.                                                                                                                                                                                             |
| Other income                                   | \$117,182                                   | During the first quarter of 2013 we received proceeds from hay sales at the Cosgrave Ranch farm and the Springer mine began to dispose of scrap materials held at the property. No hay sales or sales of scrap materials occurred in Q1 2012.                                              |



**Cash flow discussion for the three months ended March 31, 2013 compared to March 31, 2012**

The cash outflow for operating activities was \$589,420, a decrease of \$222,517 (March 31, 2012 \$811,937), due to decreased activity levels as described in the variance analysis in addition to an increase in accounts payable during the period.

Cash outflows for investing activities decreased by \$1,607,000 to \$Nil (March 31, 2012 \$1,607,000) due to the payment of \$66,611 for the Company's buy-in on the Hogtuva property in Norway and the payment of AUD\$1,320,000 for the costs related to the buy-in at the Nyngan project in Q1 2012.

Cash inflows from financing activities decreased by \$2,064,157 to \$649,175 (March 31, 2012 - \$2,713,332), reflecting the issuance of a \$3,000,000 convertible debenture in February of 2012 compared to a financing this year of \$650,000.

**Financial Position**

*Cash*

The Company's cash position increased during the three month period by \$59,755, to \$249,970 (December 31, 2012 \$190,215) primarily due to the issuance of a convertible debenture in the amount of \$650,000.

*Prepaid expenses and receivables*

These current assets decreased by \$32,247 to \$77,088 due primarily to the non-cash expensing of prepaid insurances (December 31, 2012 - \$109,335).

*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 \$5,927 to \$30,187,752 (December 2012 -\$30,193,679) is due to amortization of net fixed assets.

*Mineral interests*

Mineral interests remained the same at \$753,182 (December 31, 2012 - \$753,182).

*Accounts Payable*

Accounts Payable has increased by \$171,206 to \$827,705 (December 2012 \$656,499) due to a deferral of salary payments for key staff members.

*Convertible debenture*

Convertible debentures increased by \$707,303 to \$2,568,676 (December 31, 2012 - \$1,861,373) due to the placement of a second convertible debenture in February 2013 in addition to the accretion costs associated with the debenture issued in Q1 of 2012.

*Promissory notes payable*

The current promissory notes payable increased by \$29,062 to \$4,709,750 (December 31, 2012 - \$4,680,688) which is attributable to the accretion expensing of the note taken out in February of 2012.

*Capital stock*

Capital stock remains the same at \$87,310,708 (December 31, 2012 - \$87,310,708) as a result of no stock issuances in the quarter.

Additional paid-in capital increased by \$21,032, to \$2,054,750 (December 31, 2012 - \$2,033,718) as a result of expensing of stock options.

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## **Liquidity and Capital Resources**

At March 31, 2013, the Company had a working capital of (\$7,779,073) including cash of \$249,970 as compared to a working capital of (\$6,899,010) including cash of \$190,215 at December 31, 2012.

At March 31, 2013, the Company had 3,750,000 share purchase warrants exercisable at CAD\$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 13,788,750 stock options exercisable between CAD\$0.05 and CAD\$0.315 have the potential upon exercise to generate a total of \$1,770,513 in cash over the next five 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 payment requirements associated with our Nyngan project, and the maturity of certain loan facilities. Detail on the loan maturities is as follows:

- Cosgrave Ranch property mortgage maturity in August 2013 - \$3,750,000
- Convertible debenture and promissory note, maturing in August 2013 - \$3,000,000
- Convertible debenture, maturing in February 2014 \$650,000

We expect that these commitments will be funded from available cash when due in 2013, although \$2,000,000 of the debenture due August 2013, and \$650,000 of the debenture due February 2014, are convertible at the lender's discretion into shares of the Company. The Company will need additional funding to meet the commitments shown above and will seek to raise additional debt or equity financing in the short term or restructure certain obligations.

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 165,358,337 issued and outstanding common shares, 15,113,750 stock options currently outstanding at a weighted average exercise price of CAD\$0.13, and 3,750,000 warrants currently outstanding at a weighted average exercise price of CAD\$0.20.

## **Off-balance sheet arrangements**

At March 31, 2013, 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 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.

During the quarter ended March 31, 2013, the Company expensed a consulting fee of \$25,500 for one of its directors. This amount remains unpaid at period end. There were no such fees paid in the corresponding quarter of 2012.

## **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.

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### *Stock-based compensation*

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.

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

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, due to related parties, convertible debentures 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.

### **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.

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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.

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.

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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.

### ***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.

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## 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, estimates, intends, anticipates or does not believe or variations of such words and phrases, or statements that certain actions, events or results may, could, would, 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 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

### 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, 2013, 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;
- 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; and
- 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.

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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 Securities Exchange Act of 1934 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 Securities Exchange Act of 1934 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 1. Legal Proceedings**

On February 5, 2010, we entered into an Exploration Joint Venture Agreement ( JV Agreement ) with Jervois Mining Limited ( Jervois ) to develop the Nyngan scandium property in New South Wales, Australia, which is commonly referred to as the Nyngan Project. The JV Agreement, as amended, gave us the right to earn a 50% interest in a joint venture with Jervois, for the purpose of holding and developing the Nyngan Project.

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 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 contended 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.

On August 20, 2012, EMC filed its formal defense and a counterclaim with the Supreme Court in Victoria, Australia. In its counterclaim, EMC sought relief that included a declaration from Jervois that EMC satisfied the earn-in conditions set out in the Joint Venture Agreement and that upon payment to Jervois of the sum of AUD\$1.3 million (plus GST), EMC was entitled to a 50% interest in the Joint Venture, and a damages award, to compensate EMC for the loss and damage that it suffered as a result of Jervois wrongfully treating the joint venture as terminated.

On February 6, 2013, the Company agreed to an out-of-court settlement to its dispute with Jervois Mining Ltd ( Jervois ). The terms of the settlement transferred 100% ownership and control of the Nyngan scandium project to the Company, in return for AUD\$2.6 million cash payments and a percentage royalty payable to Jervois on sales of product from the Nyngan Project. The binding settlement entered into with Jervois brings to an end all court actions, claims and counterclaims, including claims for damages and legal and other costs.

### **Item 6. Exhibits**

31.1 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.

31.2      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.

32.1      Section 1350 Certification of the Principal Executive Officer.

32.2      Section 1350 Certification of the Principal Financial Officer.

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**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: May 13, 2013

**EMC METALS CORP.**

(Registrant)

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

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

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