(An Exploration Stage Company)

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS AND QUARTER ENDED JUNE 30, 2012

EMC Metals Corp.
(An Exploration Stage Company)
CONDENSED CONSOLIDATED BALANCE SHEETS
(Expressed in Canadian Dollars) (Unaudited)

As at:		June 30, 2012		December 31, 2011
ASSETS				
Current				
Cash	$	1,003,662	$	804,892
Investments in trading securities, at fair value (Note 3)		2,250		2,250
Prepaid expenses and receivables		191,451		192,158
Total Current Assets		1,197,363		999,300
Restricted cash (Note 4)		159,400		159,400
Property, plant and equipment (Note 5)		30,547,925		30,676,426
Mineral interests (Note 6)		746,322		679,711
Total Assets	$	32,651,010	$	32,514,837
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	$	270,989	$	550,081
Current portion of promissory notes payable (Note 9)		-		529,752
Total Current Liabilities		270,989		1,079,833
Convertible debenture (Note 10)		1,784,066		-
Promissory notes payable (Note 9)		4,713,658		3,813,750
Total Liabilities		6,768,713		4,893,583
Stockholders' Equity				
Capital stock (Note 11) (Authorized: Unlimited number of shares; Issued and outstanding: 150,678,713 (2011 – 150,678,713))		88,578,045		88,578,045
Treasury stock (Note 12)		(1,343,333)		(1,343,333)
Additional paid in capital (Note 11)		1,929,394		1,476,285
Deficit accumulated during the exploration stage		(63,281,809)		(61,089,743)
Total Stockholders' Equity		25,882,297		27,621,254
Total Liabilities and Stockholders' Equity	$	32,651,010	$	32,514,837

Nature and continuance of operations (Note 1)

Subsequent event (Note 15)

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

EMC Metals Corp.
(An Exploration Stage Company)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars) (Unaudited)

	Cumulative amounts from incorporation on July 17, 2006 to June 30, 2012	Three month period ended June 30, 2012	Three month period ended June 30, 2011	Six month period ended June 30, 2012	Six month period ended June 30, 2011
EXPENSES					
Amortization	$ 2,412,720	$ 58,332	$ 86,333	$ 128,501	$ 174,971
Consulting	2,368,414	81,468	69,278	96,173	150,577
Exploration	14,851,163	87,664	529,877	425,458	593,368
General and administrative	7,632,396	268,851	165,097	350,933	202,297
Insurance	993,825	23,150	4,491	35,947	16,858
Professional fees	3,196,071	60,834	82,644	145,055	104,980
Research and development	3,474,068	-	-	-	-
Salaries and benefits	7,129,782	258,131	131,019	420,593	281,674
Stock-based compensation (Note 11)	5,613,394	161,059	59,463	199,719	127,195
Travel and entertainment	1,657,206	16,902	35,341	47,239	94,220
Loss before other items	(49,329,039)	(1,016,391)	(1,163,543)	(1,849,618)	(1,746,140)
OTHER ITEMS					
Foreign exchange gain (loss)	383,401	(253,517)	139,806	(142,236)	217,452
Loss on transfer of marketable securities	(3,115,889)	-	-		
Gain on settlement of convertible debentures	1,449,948	-	-		
Gain on sale of marketable securities	1,836,011	-	-		
Write-off of mineral interests	(18,091,761)	-	-		
Write-off of land and water rights	(3,100,000)	-	-		
Gain on insurance proceeds	972,761	-	-		
Interest income (expense)	47,006	(116,253)	(58,182)	(200,212)	(129,422)
Other income	502,965	-	-		
Gain on disposition of assets (Note 6)	959,281	-	491,897		491,897
Change in fair value of derivative liability (Note 8)	485,358	-	-		228,741
Unrealized gain on marketable securities	53,830	-	-		
	(17,617,089)	(369,770)	573,521	(342,448)	808,668
Loss before income taxes	(66,946,128)	(1,386,161)	(590,022)	(2,192,066)	(937,472)
Deferred income tax recovery	6,522,138	-	-		
Loss and comprehensive loss for the period	$ (60,423,990)	$ (1,386,161)	$ (590,022)	$ (2,192,066)	$ (937,472)
Basic and diluted loss per common share		(0.00)	(0.00)	(0.01)	(0.01)
Weighted average number of common shares outstanding		150,678,713	150,384,412	150,678,713	150,120,292

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

EMC Metals Corp.
(An Exploration Stage Company)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars) (Unaudited)

	Cumulative amounts from incorporation on July 17, 2006 to June 30, 2012	Six month period ended June 30, 2012	Six month period ended June 30, 2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period	$ (60,423,990)	$ (2,192,066)	$ (937,472)
Items not affecting cash:			
Amortization	2,412,720	128,501	174,971
Research and development	3,474,068	-	-
Consulting paid with common shares	10,711	-	-
Gain on disposal of assets	(959,281)	-	(474,482)
Convertible debenture costs	(1,312,878)	-	-
Unrealized foreign exchange	926,672	139,560	(147,010)
Stock-based compensation	5,613,394	199,719	127,195
Unrealized gain on marketable securities	(53,830)	-	-
Realized gain on marketable securities	(1,836,011)	-	-
Write-off of mineral properties	18,091,761	-	-
Write-off of land and water rights	3,100,000	-	-
Realized loss on transfer of marketable securities	3,115,889	-	-
Change in fair value of derivative liability	(485,358)	-	(228,741)
Deferred income tax recovery	(6,522,138)	-	-
Accrued interest expense	21,252	-	-
Finance charge	131,178	131,178	-
Accrued interest income	(2,809)	-	-
	(34,698,650)	(1,593,108)	(1,485,539)
Changes in non-cash working capital items:			
Decrease (increase) in prepaids and receivables	(124,901)	707	(62,246)
Decrease in accounts payable and accrued liabilities	(791,920)	(279,092)	(76,268)
Increase in due to related parties	1,163,028	-	-
Asset retirement obligations	(1,065,891)	-	-
	(35,518,334)	(1,871,493)	(1,624,053)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash acquired from subsidiary	4,857,012	-	-
Cash paid for Subsidiary	(11,359,511)	-	-
Spin-out of Golden Predator Corp.	(76,388)	-	-
Restricted cash	(159,400)	-	-
Reclamation bonds	795,785	-	-
Proceeds from sale of marketable securities, net	(4,135,798)	-	-
Proceeds from sale of property, plant and equipment	675,742	-	-
Purchase of property, plant and equipment	(21,255,448)	-	(37,484)
Proceeds from sale of mineral interests	500,000	-	500,000
Additions to unproven mineral interests	(4,783,673)	(1,610,155)	(136,609)
Recoveries from unproven mineral interests	1,452,095	1,452,095	-
	(33,489,584)	(158,060)	325,907
CASH FLOWS FROM FINANCING ACTIVITIES			
Common shares issued	55,521,421	-	210,249
Share issuance costs	(1,277,713)	-	-
Special warrants	13,000,000	-	-
Options exercised	384,900	-	43,000
Warrants exercised	11,164,849	-	298,099
Notes payable	(9,966,000)	-	-
Receipt of promissory note	997,000	997,000	-
Convertible debenture	1,994,000	1,994,000	-
Debt issuance costs	(249,827)	(249,827)	-
Payment of promissory note	(1,773,550)	(512,850)	-
Advances from related party	216,500	-	-
Loans advanced to Midway	(2,000,000)	-	-
Loan repayment from Midway	2,000,000	-	-
	70,011,580	2,228,323	551,348
Change in cash during the period	1,003,662	198,770	(746,798)
Cash, beginning of period	-	804,892	4,126,424
Cash, end of period	$ 1,003,662	$ 1,003,662	$ 3,379,626

Supplemental disclosure with respect to cash flows (Note 14)

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

EMC Metals Corp.
(An Exploration Stage Company)
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Expressed in Canadian Dollars) (Unaudited)

	Capital Stock					
	Number of Shares	Amount	Additional Paid in Capital	Treasury	Deficit Accumulated During the Exploration Stage	Total
		$	$	$	$	$
Balance, July 17, 2006	-	-	-	-	-	-
Private placements	5,000,000	3,500,000	-	-	-	3,500,000
Excess of exchange amount over carrying amount of Springer Mining Company	-	-	-	-	(2,857,819)	(2,857,819)
Loss for the period	-	-	-	-	(357,670)	(357,670)
Balance, December 31, 2006	5,000,000	3,500,000	-	-	(3,215,489)	284,511
Private placements	17,577,500	35,155,000	-	-	-	35,155,000
Conversion of special warrants	5,390,000	5,390,000	-	-	-	5,390,000
Exercise of warrants	50,000	75,000	-	-	-	75,000
Share issuance costs – broker's fees	-	(1,215,074)	99,000	-	-	(1,116,074)
Share issuance costs – shares issued	100,000	100,000	-	-	-	100,000
Shares issued for mineral properties	100,000	100,000	-	-	-	100,000
Stock-based compensation	40,000	40,000	489,562	-	-	529,562
Loss for the year	-	-	-	-	(6,128,912)	(6,128,912)
Balance, December 31, 2007	28,257,500	43,144,926	588,562	-	(9,344,401)	34,389,087
Private placements	5,322,500	10,645,000	-	-	-	10,645,000
Conversion of special warrants	7,610,000	7,610,000	-	-	-	7,610,000
Share issuance costs – broker's fees	-	(261,638)	-	-	-	(261,638)
Shares issued for mineral properties	110,000	210,000	-	-	-	210,000
Acquisition of Gold Standard Royalty Corp.	2,050,000	4,100,000	143,017	-	-	4,243,017
Acquisition of Great American Minerals Inc.	1,045,775	2,091,550	426,672	-	-	2,518,222
Acquisition of Fury Explorations Ltd.	10,595,814	13,774,558	7,787,783	(2,087,333)	-	19,475,008
Exercise of stock options	6,637,224	10,027,915	(184,265)	-	-	9,843,650
Shares issued for repayment of promissory note	4,728,000	2,364,000	-	-	-	2,364,000
Stock-based compensation	-	-	2,324,458	-	-	2,324,458
Loss for the year	-	-	-	-	(17,968,454)	(17,968,454)
Balance, December 31, 2008	66,356,813	93,706,311	11,086,227	(2,087,333)	(27,312,855)	75,392,350
Private placements	14,500,000	1,190,000	-	-	-	1,190,000
Exercise of stock options	101,000	126,186	(105,986)	-	-	20,200
Shares issued for mineral properties	2,765,643	367,695	-	-	-	367,695
Settlement of convertible debentures	7,336,874	2,934,752	62,903	-	-	2,997,655
Shares issued for consulting	89,254	10,711	-	-	-	10,711
Shares issued for acquisition of TTS	19,037,386	2,094,112	-	-	-	2,094,112
Stock-based compensation before spin-out	-	-	836,240	-	-	836,240
Spin-out of GPD	-	(18,540,194)	(11,879,384)	-	-	(30,419,578)
Stock-based compensation after spin-out	-	-	979,611	-	-	979,611
Loss for the year	-	-	-	-	(21,645,581)	(21,645,581)
Balance, December 31, 2009	110,186,970	81,889,573	979,611	(2,087,333)	(48,958,436)	31,823,415
Private placements	30,252,442	4,700,312	454,768	-	-	5,155,080
Exercise of stock options	1,320,000	456,602	(226,302)	-	-	230,300
Exercise of warrants	7,300,000	1,092,000	-	-	-	1,092,000
Stock-based compensation	-	-	795,268	-	-	795,268
Loss for the year	-	-	-	-	(4,722,755)	(4,722,755)
Balance, December 31, 2010	149,059,412	88,138,487	2,003,345	(2,087,333)	(53,681,191)	34,373,308
Exercise of stock options	250,000	118,959	(75,959)	-	-	43,000
Exercise/expiry of warrants	1,369,301	320,599	(744,000)	744,000	-	320,599
Stock-based compensation	-	-	292,899	-	-	292,899
Loss for the year	-	-	-	-	(7,408,552)	(7,408,552)
Balance, December 31, 2011	150,678,713	88,578,045	1,476,285	(1,343,333)	(61,089,743)	27,621,254
Stock-based compensation			199,719			199,719
Issue of convertible debenture warrants			253,390			253,390
Loss for the period					(2,192,066)	(2,192,066)
Balance, June 30, 2012	150,678,713	88,578,045	1,929,394	(1,343,333)	(63,281,809)	25,882,297

The accompanying notes are an integral part of these condensed 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 licenses 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, Australia, and Norway. The Company's principal asset, the Springer Tungsten mine and mill, is currently not operating, and the Company is now working to restart mine operations because of a sustained tightening of supply and accompanying price increases in tungsten markets. To June 30, 2012, 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 condensed consolidated financial statements have been prepared on a going concern basis that 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 restart its Springer tungsten mill and advance the Nyngan property. 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. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern. 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 affect the future assessment of the Company as a going concern.

2. BASIS OF PRESENTATION

Basis of presentation

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"). The interim condensed consolidated financial statements include the consolidated accounts of EMC Metals Corp. (the "Company") and its wholly-owned subsidiaries with all significant intercompany transactions eliminated. In the opinion of management, all adjustments necessary for a fair statement of the consolidated financial position, results of operations and cash flows for the interim periods have been made. Certain information and footnote disclosures normally included in the consolidated financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such SEC rules and regulations. These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2011, in our Annual Report on Form 10-K filed with the SEC on February 14, 2012. Operating results for the three-month and six-month periods ended June 30, 2012, are not necessarily indicative of the results for the year ending December 31, 2012.

Use of estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair value of financial assets and liabilities

The Company measures the fair value of financial assets and liabilities based on US GAAP guidance which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

The Company classifies financial assets and liabilities as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities depending on their nature. Financial assets and financial liabilities are recognized at fair value on their initial recognition, except for those arising from certain related party transactions which are accounted for at the transferor's carrying amount or exchange amount.

Financial assets and liabilities classified as held-for-trading are measured at fair value, with gains and losses recognized in net income. Financial assets classified as held-to-maturity, loans and receivables, and financial liabilities other than those classified as held-for-trading are measured at amortized cost, using the effective interest method of amortization. Financial assets classified as available-for-sale are measured at fair value, with unrealized gains and losses being recognized as other comprehensive income until realized, or if an unrealized loss is considered other than temporary, the unrealized loss is recorded in income.

Financial instruments, including receivables, accounts payable and accrued liabilities, convertible debentures and promissory notes payable are carried at cost, which management believes approximates fair value due to the short term nature of these instruments. Investments in trading securities are classified as held for trading, with unrealized gains and losses being recognized in income.

(Expressed in Canadian Dollars) (Unaudited)

2. BASIS OF PRESENTATION (cont'd…)

The following table presents information about the assets that are measured at fair value on a recurring basis as of June 30, 2012, and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability, and included situations where there is little, if any, market activity for the asset:

Fair value of financial assets and liabilities

	June 30, 2012	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash and restricted cash	$ 1,163,062	$ 1,163,062	$ —	$ —
Investments in trading securities	$ 2,250	$ 2,250	$ —	$ —
Total	$ 1,165,312	$ 1,165,312	$ —	$ —

The fair values of cash, restricted cash and investments in trading securities are determined through market, observable and corroborated sources.

Recently Adopted and Recently Issued Accounting Standards

The Company reviewed significant newly issued accounting pronouncements and concluded that they are either not applicable to the Company's business or that no material effect is expected on the consolidated financial statements as a result of future adoption.

3. INVESTMENTS IN TRADING SECURITIES

At June 30, 2012, the Company held investments classified as trading securities, which consisted of various equity securities. All trading securities are carried at fair value. As of June 30, 2012, the fair value of trading securities was $2,250 (December 31, 2011 – $2,250).

4. RESTRICTED CASH

The Company has a Bank of Montreal line of credit of up to $159,400 as a deposit on the Company's Vancouver office lease and is secured by a short-term investment of $159,400 bearing interest at prime less 2.05% maturing on May 8, 2014, contemporaneous with the date the office lease expires.

5. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2012			December 31, 2011		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land and water rights	$ 4,673,958	$ -	$ 4,673,958	$ 4,673,958	$ -	$ 4,673,958
Plant and equipment	25,618,528	-	25,618,528	25,618,528	-	25,618,528
Cosgrave plant and equipment	375,763	340,884	34,879	375,763	303,308	72,455
Building	222,685	52,005	170,680	222,685	46,438	176,247
Automobiles	179,767	163,997	15,770	179,767	159,432	20,335
Computer equipment	364,697	364,120	577	364,697	363,888	809
Small tools and equipment	963,537	942,575	20,962	963,537	863,583	99,954
Office equipment	134,691	122,120	12,571	134,691	120,551	14,140
	$ 32,533,626	$ 1,985,701	$30,547,925	$ 32,533,626	$ 1,857,200	$ 30,676,426

Land and water rights are in respect of properties in Nevada. The plant and equipment is comprised of the Springer Plant and Mill in Nevada which is currently under care and maintenance.

(Expressed in Canadian Dollars) (Unaudited)

5. PROPERTY, PLANT AND EQUIPMENT (cont'd…)

Impairment of land and water rights

During the year ended December 31, 2011, the Company reviewed the carrying value of its land and water rights for impairment and compared the carrying value to the estimated recoverable amount and wrote down its land and water rights by $3,100,000.

6. MINERAL INTERESTS

June 30, 2012		Other		Tungsten		Total
Acquisition costs						
Balance, December 31, 2011	$	482,260	$	197,451	$	679,711
Additions		66,611		-		66,611
Sold		-		-		-
Balance, June 30, 2012	$	548,871	$	197,451	$	746,322

December 31, 2011		Other		Tungsten		Total
Acquisition costs						
Balance, December 31, 2010	$	300,000	$	203,020	$	503,020
Additions		182,260		2,534		184,794
Sold		-		(8,103)		(8,103)
Balance, December 31, 2011	$	482,260	$	197,451	$	679,711

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 is in good standing.

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

Fostung Property

The Company held a 100% interest certain mineral claims known as the Fostung Property, Ontario. During the year ended December 31, 2011, the Company sold these claims for $500,000 and recorded a gain on the sale of $491,897.

SCANDIUM PROPERTIES

Nyngan, New South Wales Property

On February 5, 2010, the Company entered in to an earn-in agreement with Jervois Mining Limited ("Jervois"), whereby it would acquire a 50% interest in the Nyngan Scandium property located in New South Wales, Australia. In order for the Company to earn its 50% interest, which is subject to a 2% Net Smelter Royalty (NSR), the Company paid an initial cash sum of $300,000 to Jervois, and was additionally required to meet two additional work steps:

a) Incur exploration and metallurgical work expenditures of A$500,000 (CAD$466,000) within 180 business days of the conditions precedent being satisfied, or pay cash in lieu thereof. The Company received a six month extension to complete its exploration spending commitment, which it met in advance of the extended deadline in Q2, 2011.

b) Deliver a feasibility study on the Nyngan Scandium Project to Jervois, and pay Jervois an additional cash payment of A$1,300,000 plus GST, by a deadline of February 28, 2012,

6. MINERAL INTERESTS (cont'd..)

c) On February 24, 2012, the Company delivered to Jervois the A$1.43 million cash payment and an independent NI 43-101 report entitled "***Technical Report on the Feasibility of the Nyngan Scandium Project***" dated February 23, 2012 (the "Report"), which was compiled by SNC-Lavalin.

d) On February 27, 2012 EMC, received written notice from Jervois rejecting the Report for the stated reason that the Report does not fall within the definition of "Feasibility Study" provided in the Agreement. Jervois also returned the cash payment. The Company believes that it has fully met the conditions under the Agreement to earn its 50% joint venture interest in the Project and will take all lawful steps to secure its proprietary rights to the 50% joint venture interest.

On March 23, 2012, the Company announced that, following discussions with Jervois, the parties agreed to engage in further without prejudice communications in an attempt to resolve the dispute. Those discussions have now ceased and on June 22, 2012, the Company received notification that Jervois had filed a lawsuit against it in the Supreme Court of Victoria, Australia. The lawsuit contends that JV Agreement was automatically terminated because the Report delivered by EMC failed to meet the standards set out in the agreement, The formal Dispute Notice has no force and effect as the JV Agreement was effectively terminated by Jervois and that EMC must remove legal claims placed on the Nyngan property by EMC that prevent Jervois from transferring property interests. EMC is taking all lawful steps to secure its proprietary rights to a 50% joint venture interest.

Tordal and Evje-Iveland properties, Norway

The Company has entered into an earn-in agreement with REE Mining AS ("REE"), whereby the Company has an option to earn up to a 100% interest in the Tordal and Evje-Iveland properties. To earn its interest, the Company must pay REE US$630,000, including an initial cash payment of US$130,000 (paid) and issue 1,000,000 common shares.

The Company is also required to incur US$250,000 of exploration work to be completed over 18 months from the date of closing in order to acquire its interest. The Company shall also issue 250,000 common shares upon releasing the second of two full feasibility studies on the two properties.

Fairfield property, Utah

The Company has entered into an earn-in agreement with Mineral Exploration Services LLC, whereby the Company has an option to earn a 100% interest in a patented mining claim and former scandium property known as The Little Green Monster near Fairfield, Utah.

The Company is required to pay US$380,000 over a 3 year period from the date of closing in order to acquire its interest. Mineral Exploration Services LLC maintains a production right of US$5 per ton of resource mined up to US$500,000.

Hogtuva property, Norway

The Company has entered into an earn-in agreement with REE Mining AS ("REE"), whereby the Company has an option to earn a 100% interest in three scandium and beryllium exploration sites in Norway. To earn 100% of the exploration rights, the Company must pay REE US$150,000 over 18 months, including an initial cash payment of US$50,000 (paid) and issue up to 200,000 common shares. In consideration for paying the Company US$200,000, REE may elect to accelerate the Company's option to earn a 100% interest in the properties.

7. RELATED PARTY TRANSACTIONS

A promissory note due to a director of the Company (principal balance of US$500,000) matured and was paid during June 2012. The promissory note was issued as part of the purchase of a subsidiary company during November 2009.

8. DERIVATIVE LIABILITY

The Company evaluated the application of SFAS 133 and EITF 00-19 for the settlement of convertible debentures through the issuance of shares and warrants. Based on the guidance in SFAS 133 and EITF 00-19, the Company concluded that the warrants were required to be accounted for as derivatives. The warrants issued pursuant to the settlement were in a functional currency different than that of the Company and therefore met the attributes of a liability. The Company is required to record the fair value of these warrants on its balance sheet at fair value with changes in the values of these derivatives reflected in the statement of operations.

The Company uses the Black-Scholes valuation model for calculation of the fair value of derivative liabilities. The Company uses volatility rates based upon the closing stock price of its common stock. The Company uses a risk-free interest rate which is the bank

of Canada rate with a maturity that approximates the estimated expected life of a derivative. The Company uses the closing market price of the common stock on the date of issuance of a derivative or at the end of a quarter when a derivative is valued at fair value.

8. DERIVATIVE LIABILITY

(Expressed in Canadian Dollars) (Unaudited)

8. DERIVATIVE LIABILITY (cont'd…)

The volatility was 100%, the risk-free interest rate was 1%, a dividend rate of 0%, and the expected life was 0.17 respectively, during the year ending December 31, 2010.

During the year ended December 31, 2011, the warrants expired and the derivative liability was valued at $Nil resulting in a change in fair value of $228,741 realized through the statement of operations.

9. PROMISSORY NOTES PAYABLE

		June 30, 2012		December 31, 2011
Promissory note with a principal balance of US$500,000, bearing interest at prime per annum, maturing June 30, 2012 due to a director of the Company secured by the stock of a subsidiary company.	$	Nil	$	529,752
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 equity 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.		3,821,625		3,813,750
During the period ended June 30, 2012 the Company completed a USD$3,000,000 loan financing (note 10) which included a USD $1,000,000 note payable bearing interest at 7% per annum maturing August 15, 2013. Presented is this principal balance less financing and costs which are amortized over the term of the debt using the effective interest method. This resulted in a carrying amount of $892,033 upon deducting a debt discount of $127,067 from the principal balance of $1,019,100 (USD $1,000,000).		892,033		
		4,713,658		4,343,502
Less: current portion		Nil		(529,752)
	$	4,713,658	$	3,813,750

10. CONVERTIBLE DEBENTURE

On February 17, 2012, the Company completed a USD $3,000,000 loan financing consisting of a term loan of USD $1,000,000 (Note 9), a convertible debenture of USD $2,000,000 and warrants to acquire 3,000,000 common shares. The convertible debenture has a maturity date of August 15, 2013 and bears interest at 7% per annum. The lender may convert a maximum of USD $2,000,000 of the principal amount of the loan into 10,000,000 common shares of the Company. There was no beneficial conversion feature associated with the conversion option. The warrants are exercisable at $0.20 per share expiring February 15, 2014. A relative fair value of $217,267 was assigned to the warrants and recorded in additional paid in capital. The Company paid financing cost of $249,827 and also issued 750,000 purchase warrants exercisable at $0.20 per share expiring February 15, 2014. These warrants were valued at $58,716 and recorded in additional paid in capital. The financing costs were allocated between debt and the equity components. This resulted in a convertible debenture carrying amount of $1,784,066 upon deducting a debt discount of $254,134 from the principal balance of $2,038,200 (USD $2,000,000).

11. CAPITAL STOCK AND ADDITIONAL PAID IN CAPITAL

On December 3, 2010, the Company issued 18,929,740 common shares at a value of $0.19 per common share for total proceeds of $3,596,651.A total of $210,249 was received during fiscal 2011.

On November 25, 2010, the Company issued 6,100,000 units at a value of $0.10 per unit for total proceeds of $610,000. Each unit consisted of one common share and one-half of one share purchase warrant exercisable at $0.18 expiring on November 25, 2011. The warrants have a calculated total fair value of $142,358 using the Black-Scholes pricing model with a volatility of 142.52%, risk-free rate of 1.73%, expected life of 1 year, and a dividend rate of 0%.

On June 30, 2010, the Company issued 2,947,702 units at a value of $0.10 per unit for total proceeds of $294,770. Each unit consisted of one common share and one-half of one share purchase warrant exercisable at $0.18 until June 30, 2011. The warrants

11. CAPITAL STOCK AND ADDITIONAL PAID IN CAPITAL (cont'd…)

have a calculated total fair value of $35,638 using the Black-Scholes pricing model with a volatility of 123.84%, risk-free rate of 1.39%, expected life of 1 year, and a dividend rate of 0%.

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 February 17, 2011. The warrants have a calculated total fair value of $78,113 using the Black-Scholes pricing model with a volatility of 131.19%, risk-free rate of 1.34%, expected life of 1 year, and a dividend rate of 0%. All of the warrants were exercised during fiscal 2011.

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

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

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

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. ("Fury"), a subsidiary of GPD, under the plan of Arrangement of 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 January 21, 2009, the Company issued 66,784 common shares at a value of $0.20 per share for the Guijoso property for Fury.

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 November 17, 2008, the Company issued 76,274 common shares in connection with the acquisition of the subsidiary, Great American Minerals Inc.

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

In July 2008, the Company completed a private placement consisting of 2,500,000 common shares at $2.00 per share for proceeds of $5,000,000. In connection with this private placement the Company paid a finder's fee of $250,000.

In January 2008, the Company completed a private placement consisting of 2,822,500 units at $2.00 per unit for gross proceeds of $5,645,000. Included in the proceeds was $3,620,000 received in advance as of December 31, 2007. Each unit consisted of one common share and one half of one share purchase warrant. Each whole warrant entitled the holder to acquire one additional common share at $3.00 for a period of 12 months.

In November 2007, the Company completed private placements consisting of 17,577,500 units at $2.00 per unit for proceeds of $35,155,000. Each unit consisted of one common share and one half of one common share purchase warrant. Each whole warrant entitled the holder to acquire one additional common share at $3.00 for a period of 12 months following the closing of the placement.

In December 2007, the Company issued 5,390,000 common shares pursuant to the conversion of special warrants. The Company paid $1,016,074 and issued 100,000 common share valued at $100,000 as issuance costs and finder's fees. The Company also granted warrants to acquire 300,000 common shares exercisable at $1.50 expiring September 22, 2008. The warrants were valued at $99,000 with the Black-Scholes option pricing model using an expected volatility of 115%, life of one year, a risk free interest rate of 4% and a dividend yield of 0%.

In December 2006, the Company issued 5,000,000 common shares at $0.70 per common share for gross proceeds of $3,500,000.

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.

(Expressed in Canadian Dollars) (Unaudited)

11. CAPITAL STOCK AND ADDITIONAL PAID IN CAPITAL (cont'd…)

Stock option 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, 2010	23,792,485	$ 1.82	11,473,750	$ 0.18
Granted	-	-	1,470,000	0.28
Cancelled	(22,423,184)	1.97	(845,000)	0.22
Exercised	(1,369,301)	0.24	(250,000)	0.17
Outstanding, December 31, 2011	-	-	11,848,750	0.19
Granted	3,750,000	0.20	2,335,000	0.08
Cancelled	-	-	(750,000)	0.24
Exercised	-	-	-	-
Outstanding, June 30, 2012	3,750,000	$ 0.20	13,433,750	$ 0.17
Number currently exercisable	3,750,000	$ 0.20	12,335,750	$ 0.17

As at June 30, 2012, incentive stock options were outstanding as follows:

	Number of options	Exercise Price	Expiry Date
Options	182,500	$ 0.200	July 26, 2012 *
	5,000	1.000	July 26, 2012 *
	40,000	0.200	October 4, 2012
	15,000	1.000	October 4, 2012
	220,000	0.390	January 18, 2013
	152,500	0.200	February 25, 2013
	100,000	2.000	February 25, 2013
	100,000	0.200	March 4, 2013
	90,000	0.200	May 13, 2013
	5,000	2.150	May 13, 2013
	50,000	0.200	June 2, 2013
	30,000	0.200	August 20, 2013
	645,000	0.200	October 31, 2013
	652,500	0.300	January 23, 2014
	50,000	0.300	February 26, 2014
	1,245,000	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
	1,071,250	0.250	January 4, 2015
	4,800,000	0.100	November 5, 2015
	120,000	0.310	April 27, 2013
	250,000	0.315	May 4, 2016
	500,000	0.250	May 16, 2016
	300,000	0.155	September 15, 2016
	2,335,000	0.080	April 24, 2017
	13,433,750		

* Subsequent to June 30, 2012, these options expired unexercised.

(Expressed in Canadian Dollars) (Unaudited)

11. CAPITAL STOCK AND ADDITIONAL PAID IN CAPITAL (cont'd…)

As at June 30, 2012, warrants were outstanding as follows;

Warrants	Number of Warrants		Exercise Price	Expiry Date
	3,750,000	$	0.200	February 15, 2014

Stock-based compensation

During the six months ended June 30, 2012, the Company recognized stock-based compensation of $199,719 (June 30, 2011 - $127,195) in the statement of operations as a result of incentive stock options granted and vested in the current period. There were 2,335,000 stock options issued during the six months ended June 30, 2012 (June 30, 2011 – 870,000).

The weighted average fair value of the options granted in the period was $0.07 (2011 - $0.31).

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:

	2012	2011
Risk-free interest rate	0.51%	2.44%
Expected life	5 years	4.36 years
Volatility	136.82%	127.51%
Forfeiture rate	0.00%	0.00%
Dividend rate	0.00%	0.00%

12. TREASURY STOCK

	Number		Amount
Treasury shares, June 30, 2012	1,033,333	$	1,343,333
	1,033,333	$	1,343,333

Treasury shares comprise shares of the Company which cannot be sold without the prior approval of the TSX.

13. SEGMENTED INFORMATION

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

June 30,2012		Norway		Australia		United States		Total
Property, plant and equipment	$	-	$	-	$	30,547,925	$	30,547,925
Mineral interests		248,871		300,000		197,451		746,322
	$	248,871	$	300,000	$	30,745,376	$	31,294,247

December 31,2011		Norway		Australia		United States		Total
Property, plant and equipment	$	-	$	-	$	30,676,426	$	30,676,426
Mineral interests		182,260		300,000		197,451		679,711
	$	182,260	$	300,000	$	30,873,877	$	31,356,137

(Expressed in Canadian Dollars) (Unaudited)

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

		2012		2011
Cash paid during the six months ended June 30 for interest	$	139,761	$	129,422
Cash paid during the year for income taxes	$	-	$	-

Significant non-cash transactions for the six month period ended June 30, 2012 include the Company granting 750,000 share purchase warrants at a value of $58,510 as finder's fees pursuant to the promissory note and convertible debenture financings. (Note 10)

There were no significant non cash transactions for the six month period ended June 30, 2011.

15. SUBSEQUENT EVENT

Subsequent to June 30, 2012, the Company closed a private placement consisting of 11,679,624 common shares of the Company at a price of $0.06 per share for gross proceeds of $700,777.