



# EMC METALS CORP.

The Specialty Metals Company

## MANAGEMENT DISCUSSION AND ANALYSIS FIRST QUARTER ENDED MARCH 31, 2011

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The following discussion of the operating results, corporate activities and financial condition of EMC Metals Corp. (hereinafter referred to as “EMC”, or the “Company”) and its subsidiaries provides an analysis of the operating and financial results for the three month period ended March 31, 2011, and should be read in conjunction with our unaudited interim consolidated financial statements for the three month period ended March 31, 2011, and with the Company’s audited consolidated financial statements and the notes thereto for the year ended December 31, 2010. (the “Annual Statements”).

This Management Discussion & Analysis (“MD&A”) has been prepared in conformity with National Instrument 51-102 F1 and has been approved by the Board of Directors. The interim statements for the first quarter of 2011 have been prepared in accordance with US Generally Accepted Accounting Principles (“US GAAP”) in anticipation of the Company becoming a reporting issuer during the course of the financial year. The 2010 Annual Statements have been restated in accordance with US GAAP and has been filed on SEDAR. The reporting currency is the Canadian Dollar.

The information contained within this report is current as of May 12, 2011 unless otherwise noted. Additional information relevant to the Company’s activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

### Overview

EMC is a specialty metals and alloys company focusing on scandium, tungsten, molybdenum, vanadium, and other specialty metals. The Company intends to utilize its patented technologies and know-how to maximize opportunities in these and other specialty metals.

The Company was formed in 2006, under the name Golden Predator Mines Inc. As part of a reorganization and spin-out of the Company’s precious metals portfolio in March 2009, the Company changed its name to EMC Metals Corp. The Company currently trades on the Toronto Stock Exchange under the symbol “EMC”.

The Company’s most advanced asset is the Springer Tungsten Mine, a fully constructed mine and mill asset in Nevada, USA. The Springer mine is currently not operating, and the Company is offering the asset for sale.

The Company holds a 50% interest earn-in right in the Nyngan scandium project in New South Wales, Australia, and it is advancing the project as the manager. EMC also owns two other properties: the Fostung tungsten property in the province of Ontario, Canada, and the Carlin vanadium property, in Nevada, USA.

The Company acquired rights to various metallurgical patents and know-how as part of the acquisition of The Technology Store (“TTS”) during the prior year, which it is utilizing to gain access to a number of specialty metals opportunities.

The Company’s focus during the quarter regarding Springer Mine included maintaining that asset on standby mode, and organizing and pursuing the sale process, underway since September 2010. The Company also advanced the Nyngan scandium project through metallurgical testing, process definition, and optimization work. The Company also investigated other specialty metals opportunities.

**Principal Properties**

**Springer Tungsten:** The Springer Tungsten Mine (“Springer”), located in Pershing County in northwestern Nevada, was constructed by Utah International Inc. for the General Electric Company (“GE”), and was completed and commissioned in early 1981. The facility consists of a 1,000 ton per day (“tpd”) electro-pneumatic underground rail mine and a mill facility with crushing, grinding and flotation circuits. Springer operated for less than a year before being put on care and maintenance by GE, due to low tungsten prices. Since acquiring Springer in 2006, EMC has spent approximately \$38 million on the facility, specifically on rehabilitation, process improvements and mill throughput expansion. The necessary federal, state and local permits are in place, along with an adequate water resource, to re-start the facility when supported by tungsten prices.

The latest National Instrument (“NI”) 43-101 resource technical report on the Springer property, independently prepared by Dr. Bart Stryhas of SRK Consulting Engineers and Scientists of Lakewood, Colorado, titled, “NI 43-101 Technical Report on Resources Springer Facility- Sutton Beds, Nevada, USA,” is dated May 15, 2009 and was filed on SEDAR on May 26, 2009. That resource estimate can be summarized as follows:

Springer Tungsten Project NI 43-101 Resource Estimation Stryhas (2010) of SRK Consulting				
Resource Category	Cut-off % WO <sub>3</sub>	Total (tonnes)	Average Grade % WO <sub>3</sub>	Contained STU's WO <sub>3</sub>
Indicated	0.30	274,000	0.619	169,606
Inferred	0.30	1,097,000	0.562	616,514

*Dr. Stryhas is a Principal Resource Geologist with SRK Consulting's Denver Mining Group and a Qualified Person as defined by NI 43-101. He is independent of EMC by all tests of NI 43-101.*

**Nyngan Scandium:** In February of 2010, the Company entered into a joint venture agreement (the “JV”) with Jervois Mining Limited (“Jervois”) of Melbourne, Australia (ASX: JRV) to develop the Nyngan scandium property in New South Wales, Australia. The terms of the JV require EMC to earn in to a 50% position through a two stage work program. The first stage required EMC to spend a minimum of A\$500,000 on project exploration and metallurgical test work by mid December 2010, and the second stage requires the delivery of a feasibility study in the first quarter of 2012. The JV partners have agreed to extend the stage I work timeframe by up to 6 months if necessary, in order to complete all aspects of the test work contemplated, which is likely to also exceed the minimum spend level identified in the agreement.

Upon EMC delivering the feasibility study to Jervois, EMC must pay to Jervois an additional A\$1,300,000 plus the applicable Goods and Services tax, at which time it will be granted a 50% interest in the joint venture.

The Nyngan scandium resource is located approximately 500 kilometres northwest of Sydney, Australia. The property consists of two exploration licenses, controlled by Jervois, which encompass over 9,000 hectares. The scandium resource is hosted within the lateritic zone of the Gilgai Intrusion, one of several Alaskan-type mafic and ultramafic bodies which intrude Cambrian-Ordovician metasediments collectively called the Girilambone Group. The laterite zone, locally up to 40 metres thick, is layered with hematitic clay at the surface followed by limonitic clay, saprolitic clay, weathered bedrock and finally fresh bedrock. The scandium mineralization is concentrated within the hematitic, limonitic, and saprolitic zones with values up to 350 ppm scandium.

In the 1980's, the general Nyngan area was explored for platinum-group metals. Subsequently, between 1999 and 2001, the Gilgai Intrusion was specifically and selectively drilled with two traverses of reverse circulation (“RC”) drill holes exploring for nickel. While no significant nickel mineralization was identified at that time, scandium enrichment was subsequently identified in the pulp samples by Jervois. In 2006, Jervois completed a 2,638-metre drill program consisting of 64 RC holes and 5 air core holes on the property. From this drilling, Douglas McKenna and Partners produced a JORC (Joint Ore Reserves Committee) compliant resource estimation for Jervois.

In March of 2010, EMC announced receipt of a NI 43-101 resource estimate on the Nyngan scandium property, the results of which were filed on SEDAR in April 2010. That resource estimate, which is identical to the JORC resource in all aspects presented below, can be summarized as follows:

Nyngan Scandium Project NI 43-101 Resource Estimation Rangott, Pursell and Jannink (2010) of Jervois Mining			
Resource Category	Tonnes	Grade (ppm Sc)	Overburden Ratio
Measured	2,718,000	274	0.81:1
Indicated	9,294,000	258	1.40:1
<b>Total</b>	<b>12,012,000</b>	<b>261</b>	<b>1.10:1</b>

Assumes 100 ppm scandium cutoff.

The first work phase of the JV development program consists of detailed metallurgical testing, and is intended to refine and enhance the Company's existing material process flow sheet to extract scandium from the resource material. This existing flow sheet, developed by Jervois and external consultants, formed the basis of a preliminary, conceptual engineering study (the "Report") for the processing elements of the project, (press release dated July 28, 2010), completed by Roberts & Schaefer of Salt Lake City, Utah.

The Report included capital and operating cost estimates, based on process flow sheets and technical reports done for Jervois or EMC on various metallurgical aspects of the resource. These technical/process reports were done by METCON Laboratories of Sydney, Australia, the Commonwealth Scientific and Industrial Organization (CSIRO) in Australia, or by other research work, proprietary to or sourced by Jervois or EMC. The bulk of the process applied by Roberts & Schaefer in the Report was defined by bench scale as well as small scale pilot plant work results compiled by others, and a preliminary flow sheet compiled by the CSIRO.

Highlights of the Report are as follows:

- Capital costs for the laterite processing facility are estimated at US\$56 million, including US\$15 million for a sulphuric acid plant on site,
- Processing costs are estimated at less than US\$300/kg Sc<sub>2</sub>O<sub>3</sub>,
- The hydrometallurgical plant is designed to process approximately of 250 tpd of resource,
- Production of Sc<sub>2</sub>O<sub>3</sub> is estimated at 28,000 kilograms per year, and
- Process assumptions are proprietary, follow earlier work done by METCON Research and the CSIRO of Australia, and include standard and accepted processes for applying ore preparation, leaching, solvent extraction and product preparation methodologies.

*Note that mineral resources that are not mineral reserves do not have demonstrated economic viability. The above estimates of capital and operating costs are a component of a number of factors required to complete a preliminary assessment of the economic viability of the project, and there is no guarantee that the company will achieve production from the resource at Nyngan.*

The initial flow sheet, combined with the Roberts & Schaefer study, will also form the basis of secondary process/design work which will guide EMC to areas of potential improvement in equipment selection and process flow. This work continued in Q4 2010, and is scheduled to continue into the second quarter of 2011. Preliminary results are included in the section entitled "Principal Property Updates" below.

Currently there are no primary producers of scandium, and the world supply of scandium is produced solely as byproducts from other process streams, mainly from uranium, tungsten, tin and titanium production. The United States Geological Survey in its latest report (January, 2010) quotes a price of US\$1,400 per kilogram of Sc<sub>2</sub>O<sub>3</sub> (scandium oxide) for the four previous years.

**Carlin Vanadium:** The Carlin vanadium project consists of 72 unpatented mineral claims covering approximately 578 hectares, located along the western flank of the Piñon Range near the town of Carlin, Nevada.

The Carlin resource was discovered in the 1960s by Union Carbide Corp. ("UCC") when significantly anomalous vanadium was found in samples collected by UCC Geologists (Galli, 1968, Morgan, 1968). During 1967 and 1968 UCC conducted exploration work including geological mapping, ~15,000 feet of trenching, and ~36,500 feet of drilling in 112 holes, outlining a zone of vanadium mineralization within the current claim boundary.

The vanadium mineralization is hosted within a 15-metre (50-foot) thick horizon of black shales within the Devonian Woodruff Formation, which consists of dark grey to black siliceous mudstones, and chert with lesser amounts of shale, siltstone, dolomitic siltstone, and calcareous sandstone. The Woodruff formation is unconformably overlain by shallow

dipping Permian-Pennsylvanian siltstones, shales, conglomerates, and carbonates of the Chainman and Diamond Peak Formations.

Historical metallurgical test work from the Carlin vanadium project, completed by the U.S. Department of Mines (Brooks and Potter, 1974), showed that up to 69% of the vanadium could be recovered from weathered dolomitic shales containing 1% V<sub>2</sub>O<sub>5</sub> (vanadium oxide). Preliminary test work on fresh black shales shows similar recoveries using a salt roast and acid leaching.

In April, 2010, EMC announced receipt of an NI 43-101 compliant technical report and resource estimation for the Carlin vanadium project, located approximately 40 kilometres south of Elko, Nevada, USA. The Technical Report, titled, "NI 43-101 Technical Report on Resources, EMC Metals Corp., Carlin Vanadium Project. Carlin, Nevada", prepared by SRK Consulting US, was subsequently filed on SEDAR in May, 2010. The technical report outlines a NI 43-101 compliant inferred resource of 25.4 million tonnes grading 0.5% V<sub>2</sub>O<sub>5</sub> for a total of 289 million pounds of total contained V<sub>2</sub>O<sub>5</sub>, as outlined below.

Carlin Vanadium Project NI 43-101 Resource Estimation Stryhas (2010) of SRK Consulting				
Resource Category	Cut-off V <sub>2</sub> O <sub>5</sub> (%)	Total (tonnes)	Grade V <sub>2</sub> O <sub>5</sub> (%)	Contained V <sub>2</sub> O <sub>5</sub> (pounds)
Inferred	0.30	25,400,000	0.51	289,000,000

#### Principal Property Updates for the Period January 1, 2011 to May 12, 2011

**Nyngan Scandium Project:** On January 20, 2011 EMC announced receipt of an independent metallurgical test work report, independently prepared by Hazen Research, Inc., of Golden, Colorado, USA, outlining the results of a number of initial lab tests on Nyngan resource material, and estimated recoveries of scandium. Highlights of this initial Phase-1 test work Report are as follows:

- tests involved conventional contained acid leach systems and suggested recoveries of up to 75%,
- efforts focused on optimizing initial process stages only-secondary recovery techniques were not utilized,
- no solution purification test work was carried out (or attempted) and no product grade scandium oxide was made (or attempted) from the test-work, and

The overall objectives of the test work program are to define and optimize a process or series of processes that achieves an 80% scandium recovery, lowest possible capital and operating costs, and most benign environmental impact, using standard and accepted processes.

This entire Hazen test-work program is scheduled for completion by June 2011, and will potentially offer improvements to the capital and operating cost figures derived from previously defined processes in the Roberts & Schaefer engineering report (see EMC press release dated July 28, 2010). These updated metallurgical test results are expected to be incorporated into a feasibility study (FS), which EMC plans to initiate in Q3 2011, and complete in Q1 2012.

On February 10, 2011 EMC announced that it had received an independent laboratory test work report, titled, "Production of Sc-Al Alloys" (the "Report"), outlining the results of a series of laboratory-scale tests investigating the production of scandium-aluminum ("Sc-Al") alloys directly from aluminum oxide and scandium oxide feed materials. The Report, commissioned by EMC, was independently prepared by the Commonwealth Scientific and Industrial Research Organization (the "CSIRO"), Australia's national science agency, and is the first of several programs EMC intends to complete in scandium product development.

The overall objective of this research is to demonstrate and commercialize the production of Sc-Al master alloy using impure scandium oxide as the scandium source, rather than pure scandium metal. The results of the CSIRO work confirmed earlier experimental work done and concluded that scandium oxide can be directly reduced to scandium metal, forming a Sc-Al alloy. It is the pure metal form that is used today to manufacture Sc-Al master alloys, so this development effort offers the potential to significantly improve the economics of master alloy production.

On March 8, 2011, EMC announced the appointment of Mr. John Thompson as VP Project Development for EMC in Australia. In this role, Mr. Thompson will guide the development through feasibility and later the construction of the Nyngan Scandium Project in New South Wales (NSW), Australia. Mr. Thompson is a Mining Engineer, a Fellow of the Australian Institute of Mining and Metallurgy, a QP for NI 43-101 purposes, and brings to EMC a 40 year mining background with Utah Development Company, BHP-Billiton, Newcrest Mining, and QGX Ltd.

On April 7, 2011, EMC announced that it had secured 120 square kilometers of exploration property in Norway, prospective for scandium and numerous specialty metals. EMC concluded earn-in agreements with REE Mining AS on

the Tordal and Evje properties, with the ability to buy in 100% interests on both. Exploration programs are scheduled to begin immediately.

On April 11, 2011 EMC announced a general progress report on the Nyngan Scandium Project in New South Wales, Australia. Specific work steps underway or imminent were outlined, including:

- ground water assessment program (including drilling),
- surface water assessment program,
- Aboriginal heritage review,
- ecology review,
- traffic, noise and air quality baseline monitoring, and
- aerial photography and contour mapping for the property, specifically the anticipated location of site facilities.

The ground water assessment work will commence in April, with a program to install 8 ground water bores to test and evaluate the presence, salinity, and volumes of natural ground water, both in the proposed open pit area as well as anticipated facilities locations. Permanent water monitoring equipment will be installed in the bores to collect ongoing seasonal data on well water levels and conditions. A surface water study will follow the ground water study. Aerial mapping and the subsequent ground survey will also be commissioned in early May so as to provide accurate topographical survey information for design and operational purposes in the project area.

#### Other Developments

On April 27, 2011 the Company issued 120,000 stock options with an exercise price of \$0.31 per share exercisable until April 27, 2013 to employees and contractors of the Company.

On May 4, 2011 the Company issued 250,000 stock options with an exercise price of \$0.315 per share exercisable until May 4, 2016 to employees and contractors of the Company.

On May 16, 2011 the Company issued 500,000 stock options with an exercise price of \$0.25 per share exercisable until May 16, 2016 to employees and contractors of the Company.

On January 1, 2011, the Company was deemed to be a US Domestic Issuer as a result of having lost its' Foreign Private Issuer ("FPI") status during 2010. The Company lost FPI status inter-alia as a result of having over 50% of common shareholders identified as US citizens. The Company intends to apply for registration as a US reporting issuer and to switch to reporting in US GAAP in 2011. It further intends to make the required applications and filings in order to reduce share sale hold periods on any future warrant exercises or private placements effected after January 1, 2011, for Canadian and International domiciled holders, and for private placements effected after July 1, 2010 for US domiciled holders.

#### Qualified Person

Technical information in this MD&A has been reviewed by Gilles R. Dessureau, M.Sc. P.Geo, a Qualified Person for the purposes of National Instrument 43-101. Mr. Dessureau is a Professional Geologist employed with EMC Metals Corp.

#### Operating results-Revenues and Expenses

The Company continued its tight cost management at the Springer facility, focusing on supporting the sale process led by Jordan Capital Markets. The Company has continued to fulfill its commitments in respect of the Nyngan Joint Venture with Jervois Mining Limited, focusing development expenditure in the quarter on this project.

#### Results of Operations for the quarter ended March 31, 2011

The net loss for the quarter decreased by \$347,732 to \$347,450 from \$695,182 in the prior year, mainly as a result of reduced general and administrative and foreign exchange costs. Individual items contributing to this decrease are as follows:

Q1 2011 vs. Q1 2010 - Variance Analysis		
Item	Variance Favourable / (Unfavourable)	Explanation
Change in fair value of derivative liability	\$251,615	As the warrants the derivative liability related to expired, the change in value to \$Nil was put through the statement of operations.

Q1 2011 vs. Q1 2010 - Variance Analysis		
Item	Variance Favourable / (Unfavourable)	Explanation
Foreign exchange gain	(\$115,959)	The gain or loss results mainly from the conversion of US monetary item balances to CAD for reporting purposes.
Stock-based compensation	\$94,232	Relates to the fair value of stock options granted in the quarter.
General and administrative	\$66,733	The favourable variance results from a reduced level of operations in the current year.
Interest expense	\$45,583	Interest expense in the current quarter is attributable to the promissory notes in respect of the TTS and Cosgrave acquisitions. The Cosgrave property interest expense was offset by interest revenue in the same quarter of prior year.
Exploration	(\$42,240)	Increased exploration work done on mineral properties as compared to prior year.
Salaries	(\$38,131)	Increased activity in the quarter as compared to prior year.
Amortization	\$38,067	Some assets fully depreciated in prior year resulting in reduced amortization in the current year.
Professional fees	\$34,222	Professional fees have decreased and salaries have increased as we had more in-house staff working for the Company than in the prior year.
Consulting	(\$31,499)	Primarily relates to consulting fees from current CEO of the Company.
Insurance	\$22,495	The Company commissioned a risk survey, the results of which enabled a reduction in the insured amount of the Springer Mill resulting in lower premiums in the current year.
Travel	(\$22,031)	Increased travel in relation to investor relations.

**Cash flow discussion for the Quarter ended March 31, 2011 compared to March 31, 2010**

The cash outflow from operating activities decreased by \$647,931 to \$431,143 (2010 – \$1,079,074) due to an increase in payables as compared to a material reduction in prior year.

Cash outflows from investing activities increased by \$20,548 to \$20,548 (2010 - \$Nil) due mainly to a large deposit made in prior year that was not repeated this year.

Cash inflows from financing activities decreased by \$544,050 to \$310,625 (2010 - \$854,675) as in the prior year the Company raised funds from a private placement during the quarter.

**Summary of quarterly results**

	2011	2010				2009		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Net Sales	-	-	-	-	-	-	-	-
Net Income (Loss)	(347,450)	(1,341,524)	(1,514,237)	(1,148,938)	(718,056)	(11,311,117)	(548,203)	(725,249)
Basic and diluted Net Income (Loss) per share	0.00	(0.01)	(0.01)	(0.01)	(0.01)	(0.14)	(0.01)	(0.01)

The net loss in the third quarter of 2010 and the fourth quarter of 2009 relates mainly to the write-down of mineral interests.

### **Financial Position**

#### *Cash*

The decrease in cash of \$141,066 to \$3,985,358 (December 31, 2010 - \$4,126,424) results from proceeds from warrant and option exercises offset by operating cash outflows in the period, as per the "Cash flow discussions" above.

#### *Marketable securities*

Marketable securities is unchanged at \$2,250 (December 2010 - \$2,250).

#### *Property, plant and equipment*

Property plant and equipment consists of land and water rights in Nevada, the Springer plant and equipment, and various other items of property plant and equipment. The decrease of \$68,090 to \$34,221,783 (December 2010 - \$34,289,873) is due to amortization.

#### *Mineral interests*

Mineral interests of \$503,020 (December 31, 2010 - \$503,020) consist mainly of the Springer property, and also scandium and vanadium properties.

#### *Accounts Payable*

Accounts Payable has increased by \$38,766 to \$451,615 (December 2010 - \$412,849) due to a general increase in activity.

#### *Derivative liability*

Derivative liability of \$Nil (December 2010 - \$228,741) was reduced to \$Nil as the warrants they related to expired.

#### *Promissory note payable – current portion*

The current promissory note payable decreased by \$13,885 to \$486,115 (December 31, 2010 - \$500,000) which is attributable to a change in foreign exchange on conversion of the USD designated promissory notes to CAD for reporting purposes.

#### *Promissory note payable – long-term portion*

The long-term promissory note payable decreased by \$104,137 to \$3,645,863 (December 31, 2010 - \$3,750,000) which is attributable to a change in foreign exchange on conversion of the USD designated promissory notes to CAD for reporting purposes.

#### *Capital Stock*

Capital stock increased by \$319,833 to \$88,458,320 (December 31, 2010 - \$88,138,487) as a result of the exercise of warrants and stock options for total proceeds of \$310,625.

Additional paid-in capital increased by \$58,524 to \$2,061,869 (December 31, 2010 - \$2,003,345) as a result of stock options issued and adjustments due to the exercise of stock options.

### **Liquidity and Capital Resources**

At March 31, 2011, the Company had a working capital of \$3,325,275 including cash of \$3,985,358 as compared to a working capital of \$3,330,415 including cash of \$4,126,424 at December 31, 2010. Also included in working capital, at March 31, 2011, were marketable securities with a market value of \$2,250 (December 31, 2010 - \$2,250).

During the three month period ended March 31, 2011, the Company received cash of \$310,625 (2010 - \$854,675) for stock issuances. At March 31, 2011, the Company had an aggregate 20,392,572 share purchase warrants exercisable, between \$0.18 and \$2.68 per share which have the potential upon exercise to convert to approximately \$43,404,965 in cash over the next two years. Further, a total of 11,508,750 stock options exercisable between \$0.10 and \$2.15 have the potential upon exercise to generate a total of \$2,146,313 in cash over the next five years. There is no assurance that these securities will be exercised.

The Company's continued development is contingent upon its ability to raise sufficient financing both in the short and long term. There are no guarantees that additional sources of funding will be available to the Company; however, management

is committed to pursuing all possible sources of financing in order to execute its business plan. The Company continues its cost cutting measures to conserve cash to meet its operational obligations.

#### **Outstanding share data**

At the date of this report the Company has 150,384,412 issued and outstanding common shares, 11,878,750 outstanding stock options currently outstanding at a weighted average exercise price of \$0.19, and 20,392,572 outstanding warrants at a weighted average exercise price of \$2.13.

#### **Off-balance sheet arrangements**

At March 31, 2011, the Company had no material off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

#### **Transactions with Related Parties**

During the quarter, 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 \$50,261 (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.

#### **Proposed Transactions**

There are no proposed transactions outstanding other than what has been disclosed.

#### **Critical Accounting Estimates**

The preparation of financial statements in conformity with generally accepted accounting policies requires management of the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on past experience, industry trends and known commitments and events. By their nature, these estimates are subject to measurement uncertainty and the effects on the financial statements of changes in such estimates in future periods could be significant. Actual results will likely differ from those estimates.

##### *Stock-based compensation*

The Company uses the Black-Scholes option pricing model to calculate the fair value of stock options and compensatory warrants granted. This model is subject to various assumptions. The assumptions the Company makes will likely change from time to time. At the time the fair value is determined, the methodology the Company uses is based on historical information, as well as anticipated future events. The assumptions with the greatest impact on fair value are those for estimated stock volatility and for the expected life of the instrument.

##### *Future income taxes*

The Company accounts for tax consequences of the differences in the carrying amounts of assets and liabilities and their tax bases using tax rates expected to apply when these temporary differences are expected to be settled. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no future income tax asset is recognized. The Company has taken a valuation allowance against all such potential tax assets.

#### **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 also improves US GAAP by improving consistency in financial reporting by eliminating diversity in practice. 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.

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

The Company's financial instruments consist of cash, investments in trading securities, subscriptions receivable, receivables, accounts payable and accrued liabilities, due to related parties, and promissory notes payable. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from its financial instruments. The fair values of these financial instruments approximate their carrying values unless otherwise noted. The Company has its cash primarily in one commercial bank in Vancouver, British Columbia, Canada.

### **Disclosure Controls and Procedures and Internal Control over Financial Reporting**

The Chief Executive Officer and Chief Financial Officer, of the Company have evaluated or caused to be evaluated for effectiveness the Company's disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR") which have been designed or caused to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with United States GAAP.

The Company took into consideration the following three characteristics common to companies of a similar size:

- The limited number of personnel in smaller companies, which constrains the Company's ability to fully segregate conflicting duties;
- The Company relies on an active Board and management with open lines of communication to maintain the effectiveness of the Company's disclosure controls and procedures.
- The dynamic and evolving nature of smaller companies, which limits their ability to have static processes that are well-documented.

In addition, management has relied upon certain informal procedures and communication, and upon "hands-on" knowledge of senior management to maintain the effectiveness of disclosure controls and procedures.

As a result of the evaluation, the Company has concluded that the DC&P and ICFR are effective as required by its current size, and in compliance with the recommendations of National Instrument 52-109. However, there can be no assurance that the risk of a material misstatement in the financial statements can be reduced to less than a remote likelihood.

### **Subsequent events**

Subsequent to March 31, 2011, the Company:

- a) 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 \$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.

- b) Issued 120,000 stock options with an exercise price of \$0.31 exercisable until April 27, 2013.
- c) Issued 250,000 stock options with an exercise price of \$0.315 exercisable until May 3, 2016.
- d) Issued 500,000 stock options with an exercise price of \$0.25 exercisable until May 16, 2016.

### **Risk Factors**

Prior to making an investment decision investors should consider the investment risks set out below and those described elsewhere in this document, which are in addition to the usual risks associated with an investment in a business at an early stage of development. The directors of the Company consider the risks set out below to be the most significant to potential investors in the Company, but are not all of the risks associated with an investment in securities of the Company.

If any of these risks materialize into actual events or circumstances or other possible additional risks and uncertainties of which the Directors are currently unaware, or which they consider not to be material in relation to the Group's business, actually occur, the Group's assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects, are likely to be materially and adversely affected. In such circumstances, the price of the Company's securities could decline and investors may lose all or part of their investment.

***EMC Will Require Significant Amounts of Additional Capital in the Future***

The Company has limited financial resources. The Company will continue to make substantial capital expenditures related to exploration, development and production. In particular the Company will have further capital requirements as it proceeds to expand its present exploration activities at its mineral projects, or to take advantage of opportunities for acquisitions, joint ventures or other business opportunities that may be presented to it.

In addition, the Company may incur major unanticipated liabilities or expenses. There can be no assurance that the Company will be able to obtain necessary financing in a timely manner on commercially acceptable terms, if at all.

Volatile demand for tungsten and other metals and the volatile prices for tungsten and other metals may make it difficult or impossible for the Company to obtain debt financing or equity financing on commercially acceptable terms or at all. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its tungsten and other mineral projects with the possible loss of the rights to such properties. If exploration or the development of any mine is delayed, such delay would have a material and adverse effect on the Company's business, financial condition and results of operation.

***Stage of Development***

The Company's properties are in the exploration stage and the Company does not have an operating history. Exploration and development of mineral resources involves a high degree of risk and few properties which are explored are ultimately developed into producing properties. The amounts attributed to the Company's interest in its properties as reflected in its financial statements represent acquisition and exploration expenses and should not be taken to represent realizable value. There is no assurance that the Company's exploration and development activities will result in any discoveries of commercial bodies of ore. The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors such as unusual or unexpected geological formations, and other conditions. As a result of the Company's lack of operating history, it also faces many of the risks inherent in starting a new business.

***Profitability of Operations***

The Company is not currently operating profitably and it should be anticipated that it will operate at a loss at least until such time as production is achieved from one of the Company's properties, if production is, in fact, ever achieved. The Company has never earned a profit. Investors also cannot expect to receive any dividends on their investment in the foreseeable future.

***Tungsten and other mineral industries Competition is Significant***

The international tungsten and other mineral industries are highly competitive. The Company will be competing against competitors that may be larger and better capitalized, have state support, have access to more efficient technology, and have access to reserves of tungsten and other mineral that are cheaper to extract and process. As such, no assurance can be given that the Company will be able to compete successfully with its industry competitors.

***Fluctuations in Metal Prices***

Although the Company does not hold any known mineral reserves of any kind, its future revenues, if any, are expected to be in large part derived from the future mining and sale of tungsten and other metals or interests related thereto. The prices of these commodities have fluctuated widely, particularly in recent years, and are affected by numerous factors beyond the Company's control including international economic and political conditions, expectations of inflation, international currency exchange rates, interest rates, global or regional consumption patterns, speculative activities, levels of supply and demand, increased production due to new mine developments and improved mining and production methods, availability and costs of metal substitutes, metal stock levels maintained by producers and others and inventory carrying costs. The effect of these factors on the prices of tungsten and other metals, and therefore the economic viability of the Company's operations, cannot be accurately predicted.

Depending on the price obtained for any minerals produced, the Company may determine that it is impractical to commence or continue commercial production.

***EMC Metals Corp.'s Operations are Subject to Operational Risks and Hazards Inherent in the Mining Industry***

The Company's business is subject to a number of inherent risks and hazards, including environmental pollution; accidents; industrial and transportation accidents, which may involve hazardous materials; labour disputes; power disruptions; catastrophic accidents; failure of plant and equipment to function correctly; the inability to obtain suitable or adequate equipment; fires; blockades or other acts of social activism; changes in the regulatory environment; impact of non-compliance with laws and regulations; natural phenomena, such as inclement weather conditions, underground floods, earthquakes, pit wall failures, ground movements, tailings, pipeline and dam failures and cave-ins; and encountering unusual or unexpected geological conditions and technical failure of mining methods.

There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the Company's tungsten and other mineral properties, personal injury or death, environmental damage, delays in the Company's exploration or development activities, costs, monetary losses and potential legal liability and adverse governmental action, all of which could have a material and adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

***Mineral Reserve and Resource Estimates are Only Estimates and May Not Reflect the Actual Deposits or the Economic Viability of Tungsten, Scandium and/or Gold Extraction***

Reserve and resource figures included for tungsten and other minerals are estimates only and no assurances can be given that the estimated levels of tungsten and other minerals will actually be produced or that the Company will receive the tungsten and other metal prices assumed in determining its reserves. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling and exploration results and industry practices. Estimates made at any given time may significantly change when new information becomes available or when parameters that were used for such estimates change. While the Company believes that the reserve and resource estimates included are well established and reflect management's best estimates, by their nature reserve and resource estimates are imprecise and depend, to a certain extent, upon statistical inferences which may ultimately prove unreliable. Furthermore, market price fluctuations in tungsten and other metals, as well as increased capital or production costs or reduced recovery rates, may render ore reserves containing lower grades of mineralization uneconomic and may ultimately result in a restatement of reserves. The extent to which resources may ultimately be reclassified as proven or probable reserves is dependent upon the demonstration of their profitable recovery. The evaluation of reserves or resources is always influenced by economic and technological factors, which may change over time.

***Exploration, Development and Operating Risk***

The exploration for and development of tungsten and other mineral properties involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices, which are highly cyclical, drilling and other related costs which appear to be rising; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

***Currency Risk***

The Company maintains accounts in Canadian and American currency. The Company's equity financings are sourced in Canadian dollars but for the most part it incurs its expenditures in local currencies or in US dollars. The Company's operations are subject to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results. The Company does not engage in currency hedging activities.

***Environmental Risks and Hazards***

All phases of the Company's operations are subject to environmental regulation in the jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the general, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties. Reclamation costs are uncertain and planned expenditures estimated by management may differ from the actual expenditures required.

### ***Government Regulation***

The Company's mineral exploration and planned development activities are subject to various laws governing prospecting, mining, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people and other matters. Although the Company believes its exploration and development activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development.

Many of the mineral rights and interests of the Company are subject to government approvals, licenses and permits. Such approvals, licenses and permits are, as a practical matter, subject to the discretion of applicable governments or governmental officials. No assurance can be given that the Company will be successful in maintaining any or all of the various approvals, licenses and permits in full force and effect without modification or revocation. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from continuing or proceeding with planned exploration or development of mineral properties. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations or applicable laws or regulations.

Amendments to current laws and regulation governing operations or more stringent implementation thereof could have a substantial impact on the Company and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

### ***EMC has no History of Mineral Production or Mining Operations***

The Company has never had tungsten and other mineral producing properties. There is no assurance that commercial quantities of tungsten and other minerals will be discovered at the Properties or other future properties nor is there any assurance that the Company's exploration program thereon will yield positive results. Even if commercial quantities of tungsten and other minerals are discovered, there can be no assurance that any property of the Company will ever be brought to a stage where tungsten and other mineral resources can profitably be produced therefrom. Factors which may limit the ability of the Company to produce tungsten and other mineral resources from its properties include, but are not limited to, the spot prices of tungsten and other metals, availability of additional capital and financing and the nature of any mineral deposits.

The Company does not have a history of mining operations and there is no assurance that it will produce revenue, operate profitably or provide a return on investment in the future.

### ***Future Sales of Common Shares by Existing Shareholders***

Sales of a large number of Common Shares in the public markets, or the potential for such sales, could decrease the trading price of the Common Shares and could impair the Company's ability to raise capital through future sales of Common Shares. Substantially all of the Common Shares can be resold without material restriction in Canada.

### ***No Assurance of Titles or Borders***

The acquisition of the right to exploit mineral properties is a very detailed and time consuming process. There can be no guarantee that the Company has acquired title to any such surface or mineral rights or that such rights will be obtained in the future. To the extent they are obtained, titles to the Company's surface or mineral properties may be challenged or impugned and title insurance is generally not available. The Company's surface or mineral properties may be subject to prior unregistered agreements, transfers or claims and title may be affected by, among other things, undetected defects. Such third party claims could have a material adverse impact on the Company's operations.

### ***Information Regarding Forward-Looking Statements***

This Management's Discussion and Analysis of Financial Condition and Results of Operations contain certain forward-looking statements. Forward-looking statements include but are not limited to those with respect to the prices of tungsten and other metals, the estimation of mineral resources and reserves, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, Government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage and the timing and possible outcome of pending litigation. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes" or variations of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and

unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of EMC to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and uncertainties include, among others, the actual results of current exploration activities, conclusions or economic evaluations, changes in project parameters as plans continue to be refined, possible variations in grade and or recovery rates, failure of plant, equipment or processes to operate as anticipated, accidents, labour disputes or other risks of the mining industry, delays in obtaining government approvals or financing or incompleteness of development or construction activities, risks relating to the integration of acquisitions, to international operations, and to the prices of tungsten and other metals. While EMC has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. EMC expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.