EMC
METALS CORP.
The Specialty Metals Company

MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2010

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 and twelve month periods ended December 31, 2010, and should be read in conjunction with our audited consolidated financial statements and the notes thereto for the year ended December 31, 2010 and 2009 (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 2010 Annual Statements have been prepared in conformance with Canadian Generally Accepted Accounting Principles and the reporting currency is the Canadian Dollar.

The information contained within this report is current as of March 24, 2011 unless otherwise noted. Additional information relevant to the Company's activities can be found on SEDAR at 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 has appointed a financial advisor and sales agent (Jordan Capital Markets, Vancouver) to market 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 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 year was maintaining Springer on standby mode, organizing the sale process, and supporting the work led by Jordan Capital Markets to seek interest in the markets for the asset sale. The Company advanced the Nyngan scandium project through metallurgical testing, process definition, and optimization work. The Company also investigated other specialty metals opportunities.

During the year the Company raised $4,956,421 in gross proceeds from private placements in which a total of 30,252,442 shares were issued.

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_3**	**Total (tonnes)**	**Average Grade % WO_3**	**Contained STU's WO_3**
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
Total	**12,012,000**	**261**	**1.10:1**

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 complied 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_2O_3,
- The hydrometallurgical plant is designed to process approximately of 250 tpd of resource,
- Production of Sc_2O_3 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_2O_3 (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_2O_5 (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_2O_5 for a total of 289 million pounds of total contained V_2O_5, as outlined below.

Carlin Vanadium Project NI 43-101 Resource Estimation Stryhas (2010) of SRK Consulting				
Resource Category	**Cut-off V_2O_5 (%)**	**Total (tonnes)**	**Grade V_2O_5 (%)**	**Contained V_2O_5 (pounds)**
Inferred	0.30	25,400,000	0.51	289,000,000

Principal Property Updates for the Period November 5, 2010 to March 24, 2011

Nyngan Scandium Project: On January 20, 2011 EMC announced receipt of an independent metallurgical test work report, titled, "Laboratory Study for the Recovery of Scandium from Laterite Ore" (the "Report"), outlining the results of a number of initial lab tests on Nyngan resource material, and estimated recoveries of scandium. The Report, commissioned by EMC, was independently prepared by Hazen Research, Inc., of Golden, Colorado, USA ("Hazen"), and represents results of the first of three phases of test work scheduled.

Highlights of this initial Phase-1 test work Report are as follows:

- The tests involved conventional contained acid leach systems using mainly the limonite ore phase, in various temperature and pressure environments, and suggested recoveries of up to 75%,
- Efforts focused on optimizing initial process stages only-secondary recovery techniques were not utilitzed,,
- Valuable chemical and behavioural understanding was obtained from the tests, which will facilitate optimization of both primary and secondary recovery techniques,
- 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
- Process assumptions include standard and accepted processes for applying ore preparation, leaching, solvent extraction and product preparation methodologies.

The overall objectives of the test work program are to define and optimize a process or series of processes that achieve:

- A minimum 80% scandium recovery from the Nyngan resource,
- The most economical operating and capital cost, and
- The most benign environmental impact.

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.

EMC engaged the CSIRO in August 2010 to conduct a literature review and experimental program to investigate the production of Sc-Al master alloys. The research consisted of:

1. A literature survey to identify routes and approaches previously undertaken,

2. A brief thermodynamics analysis of expected chemical reactions,
3. Assembly of a lab-scale set up,
4. Multiple experiments to establish products, scandium content and efficiency, and
5. Documenting findings in a formal report, to support subsequent research work.

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.

Other Developments

On October 26, 2010, the Company agreed to sell to its subsidiary, Great American Minerals Inc. to Golden Predator Corp. ("Golden Predator") for $225,000 to be applied against the loan amount owing to Golden Predator. The Company will retain its interest in the non-gold properties, Black Kettle and Spruce Mountain, including the Carlin Vanadium property. The Company also agreed to sell 200 acre feet of water rights to Golden Predator in exchange for a cash payment of $200,000, with $100,000 to be paid on signing of a definitive agreement for the transfer of the water rights, and $100,000 on filing the necessary document with the Nevada government to give effect to the transfer.

On November 5, 2010 the Company issued 4,800,000 stock options with an exercise price of $0.10 exercisable until November 5, 2015 to the CEO and directors of the Company.

On November 25, 2010 the Company announced that it had closed a private placement of 6,100,000 units at a price of $0.10 per unit for gross proceeds of $610,000. Each unit was comprised of one common share of the Company and one half of a share-purchase warrant. Each full share-purchase warrant entitles the holder to acquire one common share of the Company at a price of $0.18 for one year. All securities issued under the non-brokered private placement are subject to a hold period expiring four months after the closing date. Closing of the Private Placement was subject to approval of the Toronto Stock Exchange.

On November 25, 2010 the Company announced that it had closed a non-brokered private placement of 7,894,740 common shares at $0.19 per share for proceeds of $1,500,000. No warrants or finder's fees were issued or paid in connection with the financing.

On December 3, 2010 the Company announced that it has closed a second tranche of a non-brokered private placement of 11,035,000 common shares at $0.19 per share, for proceeds of $2,096,650. No warrants or finder's fees were issued or paid in connection with the financing.

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.

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.

Selected Annual Information

Fiscal Year ended December 31	2010	2009	2008
Net Sales	$Nil	$Nil	$Nil
Net Loss	$7,854,554	$17,695,466	$11,646,148
Basic and diluted net loss per share	$0.06	$0.23	$0.24
Total Assets	$50,625,611	$52,222,590	$103,253,344
Total Long-term liabilities	$5,797,083	$6,260,911	$12,921,657
Cash dividends per common share	N/A	N/A	N/A

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 during the year on this project.

Results of Operations for the quarter ended December 31, 2010

The net loss for the quarter decreased by $6,586,943 to $774,059 from $7,361,002 in the prior year, mainly as a result of the Company having a lower mineral impairment charge in the current year. Individual items contributing to this increase are as follows:

Q4 2010 vs. Q4 2009 - Variance Analysis

Item	Variance Favourable / (Unfavourable)	Explanation
Write-off of mineral properties	$16,715,100	Results from the Company having a lower mineral impairment charge in the current year compared to the prior year. The write down in the current year amounted to a recovery of $5,096 compared to a write off of $16,710,004 in the prior year.
Unrealized income on marketable securities	($1,300,808)	In prior year, the Company incurred a gain on the unrealized income from marketable securities from adjusting the value of the marketable securities to market. The Company incurred a loss on disposal of marketable securities in the current year.
Other income	($1,247,928)	The Company primarily earned sundry revenue in prior year from a gain on transfer of marketable securities occurring from the spin-out of $206,974 and a gain on the settlement of convertible debentures of $1,449,948 partially offset by a recovery of expenses from Golden Predator Corp. in the amount of $357,583, that did not recur.
Future income tax recovery	($1,006,132)	The prior year tax recovery of $1,006,132 resulted from the Company applying a valuation allowance against future income tax assets not expected to be realized that did not recur in the current year.
General and administrative	$360,391	The favourable variance results from a reduced level of operations in the current year.
Stock-based compensation	$347,592	Recognition of the option expense over the period to the next vesting date. The current expense is lower than in the prior year as a result of fewer options vesting.
Amortization	($288,195)	Amortization of technology patents acquired in the last quarter of 2009 as part of the TTS acquisition. There was no equivalent charge in the same quarter of the prior year, hence the unfavourable variance.
Interest expense	($117,185)	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.
Loss on sale of marketable securities	($70,583)	The Company incurred a loss on the sale of marketable securities in the current year.
Salaries and benefits	$43,206	The positive variance results from a lower headcount in the current period due to lower levels of activity than in the prior year.
Foreign exchange gain	($30,150)	The gain or loss results mainly from the conversion of US monetary item balances to CAD for reporting purposes.
Disposition of assets	$28,792	Result of the Company selling a vehicle for a gain.
Consulting	$25,692	The savings compared to the prior year results from the Company's efforts to reduce operations and preserve capital.
Insurance	$10,005	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.
Other variances under $5,000	($1,242)	Includes favorable variances on Professional fees, offset by unfavorable variances on Travel.

Cash flow discussion for the Quarter ended December 31, 2010 compared to December 31, 2009

The cash outflows from operating activities decreased by $1,498,122 to an inflow of $447,209 (2009 – $1,050,913) due to a reduction in activity, a future income tax recovery, and loans from a related party.

Cash outflows from investing activities increased by $987,803 to $568,444 (2009 – inflow of $419,359) due mainly to an increase in expenditures on mineral interests.

Cash inflows from financing activities increased by $3,771,192 to $4,038,300 (2009 - $267,108) due mainly to the completion of two private placements and the exercise of stock options and warrants.

Results of Operations for the year ended December 31, 2010

The net loss for the year decreased by $9,840,912 to $7,854,554 from $17,695,466 in the prior year, mainly as a result of the Company having a lower mineral impairment charge than in prior year. Individual items contributing to this increase are as follows:

2010 vs. 2009 - Variance Analysis		
Item	**Variance Favourable / (Unfavourable)**	**Explanation**
Write-off of mineral properties	$12,466,736	Results from the Company writing down fewer of its gold and silver properties to fair market value as compared to prior year. The write down in the current year amounted to $4,311,593 compared to $16,778,329 in the prior year.
Future income tax recovery	($1,574,389)	The prior year tax recovery of $1,816,977 resulted from the Company applying a valuation allowance against future income tax assets not expected to be realized that did not recur to the same extent in the current year. The tax recovery in the current year amounted to $242,588.
Stock-based compensation	$1,020,583	Recognition of the option expense over the period to the next vesting date. The current expense is lower than in the prior year as a result of fewer options vesting.
Foreign exchange gain	($604,773)	Results mainly from the conversion of US monetary item balances to CAD for reporting purposes. The current year gain amounts to $205,218 compared to a gain of $809,991 in the prior year.
Amortization	($540,029)	Amortization of technology patents acquired in the last quarter of 2009 as part of the TTS acquisition. There was no equivalent charge in the prior year, hence the unfavourable variance
Salaries and benefits	$413,718	The positive variance results from a lower headcount in the current period due to lower levels of activity than in the prior year.
Interest expense	($366,921)	Interest expense in the current year 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 prior year.
General and administrative	$329,622	The favourable variance results from a reduced level of operations in the current year.
Professional fees	$159,188	Prior year's costs related to the spin-out of Golden Predator Corp. ("GPD") that did not recur in the current year.
Consulting	$156,604	The savings compared to the prior year results from the Company's efforts to reduce operations and preserve capital.
Insurance	$153,684	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.
Loss on sale of marketable securities	($70,583)	The Company incurred a loss on the sale of marketable securities in the current year.
Other income	($60,457)	The Company earned sundry revenue from the spin-out from Golden Predator Corp. in the prior year that did not recur.
Travel and entertainment	$36,725	The favourable variance results from a reduced level of operations in the current yea

Cash flow discussion for the year ended December 31, 2010 compared to December 31, 2009

The cash outflow from operating activities decreased by $1,612,040 to $1,199,109 (2009 – $2,811,149) due to a reduction in activity.
Cash outflows from investing activities increased by $789,798 to $1,327,375 (2009 - $537,577) due mainly funds paid for the acquisition of TTS and an increase in expenditures on mineral interests.

Cash inflows from financing activities increased by $3,858,272 to $6,068,472 (2009 - $2,210,200) as a result of the Company raising funds from private placements during the year and cash received from the exercise of stock options and warrants.

Summary of quarterly results

	2010				2009			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net Sales	-	-	-	-	-	-	-	-
Net Income (Loss)	(774,059)	(4,863,733)	(1,343,051)	(873,711)	(7,361,002)	(548,203)	(725,249)	(9,061,012)
Basic and diluted Net Income (Loss) per share	(0.01)	(0.04)	(0.01)	(0.01)	(0.08)	(0.01)	(0.01)	(0.13)

The net loss in the third quarter of 2010 and the fourth quarter of 2009 relates mainly to the write-down of mineral interests. There was a foreign exchange loss in the first quarter of 2009 of $7,918,977 that reversed itself to a gain of $809,991 by the end of the fourth quarter.

Financial Position

Cash

The increase in cash of $3,541,988 to $4,126,424 at December 31, 2010 (2009 - $584,436) results from proceeds from private placements and warrant and option exercises.

Marketable securities

Marketable securities decreased by $202,332 to $2,250 at December 31, 2010 (2009 - $204,582) due to the Company transferring its shares in GPD to GPD as part of a loan repayment.

Subscription receivable

Subscription receivable of $210,249 (2009 - $Nil) is from subscriptions received for the most recent private placement.

Technology and licenses

Technology and licenses decreased by $713,497 to $4,550,242 at December 31, 2010 (2009 - $5,263,739) due to amortization of the licenses over the remaining life of the underlying patents.

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 $540,650 to $34,289,873 at December 31, 2010 (2009 - $34,830,523) is due to amortization and the sale of a software asset and vehicle in the year.

Mineral interests

Mineral interests consist mainly of the Springer property, and also gold, silver, and vanadium properties. The decrease of $3,726,937 to $7,313,491 at December 31, 2010 (2009 - $11,040,428) is due mainly to the write-down of the Company's gold properties to fair market value and sale of its subsidiary, GAM, to GPD during the year.

Current liabilities

Current liabilities have decreased by $551,245 to $412,849 at December 31, 2010 (2009 – 964,094) due to the payment of amounts accrued for the TTS acquisition and a general reduction in activity which has been partially offset by advances from a related party.

Future Income tax liability

Future income tax liability decreased by $242,588 to $1,547,083 at December 31, 2010 (2009 - $1,789,671) results from the non-deductibility in Canada for tax purposes of the portion of the TTS purchase price allocated to Technology and Patents on consolidation being amortized.

Promissory note payable

The promissory note payable decreased by $221,240 to $4,250,000 at December 31, 2010 (2009 - $4,471,240 which is attributable to a change in foreign exchange on conversion of the USD designated promissory notes to CAD for reporting purposes.

Shareholders' equity

Share capital increased by $6,248,914 to $88,230,008 at December 31, 2010 (2009 - $81,981,094) as a result of the completion of private placements for aggregate proceeds of $4,700,312 and the exercise of warrants and stock options for total proceeds of $1,548,602 as further discussed in "Liquidity and Capital Resources" below.

The contributed surplus increased by $1,023,734 to $2,003,345 at December 31, 2010 (2009 - $979,611) as a result of stock options issued and adjustments due to the exercise of stock options.

Liquidity and Capital Resources

At December 31, 2010, the Company had a working capital of $4,059,156 including cash of $4,126,424 as compared to a working capital of $100,684 including cash of $584,436 at December 31, 2009. Also included in working capital, at December 31, 2010, were marketable securities with a market value of $2,250 (December 31, 2009 - $204,582).

During the year ended December 31, 2010, the Company received cash of $6,068,472 (2009 - $2,210,200) for stock issuances. At December 31, 2010, the Company had an aggregate 23,792,485 share purchase warrants exercisable, between $0.15 and $2.68 per share which have the potential upon exercise to convert to approximately $44,365,064 in cash over the next two years. Further, a total of 11,473,750 stock options exercisable between $0.10 and $2.15 have the potential upon exercise to generate a total of $2,076,063 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.

Outstanding share data

At the date of this report the Company has 150,484,412 issued and outstanding common shares, 11,523,750 outstanding stock options currently vested at a weighted average exercise price of $0.19, and 20,380,072 outstanding warrants at a weighted average exercise price of $2.13.

Off-balance sheet arrangements

At December 31, 2010, 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

Related party transactions note disclosed elsewhere are summarized as follows:

During fiscal 2010, the Company paid or accrued management fees of $Nil (2009 - $334,200) to a Company controlled by a director of the Company.

During fiscal 2010, the Company paid or accrued consulting fees of $46,175 (2009 - $Nil) to the former CEO of the Company and paid or accrued consulting fees of $137,247 (2009 - $Nil) to the current CEO and president 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.

During fiscal 2010, the Company sold software with a net book value of $103,134 to a Company with previously common directors.

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.

Carrying value of mineral interests

The Company has capitalized the cost of acquiring mineral interests and on-going exploration and maintenance costs. Capitalized property costs are expensed in the period in which the Company determines that the mineral interests have no future economic value. Capitalized property costs may also be written down if future cash flow, including potential sales proceeds and option payments, related to the property are estimated to be less than the carrying value of the property. The Company reviews the carrying value of its mineral properties periodically, and whenever events or changes in circumstances indicate the carrying value may not be recoverable, reductions in the carrying value of each property would be recorded to the extent that the carrying value of the investment exceeds the property's estimated fair value. Such events or changes in circumstances involve changes in political risk, economic risk, commodity prices, exchange rates, and interest rates among others.

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.

Changes in account policies

The following CICA guidelines were adopted by the Company:

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.

Adoption of IFRS

The Canadian Accounting Standards Board ("AcSB") has announced its decision to replace Canadian generally accepted accounting principles ("GAAP") with International Financial Reporting Standards (IFRS) for all Canadian Publicly Accountable Enterprises ("PAEs"). The effective changeover date is January 1, 2011, at which time Canadian GAAP will cease to apply for the Company and will be replaced by IFRS. Following this timeline, the Company will issue its first set of interim financial statements prepared under IFRS in the second quarter of 2011 including comparative IFRS financial results and an opening balance sheet as at January 1, 2010. The first annual IFRS consolidated financial statements will be prepared for the year ended December 31, 2011 with restated comparatives for the year ended December 31, 2010.

Management has developed a project plan for the conversion to IFRS based on the current nature of operations. The conversion plan is comprised of three phases: 1) Scoping phase which will assess the overall impact and effort required by the Company in order to transition to IFRS; 2) Planning phase which will include a detailed analysis of the conversion process and implementation plan required for disclosure for the Company's first quarter; and, 3) Transition phase which will include the preparation of an IFRS compliant opening balance sheet as at May 1, 2010, any necessary conversion adjustments and reconciliations, preparation of a fully compliant set of IFRS financial statements including all note disclosures.

Management has completed phase one, IFRS Scoping phase, and is now advancing through phase two, the Planning stage. Management prepared a component evaluation of its existing financial statement line items, comparing Canadian GAAP to the corresponding IFRS guidelines, and has identified a number of differences. Many of the differences identified are not expected to have a material impact on the reported results and financial position.

Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as of the date of the first comparative balance sheet presented based on standards applicable at that time.

IFRS 1, "First-Time Adoption of International Financial Reporting Standards", provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. During the third quarter of 2011, management will prepare a presentation to the Audit Committee and the Board of Directors which will focus on the key issues and transitional choices under IFRS 1 applicable to the Company.

Set out below are the most significant areas, management has identified to date, where changes in accounting policies may have the highest potential impact on the Company's consolidated financial statements.

Impairment of Assets

Canadian GAAP generally uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing asset carrying values with discounted cash flows. International Accounting Standard ("IAS") 36, "Impairment of Assets" uses a one-step approach for both testing and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This may potentially result in write downs where the carrying value of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis.

Share Based Payments

IFRS and Canadian GAAP largely converge on the accounting treatment for share – based transactions with only a few differences.

Canadian GAAP allows either accelerated or straight line method of amortization for the fair value of stock options under graded vesting. Currently, the Company is using the grading accelerated method and therefore the adoption of IFRS 2 is not expected to have an impact on the Company's financial statements.

Under IFRS, the estimate for forfeitures must be made when determining the number of equity instruments expected to vest, while under Canadian GAAP forfeitures can be recognized as they occur. The Company is using an estimate of forfeitures when determining the number of equity instruments expected to vest.

Upon adoption of IFRS 2, the Company will be compliant with the new standard and the adoption is not expected to have an impact on the financial statements.

Exploration and Evaluation Assets

Under the Company's current accounting policy, acquisition costs of mineral properties, together with direct exploration and development expenses incurred thereon are capitalized.

Upon adoption of IFRS, the Company has to determine the accounting policy for exploration and evaluation assets. The Company can decide to apply the International Accounting Standards Board ("IASB") Framework which requires exploration expenditures to be expensed and capitalization of expenditures only after the completion of a feasibility study or disregard the IASB Framework and keep the existing Company policy, if relevant and reliable.

Management has yet to decide on whether or not to fully adopt IFRS 6, "Exploration and Evaluation of Mineral Properties", and apply the IASB framework. If management elects to fully adopt IFRS 6, the result of the application of the IASB Framework at the transition date is not expected to have an impact on the Company's financial statements.

Property, Plant and Equipment

Under IFRS, Property, Plant and Equipment ("PP&E") can be measured at fair value or at cost while under Canadian GAAP, the Company has to carry PP&E on a cost basis.

Upon adoption of IFRS, the Company has to determine whether to elect a cost model or revaluation model. Management has yet to decide on which model to adopt. The Company does not expect that this will have an impact of the Company's financial statements.

Foreign Currency

IFRS requires that the functional currency of each entity in the consolidated group be determined separately in accordance with IAS 21 and the entity's financial results and position should be measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

As events and conditions relevant to the Company change, it will re-consider the primary and secondary indicators, as described in IAS 21, in determining the functional currency for each entity. Going forward under IFRS, management will assess the appropriate functional currency based on existing circumstances which may have a significant impact on the Company's consolidated financial statements prepared under IFRS.

Future Income Taxes

Like Canadian GAAP, deferred income taxes under IFRS are determined using the liability method for temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, and by generally applying tax rates applicable to the Company to such temporary differences. Deferred income taxes relating to temporary differences that are in equity are recognized in equity and under IFRS subsequent adjustments thereto are backward traced to equity.

IFRS prohibits recognition where deferred income taxes arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting nor taxable net earnings. The Company expects the impact of implementing IAS 12, Income Taxes to be the reversal of its future income tax liability associated with asset acquisition.

As the Company elects and approves the IFRS accounting policy for each of the areas above, management will determine and disclose impact of the IFRS adoption at the transition date on our financial statements. The International Accounting Standards Board will also continue to issue new accounting standards during the conversion period and, as a result, the final impact of IFRS on the Company's consolidated financial statements will only be measured once all the IFRS applicable accounting standards at the conversion date are known.

Based on management assessment of the information system currently used by the Company, all information required to be reported under IFRS will be available with minimal system changes.

One of the more significant impacts identified to date of adopting IFRS is the expanded presentation and disclosures required. Disclosure requirements under IFRS generally contain more breadth and depth than those required under Canadian GAAP and, therefore, will result in more extensive note disclosures. The Company is continuing to assess the level of presentation and disclosures required to its consolidated financial statements.

Adoption of US GAAP

The Company will be required to transition to US GAAP for all of its filings subsequent to December 31, 2010 once it obtains registration as US Reporting Issuer with the SEC. The company lost its Foreign Private issuer status in the US effective January 1, 2010 and will apply for SEC registration during the current year in order to become a US Reporting Issuer in order mitigate some of the share hold period restrictions that have resulted from it being deemed a US domestic corporation.

Financial instruments and other risks

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

The carrying value of receivables, accounts payable and accrued liabilities and due to related parties 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 guaranteed investment certificates 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 guaranteed investment certificates, 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 December 31, 2010, the Company had a working capital balance of $4,059,156.

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 1.00% 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.

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 Canadian 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 December 31, 2010, the Company:

a) Issued 300,000 stock options with an exercise price of $0.39 exercisable until January 18, 2013 to the employees of the Company.

b) 1,175,000 warrants were exercised for gross proceeds of $292,625.

c) 250,000 stock options were exercised for gross proceeds of $40,000.

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 Tungstenor Scandium 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 incompletion 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.