

Extracted from EMC Metals Corp.'s Form 10-Q Quarterly Report dated August 9, 2013.  
Prepared Pursuant to Item 303 of Regulation S-K.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion of the operating results, corporate activities and financial condition of EMC Metals Corp. (hereinafter referred to as "we", "us", "EMC", or the "Company") and its subsidiaries provides an analysis of the operating and financial results for the three and six month periods ended June 30, 2013, and should be read in conjunction with our unaudited interim consolidated financial statements for the six month period ended June 30, 2013, and with the Company's audited consolidated financial statements and the notes thereto for the year ended December 31, 2012 (the "Annual Statements").

The interim statements have been prepared in accordance with US Generally Accepted Accounting Principles ("US GAAP") in accordance with the requirements of U.S. federal securities laws as applicable to the Company, and as permitted under applicable Canadian securities laws. The Company is a reporting company under applicable securities laws in Canada and in July of 2011 also became a reporting issuer under U.S. federal laws. The reporting currency used in our financial statements is the United States Dollar.

The information contained within this report is current as of August 8, 2013 unless otherwise noted. Additional information relevant to the Company's activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Technical information in this MD&A has been reviewed and approved by Willem Duyvesteyn, a Qualified Person as defined by Canadian National Instrument 43-101 ("NI 43-101"). Mr. Duyvesteyn is a director and consultant of EMC Metals.

### **Overview**

EMC is a specialty metals and alloys company focusing on tungsten, molybdenum, scandium, vanadium, and other specialty metals. The Company intends to utilize its know-how and, in certain instances, patented technologies to maximize opportunities in these and other specialty metals.

The Company was formed in 2006, under the name Golden Predator Mines Inc. As part of a reorganization and spin-out of the Company's precious metals portfolio in March 2009, the Company changed its name to EMC Metals Corp. The Company currently trades on the Toronto Stock Exchange under the symbol "EMC".

The Company's most advanced asset is the Springer Tungsten Mine ("Springer"), a fully constructed mine and mill asset in Nevada, USA. The Springer mine is currently not operating. During 2012, we prepared mine restart planning documents and are currently seeking either a development partner for the financing and restart of the mine, or a buyer for the entire asset. Our other focus of operations is the exploration and development of our specialty metals assets, including the Nyngan scandium deposit located in New South Wales, Australia and the Tørdal scandium/rare earth minerals deposit in Norway.

On February 5, 2010, we entered into an Exploration Joint Venture Agreement ("JV Agreement") with Jervois Mining Limited ("Jervois") to develop the Nyngan scandium property in New South Wales, Australia, which is commonly referred to as the Nyngan Project. The JV Agreement, as amended, gave us the right to earn a 50% interest in a joint venture with Jervois, for the purpose of holding and developing the Nyngan Project. On June 22, 2012, we received notice of a lawsuit filed against the Company with regard to the achievement of certain milestones required under the JV Agreement. On February 6, 2013, we announced an agreement of an out of court settlement regarding the dispute with Jervois. The terms of the settlement transferred 100% ownership and control of the Nyngan Project to the Company in return for AUD\$2.6 million cash payments and a percentage royalty payable to Jervois on sales of product from the project. The first AUD\$1.2 million cash payment was made during June 2013. The final payment of AUD\$1.4 million is due on June 30, 2014. We have completed metallurgical test work and are pursuing further feasibility study and development options on the Nyngan Project.

## Principal Properties Review

**Springer Tungsten:** The Springer mine, located in Pershing County in northwestern Nevada, was constructed by Utah International Inc. for the General Electric Company (“GE”), and was completed and commissioned in late 1981. The facility consists of a 1,000 ton per day (“tpd”) electro-pneumatic underground rail mine and a mill facility with crushing, grinding, flotation circuits and an APT (ammonium paratungstate) plant. Springer operated for less than a full year in 1982 before being put on care and maintenance by GE. Since acquiring Springer in 2006, EMC has spent approximately \$30 million on the Springer facility, specifically on rehabilitation, conveyer and mill process improvements, resource exploration, mill process automation, and a mill throughput expansion.

On September 20, 2012 we announced the results of a Preliminary Economic Assessment (“PEA”), including an updated resource estimate. The PEA was prepared for EMC by Associated Geosciences LTD. of Calgary, Alberta, Canada, and Practical Mining LLC. of Elko, Nevada, USA, both independent mining industry consultants. The PEA provides the first NI 43-101 compliant economic analysis on Springer, and was commissioned as part of EMC’s planned restart of the Springer mining and milling operations.

Highlights from the PEA/Resource Update:

- Project restart is economic, feasible, and supported by current tungsten prices, based on a five year NI 43-101 production resource;
- Five year mine life NPV of \$22.8 million (8% discount, constant dollar, after tax);
- IRR of 47% on restart capital of \$30 million;
- Indicated resource increase of 81,000 tons (+29.6 %) over previous resource estimate;
- Inferred resource increase of 837,600 tons (+76.3 %) over previous resource estimate;
- New resource added on western side of the property, no previous resource estimate; and
- Average annual tungsten (WO<sub>3</sub>) production of 134,960 MTU (total 674,790 MTU).

The PEA updates the resource estimate published in a prior NI 43-101 Technical Report titled, “NI 43-101 Technical Report on Resources, EMC Metals Corp., Springer Facility - Sutton Beds, Nevada, USA” prepared by SRK Consulting of Lakewood, Colorado, filed on SEDAR in May, 2009 and is available for public review at [www.sedar.com](http://www.sedar.com). The PEA both increases the resource tonnage and also adds an economic estimate to the project in restart. The resource update also adds tonnage on the western side of the property, where no resource had previously been established, despite having been the site of historic tungsten production. The western resource has exciting potential for Springer, because the historic production records and current NI 43-101 drilling confirm superior tungsten grades, albeit at narrower vein widths.

The financial analysis of the mine restart, based on the current NI 43-101 resource, defines a five year mine life. The overall financial results, as presented in the PEA, are as follows:

<b>Key Performance Measures Summary</b>	<b>Financial Result (US\$)</b>
<b>Capital Cost (millions)*</b>	\$29.8
<b>Average Annual Revenue (millions)</b>	\$43.2
<b>Average Annual Operating Cost (millions)</b>	\$25.0
<b>Average Operating Cost (\$/MTU)</b>	\$186
<b>Average Annual EBITDA (millions)</b>	\$17.8
<b>Constant Dollar NPV (8%)</b>	\$22.8
<b>Constant Dollar NPV (10%)</b>	\$20.1
<b>Internal Rate of Return (IRR)</b>	47%
WO <sub>3</sub> Concentrate Price Assumption/MTU (based on 80% of \$400/MTU 24 month APT price)	\$320
*NOTE: Includes working capital and contingency	

NOTE: A metric tonne unit (MTU) is the standard unit of measure for tungsten in trading markets. One MTU equals 22.04 pounds of contained WO<sub>3</sub>, or 100<sup>th</sup> of a tonne of WO<sub>3</sub>.

The mine plan in the PEA calls for the conversion of the existing Sutton Mine from a cut and fill operation, as designed by the prior operator, GE, to a modern longhole mining operation, more properly termed end-slicing. Sutton will be re-developed with ramps connecting drifts at various levels, modern rubber-tired equipment, and production and mine access utilizing both the existing shaft/hoist house and a new mine adit approaching mineralized beds from lower elevation ground to the south.

The mine plan also calls for a second independent mining operation at O'Byrne, on the western side of the granite intrusion, utilizing the same mining techniques and equipment, with twin adit access. The hilly topography in the western beds lends itself to declined adit entry that achieve sufficient depth to make for economic mine development.

The updated NI 43-101 resource provides for 4.8 years of mining from Sutton, and only 1.5 years from O'Byrne, but at substantially higher grades.

This updated resource, included in the PEA, is as follows:

Springer Mine- Mineral Resource Statement of Resources					
Resource Category	Cut-Off Grade	Resource	Grade	Contained Tungsten Units	
	WO <sub>3</sub>	Tons	WO <sub>3</sub>	STU's	MTU's
<b>Indicated Total (Sutton only)</b>	0.20%	355,000	0.537%	190,635	172,990
<b>Inferred (by location)</b>					
Sutton Resource	0.20%	1,616,000	0.459%	741,744	673,089
George Resource	0.20%	143,950	0.423%	60,863	55,230
O'Byrne Resource	0.20%	173,670	0.862%	149,719	135,861
<b>Inferred Total</b>	0.20%	1,933,620	0.493%	952,326	864,180

Note: a short ton unit (STU) = 20 lbs. WO<sub>3</sub>; a metric tonne unit (MTU) = 22.04 lbs. WO<sub>3</sub>

The effective date of each estimate of mineral resources above is August 20, 2012.

The existing mill at Springer has benefitted from considerable investment since the purchase from GE in 2006, although there are still important changes and investments left to be made prior to restart. The process flowsheet calls for the production of a 65% WO<sub>3</sub> scheelite concentrate, using modern gravity separation techniques and traditional flotation circuits. There are no plans to utilize the digester system or the APT plant on site at this time.

Permitting and environmental matters are largely in place, although the Company is currently seeking a right of way from the US Bureau of Land Management for rights to re-install a tailings pipeline to an existing tailings pond, planned to be put into service to secure mill tailings are not backfilled into the mine.

Project economics assume a two year trailing average constant dollar \$400/MTU APT price, and derive a concentrate price from that benchmark tungsten price, which is publically quoted. All dollar amounts for costs are also considered to be constant dollar. No escalation for inflation has been considered, and thus the 8% discount rate applied to cash flows to generate net present values ("NPV's") should also be considered a constant dollar rate.

Economics do not assume any economic recovery of molybdenum disulphide (MoS<sub>2</sub>). There is no molybdenum resource established for the property which corresponds to the mineable tungsten resource, therefore there is no co-product credit in the PEA. There is capital included in the \$30 million total restart estimate to separate (float) molybdenum, because it has historically been present in the resource and must be removed from concentrates to meet customer product specifications.

The NI 43-101 compliant Technical Report, titled "*Preliminary Economic Assessment on the Springer Tungsten Mine, Pershing County, Nevada, USA,*" (the "PEA"), was filed on SEDAR October 2, 2012 and is available for public review at [www.sedar.com](http://www.sedar.com).

The earlier NI 43-101 compliant resource technical report on the Springer property, independently prepared by Dr. Bart Stryhas of SRK Consulting Engineers and Scientists of Lakewood, Colorado, titled, "*NI 43-101 Technical Report on Resources Springer Facility- Sutton Beds, Nevada, USA,*" is dated May 15, 2009, was filed on SEDAR on May 26, 2009 and is also available for public review at [www.sedar.com](http://www.sedar.com).

**Nyngan Scandium:** In February of 2010, the Company entered into a joint venture agreement (the "JV Agreement") with Jervois Mining Limited ("Jervois") of Melbourne, Australia (ASX: JRV) to develop the Nyngan scandium property in New South Wales, Australia. The terms of the JV Agreement required EMC to spend certain minimum amounts on project development, deliver a feasibility study on the project, and make an AUD\$1.3 million cash payment (plus GST) within two years (February 2012), in order to earn a 50% project interest.

On February 24, 2012, the Company delivered to Jervois the applicable cash payment, along with the agreed upon report.

On February 27, 2012, EMC received written notice from Jervois rejecting the report as inadequate, claiming that the report did not fall within the definition of "Feasibility Study" provided for in the JV Agreement. Jervois also subsequently returned the cash payment to EMC.

The parties discussed resolutions to the dispute for three months, and in June 2012 Jervois filed suit against EMC to terminate the JV Agreement and all EMC rights to the Nyngan Project. In August EMC filed a formal defense and counterclaim and the parties subsequently met in February 2013 in the Supreme Court of Victoria, Australia to pursue their claims.

On February 6, 2013, EMC and Jervois reached agreement and announced an out of court settlement regarding the dispute. The terms of the settlement transferred 100% ownership and control of the Nyngan Project to the Company, in return for AUD\$2.6 million cash payments and a percentage royalty payable to Jervois on sales of product from the project. The first AUD\$1.2 million cash payment was made during June 2013, the final payment of AUD\$1.4 million is due on June 30, 2014. The binding settlement entered into with Jervois brings to an end all court actions, claims and counterclaims, including claims for damages and legal and other costs. The settlement was agreed to subject to Australian Foreign Investment Review Board ("FIRB") approval of EMC's 100% ownership of the project, which was secured in April of 2013.

While much Nyngan Project metallurgical test work has been completed, certain additional test work programs are continuing as we pursue additional development options.

**Carlin Vanadium:** The Carlin vanadium project consists of 72 unpatented mineral claims covering approximately 578 hectares, located along the western flank of the Piñon Range near the town of Carlin, Nevada, approximately 40 kilometers south of Elko, Nevada.

The Carlin resource was discovered in the 1960s by Union Carbide Corp. ("UCC") when significantly anomalous vanadium was found in samples collected by UCC Geologists (Galli, 1968, Morgan, 1968). During 1967 and 1968 UCC conducted exploration work including geological mapping, ~15,000 feet of trenching and ~36,500 feet of drilling in 112 holes, outlining a zone of vanadium mineralization within the current claim boundary.

The vanadium mineralization is hosted within a 15-metre (50-foot) thick horizon of black shales within the Devonian Woodruff Formation, which consists of dark grey to black siliceous mudstones, and chert with lesser amounts of shale, siltstone, dolomitic siltstone, and calcareous sandstone. The Woodruff formation is unconformably overlain by shallow dipping Permian-Pennsylvanian siltstones, shales, conglomerates, and carbonates of the Chainman and Diamond Peak Formations.

Historical metallurgical test work from the Carlin vanadium project, completed by the U.S. Department of Mines (Brooks and Potter, 1974), showed that up to 69% of the vanadium could be recovered from weathered dolomitic shales containing 1% V<sub>2</sub>O<sub>5</sub> (vanadium oxide). Preliminary test work on fresh black shales shows similar recoveries using a salt roast and acid leaching.

In April, 2010, EMC announced receipt of an NI 43-101 compliant technical report and resource estimation for the Carlin vanadium project. The Technical Report, titled, "*NI 43-101 Technical Report on Resources, EMC Metals Corp., Carlin Vanadium Project, Carlin, Nevada,*" prepared by SRK Consulting US, was subsequently filed on SEDAR in May, 2010 and is also available for public review at [www.sedar.com](http://www.sedar.com). The technical report outlines a NI 43-101 compliant inferred resource of 25.4 million tonnes grading 0.5% V<sub>2</sub>O<sub>5</sub> for a total of 289 million pounds of total contained V<sub>2</sub>O<sub>5</sub>, as outlined below:

Carlin Vanadium Project NI 43-101 Resource Estimation Stryhas (2010) of SRK Consulting				
Resource Category	Cut-off V <sub>2</sub> O <sub>5</sub> (%)	Total (tonnes)	Grade V <sub>2</sub> O <sub>5</sub> (%)	Contained V <sub>2</sub> O <sub>5</sub> (pounds)
Inferred	0.30	25,400,000	0.51	289,000,000

## Exploration Properties Review

**Norwegian Properties:** In April of 2011, the Company acquired a 100% option rights to the Tørdal property in Telemark County, Southern Norway. The property, originally encompassing a 40 square kilometer area, has since been increased to 140 square kilometers. As part of the same agreement, we also acquired a 100% option rights to the Evje-Iveland, property, located west of the Tørdal property in Aust-Agder County, also in Southern Norway. Both Tørdal and Evje-Iveland contain pegmatite formations, prospective for scandium and rare earth elements ("REE's").

In September, 2011 EMC entered into an option agreement to earn a 100% interest in the exploration rights to a beryllium exploration site in Central Norway, known as the Høgtuva property. The exploration sites cover a total of approximately 80 square kilometers prospective for scandium, beryllium and other specialty metals.

On January 16, 2013 we announced a renegotiated earn-in immediately accelerating our ownership of both the Tørdal and Høgtuva exploration licenses to 100%. The renegotiated agreement canceled all outstanding cash payments, share grants and remaining work commitments, in return for payment of certain property costs and other costs totaling \$65,000 in December/January 2013, a 1 million EMC share grant, and a 1% net smelter return ("NSR") on production proceeds from the properties. As part of the amended agreement, EMC relinquished all rights to the Evje-Iveland property.

Exploration work done to date has focused on the Tørdal scandium-bearing pegmatites. On February 14, 2013 we announced promising results from field exploration work on the Tørdal property during the summer and fall months of 2012. The 2012 work included independent assay results of pegmatite rock samples taken from one specific property area, and also includes an extensive pegmatite mapping program covering approximately 30 square kilometers. The assay results indicated the presence of high levels of scandium and various REE's, including heavy rare earth elements ("HREE's") in particular. Field XRF readings indicated elevated scandium content in hundreds of large and small pegmatite bodies found and mapped in the reconnaissance area.

Highlights of the results of the 2012 field exploration are as follows:

- Tørdal 2012 assays of pegmatite rocks show presence of both scandium and REE's,
- Best scandium assays exceed 1,600 ppm,
- Promising HREE assay results from pegmatites with gadolinite mineralization,
- Host rock mineralization points to higher grade scandium or HREE contents,
- 2012 summer exploration program mapped and sampled over 300 pegmatites,
- A total of 1,940 Niton XRF scandium readings were taken on whole rock samples, and
- Overall program results at Tørdal are very encouraging and warrant expanded exploration.

EMC's mapping and sampling work has confirmed that much of the Tørdal property is heavily populated with complex, near-surface pegmatite bodies. Based on hand-held XRF readings and mineralogy, these pegmatites show excellent promise for significant scandium enrichment, particularly within bodies containing micas, and for REE mineralization where the rare earth silicate gadolinite is present.

## Other Developments

On February 22, 2013, the Company completed a \$650,000 loan financing consisting of convertible debentures. The convertible debentures have a maturity date of February 22, 2014 and bear interest at 10% per annum. The lenders may convert the loan into 13,000,000 common shares of the Company. The loan is secured by an interest in the assets of the Company's wholly owned subsidiary, Wolfram Jack Mining Corp., and the Company's interest in the Hogtuva and Tørdal properties in Norway.

On March 18, 2013, the Company issued 600,000 stock options with an exercise price of \$0.05 per share, exercisable until March 18, 2018, to an officer of the Company.

On May 9, 2013, the Company granted 1,000,000 stock options at an exercise price of \$0.10 per share, exercisable until May 9, 2018, to directors of the Company and 500,000 stock options at an exercise price of \$0.05 per share, exercisable until May 9, 2015, to officers, employees and consultants of the Company.

On June 24, 2013 the Company completed a \$1,200,000 financing consisting of a series of insider and non-insider loans. The loans have a maturity date of June 24, 2014 and bear interest at 10% per annum. The loans are secured by the ownership interest the Company has or earns in the Nyngan Scandium Project. As an inducement to enter into loan, the lenders received a royalty of 0.2% of average scandium sales value, produced from the Nyngan property, on the first 100 tonnes of scandium oxide product produced and sold. The royalty is capped at \$370,000 and EMC retains a right to buy back the royalty from the lenders or their assigns for \$325,000 at any time up to the commencement of first production, or three years from loan date, whichever occurs first.

## Operating results-Revenues and Expenses

The Company continued its tight cost management at the Springer facility, and has established and addressed all work commitments required on the Nyngan scandium property since regaining control of that property in Q1 2013.

### Summary of quarterly results

	2013		2012				2013	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net Sales				-	-	-	-	-
Net Income (Loss)	(521,895)	(910,288)	(1,623,015)	(1,148,216)	(1,386,161)	(807,905)	(4,189,370)	(2,088,200)
Basic and diluted Net Income (Loss) per share	(0.00)	(0.01)	(0.01)	(0.01)	(0.01)	(0.00)	(0.03)	(0.01)

### Results of Operations for the three months ended June 30, 2013

The net loss for the quarter was \$521,895, a decrease of \$846,266 from \$1,386,161 in the same quarter of the prior year. Details of the individual items contributing to the increased net loss are as follows:

Q2 2013 vs. Q2 2012 - Variance Analysis		
Item	Variance Favourable / (Unfavourable)	Explanation
Foreign exchange	\$305,112	In Q2 2012, the Company recognized a significant loss on the purchase and sale of Australian dollars as it related to the original buy-in on the Nyngan project in Australia. Further, Canadian dollar cash balances in 2012 were significantly higher than in Q2 2013, generating additional non-recurring losses in a climate where the US dollar was gaining strength against the Canadian dollar.
Stock based compensation	\$116,804	Lower 2013 EMC share prices resulted in a lower expense when compared to the comparable 2012 period.
Other income	\$87,383	This favorable variance generated from the sale of scrap metals and material at Springer in Q2 2013.
Exploration	\$83,580	Non-recurring Nyngan project development expenditures in 2012 (test work and feasibility report) were higher than project spending in 2013, generating a favorable variance for the current period. Springer project expenditures were limited and similar for both periods, and did not contribute to the variance.
Interest expense	\$89,218	Lower current quarter interest expense reflects return of Cosgrave Ranch and mortgage to the lender.
General and Administrative	\$66,890	Reduced current period spending reflects lower activity level when compared to prior period.
Amortization	\$51,754	Lower depreciation costs reflect an increase in fully depreciated assets at the Springer mine.
Consulting	\$38,636	In 2012 consultants were used to prepare the Springer mine for sale or start-up. No such expenditures took place in 2013.
Professional fees	\$27,821	Non-recurring work on both Springer (PEA) and Nyngan (audit requirements) in 2013 generated a favorable variance when compared to prior period 2012.

<b>Q2 2013 vs. Q2 2012 - Variance Analysis</b>		
<b>Item</b>	<b>Variance Favourable / (Unfavourable)</b>	<b>Explanation</b>
Travel and entertainment	\$11,795	Lower overall activity in current period resulted in less travel being incurred.
Insurance	(\$4,837)	Reflects higher Worker's Compensation costs at Springer, based on additional staff in 2013 (mine manager), when compared to prior period.
Salaries and benefits	(\$9,890)	As mentioned under insurance, a new manager was hired at the Springer operation. No such cost was incurred in Q2 2012.

<b>Six months ended June 30 2013 vs. six months ended June 30, 2012 - Variance Analysis</b>		
<b>Item</b>	<b>Variance Favourable / (Unfavourable)</b>	<b>Explanation</b>
Other income	\$204,565	Favorable variance generated from the sale of scrap metals and material at Springer in 2013.
Foreign exchange	\$183,637	In Q2 2012, the Company recognized a significant loss on the purchase and sale of Australian dollars as it related to the original buy-in on the Nyngan project in Australia. During the entire six month period in 2012, the Company held higher Canadian dollar positions in a climate where the US dollar was gaining strength against the Canadian dollar further increasing this loss item. In the current quarter, positions in foreign currencies were lower and exchange rates were not as volatile.
Stock based compensation	\$134,390	Lower EMC share price resulted in this lower expense when compared to one year ago.
Amortization	\$115,919	Lower depreciation costs reflect an increase in fully depreciated assets at the Springer mine.

**Six months ended June 30 2013 vs. six months ended June 30, 2012 - Variance Analysis**

<b>Item</b>	<b>Variance Favourable / (Unfavourable)</b>	<b>Explanation</b>
Exploration	\$113,932	Non-recurring Nyngan project development expenditures in 2012 (test work and feasibility report) were higher than project legal spending in 2013, generating a favorable variance for the current period. Springer project expenditures were limited and similar for both periods, and did not contribute to the variance.
Professional fees	\$64,789	Non-recurring work on both Springer (PEA) and Nyngan (audit requirements) in 2013 generated a favorable variance when compared to prior period 2012.
General and Administrative	\$40,508	Overall decreased activity levels resulted in this positive variance for the six months ended June 30, 2013 when compared with the same period of the prior year.
Travel and entertainment	\$31,400	The reduced Company activity levels resulted in this favorable variance in 2013.
Consulting	\$8,422	In 2012 consultants were used to prepare the Springer mine for sale or start-up. No such expenditures took place in 2013.
Insurance	(\$11,449)	In the first six months of 2013 there was additional staff at the Springer mine with the hiring of a manager in September of 2012. This resulted in a higher expense for Worker's Compensation as compared to the same period one year ago.
Interest	(\$29,444)	This unfavorable variance is the result of full accretion costs associated with the February 2012 financing for the six month period versus four and one half months in 2012. Also additional interest costs in 2013 relate to the financing completed in Q4 of 2012.
Salaries and benefits	(\$94,786)	Higher salaries in 2013 reflect a full six months for both the Springer mine manager and EMC's CTO, as compared to partial period pay-outs for 2012.

## **Cash flow discussion for the six months ended June 30, 2013 compared to June 30, 2012**

The cash outflow for operating activities decreased by \$1,170,737 to \$839,614 (June 30, 2012 – \$2,010,351), due to reduced business activity levels as described in the variance analysis, along with an increase in accounts payable during the period.

Cash outflows for investing activities increased by \$950,788 to \$1,108,484 (June 30, 2012 – \$157,696) due to the initial cash payment (February 2012) and return (May 2012) of the Nyngan earn-in obligation, followed by the repayment of AUD\$1,200,000 (June 2013) for the Nyngan project, as required in the settlement agreement reached in February 2013.

Cash inflows from financing activities decreased by \$432,825 to \$1,849,175 (June 30, 2012 - \$2,282,000), reflecting the issuance of a \$3,000,000 convertible debenture in February of 2012, compared to loan financing during 2013 of approximately \$1,850,000.

### **Financial Position**

#### *Cash*

The Company's cash position decreased during the six month period by \$98,923, to \$91,292 (December 31, 2012 \$190,215) primarily due to operating costs.

#### *Prepaid expenses and receivables*

Current assets decreased by \$51,042 to \$58,293 due primarily to the non-cash expensing of prepaid insurances (December 31, 2012 - \$109,335).

#### *Property, plant and equipment*

Property plant and equipment consists of the Springer plant and equipment, and various other items of property, plant and equipment. The decrease of \$3,761,854 to \$26,431,825 (December 2012 - \$30,193,679) is primarily due to the disposal of the Cosgrave ranch and associated water rights.

#### *Mineral interests*

Mineral interests increased by \$1,108,484 to \$1,861,666 (December 31, 2012 - \$753,182) due to the June 2013 payment to Jervois Mining for the acquisition of the Nyngan Scandium project in Australia.

#### *Accounts Payable*

Accounts Payable have increased by \$279,556 to \$936,055 (December 2012 – \$656,499) due to a deferral of salary payments for key staff members.

#### *Convertible Debenture*

Convertible debentures increased by \$767,349 to \$2,628,722 (December 31, 2012 - \$1,861,373) due to the placement of a second convertible debenture in February 2013, in addition to the accretion costs associated with the debenture issued in Q1 of 2012.

#### *Promissory note payable – current portion*

The current promissory note payable decreased by \$2,490,914 to \$2,189,774 (December 31, 2012 - \$4,680,688) which is attributable to the Cosgrave ranch note payable being settled by returning the ranch, which was partially offset by the issuance of a \$1,200,000 loan and due to the accretion expensing of the note taken out in February of 2012.

### *Capital Stock*

Capital stock remains the same at \$87,310,708 (December 31, 2012 - \$87,310,708) as a result of no stock issuances in the quarter.

Additional paid-in capital increased by \$64,197, to \$2,097,915 (December 31, 2012 - \$2,033,718) as a result of expensing of stock options.

### **Liquidity and Capital Resources**

At June 30, 2013, the Company had a working capital deficiency of \$5,604,966 including cash of \$91,292 as compared to a working capital deficiency of \$6,899,010 including cash of \$190,215 at December 31, 2012.

At June 30, 2013, the Company had 3,750,000 share purchase warrants exercisable at \$0.20 per share, which have the potential upon exercise to convert to approximately \$750,000 in cash over the next two years. Further, a total of 15,113,750 stock options exercisable between \$0.05 and \$0.315 have the potential upon exercise to generate a total of \$1,847,313 in cash over the next five years. There is no assurance that these securities will be exercised.

Our major capital expenditure requirements in the next 12 months relate to our efforts to restart the Springer Tungsten project, settlement requirements associated with our project in Australia, and the maturity of certain loan facilities. Detail on the loan maturities are as follows:

- Convertible debenture, maturing in August 2013 - US\$2,000,000
- Promissory note, maturing in August 2013 – US\$1,000,000
- Convertible debenture, maturing in February 2014 – US\$650,000
- Promissory note maturing in June 2014 – US\$1,200,000

We expect these commitments will be funded from available cash when due in 2013, although \$2,000,000 of the debenture is convertible, at the lender's discretion, to shares of the Company. The Company will need additional funding to meet the commitments shown above and will seek to raise additional equity financing in the short term or restructure certain obligations.

The Company's continued development is contingent upon its ability to raise sufficient financing both in the short and long term. There are no guarantees that additional sources of funding will be available to the Company; however, management is committed to pursuing all possible sources of financing in order to execute its business plan. The Company continues its cost cutting measures to conserve cash to meet its operational obligations.

### **Outstanding share data**

At the date of this report the Company has 165,358,337 issued and outstanding common shares, 15,113,750 stock options currently outstanding at a weighted average exercise price of \$0.12, and 3,750,000 warrants currently outstanding at a weighted average exercise price of \$0.20.

### **Off-balance sheet arrangements**

At June 30, 2013, the Company had no material off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

### **Transactions with Related Parties**

Both the \$650,000 loan financing completed on February 22, 2013, and the \$1,200,000 financing completed on June 24, 2013, were funded from a combination of Directors, insiders, and independent shareholders.

A promissory note due to a current director of the company (principal balance of US\$500,000) matured and was paid during June 2012. The promissory note was originally issued in November 2009 as partial payment for the acquisition of a mineral technology company (TTS), which remains a subsidiary of EMC.

### **Proposed Transactions**

There are no proposed transactions outstanding other than as disclosed.

### **Critical Accounting Estimates**

The preparation of financial statements in conformity with generally accepted accounting policies requires management of the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on past experience, industry trends and known commitments and events. By their nature, these estimates are subject to measurement uncertainty and the effects on the financial statements of changes in such estimates in future periods could be significant. Actual results will likely differ from those estimates.

#### *Stock-based compensation*

The Company uses the Black-Scholes option pricing model to calculate the fair value of stock options and compensatory warrants granted. This model is subject to various assumptions. The assumptions the Company makes will likely change from time to time. At the time the fair value is determined; the methodology the Company uses is based on historical information, as well as anticipated future events. The assumptions with the greatest impact on fair value are those for estimated stock volatility and for the expected life of the instrument.

#### *Future income taxes*

The Company accounts for tax consequences of the differences in the carrying amounts of assets and liabilities and their tax bases using tax rates expected to apply when these temporary differences are expected to be settled. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no future income tax asset is recognized. The Company has taken a valuation allowance against all such potential tax assets.

#### *Mineral properties and exploration and development costs*

We capitalize the costs of acquiring mineral rights at the date of acquisition. After acquisition, various factors can affect the recoverability of the capitalized costs. Our recoverability evaluation of our mineral properties and equipment is based on market conditions for minerals, underlying mineral resources associated with the assets and future costs that may be required for ultimate realization through mining operations or by sale. We are in an industry that is exposed to a number of risks and uncertainties, including exploration risk, development risk, commodity price risk, operating risk, ownership and political risk, funding and currency risk, as well as environmental risk. Bearing these risks in mind, we have assumed recent world commodity prices will be achievable. We have considered the mineral resource reports by independent engineers on the Springer and Nyngan projects in considering the recoverability of the carrying costs of the mineral properties. All of these assumptions are potentially subject to change, out of our control, however such changes are not determinable. Accordingly, there is always the potential for a material adjustment to the value assigned to mineral properties and equipment.

### **Recent Accounting Pronouncements**

In April 2010, the Financial Accounting Standards Board (“FASB”) issued ASU 2010-13, Compensation – Stock Compensation (Topic 718), amending ASC 718. ASU 2010-13 clarifies that a stock-based payment award with an exercise price denominated in the currency of a market in which the entity’s equity securities trade should not be classified as a liability if it otherwise qualifies as equity. ASU 2010-13 also improves US GAAP by improving consistency in financial reporting by eliminating diversity in practice. ASU 2010-13 is effective for interim and annual reporting periods beginning after December 15, 2010 (January 1, 2011 for the Company). The Company has

evaluated the impact of ASU 2010-09, and has concluded its adoption will not have a material impact on the Company's financial reporting disclosures.

In December 2010, the FASB issued ASU 2010-29, which contains updated accounting guidance to clarify the acquisition date that should be used for reporting pro forma financial information when comparative financial statements are issued. This update requires that a company should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. This update also requires disclosure of the nature and amount of material, nonrecurring pro forma adjustments. The provisions of this update, which are to be applied prospectively, are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010, with early adoption permitted. The impact of this update on the Company's consolidated financial statements will depend on the size and nature of future business combinations.

### **Financial instruments and other risks**

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, due to related parties, convertible debentures 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.

### **Risk Factors**

Prior to making an investment decision investors should consider the investment risks set out below and those described elsewhere in this document, which are in addition to the usual risks associated with an investment in a business at an early stage of development. The directors of the Company consider the risks set out below to be the most significant to potential investors in the Company, but are not all of the risks associated with an investment in securities of the Company. If any of these risks materialize into actual events or circumstances or other possible additional risks and uncertainties of which the Directors are currently unaware, or which they consider not to be material in relation to the Group's business, actually occur, the Group's assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects, are likely to be materially and adversely affected. In such circumstances, the price of the Company's securities could decline and investors may lose all or part of their investment.

### ***EMC Will Require Significant Amounts of Additional Capital in the Future***

The Company has limited financial resources. The Company will continue to make substantial capital expenditures related to exploration, development and production. In particular the Company will have further capital requirements as it proceeds to expand its present exploration activities at its mineral projects, or to take advantage of opportunities for acquisitions, joint ventures or other business opportunities that may be presented to it.

In addition, the Company may incur major unanticipated liabilities or expenses. There can be no assurance that the Company will be able to obtain necessary financing in a timely manner on commercially acceptable terms, if at all.

Volatile demand for tungsten and other metals and the volatile prices for tungsten and other metals may make it difficult or impossible for the Company to obtain debt financing or equity financing on commercially acceptable terms or at all. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its tungsten and other mineral projects with the possible loss of the rights to such properties. If exploration or the development of any mine is delayed, such delay would have a material and adverse effect on the Company's business, financial condition and results of operation.

### ***Stage of Development***

The Company's properties are in the exploration stage and the Company does not have an operating history. Exploration and development of mineral resources involves a high degree of risk and few properties which are

explored are ultimately developed into producing properties. The amounts attributed to the Company's interest in its properties as reflected in its financial statements represent acquisition and exploration expenses and should not be taken to represent realizable value. There is no assurance that the Company's exploration and development activities will result in any discoveries of commercial bodies of ore. The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors such as unusual or unexpected geological formations, and other conditions. As a result of the Company's lack of operating history, it also faces many of the risks inherent in starting a new business.

### ***Profitability of Operations***

The Company is not currently operating profitably and it should be anticipated that it will operate at a loss at least until such time as production is achieved from one of the Company's properties, if production is, in fact, ever achieved. The Company has never earned a profit. Investors also cannot expect to receive any dividends on their investment in the foreseeable future.

### ***Tungsten and other mineral Industries Competition is Significant***

The international tungsten and other mineral industries are highly competitive. The Company will be competing against competitors that may be larger and better capitalized, have state support, have access to more efficient technology, and have access to reserves of tungsten and other mineral that are cheaper to extract and process. As such, no assurance can be given that the Company will be able to compete successfully with its industry competitors.

### ***Fluctuations in Metal Prices***

Although the Company does not hold any known mineral reserves of any kind, its future revenues, if any, are expected to be in large part derived from the future mining and sale of tungsten and other metals or interests related thereto. The prices of these commodities have fluctuated widely, particularly in recent years, and are affected by numerous factors beyond the Company's control including international economic and political conditions, expectations of inflation, international currency exchange rates, interest rates, global or regional consumption patterns, speculative activities, levels of supply and demand, increased production due to new mine developments and improved mining and production methods, availability and costs of metal substitutes, metal stock levels maintained by producers and others and inventory carrying costs. The effect of these factors on the prices of tungsten and other metals, and therefore the economic viability of the Company's operations, cannot be accurately predicted.

Depending on the price obtained for any minerals produced, the Company may determine that it is impractical to commence or continue commercial production.

### ***EMC Metals Corp.'s Operations are Subject to Operational Risks and Hazards Inherent in the Mining Industry***

The Company's business is subject to a number of inherent risks and hazards, including environmental pollution; accidents; industrial and transportation accidents, which may involve hazardous materials; labor disputes; power disruptions; catastrophic accidents; failure of plant and equipment to function correctly; the inability to obtain suitable or adequate equipment; fires; blockades or other acts of social activism; changes in the regulatory environment; impact of non-compliance with laws and regulations; natural phenomena, such as inclement weather conditions, underground floods, earthquakes, pit wall failures, ground movements, tailings, pipeline and dam failures and cave-ins; and encountering unusual or unexpected geological conditions and technical failure of mining methods.

There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the Company's tungsten and other mineral properties, personal injury or death, environmental damage, delays in the Company's exploration or development activities, costs, monetary losses and potential legal liability and adverse governmental action, all of which could have a material and adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

***Mineral Reserve and Resource Estimates are Only Estimates and May Not Reflect the Actual Deposits or the Economic Viability of Tungsten, Scandium and/or Gold Extraction***

Reserve and resource figures included for tungsten and other minerals are estimates only and no assurances can be given that the estimated levels of tungsten and other minerals will actually be produced or that the Company will receive the tungsten and other metal prices assumed in determining its reserves. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling and exploration results and industry practices. Estimates made at any given time may significantly change when new information becomes available or when parameters that were used for such estimates change. While the Company believes that the reserve and resource estimates included are well established and reflect management's best estimates, by their nature reserve and resource estimates are imprecise and depend, to a certain extent, upon statistical inferences which may ultimately prove unreliable. Furthermore, market price fluctuations in tungsten and other metals, as well as increased capital or production costs or reduced recovery rates, may render ore reserves containing lower grades of mineralization uneconomic and may ultimately result in a restatement of reserves. The extent to which resources may ultimately be reclassified as proven or probable reserves is dependent upon the demonstration of their profitable recovery. The evaluation of reserves or resources is always influenced by economic and technological factors, which may change over time.

***Exploration, Development and Operating Risk***

The exploration for and development of tungsten and other mineral properties involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices, which are highly cyclical, drilling and other related costs which appear to be rising; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

***Currency Risk***

The Company maintains accounts in Canadian and American currency. The Company's equity financings are sourced in Canadian dollars but for the most part it incurs its expenditures in local currencies or in US dollars. The Company's operations are subject to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results. The Company does not engage in currency hedging activities.

***Environmental Risks and Hazards***

All phases of the Company's operations are subject to environmental regulation in the jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the general, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties. Reclamation costs are uncertain and planned expenditures estimated by management may differ from the actual expenditures required.

### ***Government Regulation***

The Company's mineral exploration and planned development activities are subject to various laws governing prospecting, mining, development, production, taxes, labor standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people and other matters. Although the Company believes its exploration and development activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development.

Many of the mineral rights and interests of the Company are subject to government approvals, licenses and permits. Such approvals, licenses and permits are, as a practical matter, subject to the discretion of applicable governments or governmental officials. No assurance can be given that the Company will be successful in maintaining any or all of the various approvals, licenses and permits in full force and effect without modification or revocation. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from continuing or proceeding with planned exploration or development of mineral properties. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations or applicable laws or regulations.

Amendments to current laws and regulation governing operations or more stringent implementation thereof could have a substantial impact on the Company and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

### ***EMC has no History of Mineral Production or Mining Operations***

The Company has never had tungsten and other mineral producing properties. There is no assurance that commercial quantities of tungsten and other minerals will be discovered at the Properties or other future properties nor is there any assurance that the Company's exploration program thereon will yield positive results. Even if commercial quantities of tungsten and other minerals are discovered, there can be no assurance that any property of the Company will ever be brought to a stage where tungsten and other mineral resources can profitably be produced therefrom. Factors which may limit the ability of the Company to produce tungsten and other mineral resources from its properties include, but are not limited to, the spot prices of tungsten and other metals, availability of additional capital and financing and the nature of any mineral deposits.

The Company does not have a history of mining operations and there is no assurance that it will produce revenue, operate profitably or provide a return on investment in the future.

### ***Future Sales of Common Shares by Existing Shareholders***

Sales of a large number of Common Shares in the public markets, or the potential for such sales, could decrease the trading price of the Common Shares and could impair the Company's ability to raise capital through future sales of Common Shares. Substantially all of the Common Shares can be resold without material restriction in Canada.

### ***No Assurance of Titles or Borders***

The acquisition of the right to exploit mineral properties is a very detailed and time consuming process. There can be no guarantee that the Company has acquired title to any such surface or mineral rights or that such rights will be obtained in the future. To the extent they are obtained, titles to the Company's surface or mineral properties may be challenged or impugned and title insurance is generally not available. The Company's surface or mineral properties may be subject to prior unregistered agreements, transfers or claims and title may be affected by, among other things, undetected defects. Such third party claims could have a material adverse impact on the Company's operations.

## **Information Regarding Forward-Looking Statements**

This Management's Discussion and Analysis of Financial Condition and Results of Operations contain certain forward-looking statements. Forward-looking statements include but are not limited to those with respect to the prices of tungsten and other metals, the estimation of mineral resources and reserves, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, Government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage and the timing and possible outcome of pending litigation. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes" or variations of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of EMC to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and uncertainties include, among others, the actual results of current exploration activities, conclusions or economic evaluations, changes in project parameters as plans continue to be refined, possible variations in grade and or recovery rates, failure of plant, equipment or processes to operate as anticipated, accidents, labor disputes or other risks of the mining industry, delays in obtaining government approvals or financing or incompleteness of development or construction activities, risks relating to the integration of acquisitions, to international operations, and to the prices of tungsten and other metals. While EMC has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. EMC expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.