



**(An Exploration Stage Company)**

**CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2009**

## AUDITORS' REPORT

To the Shareholders of  
EMC Metals Corp.

We have audited the consolidated balance sheets of EMC Metals Corp. as at December 31, 2009 and 2008 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

*Davidson & Company LLP*

Chartered Accountants

Vancouver, Canada

March 18, 2010



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

	2009	2008
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 584,436	\$ 1,722,962
Marketable Securities	204,582	1,067,214
Receivables	102,615	195,285
Prepaid expenses and deposits	173,145	247,492
Current loan receivable (Note 6)	-	1,000,000
	<u>1,064,778</u>	<u>4,232,953</u>
<b>Loan receivable</b> (Note 7)	-	212,675
<b>Reclamation bonds</b> (Note 8)	23,122	401,346
<b>Technology and patents</b> (Note 9)	5,263,739	-
<b>Property, plant and equipment</b> (Note 10)	34,830,523	37,855,494
<b>Mineral interests</b> (Note 11)	<u>11,040,428</u>	<u>60,550,876</u>
	<u>\$ 52,222,590</u>	<u>\$ 103,253,344</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 775,769	\$ 2,940,474
Convertible debenture (Note 12)	-	2,866,329
Due to related party (Note 13)	<u>188,325</u>	<u>-</u>
	964,094	5,806,803
<b>Future income taxes</b> (Note 14)	1,789,671	8,329,407
<b>Promissory notes payable</b> (Note 15)	<u>4,471,240</u>	<u>4,592,250</u>
	<u>7,225,005</u>	<u>18,728,460</u>
<b>Shareholders' Equity</b>		
Share capital (Note 16)	81,981,094	93,706,311
Treasury stock (Note 17)	(2,087,333)	(2,087,333)
Contributed surplus (Note 16)	979,611	1,086,227
Deficit	<u>(35,875,787)</u>	<u>(18,180,321)</u>
	<u>44,997,585</u>	<u>84,524,884</u>
	<u>\$ 52,222,590</u>	<u>\$ 103,253,344</u>
<b>Nature and continuance of operations</b> (Note 1)		
<b>Commitments</b> (Note 21)		
<b>Subsequent events</b> (Note 23)		

Approved on behalf of the Board of Directors:

"Peter Bosse"

"William Sheriff"

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

	2009	2008
<b>EXPENSES</b>		
Amortization	\$ 628,695	\$ 643,604
Consulting	351,094	1,033,980
General and administrative	653,464	4,044,321
Insurance	301,035	392,240
Professional fees	423,105	1,668,745
Rent	113,356	238,090
Salaries and benefits	1,009,088	2,239,517
Stock-based compensation (Note 16)	1,815,851	1,980,095
Travel and entertainment	144,326	712,670
	<u>5,440,014</u>	<u>12,953,262</u>
<b>OTHER ITEMS</b>		
Foreign exchange gain (loss)	809,991	(861,326)
Gain on transfer of marketable securities	206,974	-
Gain on settlement of convertible debentures	1,449,948	-
Gain on disposal of mineral property	-	1,906,594
Gain on insurance proceeds	-	972,761
Write-off of mineral interests	(16,778,329)	-
Interest income	65,677	355,120
Other income	111,644	335,062
Unrealized gain (loss) in marketable securities	61,666	(3,322,863)
	<u>(14,072,429)</u>	<u>(614,652)</u>
<b>Loss before income taxes</b>	(19,512,443)	(13,567,914)
<b>Future income tax recovery</b> (Note 14)	1,816,977	1,921,766
<b>Loss and comprehensive loss for the year</b>	(17,695,466)	(11,646,148)
<b>Deficit, beginning of year</b>	(18,180,321)	(6,534,173)
<b>Deficit, end of year</b>	\$ (35,875,787)	\$ (18,180,321)
<b>Basic and diluted loss per common share</b>	\$ (0.23)	\$ (0.24)
<b>Weighted average number of common shares outstanding</b>	77,757,882	47,848,760

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

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the year	\$ (17,695,466)	\$ (11,646,148)
Items not affecting cash:		
Amortization	628,695	643,604
Consulting paid with common shares	10,711	-
Loss on disposal of fixed assets	2,536	-
Convertible debenture costs	(1,312,878)	-
Unrealized foreign exchange	(840,664)	1,941,944
Future income tax recovery	(1,816,977)	(1,921,766)
Stock-based compensation	1,815,851	1,980,095
Unrealized gain (loss) on marketable securities	(61,666)	3,330,699
Gain on disposal of mineral property	-	(1,906,594)
Write-off of mineral interests	16,778,329	-
Realized gain on transfer of marketable securities	(206,974)	-
	<u>(2,698,503)</u>	<u>(7,578,166)</u>
Changes in non-cash working capital items:		
Decrease in receivables	105,735	8,725
Decrease in prepaid expenses	8,631	210,065
Decrease in accounts payable and accrued liabilities	(628,012)	(614,718)
Increase in due to related parties	401,000	-
Decrease in asset retirement obligations	-	(971,890)
	<u>(2,811,149)</u>	<u>(8,945,984)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash acquired from Subsidiary	206,019	4,648,256
Employee loan repayment	-	2,737
Reclamation bonds	-	971,140
Purchase of property, plant and equipment	(170,637)	(19,042,884)
Spin-out of Golden Predator Royalty and Development Corp.	(76,388)	-
Acquisition of Great American Minerals Inc.	-	(1,254,544)
Proceeds on sale of property, plant and equipment	28,197	500
Purchase of marketable securities, net of proceeds on sale	158,954	(3,497,786)
Additions to unproven mineral interests	(683,722)	(10,088,378)
	<u>(537,577)</u>	<u>(28,260,959)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Common stock issued	1,190,000	7,025,000
Warrants exercised	-	9,752,250
Options exercised	20,200	91,400
Share issuance costs	-	(261,639)
Loan to Midway Gold Corp.	1,000,000	(1,000,000)
Payment on promissory note	-	(1,260,700)
	<u>2,210,200</u>	<u>14,346,311</u>
<b>Change in cash during the year</b>	<b>(1,138,526)</b>	<b>(22,860,632)</b>
<b>Cash, beginning of year</b>	<b>1,722,962</b>	<b>24,583,594</b>
<b>Cash, end of year</b>	<b>\$ 584,436</b>	<b>\$ 1,722,962</b>

**Supplemental disclosure with respect to cash flows (Note 22)**

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 technology and patents which 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 an additional property located in the province of Ontario. 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, 2009 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, which 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 mill. 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 impact 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 Royalty and Development Corp. ("GPRD"). In exchange for this, the Company issued one unit of GPRD for each four shares of the Company held by the shareholder on record at the effective date. Each unit consisted of one GPRD common share and one GPRD common share purchase right. Each GPRD right could be exercised until April 15, 2009 at a price of \$0.50 to acquire a further GPRD common share and a half GPRD share purchase warrant with each whole GPRD 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 GPRD. The transfer includes 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 GPRD 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		<u>(6,560,224)</u>
Total Contribution	\$	<u>30,813,415</u>

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **a. Basis of presentation**

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

#### **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
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 patents**

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.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**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, 2009.

**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.

**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 substantively 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. Comparative figures**

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

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**n. 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 and loans receivable are classified as loans and receivables and accounts payable and accrued liabilities, due to related party 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 19 for relevant disclosures.

**4. NEW STANDARDS AND ACCOUNTING POLICY CHANGES**

**a. Goodwill and intangible assets**

The Company adopted the new standard “Goodwill and Intangible Assets” (Section 3064) for its fiscal year beginning January 1, 2009. This Section replaces Section 3062 “Goodwill and Other Intangible Assets” and Section 3450 “Research and Development Costs”. The new Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in Section 3062. The adoption of the section did not have a significant impact on the Company’s financial position.

**b. Credit Risk and the Fair Value of Financial Assets and Liabilities (EIC-173)**

In January 2009, the Emerging Issues Committee (“EIC”) issued EIC-173 “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities.” This abstract requires companies to take counterparty credit risk into account when measuring the fair value of financial assets and liabilities, including derivatives. The adoption of this standard did not have a material impact on the Company’s financial statements.

**c. Mining Exploration Costs (EIC-174)**

On March 27, 2009, the CICA approved EIC-174 “Mining Exploration Costs.” This guidance clarified that an entity that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. This standard was effective for the Company beginning April 1, 2009. The adoption of this standard resulted in a material write down to mineral properties in the current year as disclosed in note 11.

**4. NEW STANDARDS AND ACCOUNTING POLICY CHANGES (cont'd...)**

**d. Recent Accounting Pronouncements**

*International Financial Reporting Standards ("IFRS")*

In 2006, the AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. The Company has begun assessing the adoption of IFRS for 2011 and is considering the accounting policy choices available under IFRS.

*Business Combinations, Non-controlling Interest 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 SUBSIDIARIES**

**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 subsequent to year-end, and a promissory note in the amount of \$529,990 (US\$500,000) (Note 15) 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 patents	5,263,739
Accounts payable	(527,573)
Future Income Taxes	<u>(1,789,671)</u>
Total Consideration	<u>\$ 3,476,436</u>

**Great American Minerals Inc**

During fiscal 2007, the Company acquired 71% of the issued and outstanding shares of Great American Minerals Inc. ("GAM") a privately held company incorporated in Nevada, USA, for cash consideration of \$7,480,626.

**5. ACQUISITION OF SUBSIDIARIES (cont'd...)**

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

Cash	\$ 2,057,367
Receivables	2,249
Reclamation Bond	3,817
Capital Assets	9,552
Mineral Properties	10,973,502
Accounts Payable	(2,053,426)
Asset Retirement Obligation	(3,817)
Convertible Debenture	(2,263,618)
Future Income Taxes	<u>(1,245,000)</u>
 Cash Consideration	 <u>\$ 7,480,626</u>

GAM's operating results were recognized in the consolidated statement of operations beginning on November 30, 2007, the effective date of the acquisition.

On April 22, 2008, the Company acquired the remaining 29% of GAM (10,185,740 shares) in a share exchange arrangement whereby the Company must exchange GAM common shares for cash or common shares of the Company with a share exchange ratio of 1 common share of the Company for every 6.1538461 common shares of GAM.

The acquisition cost for the remaining 29% of GAM was \$3,784,116, consisting of the acquisition of 3,499,000 GAM shares for \$1,265,894, issuance of 1,045,775 common shares with a fair value of \$2,091,550, stock options and warrants allowing the holders to acquire 547,633 common shares at exercise price range of \$USD 0.92 - \$CAD 2.00, with a fair value of \$426,672. The purchase price of \$3,784,116 was allocated to mineral property interests for \$4,612,116 and to future income tax liabilities for \$828,000.

**Gold Standard Royalty Corporation**

On March 19, 2008, the Company acquired all of the issued and outstanding shares of Gold Standard Royalty Corporation ("GSR") a privately held company, incorporated in Nevada, USA on the basis of 1 common share of the Company for every 7.317 common shares of GSR. The acquisition is accounted for using the purchase method.

The cost of acquisition was \$4,243,017 consisting of the issuance of 2,050,000 common shares with a fair value of \$4,100,000, and stock options allowing the holders to acquire 168,334 common shares at exercise prices in the range of \$1.10 - \$2.00 per share, with a fair value of \$143,017. GSR's operating results were recognized in the consolidated statement of operations beginning on March 19, 2008, the effective date of the acquisition.

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

Cash	\$ 740,385
Receivables	1,012
Prepaid Expenses	2,574
Capital Assets	1,465
Mineral Properties	9,604,908
Accounts Payable	(103,727)
Loan Payable	(4,111,600)
Future Income Taxes	<u>(1,892,000)</u>
 Total Consideration	 <u>\$ 4,243,017</u>

**5. ACQUISITION OF SUBSIDIARIES (cont'd...)**

**Fury Explorations Ltd.**

On August 15, 2008, the Company acquired all of the issued and outstanding shares of Fury Explorations Ltd. ("Fury") a public company incorporated in British Columbia on the basis that each share of Fury was exchanged for one third of a common share of the Company and one half of a common share purchase warrant of the Company, with each full warrant being exercisable to acquire an additional common share of the Company at an exercise price of \$3.35 for three years from the date of the closing of the acquisition. The acquisition is accounted for using the purchase method.

The cost of acquisition was \$21,461,511 consisting of the issuance of 10,595,814 common shares with a fair value of \$13,774,558 in the exchange for 31,657,433 Fury's common shares as well as stock options and warrants allowing the holders to acquire 18,310,236 common shares at exercise prices in the range of \$0.90 - \$3.71 per share, with a fair value of \$7,787,783. Fury's operating results were recognized in the consolidated statement of operations beginning on August 15, 2008, the effective date of the acquisition.

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

Cash	\$ 3,907,871
Receivables	30,171
Prepaid Expenses	80,386
Marketable securities	47,500
Reclamation bonds	102,435
Capital Assets	2,535,775
Mineral Properties	19,464,030
Accounts Payable	(38,433)
Future Income Taxes	<u>(4,668,224)</u>
Total Consideration	<u>\$ 21,461,511</u>

**6. CURRENT LOAN RECEIVABLE**

	2009	2008
Loan receivable from Midway Gold Corp. ("Midway"), bearing interest at prime plus 2% per annum, unsecured and maturing July 16, 2009. On August 22, 2008, the Company entered into a loan agreement to provide a loan facility of \$2,000,000 with Midway. Midway repaid \$1,000,000 during fiscal 2008 and \$1,000,000 during fiscal 2009.	\$ -	\$ 1,000,000

**7. LOAN RECEIVABLE**

	2009	2008
Loan receivable from an employee, bearing interest at 5.75% per annum, maturing December 12, 2012, repayable in monthly installments of US\$1,042 including principal and interest, secured by domestic real estate. In December 2009, the Company and GPRD agreed to transfer the loan to GPRD by reducing the amount receivable from GPRD as the employee ceased to work for the Company and became a full time employee of GPRD.	\$ -	\$ 212,675

**8. RECLAMATION BONDS**

Reclamation bonds of US\$22,000 (Dec 31, 2008 – US\$327,736) are held as security for any potential reclamation of the Company's land and unproven mineral interests.

**9. TECHNOLOGY AND PATENTS**

As part of the acquisition of TTS (Note 5), the Company acquired the right to use proprietary technology, know how, and 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 up front fees and revenue royalties which are payable to the owner of the technology.

**10. PROPERTY, PLANT AND EQUIPMENT**

	2009			2008		
	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	25,602,178	-	25,602,178	27,948,099	-	27,948,099
Cosgrave plant and equipment	375,763	155,562	220,201	375,763	75,153	300,610
Building	222,685	24,071	198,614	222,685	11,629	211,056
Automobiles	244,996	187,240	57,756	302,115	139,993	162,122
Computer equipment	643,166	465,101	178,065	661,436	286,792	374,644
Small tools and equipment	960,713	495,427	465,286	958,273	290,588	667,685
Office equipment	278,561	146,308	132,253	308,915	99,952	208,963
Leasehold improvements	13,083	9,204	3,879	22,838	12,814	10,024
	<u>\$ 36,313,436</u>	<u>\$ 1,482,913</u>	<u>\$34,830,523</u>	<u>\$38,772,415</u>	<u>\$ 916,921</u>	<u>\$ 37,855,494</u>

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.

**EMC Metals Corp.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2009  
(Expressed in Canadian Dollars)

**11. UNPROVEN MINERAL INTERESTS**

December 31, 2009	Gold	Silver	Tungsten	Total
<b>Acquisition costs</b>				
Balance, January 1, 2009	\$ 29,686,827	\$ 19,464,030	\$ 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 GPRD (Note 2)	(11,782,752)	(19,464,030)	-	(31,246,782)
<b>Balance, December 31, 2009</b>	<b>1,343,173</b>	<b>-</b>	<b>203,020</b>	<b>1,546,193</b>
<b>Deferred exploration costs</b>				
Balance, January 1, 2009	4,851,356	301,913	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
Staking	-	-	-	-
Reconnaissance	12,038	-	-	12,038
Underground	-	-	752	752
Spun out to GPRD (Note 2)	(1,774,319)	(301,913)	-	(2,076,232)
<b>Balance, December 31, 2009</b>	<b>3,158,338</b>	<b>-</b>	<b>6,335,897</b>	<b>9,494,235</b>
<b>Total costs</b>	<b>\$ 4,501,511</b>	<b>\$ -</b>	<b>\$ 6,538,917</b>	<b>\$ 11,040,428</b>

**11. UNPROVEN MINERAL INTERESTS (cont'd...)**

December 31, 2008	Gold	Silver	Tungsten	Total
<b>Acquisition costs</b>				
Balance, January 1, 2008	\$ 12,547,762	\$ -	\$ 1,091,820	\$ 13,639,582
Additions	17,282,471	19,464,030	(892,583)	35,853,918
Disposition	(143,406)	-	-	(143,406)
<b>Balance, December 31, 2008</b>	<b>29,686,827</b>	<b>19,464,030</b>	<b>199,237</b>	<b>49,350,094</b>
<b>Deferred exploration costs</b>				
Balance, January 1, 2008	990,336	-	1,819,892	2,810,228
Additions				
Advance Royalty	576,550	-	-	576,550
Land holding costs	534,092	-	93,889	627,981
Consultant	368,628	6,839	775,692	1,151,159
Drilling	1,514,719	281,772	2,170,390	3,966,881
Geochemistry	214,187	908	188,331	403,426
Lease Payments	52,434	-	-	52,434
Permitting	53,187	-	149,207	202,394
Property Development	263,953	-	705,019	968,972
Staking	67,845	-	-	67,845
Reconnaissance	215,425	12,394	-	227,819
Underground	-	-	145,093	145,093
<b>Balance, December 31, 2008</b>	<b>4,851,356</b>	<b>301,913</b>	<b>6,047,513</b>	<b>11,200,782</b>
<b>Total costs</b>	<b>\$ 34,538,183</b>	<b>\$ 19,765,943</b>	<b>\$ 6,246,750</b>	<b>\$ 60,550,876</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 are in good standing.

**Impairment of mineral properties**

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. The company has determined that the capitalised value of the remaining gold and silver properties held on its books exceeded their fair market value and wrote these properties down by \$16,778,329 in the year.

**GOLD AND SILVER PROPERTIES**

**Properties spun-out in respect of which a financial interest has been retained**

Pursuant to the spin-out (Note 2) by memorandum of agreement dated February 5, 2009 between the Company's subsidiary and GPRD, all non-core gold mineral properties were leased or assigned to GPRD under customary commercial terms as described in definitive agreements dated June 2, 2009 (the "Agreements"). Properties assigned to GPRD were as follows:

**11. UNPROVEN MINERAL INTERESTS (cont'd...)**

*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. These payments were funded by the Company for its 40 per cent stake and by Madison Minerals Inc, the JV partner, for the remaining 60 percent. Pursuant to the Agreement, the Company assigned its 40% interest to GPRD for a 4% carried interest in the properties.

*Modoc*

The Company has a lease and option to purchase two-thirds interest in 12 mineral claims included with the Modoc gold property, located in Lander County, Nevada. The Company owns the remaining one-third interest. In order to maintain the lease interest, the Company paid US\$10,000 in March, 2009 and is further required to increase the annual payment by \$10,000 up to 2014 and thereafter the annual payment will be \$60,000 ("minimum payments"). In addition the Company must incur US\$500,000 in work commitments prior to February 1, 2013. The Company may purchase the remaining two-thirds interest in the claims at any time by providing a cash payment of US\$2,000,000 and a 0.66% net smelter returns royalty ("NSR") to the vendor, with credit for all payments previously made to vendor. Pursuant to the Agreements, the Company has assigned its 2/3 lease interest of these claims to GPRD, and has leased the remaining 1/3 interest to GPRD. In exchange for this, GPRD agrees to pay the minimum payments, agrees to pay the federal annual mining claim maintenance fees, and a royalty payment based on the NSR from the production or sale of Modoc, the NSR has a sliding scale ranging from 2-5% and GPRD has a buyout provision of US\$1,000,000. The minimum payments made by GPRD are credited cumulatively against any royalty payments payable to the Company.

*Platte River*

The Company had a 49% interest in certain unpatented claims located in Eureka County, Nevada. Pursuant to the Agreements, the Company has assigned its interest to GPRD for a 4.9% carried interest in the properties.

*Leased Properties*

Pursuant to the Agreement, the Company has leased to GPRD 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). The lease payment due to the Company (which are detailed for each property separately) totals US\$47,500 on the first anniversary; US\$95,000 on the second anniversary; US\$142,500 on the third anniversary; US\$190,000 each year on the fourth to tenth anniversaries; and US\$237,500 on each anniversary thereafter. The properties each carry a sliding scale NSR ranging from 2-5% and NSR buyout provisions of US\$1,000,000-2,000,000 each.

**Properties spun-out during the year in which no financial interest has been retained**

Pursuant to the spin-out transaction, the following properties were transferred to GPRD in respect of which the Company has no further financial interest.

*Taylor Property*

On March 15, 2006, the Company acquired an option to earn a 100% interest in the Taylor Property, located in Ely, Nevada.

**11. UNPROVEN MINERAL INTERESTS (cont'd...)**

*Mexican option agreements*

The Company has entered into an option agreement to acquire certain properties located in Mexico. Over 3 years, the Company is required to make cash payments totaling \$225,000, issue 66,667 shares and incur exploration expenditures of \$1,400,000. The Company has also optioned-out its interests ranging from 65% to 100% in certain properties located in Mexico over 3 years in consideration for the receipt of \$250,000 in cash, 2,150,000 in common shares, and incurred exploration expenditures of \$4,550,000.

*Adelaide & Tuscarora*

The Company holds an option to acquire up to 100% of Canyon Resources Corporation's interest in the Adelaide and Tuscarora gold properties in Humboldt County, Nevada under the Newmont Lease. The Company paid US\$503,600 on execution of the option agreement and agreed to incur a total of US\$3,000,000 of cumulative exploration expenditures over five years on the properties or pay cash in lieu thereof, in accordance with the Newmont Lease. The property is subject to a 1.5% NSR. Subsequent to December 31, 2008, the Company issued 2,147,117 common shares in payment of execution of the option agreement.

*Angel's Camp (formerly Quartz Mountain)*

The Company has an option to acquire a 50% interest in certain claims located in Lake County, Oregon. To earn its interest the Company is required to incur exploration expenditures of US\$1,500,000 by October, 2008 and issue common shares on completion. The property is subject to a 1% NSR.

The Company did not achieve the 2008 exploration commitment and in January, 2009, the Company signed an amended option agreement where the name of Quartz Mountain has been changed to Angel's Camp. The Company is required to incur exploration expenditures of US\$100,000 (completed) by January, 2010, increasing to a cumulative total of US\$500,000 by December, 2010. The Company is also required to issue 50,000 common shares of GPRD and 150,000 common shares of GPRD subject to a maximum share value of C\$1.35 per share to Seabridge Gold ("SG") within 60 days of completion of the US\$500,000 exploration expenditure requirement. The Company can earn up to 70% interest by notifying SG by March 31, 2011 and completing a Feasibility Study within 3 years.

*Treasure Hill*

On March 21, 2008, the Company acquired a 50% interest in the Treasure Hill property in White Pine Valley, Nevada from Century Gold LLC for cash consideration of \$1,679,865 and the remaining 50% from Allied Nevada Gold Corp. for cash consideration of \$1,009,399 on April 30, 2008. The Treasure Hill property is subject to a 2% NSR in favor of the vendor which can be repurchased by the Company.

*Lantern*

Pursuant to a mineral lease agreement on claims located in Pershing County, Nevada, the Company is required to incur annual exploration expenditures of US\$50,000 to July, 2012, increased to US\$100,000 per year thereafter. The property is subject to a 3% NSR.

The lessor has the right to back into a 51% interest in the property in exchange for reimbursing the Company for 50% of its exploration expenditures and incurring additional expenditures equal to 200% of the expenditures incurred by the Company.

**11. UNPROVEN MINERAL INTERESTS (cont'd...)**

*Lantern (Sheriff Lease)*

Pursuant to a mineral lease agreement with a director of the Company on claims located in Pershing County, Nevada, the Company is required to incur annual exploration expenditures of US\$50,000 to December, 2012, increasing to US\$100,000 per year thereafter. Should the Company fail to incur the annual exploration expenditures, the Company is required to pay 150% of the shortfall to the director. The property is subject to a NSR ranging from 2% to 4% dependant on the price of gold or the type of mineral recovered.

*Lewiston*

Pursuant to an option agreement to acquire a 100% interest in claims located in Fremont County, Wyoming, the Company is required to incur exploration expenditures of US\$250,000 by August, 2008, increasing to a cumulative total of US\$500,000 (completed) by August, 2009. The property is subject to a 3% net smelter royalty. The Company purchased this property in April 2008, for \$50,000 cash and 100,000 shares of the Company valued at \$200,000.

Upon satisfaction of the exploration expenditure requirements on the Lewiston property, the Company is also required to issue additional common shares or, at the election of the optionor, the cash equivalent value.

*Golden Ridge (High Grade Project)*

The Company has a lease option agreement on 10 claims located in Modoc County, California. The Company has the option to purchase the property for \$500,000, less advanced royalty payments previously paid, and includes a 2% net smelter returns royalty (NSR) retained by the owners. Pursuant to the Agreements, the Company assigned this property to GPRD.

*Staked Claims*

The Company also acquired staked mining claims located in Humboldt County and Nye County, Nevada. As these are staked claims, there are no contractual obligations.

*Nevada option agreements*

The Company has entered into option agreements to acquire certain properties located in Nevada. The Company is required to pay annual advanced royalty payments of US\$190,000 during fiscal 2009, with the annual advance royalty increasing in stages to US\$300,000 for fiscal 2013 and each year thereafter. The agreements also require annual exploration expenditures of US\$265,000 during fiscal 2009, increasing in stages to cumulative exploration expenditures of US\$750,000 by fiscal 2012. The properties are subject to NSRs ranging from 2% to 5%.

*Optioned properties*

On January 16, 2008, the Company signed a property option agreement with Evolving Gold Corp under which Evolving Gold Corp would purchase up to a 100% interest in the Rattlesnake Hills Property in Natrona County, Wyoming in exchange the Company would receive 3,000,000 Evolving Gold Corp shares over three years (received).

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

**12. CONVERTIBLE DEBENTURE**

	2009	2008
Convertible debenture with a principal balance of US\$2,340,625, bearing interest at 8% per annum, secured by the assets of GAM and convertible into common shares of GAM.	\$ -	\$ 2,866,329

The convertible debentures were convertible into common shares of GAM and were acquired in fiscal 2007 along with the assets and liabilities of GAM (Note 5). The debentures were in default on acquisition and as a result were subject to additional penalty interest and due on demand. Also attached to the debentures were warrants which were convertible into common shares of the Company on exercise.

On February 18, 2009, the holders of the debentures accepted a proposal to retire the debentures, including accrued interest and penalties, totaling \$4,932,961 in exchange for securities of the Company. The warrants attached to the debenture would also be cancelled.

Pursuant to the agreement, the Company issued 7,336,874 common shares valued at \$2,934,752 and warrants to acquire 1,787,374 common shares of the Company valued at \$424,501 exercisable at US\$0.30 expiring March 4, 2011. The Company also granted warrants to acquire 500,040 common shares of the Company valued at \$123,760 as service fees to an agent in connection with the proposal. The warrants granted to the agent have terms identical to the warrants issued to the debenture holders and were valued using the Black-Scholes option pricing model using a risk free interest rate of 1%, expected life of 2 years, volatility of 100% and a dividend yield of NIL. The Company recorded a gain of \$1,449,948 and a loss on foreign exchange of \$137,070 as a result of the settlement on the convertible debentures.

**13. RELATED PARTY TRANSACTIONS**

Included in accounts payable and accrued liabilities is \$Nil (2008 - \$33,418) due to the Company's officers and directors.

During the year, the Company paid or accrued management fees of \$334,200 (2008 - \$Nil) to a Company controlled by a director of the Company.

The above transactions occurred in the normal course of operations, were measured at the exchange amount, which is the amount of consideration established and agreed to by the related party.

**14. FUTURE INCOME TAXES**

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

	2009	2008
Loss before income taxes	\$ (19,512,443)	\$ (13,567,914)
Expected income tax recovery	5,853,733	4,206,053
Stock-based compensation	(544,755)	(613,829)
Other items	147,067	(557,125)
	5,456,045	3,035,099
Unrecognized benefit of non-capital losses	(3,639,068)	(1,113,333)
Income tax recovery	\$ 1,816,977	\$ 1,921,766

**EMC Metals Corp.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2009  
(Expressed in Canadian Dollars)

**14. FUTURE INCOME TAXES (cont'd...)**

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

	2009	2008
Future income tax assets		
Losses available for future periods	\$ 6,771,624	\$ 10,014,443
Share issuance costs	151,853	214,923
Marketable securities	17,396	1,168,066
Mineral interests	381,406	-
Future income tax liabilities:		
Technology and patents	(1,789,671)	-
Property, plant and equipment	(335,226)	(16,485,084)
	5,197,382	(5,087,652)
Less: valuation allowance	(6,987,053)	(3,241,755)
<b>Net future income tax liability</b>	<b>\$ (1,789,671)</b>	<b>\$ (8,329,407)</b>

At December 31, 2009, the Company has Canadian non-capital loss carry forwards of approximately \$6,400,000 and United States' operating losses of approximately \$15,200,000. The Canadian non-capital loss carry forwards and United States' operating losses expire at various dates from 2023 to 2029. 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.

**15. PROMISSORY NOTES PAYABLE**

	2009	2008
Promissory note with a principal balance of US\$500,000, bearing interest at prime per annum, maturing December 16, 2011.	\$ 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 (Note 16). 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.	3,941,250	4,592,250
	<b>\$ 4,471,240</b>	<b>\$ 4,592,250</b>

**16. 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, 2007	28,257,500	\$ 43,144,926	\$ 588,562
Issuance of shares – private placement	5,322,500	10,645,000	-
Share issuance costs (Broker's fee)	-	(261,638)	-
Stock based compensation	-	-	2,324,458
Conversion of Special Warrants	7,610,000	7,610,000	-
Acquisition of Gold Standard Royalty Corp (Note 5)	2,050,000	4,100,000	143,017
Acquisition of Great American Minerals Inc. (Note 5)	1,045,775	2,091,550	426,672
Acquisition of Fury Explorations Ltd. (Note 5)	10,595,814	13,774,558	7,787,783
Exercise of share purchase options and warrants	6,592,900	9,939,267	(95,617)
Exercise of cashless options	44,324	88,648	(88,648)
Issuance for mineral properties	110,000	210,000	-
Issuance for repayment of promissory note (Note 15)	4,728,000	2,364,000	-
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 (Note 12)	7,336,874	2,934,752	548,261
Issuance of shares - consulting	89,254	10,711	-
Acquisition of TTS (Note 5)	19,037,386	2,094,112	-
Stock-based compensation before spin-out	-	-	836,240
Spin-out of GPRD (Note 2)	-	(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

**2008**

During January 2008, the Company completed a private placement consisting of 2,822,500 units at \$2.00 per unit for 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 common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at \$3.00 for a period of 12 months following the closing of the placement.

During July 2008, the Company completed a private placement consisting of 2,500,000 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.

On October 18, 2008, the Company issued 4,728,000 units for repayment of a promissory note at a value of US\$2,000,000 (Note 15). Each unit consists of one common share of the Company and one-half common share purchase warrant with a two year life and exercisable at \$0.75.

**2009**

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.

**16. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd...)**

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 Explorations Ltd., wholly owned subsidiary of the Company prior to the 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 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., a subsidiary of GPRD, under the plan of Arrangement of spin-out.

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

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

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

**Special warrants**

During fiscal 2008, the remaining 7,610,000 special warrants were converted into units resulting in the issuance of 7,610,000 common shares and warrants to acquire an additional 7,610,000 common shares.

**Stock Options and warrants**

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

**EMC Metals Corp.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2009  
(Expressed in Canadian Dollars)

**16. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd...)**

Stock options 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, 2007	14,428,750	\$ 2.41	2,797,500	\$ 1.00
Conversion of Special Warrants	7,610,000	1.50	-	-
Issuance of Warrants (Private Placement)	1,411,250	3.00	-	-
Granted	-	-	6,178,625	1.02
Acquisition of GSR	-	-	168,334	1.63
Acquisition of GAM	258,383	2.12	320,125	USD 2.02
Acquisition of Fury	17,346,821	3.38	963,416	2.24
Repayment of promissory note	2,364,000	0.75	-	-
Expired or cancelled	(16,990,350)	2.47	(2,275,916)	1.73
Exercised	(6,501,500)	1.51	(91,400)	1.02
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
Number currently exercisable	27,795,135	\$ 1.66	5,864,675	\$ 0.27

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.

**16. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd...)**

As at December 31, 2009, incentive stock options and share purchase warrants were outstanding as follows:

	Number of shares	Exercise Price	Expiry Date
<b>Options</b>	65,000	\$ 0.92	March 24, 2010
	92,625	1.54	March 24, 2010
	507,500	0.20	July 26, 2012
	30,000	1.00	July 26, 2012
	305,000	0.20	October 4, 2012
	15,000	1.00	October 4, 2012
	202,500	0.20	February 25, 2013
	100,000	2.00	February 25, 2013
	107,500	0.20	March 4, 2013
	175,000	0.20	May 13, 2013
	5,000	2.15	May 13, 2013
	52,500	0.20	June 2, 2013
	30,000	0.20	August 20, 2013
	1,519,000	0.20	October 31, 2013
	1,843,100	0.30	January 23, 2014
	50,000	0.30	February 26, 2014
	100,000	0.20	May 27, 2014
	3,860,000	0.16	June 16, 2014
	225,000	0.12	August 27, 2014
	200,000	0.105	December 16, 2014
	50,000	0.16	December 14, 2014
	<u>9,534,725</u>		
<b>Warrants</b>	750,000	\$ 0.15	August 27, 2010
	2,364,000	0.60	October 18, 2010
	6,500,000	0.15	November 17, 2010
	1,787,374	US\$0.30	March 4, 2011
	500,040	US\$0.30	March 4, 2011
	<u>15,893,721</u>	2.68 (1)	August 15, 2011
	<u>27,795,135</u>		

(1) – During fiscal 2009 the exercise price was reduced from \$3.35 to \$2.68 per common share.

**Stock-based compensation**

During the year, the Company recognized stock based compensation of \$1,815,851 (2008 - \$1,980,095) in the statement of operations as a result of shares for services and incentive stock options granted and vested. The Company also capitalized stock based compensation of \$Nil (2008 - \$344,363) to the Springer property. The weighted average fair value of options granted was \$0.20 (2008 - \$1.01) 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:

	2009	2008
Risk-free interest rate	1.82%	4.00%
Expected life	3 years	3 years
Volatility	87.01%	92.20%
Dividend rate	0.00%	0.00%

**17. TREASURY STOCK AND WARRANTS**

	Number of Shares		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.

**18. 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.

**19. FINANCIAL INSTRUMENTS**

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

The carrying value of receivables and accounts payable and accrued liabilities 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 banker's acceptances 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 banker's acceptances, 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.

**19. 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, 2009, the Company had a working capital balance of \$100,684.

**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. A 10% change in the exchange rate between the Canadian and US dollars could have an impact of \$1,181,427 on the operations of the Company for the year.

(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.

**Sensitivity analysis**

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.

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 2.00% 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.

**20. SEGMENTED INFORMATION**

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

<b>2009</b>	<u>Canada</u>	<u>Mexico</u>	<u>United States</u>	<u>Total</u>
Property, plant and equipment	\$ 123,344	\$ -	\$ 34,707,179	\$ 34,830,523
Mineral properties	<u>-</u>	<u>-</u>	<u>11,040,428</u>	<u>11,040,428</u>
	<u>\$ 123,344</u>	<u>\$ -</u>	<u>\$ 45,747,607</u>	<u>\$ 45,870,951</u>
<b>2008</b>	<u>Canada</u>	<u>Mexico</u>	<u>United States</u>	<u>Total</u>
Property, plant and equipment	\$ 223,799	\$ -	\$ 37,631,695	\$ 37,855,494
Mineral properties	<u>77,397</u>	<u>731,040</u>	<u>59,742,439</u>	<u>60,550,876</u>
	<u>\$ 301,196</u>	<u>\$ 731,040</u>	<u>\$ 97,374,134</u>	<u>\$ 98,406,370</u>

**21. COMMITMENTS**

The Company has entered into operating lease agreements for automobiles and office premises with the following annual lease commitment:

2010	57,187
2011	<u>17,376</u>
	<u>\$ 74,563</u>

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

	<u>2009</u>	<u>2008</u>
Cash paid during the year for interest	\$ 125,781	\$ 168,068
Cash paid during the year for income taxes	\$ -	\$ -

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

- Issued 2,765,643 common shares for various mineral properties with a value of \$367,695.
- 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 (Note 12).
- Transferred \$212,675 in loans receivable to GPRD through due to related party.

Significant non cash transactions for the year ended December 31, 2008 included:

- \$653,586 of mineral properties costs was accrued in accounts payable.

**22. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (cont'd...)**

- b) Issued 2,050,000 common shares valued at \$4,100,000 and stock options to acquire 168,334 common shares valued at \$143,017 for the acquisition of GSR.
- c) Issued 7,610,000 units on conversion of special warrants. Each unit consists of one common share and one warrant to acquire one additional common share for \$1.50 for one year.
- d) Received \$2,050,000 of marketable securities from Evolving Gold Corp for the disposition of mineral property.
- e) Issued 10,595,814 common shares valued at \$13,774,558 and stock options and warrants to acquire 18,310,236 common shares valued at \$7,787,783 for the acquisition of Fury.
- f) Transferred 1,033,333 shares and 1,550,000 warrants of the Company resulting from acquisition of Fury from marketable securities to treasury stock (Note 17).
- g) Issued 4,728,000 units valued at US\$2,000,000 for repayment of promissory note (Note 15).
- h) Capitalized stock-based compensation of \$344,363 to mineral property interests.
- i) Issued 1,045,775 common shares valued at \$2,091,550 and stock options and warrants to acquire 547,633 common shares valued at \$426,672 to acquire for the acquisition of GAM.
- j) Acquired \$7,202,841 in water rights and land in exchange for a promissory note of US\$6,750,000 (Note 15).

**23. SUBSEQUENT EVENTS**

Subsequent to December 31, 2009, the Company:

- a) Entered in to an option agreement with Jervois Mining Ltd. ("Jervois") to earn a 50% interest in the Nyngan property. To earn its interest, the Company must:
  - Pay \$300,000 (paid), this will be placed in escrow and released to Jervois upon satisfaction of certain conditions, including verification of title ("conditions");
  - Incur exploration work of A\$500,000 180 business days subsequent to the conditions being met;
  - Complete a bankable feasibility study within 480 days subsequent to the conditions being met; and
  - Pay A\$1,300,000 plus GST.
- b) Granted 1,500,000 stock options exercisable at \$0.25 per share expiring on January 4, 2015.
- c) Issued 2,275,000 units at \$0.20 per unit for gross proceeds of \$455,000. Each unit consists of one common share and one-half share purchase warrant, with each warrant exercisable at \$0.25 per share expiring on January 27, 2011.
- d) Issued 2,642,500 common shares on the exercise of options and warrants for gross proceeds of \$399,675.