

EMC METALS CORP.
Form 10-Q
May 08, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **March 31, 2014**

TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE EXCHANGE ACT

For the transition period from _____ to _____

000-54416

(Commission File Number)

EMC METALS CORP.

(Exact name of registrant as specified in its charter)

British Columbia, Canada

(State or other Jurisdiction of Incorporation or organization)

98-1009717

(I.R.S. Employer

Identification No.)

1430 Greg Street, Suite 501, Sparks, Nevada 89431

(Address of principal executive offices) (Zip Code)

(775) 355-9500

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) filed all reports required to be filed by sections 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company, as defined in Rule 12b-2 of the Exchange Act. Yes No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: **As of May 5, 2014, the registrant's outstanding common stock consisted of 178,013,747 shares.**

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

(An Exploration Stage Company)

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

QUARTER ENDED MARCH 31, 2014

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

As at:	March 31, 2014	December 31, 2013
ASSETS		
Current		
Cash	\$ 233,903	\$ 785,075
Prepaid expenses and receivables	19,308	127,410
Total Current Assets	253,211	912,485
Restricted cash (Note 3)	144,188	149,868
Property, plant and equipment (Note 5)	9,320	10,278
Mineral interests (Note 6)	1,613,203	1,613,203
Total Assets	\$ 2,019,922	\$ 2,685,834
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 310,339	\$ 247,613
Convertible debentures (Note 8)	-	650,000
Promissory notes payable (Note 9)	1,204,875	1,204,875
Total Liabilities	1,515,214	2,102,488
Stockholders' Equity		
Capital stock (Note 10) (Authorized: Unlimited number of shares; Issued and outstanding: 173,891,597 (2013 – 165,358,337))	87,502,708	87,310,708
Treasury stock (Note 11)	(1,264,194)	(1,264,194)
Additional paid in capital (Note 10)	2,109,493	2,108,327
Accumulated other comprehensive loss	(853,400)	(853,400)
Deficit accumulated during the exploration stage	(86,989,899)	(86,718,095)
Total Stockholders' Equity	504,708	583,346
Total Liabilities and Stockholders' Equity	\$ 2,019,922	\$ 2,685,834
Nature and continuance of operations (Note 1)		
Subsequent events (Note 14)		

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

EMC Metals Corp.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Expressed in US Dollars) (Unaudited)

	Cumulative amounts from incorporation on July 17, 2006 to March 31, 2014	Quarter ended March 31, 2014	Quarter ended March 31, 2013
EXPENSES			
Amortization (Note 5)	\$ 2,149,755	\$ 958	\$ 1,075
Consulting	2,261,234	-	35,288
Exploration	15,126,677	52,756	307,071
General and administrative	7,304,237	47,322	75,247
Insurance	951,065	6,689	7,422
Professional fees	3,215,555	21,122	46,922
Research and development	3,042,091	-	-
Salaries and benefits	7,478,292	97,294	143,002
Stock-based compensation (Note 10)	5,416,151	1,166	21,032
Travel and entertainment	1,626,589	7,266	8,846
Loss from continuing operations before other items	(48,571,646)	(234,573)	(645,905)
OTHER ITEMS			
Foreign exchange gain (loss)	351,781	(7,231)	(10,316)
Gain on transfer of marketable securities	181,238	-	-
Gain on settlement of convertible debentures	1,268,246	-	-
Gain on sale of marketable securities	1,720,016	-	-
Write-off of mineral interests and property, plant and equipment (Note 5 and 6)	(16,015,169)	-	-
Write-off of land and water rights	(2,800,000)	-	-
Gain on insurance proceeds	912,534	-	-
Interest expense	(847,974)	(30,000)	(146,279)
Other income	466,463	-	-
Gain on disposition of assets	933,075	-	-
Change in fair value of derivative liability	453,790	-	-
Unrealized loss on marketable securities	(3,070,425)	-	-
	(16,446,425)	(37,231)	(156,595)
Loss from continuing operations before income taxes	(65,018,071)	(271,804)	(802,500)
Deferred income tax recovery	6,020,527	-	-
Loss from continuing operations for the period	(58,997,544)	(271,804)	(802,500)
Loss from discontinued operations (Note 4)	(25,501,664)	-	(107,788)

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Loss for the period	(84,499,208)	(271,804)	(910,288)
Foreign currency translation adjustment	(2,844,668)	-	-
Comprehensive loss for the period	\$ (87,343,876)	\$ (271,804)	\$ (910,288)
Basic and diluted loss per common share			
Loss from continuing operations		\$ (0.00)	\$ (0.01)
Loss from discontinued operations		\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding		166,022,035	165,358,337

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

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

	Cumulative amounts from incorporation on July 17, 2006 to March 31, 2014	Quarter ended March 31, 2014	Quarter ended March 31, 2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period	\$ (84,499,208)	\$ (271,804)	\$ (910,288)
Items not affecting cash:			
Amortization	2,360,301	958	5,927
Research and development	3,042,091	-	-
Consulting paid with common shares	9,379	-	-
Gain on disposal of assets	(933,075)	-	-
Convertible debenture costs	(1,149,630)	-	-
Unrealized foreign exchange	799,920	5,680	3,266
Stock-based compensation	5,416,151	1,166	21,032
Unrealized gain on marketable securities	(46,707)	-	-
Realized gain on marketable securities	(1,720,016)	-	-
Write-off of mineral properties and property, plant & equipment	39,442,452	-	-
Write-off of land and water rights	3,243,685	-	-
Realized loss on transfer of marketable securities	2,935,895	-	-
Change in fair value of derivative liability	(453,790)	-	-
Deferred income tax recovery	(6,020,527)	-	-
Finance charge	504,479	-	87,190
	(37,068,600)	(264,000)	(792,873)
Changes in non-cash working capital items:			
Decrease (increase) in prepaids and receivables	(4,929)	108,102	32,247
Increase (decrease) in accounts payable and accrued liabilities	(393,907)	62,726	171,206
Increase in due to related parties	1,091,043	-	-
Asset retirement obligations	(999,176)	-	-
	(37,375,569)	(93,172)	(589,420)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash acquired from subsidiary	4,543,435	-	-
Cash paid for Subsidiary	(10,602,498)	-	-
Spin-out of Golden Predator Corp.	(66,890)	-	-
Restricted cash	(161,161)	-	-
Reclamation bonds	747,862	-	-

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Proceeds from sale of marketable securities, net	(3,881,287)	-	-
Proceeds from sale of property, plant and equipment	5,633,294	-	-
Purchase of property, plant and equipment	(19,920,751)	-	-
Proceeds from sale of mineral interests	517,550	-	-
Additions to unproven mineral interests	(4,224,388)	-	-
	(27,414,834)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Common shares issued	52,676,603	192,000	-
Share issuance costs	(1,190,801)	-	-
Special warrants	12,095,274	-	-
Options exercised	370,812	-	-
Warrants exercised	10,534,109	-	-
Notes payable	(11,412,423)	-	-
Receipt of promissory note	2,344,874	-	-
Convertible debenture	2,650,000	-	649,175
Debt issuance costs	(249,827)	-	-
Payment of promissory note and convertible debenture	(3,335,228)	(650,000)	-
Advances from related party	191,508	-	-
Loans advanced to Midway	(1,822,651)	-	-
Loan repayment from Midway	1,760,221	-	-
	64,612,471	(458,000)	649,175
Effect of foreign exchange on cash flows	411,835	-	-
Change in cash during the period	233,903	(551,172)	59,755
Cash, beginning of period	-	785,075	190,215
Cash, end of period	\$ 233,903	\$ 233,903	\$ 249,970

Supplemental disclosure with respect to cash flows (Note 13)

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

EMC Metals Corp.
 (An Exploration
 Stage Company)
 CONDENSED
 CONSOLIDATED
 STATEMENTS OF
 CHANGES IN
 STOCKHOLDERS'
 EQUITY
 (Expressed in US
 Dollars)
 (Unaudited) Page 1
 of 2

	Capital Stock		Additional Paid in Capital \$	Treasury Stock \$	Accumulated Other Comprehensive Loss \$	Deficit		Total \$
	Number of Shares	Amount \$				Accumulated During the Exploration Stage \$	Total	
Balance, July 17, 2006	-	-	-	-	-	-	-	-
Private placements	5,000,000	3,017,350	-	-	-	-	3,017,350	
Excess of exchange amount over carrying	-	-	-	-	-	-	-	-
Excess of exchange amount over carrying amount of Springer Mining Company	-	-	-	-	-	(2,490,691)	(2,490,691)	
Loss for the period	-	-	-	-	-	(316,382)	(316,382)	
Balance, December 31, 2006	5,000,000	3,017,350	-	-	-	(2,807,073)	210,277	
Private placements	17,577,500	35,598,475	-	-	-	-	35,598,475	
Conversion of special warrants	5,390,000	5,590,529	-	-	-	-	5,590,529	

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Exercise of warrants	50,000	74,235	-	-	-	-	74,235
Share issuance costs – broker’s fees	-	(1,202,721)	97,565 00	-	-	-	(1,105,156)
Share issuance costs – shares issued	100,000	99,910	-	-	-	-	99,910
Shares issued for mineral properties	100,000	95,822	-	-	-	-	95,822
Stock-based compensation	40,000	38,314	472,489	-	-	-	510,803
Loss for the year	-	-	-	-	-	(5,579,477)	(5,579,477)
B a l a n c e ,							
December 31,							
2007	28,257,500	43,311,914	570,054	-	-	(8,386,550)	35,495,418
Private placements	5,322,500	10,543,444	-	-	-	-	10,543,444
Conversion of special warrants	7,610,000	7,484,629	-	-	-	-	7,484,629
Share issuance costs – broker’s fees	-	(263,169)	-	-	-	-	(263,169)
Shares issued for mineral properties	110,000	206,229	-	-	-	-	206,229
Acquisition of Gold Standard Royalty Corp.	2,050,000	4,088,552	138,529	-	-	-	4,227,081
Acquisition of Great American Minerals Inc.	1,045,775	2,065,059	419,891	-	-	-	2,484,950
Acquisition of Fury Explorations Ltd.	10,595,814	12,963,070	7,343,879	(1,964,364)	-	-	18,342,585
Exercise of stock options	6,637,224	9,690,543	(178,482)	-	-	-	9,512,061
Shares issued for repayment of promissory note	4,728,000	2,017,257	-	-	-	-	2,017,257
Stock-based compensation	-	-	2,251,500	-	-	-	2,251,500
Loss for the year	-	-	-	-	-	(16,979,873)	(16,979,873)

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Balance, December 31, 2008	66,356,813	92,107,528	10,545,371	(1,964,364)	-	(25,366,423)	75,322,112
Private placements	14,500,000	1,123,489	-	-	-	-	1,123,489
Exercise of stock options	101,000	110,689	(92,970)	-	-	-	17,719
Shares issued for mineral properties	2,765,643	311,606	-	-	-	-	311,606
Settlement of convertible debentures	7,336,874	2,299,061	49,278	-	-	-	2,348,339
Shares issued for consulting	89,254	9,168	-	-	-	-	9,168
Shares issued for acquisition of TTS	19,037,386	1,976,697	-	-	-	-	1,976,697
Stock-based compensation before spin-out	-	-	799,008	-	-	-	799,008
Spin-out of GPD	-	(18,044,538)	(11,300,687)	-	-	-	(29,345,225)
Stock-based compensation after spin-out	-	-	935,995	-	-	-	935,995
Foreign currency translation adjustment	-	-	-	-	(2,536,527)	-	(2,536,527)

EMC Metals Corp.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(Expressed in US Dollars) (Unaudited) Page 2 of 2

	Capital Stock						Deficit	
	Number of	Amount	Additional	Treasury	Accumulated	Accumulated	During the	Total
	Shares	\$	Paid in	Stock	Other	During the	Exploration	
			Capital		Comprehensive	Stage	Stage	
			\$	\$	Loss	\$	\$	\$
					\$			
Loss for the year	-	-	-	-	-	-	(18,954,099)	(18,954,099)
B a l a n c e , December 31, 2009	110,186,970	79,893,700	935,995	(1,964,364)	(2,536,527)	(44,320,522)		32,008,282
Private placements	30,252,442	4,563,680	441,565	-	-	-		5,005,245
Exercise of stock options	1,320,000	443,329	(219,732)	-	-	-		223,597
Exercise of warrants	7,300,000	1,060,257	-	-	-	-		1,060,257
Stock-based compensation	-	-	772,179	-	-	-		772,179
Foreign currency translation adjustment	-	-	-	-	99,091	-		99,091
Loss for the year	-	-	-	-	-	-	(4,585,644)	(4,585,644)
Balance, December 31, 2010	149,059,412	85,960,966	1,930,007	(1,964,364)	(2,437,436)	(48,906,166)		34,583,007
Exercise of stock options	250,000	140,466	(76,796)	-	-	-		63,670
Exercise/expiry of warrants	1,369,301	378,563	(700,170)	700,170	-	-		378,563
Stock-based compensation	-	-	296,127	-	-	-		296,127
Foreign currency translation adjustment	-	-	-	-	(984,896)	-		(984,896)
Loss for the year	-	-	-	-	-	-	(7,156,033)	(7,156,033)

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B a l a n c e , December 31, 2011	150,678,713	86,479,995	1,449,168	(1,264,194)	(3,422,332)	(56,062,199)	27,180,438
Private placements	13,679,624	790,508	-	-	-	-	-	790,508
Stock-based compensation	-	-	331,794	-	-	-	-	331,794
Shares issued for mineral properties	1,000,000	40,205	-	-	-	-	-	40,205
Issue of convertible debenture warrants	-	-	252,756	-	-	-	-	252,756
Foreign currency translation adjustment	-	-	-	-	577,664	-	-	-