

EMC METALS CORP.
Form 10-Q
August 12, 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 June 30, 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
(IRS 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.

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Large accelerated filer	<input type="radio"/>	Accelerated filer	<input type="radio"/>
Non-accelerated filed	<input type="radio"/>	Smaller reporting company	<input checked="" type="radio"/>

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 August 6, 2014, the registrant's outstanding common stock consisted of 193,070,379 shares.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

(An Exploration Stage Company)

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS AND QUARTER ENDED JUNE 30, 2014

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

As at:	June 30, 2014	December 31, 2013
ASSETS		
Current		
Cash	\$780,711	\$785,075
Prepaid expenses and receivables	23,460	127,410
Subscription receivable (Note 10)	234,175	-
Total Current Assets	1,038,346	912,485
Restricted cash (Note 3)	-	149,868
Property, plant and equipment (Note 5)	8,361	10,278
Mineral interests (Note 6)	2,977,234	1,613,203
Total Assets	\$4,023,941	\$2,685,834
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$348,937	\$247,613
Convertible debentures (Note 7)	-	650,000
Promissory notes payable (Note 8)	2,500,000	1,204,875
Total Liabilities	2,848,937	2,102,488
Stockholders' Equity		
Capital stock (Note 10) (Authorized: Unlimited number of shares; Issued and outstanding: 188,429,143 (2013 – 165,358,337))	88,394,298	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	(87,211,193)	(86,718,095)
Total Stockholders' Equity	1,175,004	583,346
Total Liabilities and Stockholders' Equity	\$4,023,941	\$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 June 30, 2014	Quarter ended June 30, 2014	Quarter ended June 30, 2013	Six Months ended June 30, 2014	Six Months ended June 30, 2013
EXPENSES					
Amortization (Note 5)	\$ 2,150,714	\$959	\$1,074	\$1,917	\$2,149
Consulting	2,269,734	8,500	41,865	8,500	77,153
Exploration	15,127,312	635	2,044	53,391	309,115
General and administrative	7,344,025	39,788	44,978	87,110	120,225
Insurance	950,824	(241)	7,593	6,448	15,015
Professional fees	3,278,246	62,691	32,020	83,813	78,942
Research and development	3,042,091	-	-	-	-
Salaries and benefits	7,567,767	89,475	137,347	186,769	280,349
Stock-based compensation (Note 10)	5,416,151	-	43,165	1,166	64,197
Travel and entertainment	1,631,765	5,176	4,872	12,442	13,718
Loss from continuing operations before other items	(48,778,629)	(206,983)	(314,958)	(441,556)	(960,863)
OTHER ITEMS					
Foreign exchange gain	363,136	11,355	38,099	4,124	27,783
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	(16,015,169)	-	-	-	-
Write-off of land and water rights	(2,800,000)	-	-	-	-
Gain on insurance proceeds	912,534	-	-	-	-
Interest expense	(873,640)	(25,666)	(156,427)	(55,666)	(302,706)
Other income	466,463	-	-	-	-
Gain on disposition of assets	933,075	-	-	-	-
Change in fair value of derivative liability	453,790	-	-	-	-

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Unrealized loss on marketable securities	(3,070,425)	-	-	-	-
	(16,460,736)	(14,311)	(118,328)	(51,542)	(274,923)
Loss from continuing operations before income taxes	(65,239,365)	(221,294)	(433,286)	(493,098)	(1,235,786)
Deferred income tax recovery	6,020,527	-	-	-	-
Loss from continuing operations for the period	(59,218,838)	(221,294)	(433,286)	(493,098)	(1,235,786)
Loss from discontinued operations (Note 4)	(25,501,664)	-	(88,609)	-	(196,397)
Loss for the period	(84,720,502)	(221,294)	(521,895)	(493,098)	(1,432,183)
Foreign currency translation adjustment	(2,844,668)	-	-	-	-
Comprehensive loss for the period	\$ (87,565,170)	\$ (221,294)	\$ (521,895)	\$ (493,098)	\$ (1,432,183)
Basic and diluted loss per common share					
Loss from continuing operations		\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)
Loss from discontinued operations		\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding		177,640,929	165,358,337	171,690,544	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 June 30, 2014	Six month period ended June 30, 2014	Six month period ended June 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period	\$ (84,720,502)	\$ (493,098)	\$ (1,432,183)
Items not affecting cash:			
Amortization	2,361,260	1,917	11,854
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	794,240	-	8,660
Stock-based compensation	5,416,151	1,166	64,197
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	-	177,260
	(37,294,615)	(490,015)	(1,170,212)
Changes in non-cash working capital items:			
Decrease (increase) in prepaids and receivables	(243,256)	103,950	51,042
Increase (decrease) in accounts payable and accrued liabilities	(355,309)	101,324	279,556
Increase in due to related parties	1,091,043	-	-
Asset retirement obligations	(999,176)	-	-
	(37,801,313)	(284,741)	(839,614)
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	(11,293)	149,868	-
Reclamation bonds	747,862	-	-
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	(5,588,419)	(1,364,031)	(1,108,484)

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(28,628,997) (1,214,163) (1,108,484)

CASH FLOWS FROM FINANCING ACTIVITIES

Common shares issued	53,595,724	876,946	-
Share issuance costs	(1,218,332)	(27,531)	-
Special warrants	12,095,274	-	-
Options exercised	370,812	-	-
Warrants exercised	10,534,109	-	-
Notes payable	(11,412,423)	-	-
Receipt of promissory note	4,844,874	2,500,000	1,200,000
Convertible debenture	2,650,000	-	649,175
Debt issuance costs	(249,827)	-	-
Payment of promissory note and convertible debenture	(4,540,103)	(1,854,875)	-
Advances from related party	191,508	-	-
Loans advanced to Midway	(1,822,651)	-	-
Loan repayment from Midway	1,760,221	-	-
	66,799,186		