EMC METALS CORP.

The Specialty Metals Company

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of
EMC Metals Corp.

We have audited the accompanying consolidated balance sheets of EMC Metals Corp. as of December 31, 2011 and 2010, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years ended December 31, 2011 and 2010 and for the period from incorporation on July 17, 2006 to December 31, 2011. EMC Metals Corp.'s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of EMC Metals Corp. as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years ended December 31, 2011 and 2010 and for the period from incorporation on July 17, 2006 to December 31, 2011 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming EMC Metals Corp. will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, EMC Metals Corp. generated negative cash flows from operating activities during the past year and has an accumulated deficit of $61,089,743 for the year ended December 31, 2011. This raises substantial doubt about EMC Metals Corp.'s ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

February 10, 2012

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

		December 31, 2011		December 31, 2010
ASSETS				
Current				
Cash	$	804,892	$	4,126,424
Investments in trading securities, at fair value (Note 4)		2,250		2,250
Prepaid expenses and receivables (net of allowance of $Nil (2010 - $Nil))		192,158		133,082
Subscription receivable		-		210,249
Total Current Assets		999,300		4,472,005
Restricted cash (Note 5)		159,400		-
Property, plant and equipment (Note 6)		30,676,426		34,289,873
Mineral interests (Note 7)		679,711		503,020
Total Assets	$	32,514,837	$	39,264,898
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	$	550,081	$	412,849
Derivative liability (Note 9)		-		228,741
Current portion of promissory notes payable (Note 10)		529,752		500,000
Total Current Liabilities		1,079,833		1,141,590
Promissory notes payable (Note 10)		3,813,750		3,750,000
Total Liabilities		4,893,583		4,891,590
Stockholders' Equity				
Capital stock (Note 11) (Authorized: Unlimited number of shares; Issued and outstanding: 150,678,713 (2010 – 149,059,412))		88,578,045		88,138,487
Treasury stock (Note 13)		(1,343,333)		(2,087,333)
Additional paid in capital (Note 11)		1,476,285		2,003,345
Deficit accumulated during the exploration stage		(61,089,743)		(53,681,191)
Total Stockholders' Equity		27,621,254		34,373,308
Total Liabilities and Stockholders' Equity	$	32,514,837	$	39,264,898

Nature and continuance of operations (Note 1)

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

EMC Metals Corp.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS
(Expressed in Canadian Dollars)

	Cumulative amounts from incorporation on July 17, 2006 to December 31, 2011	Year ended December 31, 2011	Year ended December 31, 2010
EXPENSES			
Amortization	$ 2,284,219	$ 327,954	$ 455,227
Consulting	2,272,241	96,615	57,243
Exploration	14,425,705	2,079,997	489,397
General and administrative	7,281,463	634,092	437,198
Insurance	957,878	67,101	147,351
Professional fees	3,051,016	214,214	263,917
Research and development	3,474,068	-	-
Salaries and benefits	6,709,189	840,288	732,617
Stock-based compensation (Note 11)	5,413,675	292,899	795,268
Travel and entertainment	1,609,967	186,193	107,601
Loss before other items	(47,479,421)	(4,739,353)	(3,485,819)
OTHER ITEMS			
Foreign exchange gain (loss)	525,637	(57,531)	205,218
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	-	(70,583)
Write-off of mineral interests	(18,091,761)	-	(1,138,432)
Write-off of land and water rights	(3,100,000)	(3,100,000)	-
Gain on insurance proceeds	972,761	-	-
Interest income (expense)	247,218	(223,008)	(301,244)
Other income	502,965	-	53,723
Gain on disposition of assets	959,281	482,599	37,256
Change in fair value of derivative liability (Note 9)	485,358	228,741	(22,874)
Unrealized gain on marketable securities	53,830	-	-
	(17,274,641)	(2,669,199)	(1,236,936)
Loss before income taxes	(64,754,062)	(7,408,552)	(4,722,755)
Deferred income tax recovery	6,522,138	-	-
Loss and comprehensive loss for the period	$ (58,231,924)	$ (7,408,552)	$ (4,722,755)
Basic and diluted loss per common share		(0.05)	(0.04)
Weighted average number of common shares outstanding		150,404,210	121,344,723

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

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

	Cumulative amounts from incorporation on July 17, 2006 to December 31, 2011	Year ended December 31, 2011	Year ended December 31, 2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period	$ (58,231,924)	$ (7,408,552)	$ (4,722,755)
Items not affecting cash:			
Amortization	2,284,219	327,954	455,227
Research and development	3,474,068	-	-
Consulting paid with common shares	10,711	-	-
Gain on disposal of assets	(959,281)	(482,599)	(37,256)
Convertible debenture costs	(1,312,878)	-	-
Unrealized foreign exchange	787,112	72,250	(220,672)
Stock-based compensation	5,413,675	292,899	795,268
Unrealized gain on marketable securities	(53,830)	-	-
Realized gain on marketable securities	(1,836,011)	-	70,583
Write-off of mineral properties	18,091,761	-	1,138,432
Write-off of land and water rights	3,100,000	3,100,000	-
Realized loss on transfer of marketable securities	3,115,889	-	-
Change in fair value of derivative liability	(485,358)	(228,741)	22,874
Deferred income tax recovery	(6,522,138)	-	-
Accrued interest expense	21,252	21,252	-
Accrued interest income	(2,809)	(2,809)	-
	(33,105,542)	(4,308,346)	(2,498,299)
Changes in non-cash working capital items:			
Increase in prepaids and receivables	(125,608)	(56,267)	142,678
Decrease in accounts payable and accrued liabilities	(512,828)	335,565	(94,913)
Increase in due to related parties	1,163,028	-	762,028
Asset retirement obligations	(1,065,891)	-	-
	(33,646,841)	(4,029,048)	(1,688,506)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash acquired from subsidiary	4,857,012	-	-
Cash paid for Subsidiary	(11,359,511)	-	(557,523)
Spin-out of Golden Predator Corp.	(76,388)	-	-
Restricted cash	(159,400)	(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	15,406	109,797
Purchase of property, plant and equipment	(21,255,448)	(40,335)	(90,252)
Proceeds from sale of mineral interests	500,000	500,000	-
Additions to unproven mineral interests	(3,173,518)	(182,003)	(300,000)
	(33,331,524)	133,668	(837,978)
CASH FLOWS FROM FINANCING ACTIVITIES			
Common shares issued	55,521,421	210,249	4,746,172
Share issuance costs	(1,277,713)	-	-
Special warrants	13,000,000	-	-
Options exercised	384,900	43,000	230,300
Warrants exercised	11,164,849	320,599	1,092,000
Notes payable	(9,966,000)	-	-
Payment of promissory note	(1,260,700)	-	-
Advances from related party	216,500	-	-
Loans advanced to Midway	(2,000,000)	-	-
Loan repayment from Midway	2,000,000	-	-
	67,783,257	573,848	6,068,472
Change in cash during the period	804,892	(3,321,532)	3,541,988
Cash, beginning of period	-	4,126,424	584,436
Cash, end of period	$ 804,892	$ 804,892	$ 4,126,424

Supplemental disclosure with respect to cash flows (Note 15)

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

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

	Capital Stock					
	Number of Shares	Amount	Additional Paid in Capital	Treasury Stock	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 C	2,050,000	4,100,000	143,017	-	-	4,243,017
Acquisition of Great American Minerals I	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 theyear	-	-	-	-	(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

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 licensesthat 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 on care and maintenance pending a sustained improvement in tungsten prices. To December 31, 2011, the Company has not commenced production and has generated no revenue. The Company's remaining properties are in the exploration or pre-exploration stage. As such, the Company is in the exploration stage and anticipates incurring significant expenditures prior to commencement of contract milling operations.

These consolidated financial statements have been prepared on a going concern basis 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 refit its Springer tungsten mill and earn its 50% interest in 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. The Company is currently working on securing additional financing to meet its needs, including a US$500,000 payment due in June 2012; 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. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of presentation

These consolidated financial statements have been prepared in conformity with generally accepted accounting principles of the United States of America ("US GAAP").

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated on consolidation.

b. 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.

c. Investment in trading securities

The Company's trading securities are reported at fair value, with unrealized gains and losses included in earnings.

d. Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated amortization, calculated as follows:

Plant and equipment	5% straight line
Building	5% straight line
Computer equipment	30% straight line
Small tools and equipment	20% straight line
Office equipment	20% straight line
Automobile	30% straight line
Leasehold improvements	Over life of the lease

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

e. Mineral properties and exploration and development costs

The costs of acquiring mineral rights are capitalized at the date of acquisition. After acquisition, various factors can affect the recoverability of the capitalized costs. If, after review, management concludes that the carrying amount of a mineral property is impaired, it will be written down to estimated fair value. Exploration costs incurred on mineral properties are expensed as incurred. Development costs incurred on proven and probable reserves will be capitalized. Upon commencement of production, capitalized costs will be amortized using the unit-of-production method over the estimated life of the ore body based on proven and probable reserves (which exclude non-recoverable reserves and anticipated processing losses).

f. Asset retirement obligations

The Company records the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development, and/or normal use of the long-lived assets. The Company also records a corresponding asset which is amortized over the life of the asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation is adjusted at the end of each period to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying the obligation (asset retirement cost).

g. Long-lived assets

Long-lived assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For purposes of evaluating the recoverability of long-lived assets, the recoverability test is performed using undiscounted net cash flows related to the long-lived assets. If such assets are considered to be impaired, the impairment recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

h. Income taxes

The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under the asset and liability method the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recognized if it is more likely than not that some part or all of the deferred tax asset will not be recognized.

i. Loss per share

Basic loss per common share is computed using the weighted average number of common shares outstanding during the year. To calculate diluted loss per share, the Company uses the treasury stock method and the if converted method. As of December 31, 2011, there were Nil warrants (2010 – 23,792,485) and 11,848,750 options (2010 – 11,473,750) outstanding which have not been included in the weighted average number of common shares outstanding as these were anti-dilutive.

j. Foreign exchange

The Company's functional currency is the Canadian dollar. Any monetary assets and liabilities that are in a currency other than the Canadian dollar are translated at the rate prevailing at year end. Revenue and expenses in a foreign currency are translated at rates that approximate those in effect at the time of translation. Gains and losses from translation of foreign currency transactions into Canadian dollars are included in current results of operations.

k. Stock-based compensation

The Company accounts for stock-based compensation under the provisions of Accounting Standard Codification ("ASC") 718, "Compensation-Stock Compensation". Under the fair value recognition provisions, stock-based compensation expense is measured at the grant date for all stock-based awards to employees and directors and is recognized as an expense over the requisite service period, which is generally the vesting period. The Black-Scholes option valuation model is used to calculate fair value.

l. Financial instruments

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

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

m. Concentration of credit risk

The financial instrument which potentially subjects the Company to concentration of credit risk is cash. The Company maintains cash in bank accounts that, at times, may exceed federally insured limits. As of December 31, 2011 and 2010, the Company has exceeded the federally insured limit. The Company has not experienced any losses in such amounts and believes it is not exposed to any significant risks on its cash in bank accounts.

n. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

o. 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, subscriptions receivable, accounts payable and accrued liabilities, 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.

The following table presents information about the assets that are measured at fair value on a recurring basis as of December 31, 2011, 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

	December 31, 2011	Quoted Prices in ActiveMarkets (Level 1)	SignificantOther ObservableInputs (Level 2)	Significant UnobservableInputs (Level 3)
Assets:				
Cash and restricted cash	$ 964,292	$ 964,292	$ —	$ —
Investments in trading securities	$ 2,250	$ 2,250	$ —	$ —
Total	$ 966,542	$ 966,542	$ —	$ —

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

3. RECENT ACCOUNTING PRONOUNCEMENTS

Recent accounting pronouncements that the Company has adopted or will be required to adopt in the future are summarized below.

In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-04, "Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs", which is intended to improve comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. generally, accepted accounting principles and International Financial Reporting Standards. This standard clarifies the application of existing fair value measurement requirements including (1) the application of the highest and best use valuation premise, (2) the methodology to measure the fair value of an instrument classified in a reporting entity's shareholders' equity, (3) disclosure requirements for quantitative information on Level 3 fair value measurements and (4) guidance on measuring the fair value of financial instruments managed within a portfolio. In addition, the standard requires additional disclosures of the sensitivity of fair value to changes in unobservable inputs for Level 3 securities. This standard is effective for interim and annual reporting periods ending on or after December 15, 2011. Based on the Company's evaluation of the ASU, the adoption of ASU 2011-04 will not have material impact on the Company's financial statements.

(Expressed in Canadian Dollars)

3. RECENT ACCOUNTING PRONOUNCEMENTS (cont'd…)

In June 2011, the FASB issued ASU No. 2011-05, "Presentation of Comprehensive Income", which requires that comprehensive income be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The standard also requires entities to disclose on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net earnings. This standard no longer allows companies to present components of other comprehensive income only in the statement of equity. This standard is effective for interim and annual reporting periods beginning after December 15, 2011. The adoption of this guidance is not expected to have a significant impact on the Company's financial statements other than the prescribed change in presentation.

In September 2011, the FASB issued ASU No. 2011-08, "Intangibles—Goodwill and Other (Topic 350): Testing Goodwill for Impairment" ("ASU 2011-08"). ASU 2011-08 is intended to simplify how entities, both public and nonpublic, test goodwill for impairment. ASU 2011-08 permits an entity to first assess qualitative factors to determine whether it is "more likely than not" that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in Topic 350. The more-likely-than-not threshold is defined as having a likelihood of more than 50%. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Although early adoption is permitted, the Company will adopt ASU 2011-08 as of January 1, 2012. Based on the Company's evaluation of this ASU, the adoption of ASU 2011-08 will not have a material impact on the Company's financial statements.

In December 2011, the FASB issued ASU No. 2011-11, "Balance Sheet (Topic 210)—Disclosures about Offsetting Assets and Liabilities"("ASU 2011-11"). The update requires entities to disclose information about offsetting and related arrangements of financial instruments and derivative instruments. ASU 2011-11 is effective for the Company in the first quarter of its fiscal year ending June 30, 2014 ("fiscal 2014"). The Company currently believes there will be no significant impact on its financial statements.

In December 2011, the FASB issued ASU 2011-12, "Comprehensive Income (Topic 220) – Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05. ASU 2011-12 defers only those changes in Update No. 2011-05 that relate to the presentation of the reclassification adjustments. Under the amendments in Update No. 2011-05, entities are required to present reclassification adjustments and the effect of those reclassification adjustments on the face of the financial statements where net income presented, by component of net income, and on the face of the financial statements where other comprehensive income is presented, by component of other comprehensive income. In addition, the amendments in Update No. 2011-05 require that reclassification adjustments be presented in interim financial periods. This standard is effective for interim and annual reporting periods beginning after December 15, 2011. The adoption of this guidance is not expected to have a significant impact on the Company's financial statements other than the prescribed change in presentation.

4. INVESTMENTS IN TRADING SECURITIES

At December 31, 2011, the Company held investments classified as trading securities, which consisted of various equity securities. All trading securities are carried at fair value. As of December 31, 2011, the fair value of trading securities was $2,250 (2010 – $2,250).

5. 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, 2012.

6. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2011			December 31, 2010		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land and water rights	$ 4,673,958	$ -	$ 4,673,958	$ 7,972,291	$ -	$ 7,972,291
Plant and equipment	25,618,528	-	25,618,528	25,618,528	-	25,618,528
Cosgrave plant and equipment	375,763	303,308	72,455	375,763	228,155	147,608
Building	222,685	46,438	176,247	222,685	35,304	187,381
Automobiles	179,767	159,432	20,335	172,542	172,542	-
Computer equipment	364,697	363,888	809	364,697	357,985	6,712
Small tools and equipment	963,537	863,583	99,954	963,537	680,482	283,055
Office equipment	134,691	120,551	14,140	278,561	204,263	74,298
Leasehold improvements	-	-	-	13,083	13,083	-
	$ 32,533,626	$ 1,857,200	$30,676,426	$ 35,981,687	$ 1,691,814	$ 34,289,873

(Expressed in Canadian Dollars)

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

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.

Impairment of land and water rights

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

7. MINERAL INTERESTS

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

December 31, 2010		Other		Gold		Tungsten		Total
Acquisition costs								
Balance, December 31, 2009	$	-	$	1,343,173	$	203,020	$	1,546,193
Additions		300,000		-		-		300,000
Written-off		-		(1,138,432)		-		(1,138,432)
Sold		-		(204,741)		-		(204,741)
Balance, December 30, 2010	$	300,000	$	-	$	203,020	$	503,020

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.

Impairment of mineral properties

During the year ended December 31, 2010, the Company reviewed the carrying value of its mineral properties for impairment and compared the carrying value to the future cash flows in the case of its tungsten properties, and fair market value in respect of its remaining properties, and has written down its gold properties by $1,138,432. The Company sold these properties during the year ended December 31, 2010.

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 toproperty,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.

7. MINERAL INTERESTS (cont'd…)

SCANDIUM PROPERTY

Nyngan, New South Wales Property

On February 5, 2010, the Company entered in to an agreement with Jervois Mining Limited ("Jervois") whereby it would acquire a 50% interest in certain properties located in New South Wales, Australia. In order for the Company to earn its interest which is subject to a 2% Net Smelter Royalty (NSR), the Companypaid the sum of $300,000 into escrow,that was released to Jervois upon satisfaction of certain conditions precedent, including verification of title to the Nyngan property and approval of the Toronto Stock Exchange, and must:

a) Incur exploration and metallurgical work of A$500,000 (CAD$466,000) within 180 business days of the conditions precedent being satisfied, or pay cash in lieu thereof. On September 29, 2010 the Company received a six month extension to complete its exploration commitment. In the event that the Company wishes to continue the joint venture, the Company must deliver a feasibility study within 480 (extended to February 28, 2012) business days of the conditions precedent being satisfied, failing which the agreement will terminate.

b) Upon delivering the feasibility study to Jervois, pay to Jervois an additional A$1,300,000 plus GST at which time it will be granted a 50% interest in the joint venture. The joint venture agreement provides for straight-line dilution, with interests diluted below 10% being converted into a 2% NSR royalty.

Tordal and Evje 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 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.

8. RELATED PARTY TRANSACTIONS

No related party transactions occurred during the year ended December 31, 2011.

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

The above transactions occurred in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Amounts payable to related parties have no specific terms of repayment, are unsecured, and have no interest rate.

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

(Expressed in Canadian Dollars)

9. 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. 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 yearended 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.

10. PROMISSORY NOTES PAYABLE

		2011		2010
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.	$	529,752	$	500,000
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.		3,813,750		3,750,000
		4,343,502		4,250,000
Less: current portion		(529,752)		(500,000)
	$	3,813,750	$	3,750,000

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 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.

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

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)

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

Stock Options and Warrants (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, 2009	27,795,135	$ 1.66	9,534,725	$ 0.24
Granted	5,661,350	0.19	6,300,000	0.14
Cancelled	(2,364,000)	0.60	(3,040,975)	0.27
Exercised	(7,300,000)	0.15	(1,320,000)	0.17
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
Number currently exercisable	-	$ -	10,598,750	$ 0.19

As at December 31, 2011, incentive stock options were outstanding as follows:

	Number of options	Exercise Price	Expiry Date
Options	332,500	$ 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
	115,000	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
	725,000	0.200	October 31, 2013
	997,500	0.300	January 23, 2014
	50,000	0.300	February 26, 2014
	1,395,000	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	April27, 2013
	250,000	0.315	May 4, 2016
	500,000	0.250	May 16, 2016
	300,000	0.155	September 15, 2016
	11,848,750		

As at December 31, 2011 there were no purchase warrants outstanding.

(Expressed in Canadian Dollars)

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

Stock-based compensation

During the year ended December 31, 2011, the Company recognized stock-based compensation of $292,899 (2010 - $795,268) in the statement of operations as a result of shares for services and incentive stock options granted and vested. The weighted average fair value of the options granted was $0.31 (2010 - $0.12) per share.

The fair value of all compensatory options and warrants granted is estimated on grant date using the Black-Scholes option pricing model. The weighted average assumptions used in calculating the fair values are as follows:

	2011	2010
Risk-free interest rate	2.33%	2.75%
Expected life	4.39 years	3 years
Volatility	126.61%	123.93%
Forfeiture rate	0.00%	0.00%
Dividend rate	0.00%	0.00%

12. DEFERRED INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

		2011		2010
Loss before income taxes	$	(7,408,552)	$	(4,722,755)
Expected income tax expense (recovery)		(2,291,000)		(1,339,466)
Other items		1,004,000		226,651
Write-off of mineral properties		-		324,453
		(1,287,000)		(788,362)
Unrecognized benefit of non-capital losses		1,287,000		788,362
Income tax recovery	$	-	$	-

The income tax effects of temporary differences that give rise to significant components of deferred income tax assets and liabilities are as follows:

		2011		2010
Deferred income tax assets (liabilities)				
Non-capital losses available for future periods	$	4,647,000	$	8,421,245
Capital losses available for future periods		1,381,000		-
Share issuance costs		14,000		82,718
Mineral interests and property, plant and equipment		1,496,000		(253,132)
		7,538,000		8,250,831
Less: valuation allowance		(7,538,000)		(8,250,831)
Net deferred income tax liability	$	-	$	-

At December 31, 2011, the Company has Canadian non-capital loss carry forwards of approximately $9,600,000 and United States' operating losses of approximately $6,450,000. The Canadian non-capital loss carry forwards and United States' operating losses expire at various dates from 2026 to 2031. The potential income tax benefits related to the Canadian loss carry forwards and the United States' operating losses have not been reflected in the accounts.

(Expressed in Canadian Dollars)

13. TREASURY STOCK

	Number		Amount
Treasury shares	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.

14. SEGMENTED INFORMATION

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

December 31,2011		Norway		Australia		Canada		United States		Total
Property, plant and equipment	$	-	$	-	$	-	$	30,676,426	$	30,676,426
Mineral properties		182,260		300,000		-		197,451		679,711
	$	182,260	$	300,000	$	-	$	30,873,877	$	31,408,082

December 31, 2010		Australia		Canada		United States		Total
Property, plant and equipment	$	-	$	61,935	$	34,227,938	$	34,289,873
Mineral properties		300,000		-		203,020		503,020
	$	300,000	$	61,935	$	34,340,958	$	34,792,893

15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

		2011		2010
Cash paid during the yearfor interest	$	258,186	$	301,244
Cash paid during the year for income taxes	$	-	$	-

There were no significant non cash transactions for the year ended December 31, 2011.

Significant non cash transactions for the year ended December 31, 2010 included:

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

b) Transferred marketable securities with a value of $131,749 to GPD for a reduction in due to related parties.

c) The Company sold its subsidiary, Great American Minerals Inc. for $225,000 to GPD for an increase in due to related parties.

d) A revaluation of warrants with a fair value of $198,659 from GPD for a reduction in due to related parties.