

EMC
METALS CORP.
The Specialty Metals Company

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE QUARTER ENDED MARCH 31, 2010

Notice of Non-review of Interim Financial Statements

The attached interim consolidated financial statements for the three month period ended March 31, 2010 have been prepared by and are the responsibility of the Company's management and have been approved by the Board of Directors of the Company. The Company's independent auditor has not performed a review of these interim financial statements.

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

	March 31, 2010 (Unaudited)	December 31, 2009
ASSETS		
Current		
Cash	\$ 360,037	\$ 584,436
Marketable Securities	137,333	204,582
Receivables	113,372	102,615
Prepaid expenses and deposits	104,228	173,145
	<u>714,970</u>	<u>1,064,778</u>
Reclamation bonds (Note 5)	22,414	23,122
Deposit (Note 6)	300,000	-
Technology and patents (Note 7)	5,063,960	5,263,739
Property, plant and equipment (Note 8)	34,690,034	34,830,523
Mineral interests (Note 9)	11,061,679	11,040,428
	<u>\$ 51,853,057</u>	<u>\$ 52,222,590</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 263,692	\$ 775,769
Due to related party (Note 10)	329,111	188,325
	<u>592,803</u>	<u>964,094</u>
Future income taxes	1,789,671	1,789,671
Promissory notes payable (Note 11)	4,330,070	4,471,240
	<u>6,712,544</u>	<u>7,225,005</u>
Shareholders' Equity		
Share capital (Note 12)	82,871,401	81,981,094
Treasury stock (Note 13)	(2,087,333)	(2,087,333)
Contributed surplus (Note 12)	1,105,943	979,611
Deficit	(36,749,498)	(35,875,787)
	<u>45,140,513</u>	<u>44,997,585</u>
	<u>\$ 51,853,057</u>	<u>\$ 52,222,590</u>
Nature and continuance of operations (Note 1)		
Commitments (Note 17)		

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

EMC Metals Corp.
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(Expressed in Canadian Dollars, Unaudited)
For the three month period ended

	March 31, 2010	March 31, 2009
EXPENSES		
Amortization	\$ 326,485	\$ 180,673
Consulting	49,800	150,302
General and administrative	88,718	(473,694)
Insurance	34,862	130,618
Professional fees	56,558	348,102
Rent	15,215	91,087
Salaries and benefits	112,524	528,699
Stock-based compensation	161,964	(1,072,955)
Travel and entertainment	36,848	50,274
	<u>(882,974)</u>	<u>66,894</u>
OTHER ITEMS		
Foreign exchange gain (loss)	193,605	(7,918,977)
Loss on sale of marketable securities	-	(1,151,725)
Write-off of mineral interests	-	(68,325)
Interest income (expense)	(117,093)	18,346
Other income	-	121,775
Unrealized loss in marketable securities	(67,249)	(129,000)
	<u>9,263</u>	<u>(9,127,906)</u>
Loss and comprehensive loss for the period	(873,711)	(9,061,012)
Deficit, beginning of period	(35,875,787)	(18,180,321)
Adjustment due to spin out (Note 2)	-	6,617,197
Deficit, end of period	<u>\$ (36,749,498)</u>	<u>\$ (20,624,136)</u>
Basic and diluted loss per common share	<u>\$ (0.01)</u>	<u>\$ (0.13)</u>
Weighted average number of common shares outstanding	<u>113,367,664</u>	<u>70,684,127</u>

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

EMC Metals Corp.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars, Unaudited)
For the three month period ended

	March 31, 2010	March 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (873,711)	\$ (9,061,012)
Items not affecting cash:		
Amortization	326,485	180,673
Unrealized foreign exchange	(23,545)	8,731,812
Stock-based compensation	161,964	(1,072,955)
Unrealized loss on marketable securities	67,249	129,000
Realized gain on marketable securities	-	1,151,725
	<u>(341,558)</u>	<u>59,243</u>
Changes in non-cash working capital items:		
Decrease (Increase) in receivables	(10,757)	125,707
Decrease in prepaid expenses	68,917	88,489
Decrease in accounts payable and accrued liabilities	(512,077)	(724,222)
Increase (Decrease) in due to related parties	37,652	(111,245)
	<u>(757,823)</u>	<u>(562,028)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of marketable securities	-	158,954
Employee loan repayment	-	634
Purchase of property, plant and equipment	-	(141,968)
Deposit (Note 6)	(300,000)	-
Additions to unproven mineral interests	(21,251)	(553,949)
	<u>(321,251)</u>	<u>(536,329)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Common stock issued	455,000	-
Warrants exercised	346,875	20,200
Options exercised	52,800	-
	<u>854,675</u>	<u>20,200</u>
Change in cash during the period	(224,399)	(1,078,157)
Cash, beginning of period	584,436	1,646,574
Cash, end of period	\$ 360,037	\$ 568,417

Supplemental disclosure with respect to cash flows (Note 18)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

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

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

These consolidated financial statements have been prepared on a going concern basis, 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 Springer tungsten 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

Basis of presentation

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). They do not include all of the information and disclosures required by Canadian GAAP for annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these consolidated financial statements. The interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements including the notes thereto for the year ended December 31, 2009.

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

These consolidated financial statements are expressed in Canadian dollars and include the accounts of all subsidiaries. All inter-company balances and transactions have been eliminated upon consolidation.

New standards and accounting policy changes

The accounting policies followed by the Company are set out in Note 3 to the audited consolidated financial statements for the year ended December 31, 2009, and have been consistently followed in the preparation of these consolidated financial statements except for the CICA guidelines adopted by the Company set out below.

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. The Company is currently evaluating the section to determine the impact on its consolidated financial statements.

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.

4. 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 10) 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>

5. RECLAMATION BONDS

Reclamation bonds of US\$22,000 (Dec 31, 2009 – US\$22,000) are held as security for any potential reclamation of the Company's land and unproven mineral interests.

6. DEPOSIT

In accordance with the terms of the Nyngan, New South Wales Scandium Property acquisition agreement (Note 9), the Company placed funds due to Jervois Mining Limited ("Jervois") in escrow with a law firm, pending fulfilment of certain conditions.

7. TECHNOLOGY AND PATENTS

As part of the acquisition of TTS (Note 4), 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.

The Technology Patents are amortized over the life of the Patent.

8. PROPERTY, PLANT AND EQUIPMENT

	March 31, 2010			December 31, 2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land and water rights	\$ 7,972,291	-	7,972,291	\$ 7,972,291	-	7,972,291
Plant and equipment	25,602,178	-	25,602,178	25,602,178	-	25,602,178
Cosgrave plant and equipment	375,763	174,613	201,150	375,763	155,562	220,201
Building	222,685	27,018	195,667	222,685	24,071	198,614
Automobiles	245,734	205,423	40,311	244,996	187,240	57,756
Computer equipment	412,290	274,079	138,211	643,166	465,101	178,065
Small tools and equipment	960,713	541,055	419,658	960,713	495,427	465,286
Office equipment	278,561	160,959	117,602	278,561	146,308	132,253
Leasehold improvements	13,083	10,117	2,966	13,083	9,204	3,879
	<u>\$ 36,083,298</u>	<u>1,393,264</u>	<u>34,690,034</u>	<u>\$ 36,313,436</u>	<u>\$ 1,482,913</u>	<u>34,830,523</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.

9. MINERAL INTERESTS

Mach 31, 2010	Gold	Tungsten	Total
Acquisition costs			
Balance, December 31, 2009	\$ 1,343,173	\$ 203,020	\$ 1,546,193
Additions	-	-	-
Balance, March 31, 2010	1,343,173	203,020	1,546,193
Deferred exploration costs			
Balance, December 31, 2009	3,158,338	6,335,897	9,494,235
Additions			
Geochemistry	4,174	156	4,330
Permitting	2,610	13,536	16,146
Property Development	775	-	775
Balance, March 31, 2010	3,165,897	6,349,589	9,515,486
Total costs	\$ 4,509,070	\$ 6,552,609	\$ 11,061,679

9. MINERAL INTERESTS (cont'd...)

December 31, 2009	Gold	Silver	Tungsten	Total
Acquisition costs				
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)
Balance, December 31, 2009	1,343,173	-	203,020	1,546,193
Deferred exploration costs				
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)
Balance, December 31, 2009	3,158,338	-	6,335,897	9,494,235
Total costs	\$ 4,501,511	\$ -	\$ 6,538,917	\$ 11,040,428

Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral property interests. The Company has investigated title to all of its mineral property interests and, to the best of its knowledge, title to all of its properties are in good standing.

Impairment of mineral properties

The Company has reviewed the carrying value of its mineral properties for impairment and compared the carrying value to the future cash flows in the case of its tungsten properties, and fair market value in respect of its remaining properties, and has determined that no impairment write down is required.

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

GOLD AND SILVER PROPERTIES

Pursuant to the spin-out (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 where a commercial interest was retained, were as follows:

Phoenix Joint Venture

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

9. MINERAL INTERESTS (cont'd...)

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.

TUNGSTEN PROPERTY

Springer Property

On November 21, 2006, the Company acquired all outstanding and issued shares of Springer Mining Company ("Springer"). Included in the assets of Springer and allocated to Property Plant and Equipment (note 8) are the Springer Mine and Mill located in Pershing County, Nevada.

SCANDIUM PROPERTY

Nyngan, New South Wales Property

On February 5, 2010, the Company entered in to an agreement with Jervois whereby it would acquire a 50% interest in certain properties located in New South Wales, Australia. In order for the Company to earn its interest, it must:

- a) Deposit \$300,000 (Note 6) with a law firm in escrow, released to Jervois upon satisfaction of certain conditions, including verification of title ("conditions");
- b) Complete expenditures of A\$500,000 plus GST within 180 days of the conditions being met;
- c) Investigate to confirm the scandium resource on the property within 180 days of the conditions being met;
- d) Complete a bankable feasibility study within 480 days of the conditions being met; and
- e) Delivery within 5 business days of the bankable feasibility study A\$1,300,000 plus GST to Jervois as a reimbursement of their expenses.

10. RELATED PARTY TRANSACTIONS

During the period, the Company paid or accrued management fees of \$Nil (March 31, 2009 - \$72,855) to a Company controlled by a director of the Company.

During the period, the Company paid or accrued consulting fees of \$46,175 (March 31, 2009 - \$Nil) to 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. Amounts payable to related parties have no specific terms of repayment, are unsecured, and have no interest rate.

11. PROMISSORY NOTES PAYABLE

	March 31, 2010	December 31, 2009
Promissory note with a principal balance of US\$500,000, bearing interest at prime per annum, maturing December 16, 2011.	\$ 509,420	\$ 529,990
Promissory note with a principal balance of US\$ 3,750,000, bearing interest at 6% per annum, maturing July 3, 2013 and secured by land and water rights.		
During fiscal 2008 the Company entered into a promissory note for US\$6,750,000 as consideration for the acquisition of land and water rights. The Company subsequently made principal payments of US\$3,000,000 consisting of a cash payment of US\$1,000,000 and 4,728,000 units of the Company valued at US\$2,000,000. Each unit consisted of one common share and one-half share purchase warrant exercisable at CDN\$0.75 each and exercisable for a period of two years.	3,820,650	3,941,250
	\$ 4,330,070	\$ 4,471,240

12. SHARE CAPITAL AND CONTRIBUTED SURPLUS

Authorized: Unlimited number of common shares without par value

	Number of Shares	Share Capital	Contributed Surplus
Issued:			
Balance, December 31, 2008	66,356,813	\$ 93,706,311	\$ 11,086,227
Issuance of shares – private placement	14,500,000	1,190,000	-
Exercise of stock options	101,000	126,186	(105,986)
Issuance for mineral properties	2,765,643	367,695	-
Issuance of shares – redemption of convertible debentures (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
Issuance of shares – private placement	2,275,000	455,000	-
Exercise of stock options	330,000	88,432	(35,632)
Exercise of warrants	2,312,500	346,875	-
Stock-based compensation after spin-out	-	-	161,964
Balance, March 31, 2010	115,104,470	\$ 82,871,401	\$ 1,105,943

2010

On February 17, 2010, the Company issued 2,275,000 units at a value of \$0.20 per unit for total proceeds of \$455,000. Each unit consisted of one common share and one-half of one share purchase warrant exercisable at \$0.25 until January 27, 2011.

12. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd...)

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.

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.

Stock Options and warrants

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

Stock 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, 2008	19,927,354	\$ 3.00	8,060,684	\$ 1.01
Granted	7,250,000	0.15	6,748,100	0.20
Retirement of convertible debentures	2,287,414	US\$0.30	-	-
Cancelled	(1,669,633)	2.86	(5,173,059)	1.28
Exercised	-	-	(101,000)	0.20
Outstanding, December 31, 2009	27,795,135	\$ 1.66	9,534,725	\$ 0.24
Granted	1,137,500	0.25	1,505,000	0.25
Cancelled	-	-	(823,475)	0.43
Exercised	(2,312,500)	0.15	(330,000)	0.16
Outstanding, March 31, 2010	26,620,135	1.71	9,886,250	0.23
Number currently exercisable	26,620,135	\$ 1.71	4,714,063	\$ 0.26

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.

12. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd...)

As at March 31, 2010, incentive stock options and share purchase warrants were outstanding as follows:

	Number of shares	Exercise Price	Expiry Date
Options	507,500	\$ 0.200	July 26, 2012
	30,000	1.000	July 26, 2012
	305,000	0.200	October 4, 2012
	15,000	1.000	October 4, 2012
	202,500	0.200	February 25, 2013
	100,000	2.000	February 25, 2013
	107,500	0.200	March 4, 2013
	175,000	0.200	May 13, 2013
	5,000	2.150	May 13, 2013
	57,500	0.200	June 2, 2013
	30,000	0.200	August 20, 2013
	1,270,000	0.200	October 31, 2013
	1,625,000	0.300	January 23, 2014
	50,000	0.300	February 26, 2014
	100,000	0.200	May 27, 2014
	3,380,000	0.160	June 16, 2014
	225,000	0.120	August 27, 2014
	50,000	0.160	December 14, 2014
	200,000	0.105	December 16, 2014
	<u>1,451,250</u>	0.250	January 4, 2015
	9,886,250		
Warrants	2,364,000	\$ 0.600	October 18, 2010
	4,937,500	0.150	November 17, 2010
	1,787,374	US\$0.300	March 4, 2011
	500,040	US\$0.300	March 4, 2011
	15,893,721	2.680	August 15, 2011
	<u>1,137,500</u>	0.250	February 17, 2011
	26,620,135		

Stock-based compensation

During the period, the Company recognized stock based compensation of \$161,964 (March 31, 2009 - \$(1,072,955)) in the statement of operations as a result of shares for services and incentive stock options granted and vested. The weighted average fair value of options granted was \$0.11 (March 31, 2009 - \$0.55) 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:

	2010	2009
Risk-free interest rate	2.75%	1.82%
Expected life	5 years	3 years
Volatility	126.32%	87.01%
Dividend rate	0.00%	0.00%

13. 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.

14. 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.

15. 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.

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 March 31, 2009, the Company had a working capital balance of \$122,167.

15. FINANCIAL INSTRUMENTS (cont'd...)

Market risk

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

(a) Interest rate risk

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

(b) Foreign currency risk

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

(c) Price risk

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

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.

16. 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:

March 31, 2010	<u>Canada</u>	<u>United States</u>	<u>Total</u>
Property, plant and equipment	\$ 103,102	\$ 34,586,932	\$ 34,690,034
Mineral properties	-	11,061,679	11,061,679
	<u>\$ 103,102</u>	<u>\$ 45,648,611</u>	<u>\$ 45,741,713</u>
December 31, 2009	<u>Canada</u>	<u>United States</u>	<u>Total</u>
Property, plant and equipment	\$ 123,344	\$ 34,707,179	\$ 34,830,523
Mineral properties	-	11,040,428	11,040,428
	<u>\$ 123,344</u>	<u>\$ 45,747,607</u>	<u>\$ 45,870,951</u>

17. COMMITMENTS

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

2010	42,890
2011	<u>17,376</u>
	\$ <u><u>60,266</u></u>

18. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2010	2009
Cash paid during the period for interest	\$ 117,093	\$ -
Cash paid during the period for income taxes	\$ -	\$ -

Significant non cash transactions for the three month period ended March 31, 2010 included:

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

Significant non cash transactions for the three month period ended March 31, 2009 included:

- a) Issued 2,147,000 common shares to Canyon Resources Corporation for Adelaide and Tuscarora projects.
- b) Issued 66,667 common shares to Gillian KM Kearvell for Guijoso property.
- c) Issued 2,287,414 purchase warrants to the Convertible Debenture shareholders.
- d) Securities as an agent's fee for their services in correct with the retirement of the Convertible Debentures.