EMC METALS CORP.

The Specialty Metals Company

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
EMC Metals Corp.

We have audited the accompanying consolidated financial statements of EMC Metals Corp. (the "Company") which comprise the consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements of operations, deficit and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of EMC Metals Corp. as at December 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the consolidated financial statements which indicates that the Company incurred a net loss of $7,854,554 during the year ended December 31, 2010. This condition, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

March 24, 2011

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EMC Metals Corp.
CONSOLIDATED BALANCE SHEETS
(Expressed in Canadian Dollars)
As at December 31

		2010		2009
ASSETS				
Current				
Cash	$	4,126,424	$	584,436
Marketable securities		2,250		204,582
Receivables		41,212		102,615
Subscription receivable (Note 13)		210,249		-
Prepaid expenses and deposits		91,870		173,145
		4,472,005		1,064,778
Reclamation bonds (Note 6)		-		23,122
Technology and licenses (Note 7)		4,550,242		5,263,739
Property, plant and equipment (Note 8)		34,289,873		34,830,523
Mineral interests (Note 9)		7,313,491		11,040,428
	$	50,625,611	$	52,222,590
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	$	412,849	$	775,769
Due to related parties (Note 10)		-		188,325
Current portion of promissory notes payable (Note 12)		500,000		-
		912,849		964,094
Future income taxes (Note 11)		1,547,083		1,789,671
Promissory notes payable (Note 12)		3,750,000		4,471,240
		6,209,932		7,225,005
Shareholders' Equity				
Share capital (Note 13)		88,230,008		81,981,094
Treasury stock (Note 14)		(2,087,333)		(2,087,333)
Contributed surplus (Note 13)		2,003,345		979,611
Deficit		(43,730,341)		(35,875,787)
		44,415,679		44,997,585
	$	50,625,611	$	52,222,590

Nature and continuance of operations (Note 1)

Subsequent events (Note 19)

Approved on behalf of the Board of Directors:

"George F. Putnam" *"William B. Harris"*

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

EMC Metals Corp.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(Expressed in Canadian Dollars)
YEARS ENDED DECEMBER 31

	2010	2009
EXPENSES		
Amortization	$ 1,168,724	$ 628,695
Consulting	194,490	351,094
General and administrative	437,198	766,820
Insurance	147,351	301,035
Professional fees	263,917	423,105
Salaries and benefits	595,370	1,009,088
Stock-based compensation (Note 13)	795,268	1,815,851
Travel and entertainment	107,601	144,326
Loss before other items	(3,709,919)	(5,440,014)
OTHER ITEMS		
Foreign exchange gain	205,218	809,991
Gain on transfer of marketable securities	-	206,974
Gain on settlement of convertible debentures	-	1,449,948
Loss on sale of marketable securities	(70,583)	-
Write-off of mineral interests	(4,311,593)	(16,778,329)
Interest income (expense)	(301,244)	65,677
Other income	53,723	114,180
Gain (loss) on disposition of assets	37,256	(2,536)
Unrealized gain on marketable securities	-	61,666
	(4,387,223)	(14,072,429)
Loss before income taxes	(8,097,142)	(19,512,443)
Future income tax recovery (Note 11)	242,588	1,816,977
Loss and comprehensive loss for the year	(7,854,554)	(17,695,466)
Deficit, beginning of year	(35,875,787)	(18,180,321)
Deficit, end of year	$ (43,730,341)	$ (35,875,787)
Basic and diluted loss per common share	$ (0.06)	$ (0.23)
Weighted average number of common shares outstanding	121,344,723	77,757,882

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

EMC Metals Corp.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
YEARS ENDED DECEMBER 31

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (7,854,554)	$ (17,695,466)
Items not affecting cash:		
Amortization	1,168,724	628,695
Consulting paid with common shares	-	10,711
Loss (gain) on disposal of assets	(37,256)	2,536
Convertible debenture costs	-	(1,312,878)
Unrealized foreign exchange	(220,672)	(840,664)
Stock-based compensation	795,268	1,815,851
Unrealized gain on marketable securities	-	(61,666)
Realized loss on marketable securities	70,583	-
Write-off of mineral properties	4,311,593	16,778,329
Realized gain on transfer of marketable securities	-	(206,974)
Future income tax recovery	(242,588)	(1,816,977)
	(2,008,902)	(2,698,503)
Changes in non-cash working capital items:		
Decrease in receivables	61,403	105,735
Decrease in prepaid expenses	81,275	8,631
Increase (decrease) in accounts payable and accrued liabilities	667,115	(628,012)
Increase in due to related parties	-	401,000
	(1,199,109)	(2,811,149)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash acquired from Subsidiary	-	206,019
Cash paid for Subsidiary (Note 5)	(557,523)	-
Spin-out of Golden Predator Corp.	-	(76,388)
Proceeds from sale of marketable securities	-	158,954
Proceeds from sale of property, plant and equipment	109,797	28,197
Purchase of property, plant and equipment	(90,252)	(170,637)
Additions to unproven mineral interests	(789,397)	(683,722)
	(1,327,375)	(537,577)
CASH FLOWS FROM FINANCING ACTIVITIES		
Common shares issued	4,746,172	1,190,000
Options exercised	230,300	20,200
Warrants exercised	1,092,000	-
Loan repayment from Midway	-	1,000,000
	6,068,472	2,210,200
Change in cash during the year	3,541,988	(1,138,526)
Cash, beginning of year	584,436	1,722,962
Cash, end of year	$ 4,126,424	$ 584,436

Supplemental disclosure with respect to cash flows (Note 18)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

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

The Company's principal properties are located in the state of Nevada, with additional properties located in the province of Ontario and in Australia. The Company's principal asset, the Springer Tungsten mill, is currently on care and maintenance pending a sustained improvement in tungsten prices. To December 31, 2010, the Company has not commenced production and has generated no revenue. The Company's remaining properties are in the exploration or pre-exploration stage. As such, the Company is in the exploration stage and anticipates incurring significant expenditures prior to commencement of contract milling operations.

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

The Company currently earns no operating revenues and will require additional capital in order to refit its Springer tungsten mill and earn its 50% interest in the Nyngan property. The Company's ability to continue as a going concern is uncertain and is dependent upon the generation of profits from mineral properties, obtaining additional financing or maintaining continued support from its shareholders and creditors. The Company is currently working on securing additional financing to meet its needs; however there is no guarantee that these efforts will be successful. In the event that additional financial support is not received or operating profits are not generated, the carrying values of the Company's assets may be adversely affected. The inability to raise additional financing may affect the future assessment of the Company as a going concern.

2. SPIN OUT TRANSACTION

On March 6, 2009, the Company completed a transfer of its gold and silver focused, precious metals portfolio to Golden Predator Corp. ("GPD"). To complete the transaction, the Company issued one unit of GPD for each four shares of the Company held by the shareholder on record at the effective date. Each unit consisted of one GPD common share and one GPD common share purchase right. Each GPD right could be exercised until April 15, 2009 at a price of $0.50 to acquire a further GPD common share and a half GPD share purchase warrant with each whole GPD share purchase warrant exercisable at a price of $0.60 until July 31, 2009, $0.65 until October 31, 2009, $0.70 until January 31, 2010, and $0.90 until April 30, 2010.

Pursuant to the spin-out transaction, all gold and silver-focused mineral properties and related exploration operations were transferred from the Company to GPD. The transfer included the wholly owned subsidiaries; Golden Predator Mines (U.S.) Ltd., Cedar Mountain Gold Inc, Gold Standard Royalty Corporation and its subsidiary and Fury Explorations Ltd. and its subsidiaries, along with certain marketable securities.

The spin-out agreement also outlined the treatment of pre-spin-out intercompany accounts and various other items such as marketable securities, deposits, loans, etc. which have been reflected in these financial statements. The assets spun out of the Company to GPD were as follows:

Cash	$	76,388
Marketable Securities		1,022,214
Receivables		13,678
Prepaid Expenses		68,084
Reclamation Bonds		374,404
Property, Plant and Equipment		2,534,228
Mineral Properties		33,323,014
Accounts Payable		(38,371)
Future Income Taxes		(6,560,224)
Total Contribution	$	30,813,415

3. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). They are expressed in Canadian dollars and include the accounts of all subsidiaries. All inter-company balances and transactions have been eliminated upon consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd…)*

b. Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in Canada requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting year. Actual results could differ from these estimates. Significant areas requiring the use of estimates relate to the impairment of mineral property interests and plant and equipment, valuation allowances for future income tax assets, stock-based compensation and valuation of warrants in private placements.

c. Marketable securities

Marketable securities are classified as held-for-trading and are measured at fair market value.

d. Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated amortization, calculated as follows:

Plant and equipment	5% straight line
Building	5% straight line
Computer equipment	30% straight line
Small tools and equipment	20% straight line
Office equipment	20% straight line
Automobile	30% straight line
Leasehold improvements	Over life of the lease

e. Technology and licenses

Costs incurred in obtaining the intangible assets are capitalized and amortized on a straight-line basis over the remaining legal life of the respective asset, or their economic life if shorter.

f. Unproven mineral interests

All costs related to the acquisition and exploration of unproven mineral interests are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When an unproven mineral interest is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of an unproven mineral interest is impaired, that interest is written down to its estimated net realizable value. An unproven mineral interest is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for unproven mineral interests do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration, future profitable production or proceeds from the disposition thereof.

g. Asset retirement obligations

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. The Company had determined that it has no asset retirement obligations as at December 31, 2010.

h. Impairment of long-lived assets

Long-lived assets are tested for recoverability annually or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd…)*

i.Income taxes

Income taxes are recorded using the asset and liability method under which future income tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using the statutorily enacted income tax rates expected to apply when the asset is realized or the liability settled. To the extent that the Company does not consider it more likely than not that a future income tax asset will be recovered, it provides a valuation allowance against the excess.

j.Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. Dilution for convertible debentures is calculated on an if-converted basis.

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year and does not include outstanding options and warrants. Dilutive loss per share is not presented separately from loss per share as the conversion of outstanding stock options and warrants into common shares would be anti-dilutive.

k. Foreign currency translation and transactions

The Company's subsidiaries are integrated foreign operations and are translated into Canadian dollars using the temporal method. Monetary items are translated at the exchange rate in effect at the balance sheet date and non-monetary items are translated at historical exchange rates. Income and expense items are translated at rates approximating those in effect at the time of the transaction. Translation gains and losses are reflected in loss for the year.

l.Stock-based compensation

The Company uses the fair value method whereby the Company recognizes compensation costs for the granting of all stock options and direct awards of stock. Compensation costs are typically recognized over the vesting year. A corresponding increase in contributed surplus is recorded when stock options are expensed. When stock options are exercised, capital stock is credited by the sum of the consideration paid and the related portion of stock-based compensation previously recorded in contributed surplus. The effects of forfeitures are accounted for as they occur.

m. Financial instruments

All financial instruments are classified into one of five categories: held-for-trading, held-to maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value, except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

The Company has classified its cash and marketable securities as held-for-trading. Receivables are classified as loans and receivables and accounts payable and accrued liabilities, due to related parties and promissory notes payable are classified as other financial liabilities, all of which are measured at amortized cost.

Amendment to Financial Instruments - Disclosures

CICA Handbook Section 3862, Financial Instruments – Disclosures was amended to require disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

See Note 16 for relevant disclosures.

n. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

(Expressed in Canadian Dollars)

4. NEW STANDARDS AND ACCOUNTING POLICY CHANGES

Business Combinations, Non-controlling Interests and Consolidated Financial Statements

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non-controlling Interests" which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of this Section is permitted and all three Sections must be adopted concurrently.

5. ACQUISITION OF SUBSIDIARY

The Technology Store

On December 16, 2009, the Company acquired all of the issued and outstanding common shares of The Technology Store ("TTS") a privately held company, incorporated in Nevada, USA in consideration for 19,037,386 common shares of the Company valued at $2,094,112, cash of $852,334 (US$802,358) of which $557,523 (US$526,179) was paid in the current year, and a promissory note in the amount of $529,990 (US$500,000) (Note 12) for total consideration of $3,476,436. TTS's operating results were recognized in the consolidated statement of operations beginning on December 16, 2009, the effective date of the acquisition.

The allocation of the purchase cost to TTS's assets and liabilities is as follows:

Cash	$	500,830
Receivables		26,743
Other assets		2,368
Technology licenses		5,263,739
Accounts payable		(527,573)
Future Income Taxes		(1,789,671)
Total Consideration	$	3,476,436

6. RECLAMATION BONDS

Reclamation bonds of $Nil (2009 – US$22,000) were held as security for any potential reclamation of the Company's land and unproven mineral interests.

7. TECHNOLOGY AND LICENSES

As part of the acquisition of TTS, the Company acquired the right to use proprietary technology, know how, and licenses to patents related to the metallurgical extraction of specialty metals at a cost of $5,263,739 on acquisition.

Use of the technology in production subjects the Company to certain upfront fees and revenue royalties which are payable to the owner of the technology.

The Technology Licenses are amortized over the life of the underlying patents and total amortization for the year ended December 31, 2010 was $713,497 (2009 - $Nil).

(Expressed in Canadian Dollars)

8. PROPERTY, PLANT AND EQUIPMENT

	2010			2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land and water rights	$ 7,972,291	-	7,972,291	$ 7,972,291	-	7,972,291
Plant and equipment	25,618,528	-	25,618,528	25,602,178	-	25,602,178
Cosgrave plant and equipment	375,763	228,155	147,608	375,763	155,562	220,201
Building	222,685	35,304	187,381	222,685	24,071	198,614
Automobiles	172,542	172,542	-	244,996	187,240	57,756
Computer equipment	364,697	357,985	6,712	643,166	465,101	178,065
Small tools and equipment	963,537	680,482	283,055	960,713	495,427	465,286
Office equipment	278,561	204,263	74,298	278,561	146,308	132,253
Leasehold improvements	13,083	13,083	-	13,083	9,204	3,879
	$ 35,981,687	1,691,814	34,289,873	$ 36,313,436	1,482,913	34,830,523

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

9. MINERAL INTERESTS

December 31, 2010	Other	Gold	Tungsten	Total
Acquisition costs				
Balance, December 31, 2009	$ -	$ 1,343,173	$ 203,020	$ 1,546,193
Additions	300,000	-	-	300,000
Written-off	-	(1,138,432)	-	(1,138,432)
Sold	-	(204,741)	-	(204,741)
Balance, December 31, 2010	300,000	-	203,020	503,020
Deferred exploration costs				
Balance, December 31, 2009	-	3,158,338	6,335,897	9,494,235
Geochemistry	-	4,174	-	4,174
Permitting	2,047	2,610	24,775	29,432
Property Development	276,178	8,039	171,574	455,791
Written-off	-	(3,173,161)	-	(3,173,161)
Balance, December 31, 2010	278,225	-	6,532,246	6,810,471
Total costs	**$** 578,225	-	$ 6,735,266	$ 7,313,491

(Expressed in Canadian Dollars)

9. MINERAL INTERESTS *(Cont'd…)*

December 31, 2009	Silver	Gold	Tungsten	Total
Acquisition costs				
Balance, January 1, 2009	$ 19,464,030	$ 29,686,827	$ 199,237	$ 49,350,094
Additions	-	217,427	3,783	221,210
Written off during the year	-	(16,778,329)	-	(16,778,329)
Spun out to GPD (Note 2)	(19,464,030)	(11,782,752)	-	(31,246,782)
Balance, December 31, 2009	-	1,343,173	203,020	1,546,193
Deferred exploration costs				
Balance, January 1, 2009	301,913	4,851,356	6,047,513	11,200,782
Additions				
Advance Royalty	-	40,377	50,842	91,219
Land holding costs	-	-	71,072	71,072
Consultant	-	-	78,160	78,160
Drilling	-	-	1,113	1,113
Geochemistry	-	19,815	15,109	34,924
Lease Payments	-	2,789	-	2,789
Permitting	-	6,282	10,583	16,865
Property Development	-	-	60,753	60,753
Reconnaissance	-	12,038	-	12,038
Underground	-	-	752	752
Spun out to GPD (Note 2)	(301,913)	(1,774,319)	-	(2,076,232)
Balance, December 31, 2009	-	3,158,338	6,335,897	9,494,235
Total costs	**$** -	$ 4,501,511	$ 6,538,917	$ 11,040,428

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 are in good standing.

Impairment of mineral properties

During the year ended December 31, 2010, the Company has reviewed the carrying value of its mineral properties for impairment and compared the carrying value to the future cash flows in the case of its tungsten properties, and fair market value in respect of its remaining properties, and has written down its gold properties by $4,311,593. The Company sold these properties during the year.

During the year ended December 31, 2009 the Company determined that the capitalized value of its remaining gold and silver properties exceeded their fair market value and wrote these properties down by $16,778,329.

GOLD AND SILVER PROPERTIES

Pursuant to the spin-out with GPD (Note 2) by memorandum of agreement dated February 5, 2009 between the Company's subsidiary, Great American Minerals Inc. ("GAM") and GPD, all non-core gold mineral properties were leased or assigned to GPD under customary commercial terms as described in definitive agreements dated June 2, 2009 (the "Agreements"). During the year ended December 31, 2010, the Company agreed to sell its subsidiary, GAM to GPD for $225,000 to be applied against the intercompany loan amount owing. The Company retained its interest in the non-gold properties, Black Kettle and Spruce Mountain.

Properties held by GAM that had been assigned to GPD where a commercial interest had been retained prior to the sale of GAM were as follows:

Phoenix Joint Venture

On December 27, 2007, the parties to Phoenix JV exercised their option to purchase the Lewis mineral property in Lander County, Nevada by making a cash payment of US$2,000,000 together with the first payment of the advance royalty in the cash amount of US$60,000.

9. MINERAL INTERESTS *(Cont'd…)*

Modoc

GAM has a lease and option to purchase 2/3 interest in 12 mineral claims included with the Modoc gold property, located in Lander County, Nevada.

Platte River

GAM had a 49% interest in certain unpatented claims located in Eureka County, Nevada. During the prior year, GAM wrote off the costs associated with Platte River.

Leased Properties

Pursuant to the Agreement, GAM has leased to GPD one property located in White Pine County, Nevada, Treasure Hill, (141 claims), one property located in Lander County, Nevada, Modoc (108 claims) and various properties located in Eureka County, Nevada including: GQ West (24 claims); Highway (20 claims); JAG (44 claims); Kobeh (18 claims); Trail (30 claims) and UNR Keystone (231 claims) and one property in Modoc County, CA High Grade (150 claims).

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 8) are the Springer Mine and Mill located in Pershing County, Nevada.

SCANDIUM PROPERTY

Nyngan, New South Wales Property

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

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

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

10. RELATED PARTY TRANSACTIONS

Related party transactions not disclosed elsewhere are summarized as follows:

During fiscal 2010, the Company paid or accrued management fees of $Nil (2009 - $334,200) to a company controlled by a director of the Company.

During fiscal 2010, the Company paid or accrued consulting fees of $46,175 (2009 - $Nil) to the former CEO of the Company and paid or accrued consulting fees of $137,247 (2009 - $Nil) to the current CEO and president of the Company.

The above transactions occurred in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Amounts payable to related parties have no specific terms of repayment, are unsecured, and have no interest rate.

During fiscal 2010, the Company sold software with a net book value of $103,134 to a company with previously common directors.

(Expressed in Canadian Dollars)

11. FUTURE INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2010	2009
Loss before income taxes	$ (8,097,142)	$ (19,512,443)
Expected income tax recovery	2,307,685	5,853,733
Stock-based compensation	(226,651)	(544,755)
Write-off of mineral properties	(1,228,804)	-
Other items	(254,313)	147,067
	597,917	5,456,045
Unrecognized benefit of non-capital losses	(355,329)	(3,639,068)
Income tax recovery	$ 242,588	$ 1,816,977

The income tax effects of temporary differences that give rise to significant components of future income tax assets and liabilities are as follows:

	2010	2009
Future income tax assets		
Losses available for future periods	$ 8,421,245	$ 6,771,624
Share issuance costs	82,718	151,853
Marketable securities	-	17,396
Mineral interests	-	381,406
Future income tax liabilities:		
Technology and licenses	(1,547,083)	(1,789,671)
Property, plant and equipment	(253,132)	(335,226)
	6,703,748	5,197,382
Less: valuation allowance	(8,250,831)	(6,987,053)
Net future income tax liability	$ (1,547,083)	$ (1,789,671)

At December 31, 2010, the Company has Canadian non-capital loss carry forwards of approximately $26,380,000 and United States' operating losses of approximately $5,350,000. The Canadian non-capital loss carry forwards and United States' operating losses expire at various dates from 2023 to 2030. The potential income tax benefits related to the Canadian loss carry forwards and certain of the United States' operating losses have not been reflected in the accounts.

(Expressed in Canadian Dollars)

12. PROMISSORY NOTES PAYABLE

		2010		2009
Promissory note with a principal balance of US$500,000, bearing interest at prime per annum, maturing December 16, 2011 due to a director of the Company.	$	500,000	$	529,990
Promissory note with a principal balance of US$ 3,750,000, bearing interest at 6% per annum, maturing July 3, 2013 and secured by land and water rights.				
During fiscal 2008 the Company entered into a promissory note for US$6,750,000 as consideration for the acquisition of land and water rights. The Company subsequently made principal payments of US$3,000,000 consisting of a cash payment of US$1,000,000 and 4,728,000 units of the Company valued at US$2,000,000. Each unit consisted of one common share and one-half share purchase warrant exercisable at CDN$0.75 each and exercisable for a period of two years.		3,750,000		3,941,250
		4,250,000		4,471,240
Less: current portion		(500,000)		-
	$	3,750,000	$	4,471,240

13. SHARE CAPITAL AND CONTRIBUTED SURPLUS

Authorized: Unlimited number of common shares without par value

	Number of Shares		Share Capital		Contributed Surplus
Issued:					
Balance, December 31, 2008	66,356,813	$	93,706,311	$	11,086,227
Issuance of shares – private placement	14,500,000		1,190,000		-
Exercise of stock options	101,000		126,186		(105,986)
Issuance for mineral properties	2,765,643		367,695		-
Issuance of shares – redemption of convertible debentures	7,336,874		2,934,752		548,261
Issuance of shares - consulting	89,254		10,711		-
Acquisition of TTS	19,037,386		2,094,112		-
Stock-based compensation before spin-out	-		-		836,240
Spin-out of GPD	-		(18,448,673)		(12,364,742)
Stock-based compensation after spin-out	-		-		979,611
Balance, December 31, 2009	110,186,970	$	81,981,094	$	979,611
Issuance of shares – private placement	30,252,442		4,700,312		454,768
Exercise of stock options	1,320,000		456,602		(226,302)
Exercise of warrants	7,300,000		1,092,000		-
Stock-based compensation	-		-		795,268
Balance, December 31, 2010	149,059,412	$	88,230,008	$	2,003,345

On December 3, 2010, the Company issued 18,929,740 common shares at a value of $0.19 per common share for total proceeds of $3,596,651 of which $210,249 was recorded as subscription receivable as it was received subsequent to year-end.

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

(Expressed in Canadian Dollars)

13. SHARE CAPITAL AND CONTRIBUTED SURPLUS *(Cont'd…)*

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

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

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

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

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

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

On April 21, 2009, the Company issued 51,859 common share at a value of $0.10 per share for the Platte River property.

On January 21, 2009, the Company issued 66,784 common shares at a value of $0.20 per share for the Guijoso property for Fury.
On January 6, 2009, the Company issued 2,147,000 common shares at a value of US$250,000 for the Adelaide and Tuscarora projects for Golden Predator Mines US Inc., a wholly owned subsidiary of the Company prior to the spin-out.

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	Number		Weighted average exercise price
Outstanding, December 31, 2008	19,927,354	$	3.00	8,060,684	$	1.01
Granted	7,250,000		0.15	6,748,100		0.20
Retirement of convertible debentures	2,287,414		US$0.30	-		-
Cancelled	(1,669,633)		2.86	(5,173,059)		1.28
Exercised	-		-	(101,000)		0.20
Outstanding, December 31, 2009	27,795,135	$	1.66	9,534,725	$	0.24
Granted	5,661,350		0.19	6,300,000		0.14
Cancelled	(2,364,000)		0.60	(3,040,975)		0.27
Exercised	(7,300,000)		0.15	(1,320,000)		0.17
Outstanding, December 31, 2010	23,792,485		1.82	11,473,750		0.18
Number currently exercisable	23,792,485	$	1.82	9,261,875	$	0.19

(Expressed in Canadian Dollars)

13. SHARE CAPITAL AND CONTRIBUTED SURPLUS *(Cont'd…)*

Stock Options and Warrants *(Cont'd…)*

Pursuant to the spin-out, the exercise prices of the warrants were adjusted downward by 20%. The exercise prices of the warrants shown in the above table are the adjusted prices. As at December 31, 2010, incentive stock options were outstanding as follows:

	Number of options		Exercise Price	Expiry Date
Options	432,500	$	0.200	July 26, 2012
	5,000		1.000	July 26, 2012
	155,000		0.200	October 4, 2012
	15,000		1.000	October 4, 2012
	202,500		0.200	February 25, 2013
	100,000		2.000	February 25, 2013
	100,000		0.200	March 4, 2013
	165,000		0.200	May 13, 2013
	5,000		2.150	May 13, 2013
	50,000		0.200	June 2, 2013
	30,000		0.200	August 20, 2013
	775,000		0.200	October 31, 2013
	1,052,500		0.300	January 23, 2014
	50,000		0.300	February 26, 2014
	1,875,000		0.160	June 16, 2014
	225,000		0.120	August 27, 2014
	50,000		0.160	December 14, 2014
	200,000		0.105	December 16, 2014
	1,186,250		0.250	January 4, 2015
	4,800,000		0.100	November 5, 2015
	11,473,750			

As at December 31, 2010, share purchase warrants were outstanding as follows:

	Number of warrants	Exercise Price	Expiry Date
Warrants	1,737,374	US$0.30	March 4, 2011*
	500,039	US$0.30	March 4, 2011*
	15,893,721	2.68	August 15, 2011
	1,137,500	0.25	February 17, 2011
	1,473,851	0.18	June 30, 2011
	3,050,000	0.18	November 25, 2011
	23,792,485		

* Expired subsequent to year-end.

Stock-based compensation

During the year, the Company recognized stock-based compensation of $795,268 (2009 - $1,815,851) in the statement of operations as a result of shares for services and incentive stock options granted and vested. The weighted average fair value of the options granted was $0.12 (2009 - $0.20) per share.

(Expressed in Canadian Dollars)

13. SHARE CAPITAL AND CONTRIBUTED SURPLUS *(Cont'd…)*

Stock-based compensation *(Cont'd…)*

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:

	2010	2009
Risk-free interest rate	2.75%	1.82%
Expected life	3 years	3 years
Volatility	123.93%	87.01%
Dividend rate	0.00%	0.00%

14. TREASURY STOCK AND WARRANTS

	Number		Amount
Treasury shares	1,033,333	$	1,343,333
Treasury warrants	1,550,000		744,000
	2,583,333	$	2,087,333

Treasury shares and warrants comprise shares and warrants of the Company which cannot be sold without the prior approval of the TSX. The warrants expire August 15, 2011.

15. CAPITAL DISCLOSURES

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products commensurately with the level of risk.

The Company considers the items included in shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through public and/or private placements, sell assets to reduce debt or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

16. FINANCIAL INSTRUMENTS

Cash and marketable securities are carried at fair value using a level 1 fair value measurement.

The carrying value of receivables, accounts payable and accrued liabilities and due to related parties approximated their fair value because of the short-term nature of these instruments.

The carrying value of promissory notes approximated their fair value because the discount rate used in the discounted future cash flow, which would be used by a similar financial instrument subject to similar risks and maturities was determined to approximate the interest rate of the promissory note.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, receivables, and reclamation bonds. The Company has no significant concentration of credit risk arising from operations. Cash consists of guaranteed investment certificates issued by major banks and corporations, for which management believes the risk of loss to be minimal. Receivables mainly consist of interest receivable from the guaranteed investment certificates, loan receivables, and goods and services tax refunds due from the Federal Government of Canada. Management believes that the credit risk concentration with respect to receivables is minimal. Reclamation bonds consist of term deposits and guaranteed investment certificates, which have been invested with reputable financial institutions, from which management believes the risk of loss to be minimal.

16. FINANCIAL INSTRUMENTS *(Cont'd…)*

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. The Company manages this risk by careful management of its working capital to ensure its expenditures will not exceed share capital financings or proceeds from property sales or options.

At December 31, 2010, the Company had a working capital balance of $4,059,156.

Market risk

Market risk is the risk of loss that may arise from changes in market fluctuations such as those listed below. The fluctuations may be significant.

(a) Interest rate risk

The Company has promissory notes payable and may be subject to interest rate risk. Management believes the interest rate risk is low given the current low global interest rate environment. Interest rate risk is also mitigated by locking interest rates, where possible, at the inception of the loans, and not allowing the instruments to be subject to floating interest rates.

(b) Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases and expenditures are transacted in US dollars. The Company also funds certain operations, exploration and administrative expenses in US dollars and has obtained promissory notes denominated in US dollars so is exposed to foreign currency risk. Management believes the foreign exchange risk derived from currency conversions and relative exchange rate between Canadian dollars and US dollars is low and therefore does not hedge its foreign exchange risk.

(c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market.

Sensitivity analysis

Based on management's knowledge of and experience in the financial markets, management does not believe that the Company's current financial instruments will be affected by interest rate risk, foreign currency risk and price risk within the next three months. In particular, interest rate risk is remote as the interest rates on the Company's short-term investments are fixed with an interest rate range between 0.35% to 1.00% with maturity dates shorter than three months. The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk. In addition, price risk is remote since the Company is not a producing entity.

17. SEGMENTED INFORMATION

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

December 31, 2010	Australia	Canada	United States	Total
Property, plant and equipment	$ -	$ 61,935	$ 34,227,938	$ 34,289,873
Mineral properties	543,393	34,832	6,735,266	7,313,491
	$ 543,393	$ 96,767	$ 40,963,204	$ 41,603,364

(Expressed in Canadian Dollars)

17. SEGMENTED INFORMATION *(Cont'd…)*

December 31, 2009	Australia	Canada	United States	Total
Property, plant and equipment	$ -	$ 123,344	$ 34,707,179	$ 34,830,523
Mineral properties	-	-	11,040,428	11,040,428
	$ -	$ 123,344	$ 45,747,607	$ 45,870,951

18. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2010	2009
Cash paid during the year for interest	$ 301,244	$ 125,781
Cash paid during the year for income taxes	$ -	$ -

Significant non cash transactions for the year ended December 31, 2010 included:

a) Transferred a net value of $103,134 of property, plant, and equipment to GPD for a reduction in accounts payable.

b) Transferred marketable securities with a value of $131,749 to GPD for a reduction in due to related parties.

c) The Company sold its subsidiary, Great American Minerals Inc. for $225,000 to GPD for an increase in due to related parties.

d) A revaluation of warrants with a fair value of $198,659 from GPD for a reduction in due to related parties.

Significant non cash transactions for the year ended December 31, 2009 included:

a) Issued 2,765,643 common shares for various mineral properties with a value of $367,695.

b) Issued 7,336,874 common shares valued at $2,934,752 and granted 1,787,374 share purchase warrants valued at $424,501 for the retirement of Convertible Debentures and related agent fees.

c) Transferred $212,675 in loans receivable to GPD through due to related party.

19. SUBSEQUENT EVENTS

Subsequent to December 31, 2010, the Company:

a) Issued 300,000 stock options with an exercise price of $0.39 exercisable until January 18, 2013 to the employees of the Company.

b) 1,175,000 warrants were exercised for gross proceeds of $292,625.

c) 250,000 stock options were exercised for gross proceeds of $40,000.