

EMC METALS CORP.  
Form 10-Q  
August 15, 2011

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

**FORM 10-Q**

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

For the quarterly period ended **June 30, 2011**

**TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE EXCHANGE ACT**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**000-54416**

(Commission File Number)

**EMC METALS CORP.**

(Exact name of registrant as specified in its charter)

**British Columbia, Canada**

(State or other jurisdiction  
of incorporation or organization)

**Not Applicable**

(IRS Employer  
Identification No.)

**888 Dunsmuir Street, 11<sup>th</sup> Floor, Vancouver, British Columbia, Canada, V6C 3K4**

(Address of principal executive offices) (Zip Code)

**(604) 648-4653**

(Registrant's telephone number, including area code)

**N/A**

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) filed all reports required to be filed by sections 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller

reporting company

Indicate by check mark whether the registrant is a shell company, as defined in Rule 12b-2 of the Exchange Act. Yes [  ] No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: **As of August 12, 2011, the registrant's outstanding common stock consisted of 150,678,713 shares.**

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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

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**(An Exploration Stage Company)**

**CONSOLIDATED FINANCIAL STATEMENTS**

**QUARTER ENDED JUNE 30, 2011**

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**EMC Metals Corp.**

(An Exploration Stage Company)

**CONSOLIDATED BALANCE SHEETS**

(Expressed in Canadian Dollars)

(Unaudited)

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

|  |               |               |
|--|---------------|---------------|
| <b>Total Liabilities and Stockholders Equity</b>     | \$ 38,366,201 | \$ 39,264,898 |
| <b>Nature and continuance of operations</b> (Note 1) |               |               |

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

**EMC Metals Corp.**

(An Exploration Stage Company)

**CONSOLIDATED STATEMENTS OF OPERATIONS**

(Expressed in Canadian Dollars)

(Unaudited)

|  | Cumulative<br>amounts from<br>incorporation on | Three<br>month<br>period<br>ended | Three<br>month<br>period<br>ended | Six month<br>period<br>ended | Six month<br>period<br>ended |
|--|--|-----------------------------------|-----------------------------------|------------------------------|------------------------------|
|  | July 17, 2006 to                               | June 30,                          | June                              | June                         | June 30,                     |
|  | June 30, 2011                                  | 2011                              | 30,2010                           | 30,2011                      | 2010                         |
| <b>EXPENSES</b>  |  |                                   |                                   |                              |                              |
| Amortization   | \$ 2,131,236                                   | \$ 86,333                         | \$ 2,358                          | \$ 174,971                   | \$ 129,063                   |
| Consulting   | 2,326,203                                      | 69,278                            | 41,726                            | 150,577                      | 91,526                       |
| Exploration  | 12,939,076                                     | 529,877                           | 161,023                           | 593,368                      | 182,274                      |
| General and administrative                               | 6,849,668                                      | 165,097                           | 135,136                           | 202,297                      | 239,019                      |
| Insurance  | 907,635  | 4,491                             | 95,795                            | 16,858                       | 130,657                      |
| Professional fees  | 2,941,782                                      | 82,644                            | 130,576                           | 104,980                      | 187,134                      |
| Research and development                                 | 3,474,068                                      | -                                 | -                                 | -                            | -                            |
| Salaries and benefits                                    | 6,150,575                                      | 131,019                           | 187,722                           | 281,674                      | 300,296                      |
| Stock-based compensation                                 | 5,247,971                                      | 59,463                            | 310,607                           | 127,195                      | 472,571                      |
| (Note 10)  |  |                                   |                                   |                              |                              |
| Travel and entertainment                                 | 1,517,994                                      | 35,341                            | 30,422                            | 94,220                       | 67,270                       |
| <b>Loss before other items</b>                           | <b>(44,486,208)</b>                            | <b>(1,163,543)</b>                | <b>(1,095,365)</b>                | <b>(1,746,140)</b>           | <b>(1,799,810)</b>           |
| <b>OTHER ITEMS</b>                                       |  |                                   |                                   |                              |                              |
| Foreign exchange gain (loss)                             | 800,620  | 139,806                           | (175,999)                         | 217,452                      | 17,606                       |
| Gain on transfer of<br>marketable securities             | 206,974  | -                                 | -                                 | -                            | -                            |
| Gain on settlement of<br>convertible<br>debentures       | 1,449,948                                      | -                                 | -                                 | -                            | -                            |
| Gain on sale of marketable<br>securities                 | 1,836,011                                      | -                                 | -                                 | -                            | -                            |
| Write-off of mineral interests                           | (18,091,761)                                   | -                                 | -                                 | -                            | -                            |
| Gain on insurance proceeds                               | 972,761  | -                                 | -                                 | -                            | -                            |
| Interest income (expense)                                | 340,804  | (58,182)                          | (61,471)                          | (129,422)                    | (178,564)                    |
| Other income   | 502,965  | -                                 | -                                 | -                            | -                            |
| Gain on disposition of assets                            | 968,579  | 491,897                           | -                                 | 491,897                      | -                            |
| Change in fair value of<br>derivative liability (Note 8) | 485,358  | -                                 | 183,897                           | 228,741                      | 89,861                       |
|  | (3,269,033)                                    | -                                 | -                                 | -                            | (67,249)                     |

Unrealized loss on  
marketable securities

|   |                 |              |                |              |                |
|---|-----------------|--------------|----------------|--------------|----------------|
|   | (13,796,774)    | 573,521      | (53,573)       | 808,668      | (138,346)      |
| <b>Loss before income taxes</b>                             | (58,282,982)    | (590,022)    | (1,148,938)    | (937,472)    | (1,938,156)    |
| <b>Deferred income tax recovery</b>                         | 6,522,138       | -            | -              | -            | -              |
| <b>Loss and comprehensive loss for the period</b>           | \$ (51,760,844) | \$ (590,022) | \$ (1,148,938) | \$ (937,472) | \$ (1,938,156) |
| <b>Basic and diluted loss per common share</b>              |                 | (0.00)       | (0.02)         | (0.01)       | (0.02)         |
| <b>Weighted average number of common shares outstanding</b> |                 | 150,384,412  | 76,095,442     | 150,120,292  | 115,507,092    |

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



**EMC Metals Corp.**

(An Exploration Stage Company)

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Expressed in Canadian Dollars)

(Unaudited)

|  | Cumulative<br>amounts<br>from<br>incorporation<br>on<br>July 17,<br>2006 to<br>June 30,<br>2011 | Six month<br>period<br>ended<br>June 30,<br>2011 | Six month<br>period<br>ended<br>June 30,<br>2010 |
|--|---|--|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>          |   |  |  |
| Loss for the period                                  | \$ (51,760,844)   | \$ (937,472)                                     | \$ (1,938,156)                                   |
| Items not affecting cash:                            |   |  |  |
| Amortization   | 2,131,236   | 174,971  | 129,063  |
| Research and development                             | 3,474,068   | -  | -  |
| Consulting paid with common shares                   | 10,711  | -  | -  |
| Gain on disposal of assets                           | (968,579)   | (491,897)  | -  |
| Loss on disposal of equipment                        | 17,415  | 17,415   | -  |
| Convertible debenture costs                          | (1,312,878)   | -  | -  |
| Unrealized foreign exchange                          | 567,852   | (147,010)  | (3,273)  |
| Stock-based compensation                             | 5,247,971   | 127,195  | 472,571  |
| Unrealized loss on marketable securities             | 3,269,033   | -  | 67,249   |
| Realized gain on marketable securities               | (1,836,011)   | -  | -  |
| Write-off of mineral properties                      | 18,091,761  | -  | -  |
| Realized gain on transfer of marketable securities   | (206,974)   | -  | -  |
| Change in fair value of derivative liability         | (485,358)   | (228,741)  | (89,861)   |
| Deferred income tax recovery                         | (6,522,138)   | -  | -  |
|  | (30,282,735)  | (1,485,539)                                      | (1,362,407)                                      |
| Changes in non-cash working capital items:           |   |  |  |
| Decrease in receivables                              | 28,930  | 23,645   | 87,555   |
| (Increase) decrease in prepaid expenses              | (160,517)   | (85,891)   | 107,756  |
| Proceeds from sale of marketable securities, net     | (4,135,798)   | -  | -  |
| Decrease in accounts payable and accrued liabilities | (924,661)   | (76,268)   | (541,346)  |
| Increase in due to related parties                   | 1,163,028   | -  | -  |
| Asset retirement obligations                         | (1,065,891)   | -  | -  |
|  | (35,377,644)  | (1,624,053)                                      | (1,708,442)                                      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>          |   |  |  |
| Cash acquired from subsidiary                        | 4,857,012   | -  | -  |
| Cash paid for Subsidiary                             | (11,359,511)  | -  | -  |
| Spin-out of Golden Predator Corp.                    | (76,388)  | -  | -  |

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|   |                     |                     |                   |
|---|---------------------|---------------------|-------------------|
| Reclamation bonds   | 795,785             | -                   | -                 |
| Proceeds from sale of property, plant and equipment                 | 660,336             | -                   | -                 |
| Purchase of property, plant and equipment                           | (21,252,597)        | (37,484)            | -                 |
| Proceeds from sale of mineral interests                             | 500,000             | 500,000             | -                 |
| Additions to unproven mineral interests                             | (3,128,124)         | (136,609)           | -                 |
|   | (29,003,487)        | 325,907             | -                 |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                         |                     |                     |                   |
| Common shares issued  | 55,521,421          | 210,249             | 749,770           |
| Share issuance costs  | (1,277,713)         | -                   | -                 |
| Special warrants  | 13,000,000          | -                   | -                 |
| Options exercised   | 384,900             | 43,000              | 112,800           |
| Warrants exercised  | 11,142,349          | 298,099             | 939,375           |
| Notes payable   | (9,966,000)         | -                   | -                 |
| Payment of promissory note  | (1,260,700)         | -                   | -                 |
| Advances from related party   | 216,500             | -                   | 133,382           |
| Loans advanced to Midway  | (2,000,000)         | -                   | -                 |
| Loan repayment from Midway  | 2,000,000           | -                   | -                 |
|   | 67,760,757          | 551,348             | 1,935,327         |
| <b>Change in cash during the period</b>                             | <b>3,379,626</b>    | <b>(746,798)</b>    | <b>226,885</b>    |
| <b>Cash, beginning of period</b>                                    | <b>-</b>            | <b>4,126,424</b>    | <b>584,436</b>    |
| <b>Cash, end of period</b>  | <b>\$ 3,379,626</b> | <b>\$ 3,379,626</b> | <b>\$ 811,321</b> |
| <b>Supplemental disclosure with respect to cash flows (Note 13)</b> |                     |                     |                   |

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

**EMC Metals Corp.**

(An Exploration Stage Company)

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY**

(Expressed in Canadian Dollars)

(Unaudited)

|   | Capital Stock |            |            |          | Deficit     |             |
|---|---------------|------------|------------|----------|-------------|-------------|
|   | Number of     | Amount     | Additional | Treasury | Accumulated | Total       |
|   | Shares        | \$         | Paid in    | Stock    | During the  | \$          |
|   |               |            | Capital    |          | Exploration |             |
|   |               |            | \$         | \$       | Stage       | \$          |
|   |               |            |            |          | \$          |             |
| <b>Balance, July 17, 2006</b>   | -             | -          | -          | -        | -           | -           |
| Private placements  | 5,000,000     | 3,500,000  | -          | -        | -           | 3,500,000   |
| Excess of exchange amount over carrying amount of Springer Mining Company | -             | -          | -          | -        | (2,857,819) | (2,857,819) |
| Loss for the period   | -             | -          | -          | -        | (357,670)   | (357,670)   |
| <b>Balance, December 31, 2006</b>   | 5,000,000     | 3,500,000  | -          | -        | (3,215,489) | 284,511     |
| Private placements  | 17,577,500    | 35,155,000 | -          | -        | -           | 35,155,000  |
| Conversion of special warrants  | 5,390,000     | 5,390,000  | -          | -        | -           | -           |