EMC METALS CORP.

The Specialty Metals Company

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

QUARTER ENDED JUNE 30, 2011

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

		June 30, 2011		December 31, 2010
ASSETS				
Current				
Cash	$	3,379,626	$	4,126,424
Investments in trading securities, at fair value (Note 4)		2,250		2,250
Receivables (net of allowance of $Nil (2010 - $Nil))		17,567		41,212
Subscription receivable		22,500		210,249
Prepaid expenses and deposits		177,761		91,870
Total Current Assets		3,599,704		4,472,005
Property, plant and equipment (Note 5)		34,134,971		34,289,873
Mineral interests (Note 6)		631,526		503,020
Total Assets	$	38,366,201	$	39,264,898
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	$	336,581	$	412,849
Derivative liability (Note 8)		-		228,741
Current portion of promissory notes payable (Note 9)		482,250		500,000
Total Current Liabilities		818,831		1,141,590
Promissory notes payable (Note 9)		3,620,740		3,750,000
Total Liabilities		4,439,571		4,891,590
Stockholders' Equity				
Capital stock (Note 10) (Authorized: Unlimited number of shares; Issued and outstanding: 150,678,713 (2010 – 149,059,412))		88,511,294		88,138,487
Treasury stock (Note 11)		(2,087,333)		(2,087,333)
Additional paid in capital (Note 10)		2,121,332		2,003,345
Deficit accumulated during the exploration stage		(54,618,663)		(53,681,191)
Total Stockholders' Equity		33,926,630		34,373,308
Total Liabilities and Stockholders' Equity	$	38,366,201	$	39,264,898

Nature and continuance of operations (Note 1)

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

EMC Metals Corp.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS
(Expressed in Canadian Dollars)
(Unaudited)

	Cumulative amounts from incorporation on July 17, 2006 to June 30, 2011	Three month period ended June 30, 2011	Three month period ended June 30, 2010	Six month period ended June 30, 2011	Six month period ended June 30, 2010
EXPENSES					
Amortization	$ 2,131,236	$ 86,333	$ 2,358	$ 174,971	$ 129,063
Consulting	2,326,203	69,278	41,726	150,577	91,526
Exploration	12,939,076	529,877	161,023	593,368	182,274
General and administrative	6,849,668	165,097	135,136	202,297	239,019
Insurance	907,635	4,491	95,795	16,858	130,657
Professional fees	2,941,782	82,644	130,576	104,980	187,134
Research and development	3,474,068	-	-	-	-
Salaries and benefits	6,150,575	131,019	187,722	281,674	300,296
Stock-based compensation (Note 10)	5,247,971	59,463	310,607	127,195	472,571
Travel and entertainment	1,517,994	35,341	30,422	94,220	67,270
Loss before other items	(44,486,208)	(1,163,543)	(1,095,365)	(1,746,140)	(1,799,810)
OTHER ITEMS					
Foreign exchange gain (loss)	800,620	139,806	(175,999)	217,452	17,606
Gain on transfer of marketable securities	206,974	-	-	-	-
Gain on settlement of convertible debentures	1,449,948	-	-	-	-
Gain on sale of marketable securities	1,836,011	-	-	-	-
Write-off of mineral interests	(18,091,761)	-	-	-	-
Gain on insurance proceeds	972,761	-	-	-	-
Interest income (expense)	340,804	(58,182)	(61,471)	(129,422)	(178,564)
Other income	502,965	-	-	-	-
Gain on disposition of assets	968,579	491,897	-	491,897	-
Change in fair value of derivative liability (Note 8)	485,358	-	183,897	228,741	89,861
Unrealized loss on marketable securities	(3,269,033)	-	-	-	(67,249)
	(13,796,774)	573,521	(53,573)	808,668	(138,346)
Loss before income taxes	(58,282,982)	(590,022)	(1,148,938)	(937,472)	(1,938,156)
Deferred income tax recovery	6,522,138	-	-	-	-
Loss and comprehensive loss for the period	$ (51,760,844)	$ (590,022)	$ (1,148,938)	$ (937,472)	$ (1,938,156)
Basic and diluted loss per common share		(0.00)	(0.02)	(0.01)	(0.02)
Weighted average number of common shares outstanding		150,384,412	76,095,442	150,120,292	115,507,092

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

EMC Metals Corp.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
(Unaudited)

	Cumulative amounts from incorporation on July 17, 2006 to June 30, 2011	Six month period ended June 30, 2011	Six month period ended June 30, 2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period	$ (51,760,844)	$ (937,472)	$ (1,938,156)
Items not affecting cash:			
Amortization	2,131,236	174,971	129,063
Research and development	3,474,068	-	-
Consulting paid with common shares	10,711	-	-
Gain on disposal of assets	(968,579)	(491,897)	-
Loss on disposal of equipment	17,415	17,415	-
Convertible debenture costs	(1,312,878)	-	-
Unrealized foreign exchange	567,852	(147,010)	(3,273)
Stock-based compensation	5,247,971	127,195	472,571
Unrealized loss on marketable securities	3,269,033	-	67,249
Realized gain on marketable securities	(1,836,011)	-	-
Write-off of mineral properties	18,091,761	-	-
Realized gain on transfer of marketable securities	(206,974)	-	-
Change in fair value of derivative liability	(485,358)	(228,741)	(89,861)
Deferred income tax recovery	(6,522,138)	-	-
	(30,282,735)	(1,485,539)	(1,362,407)
Changes in non-cash working capital items:			
Decrease in receivables	28,930	23,645	87,555
(Increase) decrease in prepaid expenses	(160,517)	(85,891)	107,756
Proceeds from sale of marketable securities, net	(4,135,798)	-	-
Decrease in accounts payable and accrued liabilities	(924,661)	(76,268)	(541,346)
Increase in due to related parties	1,163,028	-	-
Asset retirement obligations	(1,065,891)	-	-
	(35,377,644)	(1,624,053)	(1,708,442)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash acquired from subsidiary	4,857,012	-	-
Cash paid for Subsidiary	(11,359,511)	-	-
Spin-out of Golden Predator Corp.	(76,388)	-	-
Reclamation bonds	795,785	-	-
Proceeds from sale of property, plant and equipment	660,336	-	-
Purchase of property, plant and equipment	(21,252,597)	(37,484)	-
Proceeds from sale of mineral interests	500,000	500,000	-
Additions to unproven mineral interests	(3,128,124)	(136,609)	-
	(29,003,487)	325,907	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Common shares issued	55,521,421	210,249	749,770
Share issuance costs	(1,277,713)	-	-
Special warrants	13,000,000	-	-
Options exercised	384,900	43,000	112,800
Warrants exercised	11,142,349	298,099	939,375
Notes payable	(9,966,000)	-	-
Payment of promissory note	(1,260,700)	-	-
Advances from related party	216,500	-	133,382
Loans advanced to Midway	(2,000,000)	-	-
Loan repayment from Midway	2,000,000	-	-
	67,760,757	551,348	1,935,327
Change in cash during the period	3,379,626	(746,798)	226,885
Cash, beginning of period	-	4,126,424	584,436
Cash, end of period	$ 3,379,626	$ 3,379,626	$ 811,321

Supplemental disclosure with respect to cash flows (Note 13)

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

EMC Metals Corp.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Expressed in Canadian Dollars)
(Unaudited)

	Capital Stock					
	Number of Shares	Amount	Additional Paid in Capital	Treasury Stock	Deficit Accumulated During the Exploration Stage	Total
		$	$	$	$	$
Balance, July 17, 2006	-	-	-	-	-	-
Private placements	5,000,000	3,500,000	-	-	-	3,500,000
Excess of exchange amount over carrying amount of Springer Mining Company	-	-	-	-	(2,857,819)	(2,857,819)
Loss for the period	-	-	-	-	(357,670)	(357,670)
Balance, December 31, 2006	5,000,000	3,500,000	-	-	(3,215,489)	284,511
Private placements	17,577,500	35,155,000	-	-	-	35,155,000
Conversion of special warrants	5,390,000	5,390,000	-	-	-	5,390,000
Exercise of warrants	50,000	75,000	-	-	-	75,000
Share issuance costs – broker's fees	-	(1,215,074)	99,000	-	-	(1,116,074)
Share issuance costs – shares issued	100,000	100,000	-	-	-	100,000
Shares issued for mineral properties	100,000	100,000	-	-	-	100,000
Stock-based compensation	40,000	40,000	489,562	-	-	529,562
Loss for the year	-	-	-	-	(6,128,912)	(6,128,912)
Balance, December 31, 2007	28,257,500	43,144,926	588,562	-	(9,344,401)	34,389,087
Private placements	5,322,500	10,645,000	-	-	-	10,645,000
Conversion of special warrants	7,610,000	7,610,000	-	-	-	7,610,000
Share issuance costs – broker's fees	-	(261,638)	-	-	-	(261,638)
Shares issued for mineral properties	110,000	210,000	-	-	-	210,000
Acquisition of Gold Standard Royalty	2,050,000	4,100,000	143,017	-	-	4,243,017
Acquisition of Great American Minerals	1,045,775	2,091,550	426,672	-	-	2,518,222
Acquisition of Fury Explorations Ltd.	10,595,814	13,774,558	7,787,783	(2,087,333)	-	19,475,008
Exercise of stock options	6,637,224	10,027,915	(184,265)	-	-	9,843,650
Shares issued for repayment of promissory note	4,728,000	2,364,000	-	-	-	2,364,000
Stock-based compensation	-	-	2,324,458	-	-	2,324,458
Loss for the year	-	-	-	-	(17,968,454)	(17,968,454)
Balance, December 31, 2008	66,356,813	93,706,311	11,086,227	(2,087,333)	(27,312,855)	75,392,350
Private placements	14,500,000	1,190,000	-	-	-	1,190,000
Exercise of stock options	101,000	126,186	(105,986)	-	-	20,200
Shares issued for mineral properties	2,765,643	367,695	-	-	-	367,695
Settlement of convertible debentures	7,336,874	2,934,752	62,903	-	-	2,997,655
Shares issued for consulting	89,254	10,711	-	-	-	10,711
Shares issued for acquisition of TTS	19,037,386	2,094,112	-	-	-	2,094,112
Stock-based compensation before spin-out	-	-	836,240	-	-	836,240
Spin-out of GPD	-	(18,540,194)	(11,879,384)	-	-	(30,419,578)
Stock-based compensation after spin-out	-	-	979,611	-	-	979,611
Loss for the year	-	-	-	-	(21,645,581)	(21,645,581)
Balance, December 31, 2009	110,186,970	81,889,573	979,611	(2,087,333)	(48,958,436)	31,823,415
Private placements	30,252,442	4,700,312	454,768	-	-	5,155,080
Exercise of stock options	1,320,000	456,602	(226,302)	-	-	230,300
Exercise of warrants	7,300,000	1,092,000	-	-	-	1,092,000
Stock-based compensation	-	-	795,268	-	-	795,268
Loss for the year	-	-	-	-	(4,722,755)	(4,722,755)
Balance, December 31, 2010	149,059,412	88,138,487	2,003,345	(2,087,333)	(53,681,191)	34,373,308
Exercise of stock options	250,000	52,208	(9,208)	-	-	43,000
Exercise of warrants	1,369,301	320,599	-	-	-	320,599
Stock-based compensation	-	-	127,195	-	-	127,195
Loss for the period	-	-	-	-	(937,472)	(937,472)
Balance, June 30, 2011	150,678,713	88,511,294	2,121,332	(2,087,333)	(54,618,663)	33,926,630

1. NATURE AND CONTINUANCE OF OPERATIONS

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

The Company's principal properties are located in the state of Nevada, Australia, and Norway. The Company's principal asset, the Springer Tungsten mill, is currently on care and maintenance pending a sustained improvement in tungsten prices. To June 30, 2011, 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. SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited interim financial statements have been prepared by the Company in conformity with accounting principles generally accepted in the United States of America ("US GAAP") applicable to interim financial information and with the rules and regulations of the United States Securities and Exchange Commission. Accordingly, certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed, or omitted, pursuant to such rules and regulations. In the opinion of management the unaudited interim financial statements include all adjustments necessary for the fair presentation of the results of the interim periods presented. All adjustments are of a normal recurring nature, except as otherwise noted below. These financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2010. The results of operations for the interim periods are not necessarily indicative of the results of operations for any other interim period or for a full fiscal year.

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

The following table presents information about the assets that are measured at fair value on a recurring basis as of June 30, 2011, 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 include situations where there is little, if any, market activity for the asset:

(Expressed in Canadian Dollars)

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

Fair value of financial assets and liabilities *(Cont'd...)*

	June 30, 2011	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash	$ 3,379,626	$ 3,379,626	$ —	$ —
Investments in trading securities	$ 2,250	$ 2,250	$ —	$ —
Total	$ 3,381,876	$ 3,381,876	$ —	$ —

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

3. RECENT ACCOUNTING PRONOUNCEMENTS

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

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

4. INVESTMENTS IN TRADING SECURITIES

At June 30, 2011, the Company held investments classified as trading securities, which consisted of various equity securities. All trading securities are carried at fair value. As of June 30, 2011, the fair value of trading securities was $2,250 (2010 – $2,250).

5. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2011			December 31, 2010		
	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	25,635,515	-	25,635,515	25,618,528	-	25,618,528
Cosgrave plant and equipment	375,763	265,731	110,032	375,763	228,155	147,608
Building	222,685	40,871	181,814	222,685	35,304	187,381
Automobiles	175,625	174,337	1,288	172,542	172,542	-
Computer equipment	364,697	363,817	880	364,697	357,985	6,712
Small tools and equipment	963,537	776,836	186,701	963,537	680,482	283,055
Office equipment	278,561	232,111	46,450	278,561	204,263	74,298
Leasehold improvements	13,083	13,083	-	13,083	13,083	-
	$ 36,001,757	$ 1,866,786	$34,134,971	$ 35,981,687	$ 1,691,814	$ 34,289,873

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

(Expressed in Canadian Dollars)

6. MINERAL INTERESTS

June 30, 2011		Other		Tungsten		Total
Acquisition costs						
Balance, December 31, 2010	$	300,000	$	203,020	$	503,020
Additions		134,075		2,534		136,609
Sold		-		(8,103)		(8,103)
Balance, June 30, 2011	$	434,075	$	197,451	$	631,526

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 30, 2010	$	300,000	$	-	$	203,020	$	503,020

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.

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 $1,138,432. The Company sold these properties during the year.

TUNGSTEN PROPERTY

Springer Property

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

Fostung Property

The Company held a 100% interest certain mineral claims known as the Fostung Property, Ontario. During the period ended June 30, 2011, the Company sold these claims for $500,000 and recorded a gain on the sale of $491,897.

SCANDIUM PROPERTY

Nyngan, New South Wales Property

On February 5, 2010, the Company entered in to an agreement with Jervois Mining Limited ("Jervois") whereby it would acquire a 50% interest in certain properties located in New South Wales, Australia. In order for the Company to earn its interest which is subject to a 2% 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:

6. MINERAL INTERESTS *(Cont'd…)*

SCANDIUM PROPERTY *(Cont'd…)*

Nyngan, New South Wales Property (Cont'd…)

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

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

Tardal and Evje properties, Norway

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

The Company is also required to incur US$250,000 of exploration work to be completed over 18 months from the date of closing in order to acquire its interest.

7. RELATED PARTY TRANSACTIONS

Related party transactions not disclosed elsewhere are summarized as follows:

During the six months ended June 30, 2011, the Company paid or accrued consulting fees of $Nil (2010 - $46,175) to the former CEO of the Company and paid or accrued consulting fees of $98,293 (2010 - $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.

8. DERIVATIVE LIABILITY

The Company evaluated the application of SFAS 133 and EITF 00-19 for the settlement of convertible debentures through the issuance of shares and warrants. Based on the guidance in SFAS 133 and EITF 00-19, the Company concluded that the warrants were required to be accounted for as derivatives. The warrants issued pursuant to the settlement were in a functional currency different than that of the Company and therefore met the attributes of a liability. The Company is required to record the fair value of these warrants on its balance sheet at fair value with changes in the values of these derivatives reflected in the statement of operations.

The Company uses the Black-Scholes valuation model for calculation of the fair value of derivative liabilities. The Company uses volatility rates based upon the closing stock price of its common stock. The Company uses a risk-free interest rate which is the bank of Canada rate with a maturity that approximates the estimated expected life of a derivative. The Company uses the closing market price of the common stock on the date of issuance of a derivative or at the end of a quarter when a derivative is valued at fair value. The volatility was 100%, the risk-free interest rate was 1%, a dividend rate of 0%, and the expected life was 0.17 and 1.17 years respectively, during the years ending December 31, 2010 and 2009.

During the period ended June 30, 2011, the warrants expired and the derivative liability was valued at $Nil resulting in a change in fair value of $228,741 realized through the statement of operations.

(Expressed in Canadian Dollars)

9. PROMISSORY NOTES PAYABLE

		2011		2010
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.	$	482,250	$	500,000
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.		3,620,740		3,750,000
		4,102,990		4,250,000
Less: current portion		(482,250)		(500,000)
	$	3,620,740	$	3,750,000

10. CAPITAL STOCK AND ADDITIONAL PAID IN CAPITAL

On December 3, 2010, the Company issued 18,929,740 common shares at a value of $0.19 per common share for total proceeds of $3,596,651. A total of $210,249 was received during the period ended June 30, 2011.

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

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

On February 17, 2010, the Company issued 2,275,000 units at a value of $0.20 per unit for total proceeds of $455,000. Each unit consisted of one common share and one-half of one share purchase warrant exercisable at $0.25 until February 17, 2011. The warrants have a calculated total fair value of $78,113 using the Black-Scholes pricing model with a volatility of 131.19%, risk-free rate of 1.34%, expected life of 1 year, and a dividend rate of 0%. All of the warrants were exercised 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 entitled the holder to purchase an additional share at $0.15 per share until November 17, 2010.

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

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

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

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

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

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

(Expressed in Canadian Dollars)

10. CAPITAL STOCK AND ADDITIONAL PAID IN CAPITAL *(Cont'd…)*

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

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

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

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

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

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

Stock Options and Warrants

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

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, 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
Granted	-	-	1,170,000	0.31
Cancelled	(3,504,463)	0.26	(75,000)	0.25
Exercised	(1,369,301)	0.23	(250,000)	0.17
Outstanding, June 30, 2011	18,918,721	$ 2.28	12,318,750	$ 0.17
Number currently exercisable	18,918,721	$ 2.28	10,350,938	$ 0.19

(Expressed in Canadian Dollars)

10. CAPITAL STOCK AND ADDITIONAL PAID IN CAPITAL *(Cont'd…)*

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

As at June 30, 2011, incentive stock options were outstanding as follows:

	Number of options	Exercise Price	Expiry Date
Options	357,500	$ 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
	300,000	0.390	January 18, 2013
	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
	1,700,000	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
	1,111,250	0.250	January 4, 2015
	4,800,000	0.100	November 5, 2015
	120,000	0.310	April 27, 2013
	250,000	0.315	May 4, 2016
	500,000	0.250	May 16, 2016
	12,318,750		

As at June 30, 2011, share purchase warrants were outstanding as follows:

Number of warrants	Exercise Price	Expiry Date
15,893,721	$ 2.68	August 15, 2011
3,025,000	0.18	November 25, 2011
18,918,721		

Stock-based compensation

During the six month period ended June 30, 2011, the Company recognized stock-based compensation of $127,195 (2010 - $472,571) 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 $0.31 (2010 - $0.11) per share.

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:

	2011	2010
Risk-free interest rate	2.44%	2.75%
Expected life	4.36 years	5 years
Volatility	127.51%	126.32%
Forfeiture rate	0.00%	0.00%
Dividend rate	0.00%	0.00%

(Expressed in Canadian Dollars)

11. 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.

12. SEGMENTED INFORMATION

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

June 30, 2011		Norway		Australia		Canada		United States		Total
Property, plant and equipment	$	-	$	-	$	40,151	$	34,094,820	$	34,134,971
Mineral properties		179,016		300,000		-		152,510		631,526
	$	179,016	$	300,000	$	40,151	$	34,247,330	$	34,766,497

December 31, 2010		Australia		Canada		United States		Total
Property, plant and equipment	$	-	$	61,935	$	34,227,938	$	34,289, 873
Mineral properties		300,000		-		203,020		503,020
	$	300,000	$	61,935	$	34,340,958	$	34,792,893

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

		2011		2010
Cash paid during the period for interest	$	129,422	$	117,093
Cash paid during the period for income taxes	$	-	$	-

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

Significant non cash transactions for the six month period ended June 30, 2010 included transferring a net value of $103,134 of property, plant, and equipment to Golden Predator Corp. for a reduction in accounts payable.