



(Formerly Golden Predator Mines Inc.)
(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008

AUDITORS' REPORT

To the Shareholders of
EMC Metals Corp.
(formerly Golden Predator Mines Inc.)

We have audited the consolidated balance sheets of EMC Metals Corp. (formerly Golden Predator Mines Inc.) as at December 31, 2008 and 2007 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Accountants

March 13, 2009



EMC Metals Corp. (formerly Golden Predator Mines Inc.)
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS
(Expressed in Canadian Dollars)
As at December 31

| | 2008 | 2007 |
|---|-----------------------|----------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 1,722,962 | \$ 24,583,594 |
| Marketable Securities | 1,067,214 | 789,130 |
| Receivables | 195,285 | 215,063 |
| Reclamation bonds (Note 7) | - | 1,011,646 |
| Prepaid expenses and deposits | 247,492 | 374,597 |
| Current Loan receivable (Note 5) | 1,000,000 | - |
| | <u>4,232,953</u> | <u>26,974,030</u> |
| LOANS RECEIVABLE (Note 6) | 212,675 | 4,125,576 |
| RECLAMATION BONDS (Note 7) | 401,346 | 92,248 |
| PROPERTY, PLANT AND EQUIPMENT (Note 8) | 37,855,494 | 9,651,636 |
| MINERAL INTERESTS (Note 9) | 60,550,876 | 16,449,810 |
| | <u>\$ 103,253,344</u> | <u>\$ 57,293,300</u> |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 2,940,474 | \$ 3,135,251 |
| Convertible debenture (Note 10) | 2,866,329 | 2,312,772 |
| Asset retirement obligation (Note 11) | - | 870,511 |
| | <u>5,806,803</u> | <u>6,318,534</u> |
| FUTURE INCOME TAXES (Note 13) | 8,329,407 | 2,545,451 |
| PROMISSORY NOTE PAYABLE (Note 12) | 4,592,250 | - |
| | <u>18,728,460</u> | <u>8,863,985</u> |
| SHAREHOLDERS' EQUITY | | |
| SHARE CAPITAL (Note 14) | 93,706,311 | 43,144,926 |
| TREASURY STOCK (Note 15) | (2,087,333) | - |
| SPECIAL WARRANTS (Note 14) | - | 7,610,000 |
| SUBSCRIPTIONS RECEIVED IN ADVANCE (Note 14) | - | 3,620,000 |
| CONTRIBUTED SURPLUS (Note 14) | 11,086,227 | 588,562 |
| DEFICIT | (18,180,321) | (6,534,173) |
| | <u>84,524,884</u> | <u>48,429,315</u> |
| | <u>\$ 103,253,344</u> | <u>\$ 57,293,300</u> |

NATURE AND CONTINUANCE OF OPERATIONS (Note 1)

COMMITMENTS (Note 19)

SUBSEQUENT EVENTS (Note 22)

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

Approved on behalf of the Board of Directors:

“William M. Sheriff”

“William Harris”

EMC Metals Corp. (formerly Golden Predator Mines Inc.)

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

(Expressed in Canadian Dollars)

YEARS ENDED DECEMBER 31

| | 2008 | 2007 |
|---|------------------------|-----------------------|
| EXPENSES | | |
| Accounting and audit | \$ 285,903 | \$ 43,020 |
| Advertising and promotion | 56,089 | 25,036 |
| Amortization | 643,604 | 228,695 |
| Automobile expenses | 226,683 | 132,091 |
| Bank charges and interest | 888,177 | 282,443 |
| Consultants | 1,033,980 | 596,062 |
| Filing and regulatory fees | 442,413 | 36,473 |
| Insurance | 392,240 | 50,151 |
| Legal fees | 1,382,842 | 409,808 |
| Mapping | 67,166 | 79,408 |
| Office expenses | 802,910 | 256,045 |
| Plant supplies | 685,279 | 88,213 |
| Reclamation expense | 14,211 | - |
| Rent | 238,090 | 61,387 |
| Repairs and maintenance | 512,680 | 73,239 |
| Safety and security | 158,119 | 157,179 |
| Salaries and benefits | 2,239,517 | 2,024,925 |
| Stock based compensation | 1,980,095 | 529,562 |
| Telephone | 99,953 | 55,107 |
| Travel and entertainment | 485,987 | 327,086 |
| Utilities | 317,324 | 108,979 |
| | <u>12,953,262</u> | <u>5,564,909</u> |
| OTHER ITEMS | | |
| Foreign exchange gain (loss) | (861,326) | 524,870 |
| Gain on disposal of fixed assets | - | 441,962 |
| Gain on disposal of mineral property | 1,906,594 | - |
| Gain on insurance proceeds | 972,761 | - |
| Interest income | 355,120 | 342,112 |
| Other income | 335,062 | 2,101 |
| Unrealized loss in marketable securities | (3,322,863) | (7,836) |
| Write off of exploration expenditures | - | (314,270) |
| | <u>(614,652)</u> | <u>988,939</u> |
| LOSS BEFORE INCOME TAXES | (13,567,914) | (4,575,970) |
| FUTURE INCOME TAX RECOVERY (Note 13) | 1,921,766 | 1,101,000 |
| LOSS and COMPREHENSIVE LOSS FOR THE YEAR | <u>(11,646,148)</u> | <u>(3,474,970)</u> |
| DEFICIT, beginning of year | <u>(6,534,173)</u> | <u>(3,059,203)</u> |
| DEFICIT, end of year | <u>\$ (18,180,321)</u> | <u>\$ (6,534,173)</u> |
| BASIC AND DILUTED LOSS PER COMMON SHARE | <u>\$ (0.24)</u> | <u>\$ (0.28)</u> |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES | | |
| OUTSTANDING | <u>47,848,760</u> | <u>12,258,573</u> |

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

EMC Metals Corp. (formerly Golden Predator Mines Inc.)

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars)

YEARS ENDED DECEMBER 31

| | 2008 | 2007 |
|---|---------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss for the year | \$ (11,646,148) | \$ (3,474,970) |
| Items not affecting cash: | | |
| Amortization | 643,604 | 228,695 |
| Gain on disposal of fixed assets | - | (441,962) |
| Unrealized foreign exchange | 1,941,944 | (228,642) |
| Future income tax recovery | (1,921,766) | (1,101,000) |
| Stock-based compensation | 1,980,095 | 529,562 |
| Unrealized loss on marketable securities | 3,330,699 | 7,836 |
| Gain on disposal of mineral property | (1,906,594) | - |
| Write-off of exploration expenditures | - | 314,270 |
| | <u>(7,578,166)</u> | <u>(4,166,211)</u> |
| Changes in non-cash working capital items: | | |
| Increase (decrease) in receivables | 8,725 | (206,944) |
| Increase (decrease) in prepaid expenses | 210,065 | (374,597) |
| Increase (decrease) in accounts payable and accrued liabilities | (614,718) | 377,739 |
| Decrease in asset retirement obligations | (971,890) | (94,001) |
| | <u>(8,945,984)</u> | <u>(4,464,014)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Cash acquired from Subsidiary | 4,648,256 | - |
| Employee loan repayment | 2,737 | - |
| Reclamation bonds | 971,140 | (175,355) |
| Purchase of property, plant and equipment | (19,042,884) | (2,252,949) |
| Acquisition of Great American Minerals Inc. | (1,254,544) | (5,423,259) |
| Proceeds on sale of property, plant and equipment | 500 | 521,842 |
| Purchase of marketable securities, net of proceeds on sale | (3,497,786) | (796,966) |
| Additions to unproven mineral interests | (10,088,378) | (2,827,059) |
| Exploration advances | - | (458,000) |
| Loan advanced to Gold Standard Royalty Corporation | - | (4,125,576) |
| | <u>(28,260,959)</u> | <u>(15,537,322)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Common stock issued | 7,025,000 | 35,230,000 |
| Subscription payable | - | 3,620,000 |
| Warrants exercised | 9,752,250 | - |
| Option exercised | 91,400 | - |
| Share issuance costs | (261,639) | (1,016,074) |
| Loan to Midway Gold Corp. | (1,000,000) | - |
| Note payable to Uranium One Inc. | - | (9,966,000) |
| Special warrants | - | 13,000,000 |
| Payment on promissory note | (1,260,700) | - |
| | <u>14,346,311</u> | <u>40,867,926</u> |
| CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR | (22,860,632) | 20,866,590 |
| CASH AND CASH EQUIVALENTS, beginning of year | 24,583,594 | 3,717,004 |
| CASH AND CASH EQUIVALENTS, end of year | \$ 1,722,962 | \$ 24,583,594 |
| CASH AND CASH EQUIVALENTS consist of: | | |
| Cash | \$ 1,722,962 | \$ 4,458,862 |
| Banker's Acceptance | - | 20,124,732 |
| | <u>\$ 1,722,962</u> | <u>\$ 24,583,594</u> |

SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (Note 21)

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

EMC Metals Corp. (formerly Golden Predator Mines Inc.)

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008

(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

EMC Metals Corp. (formerly Golden Predator Mines Inc.) (the "Company") is incorporated under the laws of the Province of British Columbia. The Company intends to refit its Springer Tungsten mill with a view to processing ore. To December 31, 2008 the Company has not commenced its planned principal business activities and has generated no revenue. Additionally, the Company's properties are in the exploration or pre-exploration stage and it intends to commence exploration of its unproven mineral interests. 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, which 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. 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. 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.

Current market conditions make the present environment for raising additional equity financing less favorable. The inability to raise additional financing may impact the future assessment of the Company as a going concern under CICA 1400 General Standards of Financial Statement Presentation. See note 17 for further disclosure regarding liquidity risk.

2. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. They are expressed in Canadian dollars and include the accounts of all subsidiaries. All inter-company balances and transactions have been eliminated upon consolidation.

b. Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in Canada 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 revenues and expenses during the reporting year. Actual results could differ from these estimates. Significant areas requiring the use of estimates relate to the impairment of mineral property interests and plant and equipment, valuation allowances for future income tax assets, stock-based compensation and valuation of warrants in private placements.

c. Cash and cash equivalents

Cash is comprised of cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

d. Marketable Securities

Marketable Securities are classified as held for trading and are measured at fair market value.

EMC Metals Corp. (formerly Golden Predator Mines Inc.)

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

e. Property, plant and equipment

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

| | |
|---------------------------|------------------------|
| Plant and equipment | 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 |

f. Unproven mineral interests

All costs related to the acquisition and exploration of unproven mineral interests are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When an unproven mineral interest is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of an unproven mineral interest is impaired, that interest is written down to its estimated net realizable value. An unproven mineral interest is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for unproven mineral interests do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration, future profitable production or proceeds from the disposition thereof.

g. Asset retirement obligations

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. The Company had determined that it has no asset retirement obligations as at December 31, 2008.

h. Impairment of long-lived assets

Long-lived assets are tested for recoverability annually or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

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(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

i. Income taxes

Income taxes are recorded using the asset and liability method under which future income tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using the substantively enacted income tax rates expected to apply when the asset is realized or the liability settled. To the extent that the Company does not consider it more likely than not that a future income tax asset will be recovered, it provides a valuation allowance against the excess.

j. Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. Dilution for convertible debentures is calculated on an if-converted basis.

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year and does not include outstanding options and warrants. Dilutive loss per share is not presented separately from loss per share as the conversion of outstanding stock options and warrants into common shares would be anti-dilutive.

k. Foreign currency translation and transactions

The Company's subsidiaries are integrated foreign operations and are translated into Canadian dollars using the temporal method. Monetary items are translated at the exchange rate in effect at the balance sheet date and non-monetary items are translated at historical exchange rates. Income and expense items are translated at rates approximating those in effect at the time of the transaction. Translation gains and losses are reflected in loss for the year.

l. Stock-based compensation

The Company uses the fair value method whereby the Company recognizes compensation costs for the granting of all stock options and direct awards of stock. Compensation costs are typically recognized over the vesting year. A corresponding increase in contributed surplus is recorded when stock options are expensed. When stock options are exercised, capital stock is credited by the sum of the consideration paid and the related portion of stock-based compensation previously recorded in contributed surplus. The effects of forfeitures are accounted for as they occur.

m. Comparative figures

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

EMC Metals Corp. (formerly Golden Predator Mines Inc.)

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008

(Expressed in Canadian Dollars)

3. NEW STANDARDS AND ACCOUNTING POLICY CHANGES

a. Financial Instruments – Disclosure (Section 3862) and Presentation (Section 3863)

The Accounting Standards Board of the CICA (the “AcSB”) issued CICA Handbook Section 3862, *Financial Instruments – Disclosures*, which requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. The principles in this section complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in Section 3855, *Financial Instruments – Recognition and Measurement*, Section 3863, *Financial Instruments – Presentation*, and Section 3865, *Hedges* (Note 17).

AcSB issued CICA Handbook Section 3863, *Financial Instruments – Presentation*, which is to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset (Note 17).

b. Capital Management

AcSB issued CICA Handbook Section 1535, *Capital Disclosures*, which establishes standards for disclosing information about an entity's capital and how it is managed (see Note 16).

c. Assessing Going Concern

AcSB amended CICA Handbook Section 1400 “General Standards on Financial Statement Presentation”, to include requirements for management to assess and disclose an entity's ability to continue as a going concern (Note 1).

The Company adopted the above new accounting policies for its fiscal year beginning January 1, 2008. The adoption of these new pronouncements did not affect the Company's financial position or results of operations.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(Expressed in Canadian Dollars)

3. NEW STANDARDS AND ACCOUNTING POLICY CHANGES (cont'd)

d. Recent Accounting Pronouncements

International Financial Reporting Standards ("IFRS")

In 2006, the AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Goodwill and Intangible Assets

The CICA issued a new accounting standard, Section 3064 "Goodwill and Intangible Assets" which will replace the existing Section 3062 "Goodwill and Other Intangible Assets" and Section 3450 "Research and Development Costs". The new pronouncement establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. This standard is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2009. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

Business Combinations, Non-controlling Interest and Consolidated Financial Statements

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non-controlling Interests" which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of this Section is permitted and all three Sections must be adopted concurrently.

Credit Risk and the Fair Value of Financial Assets and Liabilities

In January 2009 the Emerging Issues Committee ("EIC") issued EIC-173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". This abstract requires companies to take counterparty credit risk into account when measuring the fair value of financial assets and liabilities, including derivatives. This new standard is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2009. The Company does not expect that the adoption of this standard will have a material impact on its financial statements.

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(Expressed in Canadian Dollars)

4. ACQUISITION OF SUBSIDIARIES

Gold Standard Royalty Corporation

On March 19, 2008, the Company acquired all of the issued and outstanding shares of Gold Standard Royalty Corporation ("GSR") a privately held company, incorporated in Nevada, USA on the basis of 1 common share of the Company for every 7.317 common shares of GSR. The acquisition is accounted for using the purchase method.

The cost of acquisition was \$4,243,017 consisting of the issuance of 2,050,000 common shares with a fair value of \$4,100,000, and stock options allowing the holders to acquire 168,334 common shares at exercise prices in the range of \$1.10 - \$2.00 per share, with a fair value of \$143,017. GSR's operating results were recognized in the consolidated statement of operations beginning on March 19, 2008, the effective date of the acquisition.

The allocation of the purchase cost to GSR's assets and liabilities is as follows:

| | | |
|-----------------------|----|--------------------|
| Cash | \$ | 740,385 |
| Receivables | | 1,012 |
| Prepaid Expenses | | 2,574 |
| Capital Assets | | 1,465 |
| Mineral Properties | | 9,604,908 |
| Accounts Payable | | (103,727) |
| Loan Payable (Note 6) | | (4,111,600) |
| Future Income Taxes | | <u>(1,892,000)</u> |
| Total Consideration | \$ | <u>4,243,017</u> |

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4. ACQUISITION OF SUBSIDIARIES (cont'd)

Great American Minerals Inc

During fiscal 2007, the Company acquired 71% of the issued and outstanding shares of Great American Minerals Inc. ("GAM") a privately held company incorporated in Nevada, USA, for cash consideration of \$7,480,626.

The allocation of the purchase cost to GAM's assets and liabilities is as follows:

| | | |
|-----------------------------|----|--------------------|
| Cash | \$ | 2,057,367 |
| Receivables | | 2,249 |
| Reclamation Bond | | 3,817 |
| Capital Assets | | 9,552 |
| Mineral Properties | | 10,973,502 |
| Accounts Payable | | (2,053,426) |
| Asset Retirement Obligation | | (3,817) |
| Convertible Debenture | | (2,263,618) |
| Future Income Taxes | | <u>(1,245,000)</u> |
| Cash Consideration | \$ | <u>7,480,626</u> |

GAM's operating results were recognized in the consolidated statement of operations beginning on November 30, 2007, the effective date of the acquisition.

On April 22, 2008, the Company acquired the remaining 29% of GAM (10,185,740 shares) in a share exchange arrangement whereby the Company must exchange GAM common shares for cash or common shares of the Company with a share exchange ratio of 1 common share of the Company for every 6.1538461 common shares of GAM.

The acquisition cost for the remaining 29% of GAM was \$4,621,268, consisting of the acquisition of 3,499,000 GAM shares for \$1,253,154, issuance of 1,045,775 common shares with a fair value of \$2,091,550, stock options and warrants allowing the holders to acquire 547,633 common shares at exercise price range of \$USD 0.92 - \$CAD 2.00, with a fair value of \$426,672 and \$828,000 in future income tax liabilities.

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4. ACQUISITION OF SUBSIDIARIES (cont'd)

Fury Explorations Ltd.

On August 15, 2008, the Company acquired all of the issued and outstanding shares of Fury Explorations Ltd. ("Fury") a public company incorporated in British Columbia on the basis that each share of Fury was exchanged for one third of a common share of the Company and one half of a common share purchase warrant of the Company, with each full warrant being exercisable to acquire an additional common share of the Company at an exercise price of \$3.35 for three years from the date of the closing of the acquisition. The acquisition is accounted for using the purchase method.

The cost of acquisition was \$21,461,511 consisting of the issuance of 10,595,814 common shares with a fair value of \$13,774,558 in the exchange for 31,657,433 Fury's common shares as well as stock options and warrants allowing the holders to acquire 18,310,236 common shares at exercise prices range of \$0.90 - \$3.71 per share, with a fair value of \$7,787,783. Fury's operating results were recognized in the consolidated statement of operations beginning on August 15, 2008, the effective date of the acquisition.

The allocation of the purchase cost to Fury's assets and liabilities is as follows:

| | | |
|-----------------------|----|--------------------|
| Cash | \$ | 3,907,871 |
| Receivables | | 30,171 |
| Prepaid Expenses | | 80,386 |
| Marketable securities | | 47,500 |
| Reclamation bonds | | 102,435 |
| Capital Assets | | 2,535,775 |
| Mineral Properties | | 19,464,030 |
| Accounts Payable | | (38,433) |
| Future Income Taxes | | <u>(4,668,224)</u> |
| Total Consideration | \$ | <u>21,461,511</u> |

5. CURRENT LOAN RECEIVABLE

| | 2008 | 2007 |
|---|--------------|------|
| Loan receivable from Midway Gold Corp. ("Midway"), bearing interest at prime plus 2% per annum, maturing July 16, 2009, unsecured | \$ 1,000,000 | \$ - |

On August 22, 2008, the Company entered into a loan agreement to provide a loan facility of \$2,000,000 with Midway.

On November 13, 2008, the Company received \$1,000,000 loan repayment and accrued interest from Midway. As such, the \$1,000,000 balance remaining on the loan is payable no later than July 16, 2009 with interest. Midway further agreed to apply 50% of the proceeds of any warrants exercised pursuant to a private placement, closed on November 12, 2008, to the balance of the loan amount.

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(Expressed in Canadian Dollars)

6. LOANS RECEIVABLE

| | 2008 | 2007 |
|--|------------|--------------|
| Loan receivable from an employee, bearing interest at 5.75% per annum, maturing December 12, 2012, repayable in monthly installments of US\$1,042 including principal and interest, secured by domestic real estate. | \$ 212,675 | \$ 173,176 |
| Loan receivable of USD\$4,000,000 from GSR eliminated upon acquisition (Note 4) | - | 3,952,400 |
| Total loans receivable | \$ 212,675 | \$ 4,125,576 |

7. RECLAMATION BONDS

| | 2008 | 2007 |
|--------------------------|------------|--------------|
| Springer Mining Property | \$ - | \$ 1,011,646 |
| Other properties | 401,346 | 92,248 |
| Total reclamation bonds | 401,346 | 1,103,894 |
| Less: current portion | - | (1,011,646) |
| | \$ 401,346 | \$ 92,248 |

Reclamation bonds of US\$327,736 (Dec 31, 2007 – US\$1,117,188) are held as security for the estimated cost of reclamation of the Company's land and unproven mineral interests. Once reclamation of the properties is complete, the bonds will be returned to the Company.

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8. PROPERTY, PLANT AND EQUIPMENT

| | 2008 | | | 2007 | | |
|---------------------------------|-------------------|-----------------------------------|-------------------------|------------------|-----------------------------------|-------------------------|
| | Cost \$ | Accumulated Amortization \$ | Net Book Value \$ | Cost \$ | Accumulated Amortization \$ | Net Book Value \$ |
| Land and water rights | 7,972,291 | - | 7,972,291 | 296,000 | - | 296,000 |
| Plant and equipment | 27,948,099 | - | 27,948,099 | 8,606,919 | - | 8,606,919 |
| Cosgrave plant and equipment | 375,763 | 75,153 | 300,610 | - | - | - |
| Building | 222,685 | 11,629 | 211,056 | 63,205 | - | 63,205 |
| Automobiles | 302,115 | 139,993 | 162,122 | 151,616 | 50,981 | 100,635 |
| Computer equipment | 661,436 | 286,792 | 374,644 | 265,040 | 85,289 | 179,751 |
| Small tools and equipment | 958,273 | 290,588 | 667,685 | 366,359 | 82,398 | 283,961 |
| Office equipment | 308,915 | 99,952 | 208,963 | 130,560 | 26,112 | 104,448 |
| Leasehold improvements | 22,838 | 12,814 | 10,024 | 19,838 | 3,121 | 16,717 |
| | <u>38,772,415</u> | <u>916,921</u> | <u>37,855,494</u> | <u>9,899,537</u> | <u>247,901</u> | <u>9,651,636</u> |

The plant and equipment is currently not in use and accordingly is not being amortized.

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9. UNPROVEN MINERAL INTERESTS

| December 31, 2008 | Gold | Silver | Tungsten | Total |
|-----------------------------------|------------------|----------------|------------------|-------------------|
| Acquisition costs | | | | |
| Balance, January 1, 2008 | \$ 12,547,762 | \$ - | \$ 1,091,820 | \$ 13,639,582 |
| Additions | 17,282,471 | 19,464,030 | (892,583) | 35,853,918 |
| Disposition | <u>(143,406)</u> | <u>-</u> | <u>-</u> | <u>(143,406)</u> |
| Balance, December 31, 2008 | 29,686,827 | 19,464,030 | 199,237 | 49,350,094 |
| Deferred exploration costs | | | | |
| Balance, January 1, 2008 | 1,691,891 | - | 1,118,337 | 2,810,228 |
| Additions | | | | |
| Advance Royalty | 576,550 | - | - | 576,550 |
| BLM/Other | 534,092 | - | 93,889 | 627,981 |
| Consultant | 368,628 | 6,839 | 775,692 | 1,151,159 |
| Drilling | 1,514,719 | 281,772 | 2,170,390 | 3,966,881 |
| Geochemistry | 214,187 | 908 | 188,331 | 403,426 |
| Lease Payments | 52,434 | - | - | 52,434 |
| Permitting | 53,187 | - | 149,207 | 202,394 |
| Property Development | 263,953 | - | 705,019 | 968,972 |
| Staking | 67,845 | - | - | 67,845 |
| Reconnaissance | 215,425 | 12,394 | - | 227,819 |
| Underground | <u>-</u> | <u>-</u> | <u>145,093</u> | <u>145,093</u> |
| Balance, December 31, 2008 | <u>5,552,911</u> | <u>301,913</u> | <u>5,345,958</u> | <u>11,200,782</u> |
| Total costs | \$ 35,239,738 | \$ 19,765,943 | \$ 5,545,195 | \$ 60,550,876 |

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9. UNPROVEN MINERAL INTERESTS (cont'd...)

| December 31, 2007 | Gold | Tungsten | Total |
|-----------------------------------|------------------|------------------|------------------|
| Acquisition costs | | | |
| Balance, January 1, 2007 | \$ 916,000 | \$ 1,091,820 | \$ 2,007,820 |
| Additions | 11,806,762 | - | 11,806,762 |
| Written-off | <u>(175,000)</u> | <u>-</u> | <u>(175,000)</u> |
| Balance, December 31, 2007 | 12,547,762 | 1,091,820 | 13,639,582 |
| Deferred exploration costs | | | |
| Balance, January 1, 2007 | 156,286 | - | 156,286 |
| Additions | | | |
| Advance Royalty | 71,318 | - | 71,318 |
| BLM/Other | 757,748 | 92,526 | 850,274 |
| Consultant | 48,684 | 191,721 | 240,405 |
| Drilling | 113,252 | 774,846 | 888,098 |
| Geochemistry | 8,294 | 2,838 | 11,132 |
| Exploration advances | 458,000 | - | 458,000 |
| Lease Payments | 9,999 | - | 9,999 |
| Permitting | 27,071 | 32,994 | 60,065 |
| Property Development | 12,586 | 23,412 | 35,998 |
| Staking | 165,244 | - | 165,244 |
| Reconnaissance | <u>2,679</u> | <u>-</u> | <u>2,679</u> |
| | 1,831,161 | 1,118,337 | 2,949,498 |
| Written-off | <u>(139,270)</u> | <u>-</u> | <u>(139,270)</u> |
| Balance, December 31, 2007 | <u>1,691,891</u> | <u>1,118,337</u> | <u>2,810,228</u> |
| Total costs | \$ 14,239,653 | \$ 2,210,157 | \$ 16,449,810 |

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9. UNPROVEN MINERAL INTERESTS (cont'd...)

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 are in good standing.

TUNGSTEN PROPERTY

Springer Mine and Mill Facility

On November 21, 2006, the Company acquired all outstanding and issued shares of Springer Mining Company. Included in the assets of Springer are the Springer Mine and Mill located in Pershing County, Nevada.

SILVER PROPERTY

Taylor Property

On March 15, 2006, Fury (wholly owned subsidiary of the Company) acquired an option to earn a 100% interest in the Taylor Property, located in Ely, Nevada, through the purchase of Anglo Nevada Metals Corporation ("Anglo"), and completed the Taylor Project acquisition during the year ended December 31, 2008. During fiscal 2008, the Company acquired all the issued and outstanding shares of Fury (Note 4).

Fury has provided reclamation bonds totaling \$96,400 (2007 - \$96,400) as security against future and environmental work on the Taylor property.

Mexican option agreements

The Company has entered into an option agreement to acquire certain properties located in Mexico. Over 3 years, the Company is required to make cash payments totaling \$225,000, issue 66,667 shares and incur exploration expenditures of \$1,400,000. The Company has also optioned-out its interests ranging from 65% to 100% in certain properties located in Mexico over 3 years in consideration for the receipt of \$250,000 in cash, 2,150,000 in common shares, and incurred exploration expenditures of \$4,550,000.

GOLD PROPERTIES

Phoenix Joint Venture

On December 27, 2007, the parties to Phoenix JV exercised their option to purchase the Lewis mineral property in Lander County, Nevada by making a cash payment of USD \$2,000,000 together with the first payment of the advance royalty in the cash amount of USD \$60,000. These payments were funded by GAM for its 40 per cent stake and by Madison Minerals Inc, the JV partner, for the remaining 60 percent.

High Grade Project

The Company has a lease option agreement on claims located in Modoc County, California. The Company is required to pay an annual lease payment due July 31st of \$25,000 to maintain this agreement. The agreement entails that the Company have the option to purchase the property for \$500,000, less advanced royalty payments previously paid, and includes a 2% net smelter returns royalty (NSR) retained by the owners.

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9. UNPROVEN MINERAL INTERESTS (cont'd...)

GOLD PROPERTIES (cont'd...)

Adelaide & Tuscarora

The Company holds an option to acquire up to 100% of Canyon Resources Corporation's interest in the Adelaide and Tuscarora gold properties in Humboldt County, Nevada under the Newmont Lease. The Company paid US\$503,600 on execution of the option agreement and agreed to incur a total of US\$3,000,000 of cumulative exploration expenditures over five years on the properties or pay cash in lieu thereof, in accordance with the Newmont Lease. The property is subject to a 1.5% NSR. Subsequent to December 31, 2008, the Company issued 2,147,117 common shares in payment of execution of the option agreement.

Angel's Camp (formerly Quartz Mountain)

The Company has an option to acquire a 50% interest in certain claims located in Lake County, Oregon. To earn its interest the Company is required to incur exploration expenditures of US\$1,500,000 by October, 2008 and issue common shares on completion. The property is subject to a 1% NSR. The Company did not achieve the 2008 exploration commitment and in January, 2009, the Company signed an amended option agreement where the name of Quartz Mountain has been changed to Angel's Camp. The Company is required to incur exploration expenditures of US\$100,000 by January, 2010, increasing to a cumulative total of US\$500,000 by December, 2010. The Company is also required to issue 50,000 common shares of Golden Predator Royalty & Development Corp. (New GP) within 30 days of reorganization (Note 22) and 150,000 common shares of New GP subject to a maximum share value of C\$1.35 per share to Seabridge Gold (SG) within 60 days of completion of the US\$500,000 exploration expenditure requirement. The Company can earn up to 70% interest by notifying SG by March 31, 2011 and completing a Feasibility Study within 3 years.

Treasure Hill

On March 21, 2008, the Company acquired a 50% interest in the Treasure Hill property in White Pine Valley, Nevada from Century Gold LLC for cash consideration of \$1,679,865 and the remaining 50% from Allied Nevada Gold Corp. for cash consideration of \$1,009,399 on April 30, 2008. The Treasure Hill property is subject to a 2% NSR in favor of the vendor which can be repurchased by the Company.

Lantern

Pursuant to a mineral lease agreement on claims located in Pershing County, Nevada, the Company is required to incur annual exploration expenditures of US\$50,000 to July, 2012, increased to US\$100,000 per year thereafter. The property is subject to a 3% NSR.

The lessor has the right to back into a 51% interest in the property in exchange for reimbursing the Company for 50% of its exploration expenditures and incurring additional expenditures equal to 200% of the expenditures incurred by the Company.

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9. UNPROVEN MINERAL INTERESTS (cont'd...)

GOLD PROPERTIES (cont'd...)

Lantern (Sheriff Lease)

Pursuant to a mineral lease agreement with a director of the Company on claims located in Pershing County, Nevada, the Company is required to incur annual exploration expenditures of US\$50,000 to December, 2012, increasing to US\$100,000 per year thereafter. Should the Company fail to incur the annual exploration expenditures, the Company is required to pay 150% of the shortfall to the director. The property is subject to a NSR ranging from 2% to 4% dependant on the price of gold or the type of mineral recovered.

Lewiston

Pursuant to an option agreement to acquire a 100% interest in claims located in Fremont County, Wyoming, the Company is required to incur exploration expenditures of US\$250,000 by August, 2008, increasing to a cumulative total of US\$500,000 by August, 2009. The property is subject to a 3% net smelter royalty. The Company purchased this property in April 2008, for \$50,000 cash and 100,000 shares of the Company valued at \$200,000.

Upon satisfaction of the exploration expenditure requirements on the Lewiston property, the Company is also required to issue additional common shares or, at the election of the optionor, the cash equivalent value.

Modoc

The Company has a lease and option to purchase two-thirds interest in 12 mineral claims comprising the Modoc gold property, located in Lander County, Nevada. The Company owns the remaining one-third interest. In order to maintain the lease interest, The Company must pay US\$75,000 on or before March 31, 2008 and US\$100,000 annually thereafter and by incurring US\$500,000 in work commitments prior to September 1, 2008 and a further US\$500,000 prior to September 1, 2009. The Company may purchase the remaining two-thirds interest in the claims at any time on payment of US\$2,000,000. Upon purchase of the claims, a 3% net smelter returns royalty shall be reserved to the vendor. The 2008 work commitment was negotiated subsequent to year end and the Company had paid to the optionor \$10,000USD subsequent to year end.

Staked Claims

The Company also acquired staked mining claims located in Humboldt County and Nye County, Nevada. As these are staked claims, there are no contractual obligations.

Nevada option agreements

The Company has entered into option agreements to acquire certain properties located in Nevada. The Company is required to pay annual advanced royalty payments of US\$190,000 during fiscal 2009, with the annual advance royalty increasing in stages to US\$300,000 for fiscal 2013 and each year thereafter. The agreements also require annual exploration expenditures of US\$265,000 during fiscal 2009, increasing in stages to cumulative exploration expenditures of US\$750,000 by fiscal 2012. The properties are subject to NSRs ranging from 2% to 5%.

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9. UNPROVEN MINERAL INTERESTS (cont'd...)

GOLD PROPERTIES (cont'd...)

Optioned properties

On January 16, 2008, the Company signed a property option agreement with Evolving Gold Corp under which Evolving Gold Corp would purchase up to a 100% interest in the Rattlesnake Hills Property in Natrona County, Wyoming in exchange the Company would receive 3,000,000 Evolving Gold Corp shares over three years. A total of 1,000,000 shares were received during the year and 1,000,000 were received subsequently.

On March 19, 2008, the Company completed its acquisition of GSR (Note 4). GSR holds a portfolio of gold exploration properties located in the State of Nevada and leases formerly owned by the Lyle Campbell Trust. The portfolio, amongst other assets, includes claims and royalty positions covering the Pan Property, leased by Midway Gold Corp., both royalty and leases covering significant portions of the Bald Mountain property of Barrick Gold, and the Tonkin Springs property leased to US Gold. In total, there are 20 property interests in the portfolio subject to 11 leases (some which cover more than one claim group) and 2 deeded royalties.

10. CONVERTIBLE DEBENTURE

| | 2008 | 2007 |
|-----------------------|--------------|--------------|
| Convertible Debenture | \$ 2,886,329 | \$ 2,312,772 |

Prior to acquisition by the Company (Note 4) GAM completed a USD\$2,340,625 convertible secured debenture maturing three years from issuance. The debenture is secured against all assets of GAM and it bears an 8% interest payable annually. The debenture also bears additional interests and penalties and is presented as a current liability as a result of a breach of various covenants prior to acquisition by the Company.

The debentures are convertible into GAM shares at \$2.00 per share. Attached to each debenture is a quarter share purchase warrant at an exercise price of \$2.50 each for one GAM share which are convertible into shares of the Company at the 6.1538 exchange ratio (Note 4). As stated in the Debenture agreement, GAM's management is obligated to arrange for the conversion of the GAM shares into the acquirer's shares in case of a change in control.

In February 2009, the Debenture holders have accepted a proposal to retire the Debentures in exchange for securities of the Company (Note 24).

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11. ASSET RETIREMENT OBLIGATION

| | | 2008 | | 2007 |
|--|----|-----------|----|-----------|
| Balance, beginning of the year | \$ | 870,511 | \$ | 1,127,324 |
| Liabilities assumed on acquisition of property | | - | | 3,900 |
| Unrealized foreign exchange (gain)/loss | | 131,622 | | (166,712) |
| Reclamation work performed during the year | | (175,200) | | (94,001) |
| Adjustment of estimate | | (826,933) | | - |
| Balance, end of year | \$ | - | \$ | 870,511 |

The Company has completed the recommended reclamation work on the Springer Mine.

12. PROMISSORY NOTE PAYABLE

| | | 2008 | | 2007 |
|---|----|-----------|----|------|
| Promissory note principle US\$ 3,750,000, bearing interest at 6% per annum, maturing July 3, 2013 | | | | |
| | \$ | 4,592,250 | \$ | - |

On July 30, 2008, the Company entered into a promissory note agreement with Cosgrave Ranch, LLC ("Cosgrave") in connection with the acquisition of water rights and land from Cosgrave for US\$6,750,000. The note bears interest at 6% per annum and matures in 5 years. The interest is payable by cash. Further, the Company obtained a \$3 million letter of credit as a lien and security in the land, equipment and the portion of the water rights.

On October 27, 2008, the Company closed an amendment agreement with Cosgrave for the promissory note. Pursuant to the amendment agreement, a US\$3 million cash backed Letter of Credit held in favor of Cosgrave was cancelled. US\$2 million of the proceeds have been retained by the Company, the balance of US\$1 million was paid to Cosgrave in addition to 4,728,000 units of the Company having a value of US\$2 million. Each unit consists of one common share and one-half share purchase warrant exercisable at CDN\$0.75 each and exercisable for a period of two years. As a result of the amendment and partial payment of the promissory note, a principal balance of US\$3.75 million remains payable at the same terms with the exception that the interest must be paid in cash.

Interest expense of \$45,923 was accrued for the year ended December 31, 2008.

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13. FUTURE INCOME TAXES

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

| | 2008 | 2007 |
|--|-----------------|----------------|
| Loss before income taxes | \$ (13,567,914) | \$ (4,575,970) |
| Expected income tax recovery | 4,206,053 | 1,561,321 |
| Write-off of exploration | - | (107,229) |
| Stock-based compensation | (613,829) | (167,039) |
| Other items | (557,125) | 200,635 |
| | 3,035,099 | 1,487,688 |
| Unrecognized benefit of non-capital losses | (1,113,333) | (386,688) |
| Income tax recovery | \$ 1,921,766 | \$ 1,101,000 |

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

| | 2008 | 2007 |
|-------------------------------------|----------------|----------------|
| Future income tax assets | | |
| Losses available for future periods | \$ 10,014,443 | \$ 3,655,311 |
| Share issuance costs | 214,923 | 241,072 |
| Marketable securities | 1,168,066 | - |
| Future income tax liabilities: | | |
| Property, plant and equipment | (16,485,084) | (5,881,183) |
| | (5,087,652) | (1,984,800) |
| Less: valuation allowance | (3,241,755) | (560,651) |
| Net future income tax liability | \$ (8,329,407) | \$ (2,545,451) |

At December 31, 2008, the Company has Canadian non-capital loss carry forwards of approximately \$8,300,000 and United States' operating losses of approximately \$19,000,000. The Canadian non-capital loss carry forwards and United States' operating losses expire at various dates from 2023 to 2028. The potential income tax benefits related to the Canadian loss carry forwards and certain of the United States' operating losses have not been reflected in the accounts.

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14. SHARE CAPITAL AND CONTRIBUTED SURPLUS

Authorized: Unlimited number of common shares without par value

| | Number of Shares | Share Capital | Contributed Surplus |
|--|---------------------|---------------|------------------------|
| Issued: | | | |
| Balance, December 31, 2006 | 5,000,000 | \$ 3,500,000 | \$ - |
| For mineral properties | 100,000 | 100,000 | - |
| Stock based compensation | 40,000 | 40,000 | 489,562 |
| Share issuance costs | | | |
| Broker's fee | - | (1,215,074) | 99,000 |
| Shares issued | 100,000 | 100,000 | - |
| Exercise of share purchase warrants | 50,000 | 75,000 | - |
| Conversion of Special Warrants | 5,390,000 | 5,390,000 | - |
| Issuance of shares – private placement | 17,577,500 | 35,155,000 | - |
| Balance, December 31, 2007 | 28,257,500 | 43,144,926 | 588,562 |
| Issuance of shares – private placement | 5,322,500 | 10,645,000 | - |
| Share issuance costs (Broker's fee) | - | (261,638) | - |
| Stock based compensation | - | - | 2,324,458 |
| Conversion of Special Warrants | 7,610,000 | 7,610,000 | - |
| Acquisition of Gold Standard Royalty Corp (Note 4) | 2,050,000 | 4,100,000 | 143,017 |
| Acquisition of Great American Minerals Inc. (Note 4) | 1,045,775 | 2,091,550 | 426,672 |
| Acquisition of Fury Explorations Ltd. (Note 4) | 10,595,814 | 13,774,558 | 7,787,783 |
| Exercise of share purchase options and warrants | 6,592,900 | 9,939,267 | (95,617) |
| Exercise of cashless options | 44,324 | 88,648 | (88,648) |
| Issuance for mineral properties | 110,000 | 210,000 | - |
| Issuance for repayment of promissory note | 4,728,000 | 2,364,000 | - |
| Balance, December 31, 2008 | 66,356,813 | \$ 93,706,311 | \$ 11,086,227 |

During 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 entitles the holder to acquire one additional common share at \$3.00 for a period of 12 months following the closing of the placement.

During January 2008, the Company completed a private placement consisting of 2,822,500 units at \$2.00 per unit for 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 common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at \$3.00 for a period of 12 months following the closing of the placement.

During July 2008, the Company completed a private placement consisting of 2,500,000 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.

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14. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd)

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

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

Special warrants

During fiscal 2007, the Company issued 13,000,000 special warrants at \$1.00 per special warrant for proceeds of \$13,000,000. Each special warrant is convertible, at no additional consideration, into a unit consisting of one common share and one common share purchase warrant.

During fiscal 2007, holders of 5,390,000 special warrants elected to convert into units resulting in the issuance of 5,390,000 common shares and warrants to acquire an additional 5,390,000 common shares. As at December 31, 2007, there were 7,610,000 special warrants outstanding.

During fiscal 2008, the remaining 7,610,000 special warrants were converted into units resulting in the issuance of 7,610,000 common shares and warrants to acquire an additional 7,610,000 common shares.

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.

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14. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd...)

Stock Options and warrants (cont'd...)

Stock options 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, 2006 | - | \$ - | - | \$ - |
| Granted | - | - | 2,797,500 | 1.00 |
| Issuance of Broker Warrants | 300,000 | 1.50 | - | - |
| Conversion of Special Warrants | 5,390,000 | 1.50 | - | - |
| Issuance of Warrants (Private Placement) | 8,788,750 | 3.00 | - | - |
| Exercised | (50,000) | 1.50 | - | - |
| Outstanding, December 31, 2007 | 14,428,750 | 2.41 | 2,797,500 | 1.00 |
| Conversion of Special Warrants | 7,610,000 | 1.50 | - | - |
| Issuance of Warrants (Private Placement) | 1,411,250 | 3.00 | - | - |
| Granted | - | - | 6,178,625 | 1.02 |
| Acquisition of GSR | - | - | 168,334 | 1.63 |
| Acquisition of GAM | 258,383 | 2.12 | 320,125 | USD 2.02 |
| Acquisition of Fury | 17,346,821 | 3.38 | 963,416 | 2.24 |
| Issuance for repayment of promissory note | 2,364,000 | 0.75 | - | - |
| Expired or cancelled | (16,990,350) | 2.47 | (2,275,916) | 1.73 |
| Exercised | (6,501,500) | 1.51 | (91,400) | 1.02 |
| Outstanding, December 31, 2008 | 19,927,354 | \$ 3.00 | 8,060,684 | \$ 1.01 |
| Number currently exercisable | 19,927,354 | \$ 3.00 | 4,114,909 | \$ 1.07 |

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14. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd...)

Stock Options and warrants (cont'd...)

As at December 31, 2008, incentive stock options and share purchase warrants were outstanding as follows:

| | Number of shares | Exercise Price | Expiry Date |
|-----------------|-------------------|----------------|--------------------|
| Options | 1,800,475 | \$ 1.00 | July 19, 2012 |
| | 147,500 | 1.00 | October 4, 2012 |
| | 657,500 | 2.00 | February 13, 2013 |
| | 195,000 | 2.00 | March 4, 2013 |
| | 324,500 | 2.15 | May 13, 2013 |
| | 87,000 | 2.15 | June 2, 2013 |
| | 80,000 | 1.80 | August 15, 2013 |
| | 531,000 | 1.50 | August 20, 2013 |
| | 200,000 | 1.59 | August 20, 2013 |
| | 100,000 | 2.00 | March 4, 2009 |
| | 45,834 | 1.10 | March 19, 2009 |
| | 65,000 | USD 0.92 | March 23, 2010 |
| | 92,625 | USD 1.54 | March 23, 2010 |
| | 11,667 | 0.90 | August 15, 2009 |
| | 66,667 | 1.80 | August 15, 2009 |
| | 83,333 | 2.40 | August 15, 2009 |
| | 75,000 | 2.91 | August 15, 2009 |
| | 100,000 | 2.91 | March 29, 2011 |
| | 12,124 | 2.40 | July 26, 2011 |
| | 183,334 | 1.80 | October 31, 2011 |
| | 73,750 | 0.27 | January 31, 2009 |
| | 59,375 | 0.27 | February 15, 2009 |
| | 15,000 | 0.27 | March 4, 2013 |
| | 10,000 | 0.20 | March 31, 2009 |
| | 80,000 | 0.20 | August 20, 2009 |
| | 442,500 | 0.20 | July 26, 2012 |
| | 265,000 | 0.20 | October 4, 2012 |
| | 212,500 | 0.20 | February 25, 2013 |
| | 225,000 | 0.20 | May 13, 2013 |
| | 120,000 | 0.20 | June 2, 2013 |
| | 30,000 | 0.20 | August 20, 2013 |
| | 75,000 | 0.20 | March 4, 2013 |
| | 1,594,000 | 0.20 | October 31, 2013 |
| | <u>8,060,684</u> | | |
| Warrants | 1,411,250 | \$ 3.00 | January 7, 2009 |
| | 58,496 | 2.00 | March 31, 2011 |
| | 76,274 | 2.40 | January 8, 2009 |
| | 123,613 | 2.00 | September 30, 2011 |
| | 15,893,721 | 3.35 | August 15, 2011 |
| | 2,364,000 | 0.75 | October 18, 2010 |
| | <u>19,927,354</u> | | |

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14. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd...)

Stock-based compensation

During the year, the Company recognized stock based compensation of \$1,980,095 (2007 - \$529,562) in the statement of operations as a result of shares for services and incentive stock options granted and vested. The Company also capitalized stock based compensation of \$344,363 to Springer property. The weighted average fair value of options granted was \$1.01 (2007 - \$0.70) 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:

| | 2008 | 2007 |
|-------------------------|---------|---------|
| Risk-free interest rate | 4% | 4% |
| Expected life | 3 years | 3 years |
| Volatility | 92.20% | 115% |
| Dividend rate | 0.00% | 0.00% |

15. TREASURY STOCK AND WARRANTS

| | Number of Shares | Amount |
|-------------------|---------------------|--------------|
| Treasury shares | 1,033,333 | \$ 1,343,333 |
| Treasury warrants | 1,550,000 | 744,000 |
| | 2,583,333 | \$ 2,087,333 |

The Company's holdings of the common shares of Fury were converted to treasury stocks and warrants upon closing of the Fury acquisition (Note 4).

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16. CAPITAL DISCLOSURES (SECTION 1535)

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products commensurately with the level of risk.

The Company considers the items included in shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through public and/or private placements, sell assets to reduce debt or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

17. FINANCIAL INSTRUMENTS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash equivalents, receivables, loan receivables, and reclamation bonds. The Company has no significant concentration of credit risk arising from operations. Cash equivalents consist of banker's acceptances issued by major banks and corporations, for which management believes the risk of loss to be minimal. Receivables mainly consist of interest receivable from the banker's acceptances, loan receivables, and goods and services tax refunds due from the Federal Government of Canada. Management believes that the credit risk concentration with respect to receivables is minimal. Loans receivable consist of a second mortgage for an employee and loan to a third party (Note 5 and Note 6) and reclamation bonds consist of term deposits and guaranteed investment certificates, which have been invested with reputable financial institutions, from which management believes the risk of loss to be minimal.

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. The Company manages this risk by careful management of its working capital to ensure its expenditures will not exceed share capital financings or proceeds from property sales or options.

At December 31, 2008, the Company had a working capital deficiency which was alleviated subsequent to year end. On February 18, 2009, the Company successfully negotiated the conversion of the entire convertible debenture balance and the related interests into shares and warrants of the Company. (Note 22)

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17. FINANCIAL INSTRUMENTS (cont'd...)

Market risk

Market risk is the risk of loss that may arise from changes in market fluctuations such as those listed below. The fluctuations may be significant.

(a) Interest rate risk

The Company has cash balances, banker's acceptances, guaranteed investment certificates, and convertible debenture. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. Further, the Company negotiated to convert the convertible debenture into shares of the Company (Note 10). The Company also annually monitors the investments it makes and is satisfied with the credit ratings of its banks.

(b) Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases and expenditures are transacted in US dollars. The Company funds certain operations, exploration and administrative expenses in US dollar currency from its Canadian dollar bank accounts. Management believes the foreign exchange risk derived from currency conversions and relative exchange rate between Canadian dollars and US dollars is negligible and therefore does not hedge its foreign exchange risk.

(c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

Sensitivity analysis

Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market.

Based on management's knowledge of and experience in the financial markets, management does not believe that the Company's current financial instruments will be affected by interest rate risk, foreign currency risk and price risk within the next three months. In particular, interest rate risk is remote as the interest rates on the Company's short-term investments are fixed with an interest rate range between 2.00% to 3.77% with maturity dates shorter than three months. The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk. In addition, price risk is remote since the Company is not a producing entity.

18. SEGMENTED INFORMATION

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

| | Canada | Mexico | United States | Total |
|--------------------|-------------------|-------------------|----------------------|----------------------|
| Fixed assets | \$ 223,799 | \$ - | \$ 37,631,695 | \$ 37,855,494 |
| Mineral properties | 77,397 | 731,040 | 59,742,439 | 60,550,876 |
| | <u>\$ 301,196</u> | <u>\$ 731,040</u> | <u>\$ 97,374,134</u> | <u>\$ 98,406,370</u> |

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19. COMMITMENTS

The Company has entered into operating lease agreements for automobiles and office premises with the following annual lease commitment:

| | | |
|------|----|------------------|
| 2009 | \$ | 461,305 |
| 2010 | | 365,747 |
| 2011 | | 310,562 |
| 2012 | | 274,907 |
| 2013 | | 280,596 |
| 2014 | | 140,298 |
| | \$ | <u>1,833,415</u> |

20. RELATED PARTY TRANSACTIONS

Included in accounts payable and accrued liabilities is \$33,418 (2007 - \$NIL) due to the Company's officers and directors. The balances were non interest bearing and were paid in fiscal 2009.

The Company entered into management services agreements with corporations controlled by a director and an officer under which the Company is obligated to pay \$ 334,200 over a year ending on December 31, 2009.

21. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

| | 2008 | 2007 |
|--|------------|------------|
| Cash paid during the period for interest | \$ 168,068 | \$ 234,000 |
| Cash paid during the period for income taxes | \$ - | \$ - |

Significant non cash transactions for the year ended December 31, 2007 included:

- Issuing 100,000 common shares valued at \$100,000 for the acquisition of mineral property interests.
- Issuing 5,390,000 common shares on conversion of special warrants of \$5,390,000.
- Issuing 100,000 common shares valued at \$100,000 and warrants to acquire 300,000 common shares valued at \$99,000 as share issuance costs.
- Incurring mineral property expenditures of \$397,699 with accounts payable and accrued liabilities.

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21. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (cont'd...)

Significant non cash transactions for the year ended December 31, 2008 included:

- a) \$653,586 of mineral properties costs was accrued in accounts payable.
- b) Issued 2,050,000 common shares valued at \$4,100,000 and stock options to acquire 168,334 common shares valued at \$143,017 for the acquisition of GSR
- c) Issued 7,610,000 units on conversion of special warrants. Each unit consists of one common share and one warrant to acquire one additional common share for \$1.50 for one year.
- d) Received \$2,050,000 of marketable securities from Evolving Gold Corp for the disposition of mineral property.
- e) Issued 10,595,814 common shares valued at \$13,774,558 and stock options and warrants to acquire 18,310,236 common shares valued at \$7,787,783 for the acquisition of Fury.
- f) Transferred 1,033,333 shares and 1,550,000 warrants of the Company resulting from acquisition of Fury from marketable securities to treasury stock (Note 14).
- g) Issued 4,728,000 units for partial repayment of promissory note to Cosgrave Ranch LLC. Each unit consists of one common share at a deemed price of \$0.50 and one-half share purchase warrant exercisable at \$0.75 each and exercisable for a period of two years (Note 12).
- h) Capitalized stock-based compensation of \$344,363 to mineral property interests
- i) Issued 1,045,775 common shares valued at \$2,091,550 and stock options and warrants to acquire 547,633 common shares valued at \$426,672 to acquire for the acquisition of GAM
- j) Acquired \$7,202,841 in water rights in land in exchange for a promissory note of US\$6,750,000 from Cosgrave (Note 12).

22. SUBSEQUENT EVENTS

Subsequent to December 31, 2008, the Company:

- i) Granted 2,033,100 incentive options, priced at \$0.30 per share, to key employees, officers, insiders and directors of the company expiring on January 22, 2014.
- ii) Re-priced 425,100 existing non-insider options to \$0.20 per share.

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22. SUBSEQUENT EVENTS (cont'd...)

- iii) 3,450,667 stock options expired in January 2009. The details are as follows:

| Number of shares | Exercise Price | Original Expiry Date |
|------------------|----------------|----------------------|
| 73,750 \$ | 0.27 | January 31, 2009 |
| 59,375 | 0.27 | February 15, 2009 |
| 100,000 | 2.00 | March 4, 2009 |
| 45,834 | 1.10 | March 19, 2009 |
| 100,000 | 2.91 | March 29, 2011 |
| 116,667 | 1.80 | October 31, 2011 |
| 80,000 | 1.80 | August 15, 2009 |
| 1,517,041 | 1.00 | July 26, 2012 |
| 395,000 | 2.00 | February 25, 2013 |
| 180,000 | 2.00 | March 4, 2013 |
| 277,000 | 2.15 | May 13, 2013 |
| 6,000 | 2.15 | June 2, 2013 |
| 500,000 | 1.50 | August 20, 2013 |
| <hr/> 3,450,667 | | |

- iv) 1,411,250 warrants, with an exercise price of \$3.00 expired on January 7, 2009.
- v) On December 19, 2008, the Company announced the proposed business reorganization and spin-out of its gold and silver focused, precious metals portfolio to a newly incorporated company named Golden Predator Royalty & Development Corp. ("New GP"). Following the spin-out, New GP will apply to list its shares on the TSX Venture Exchange. The existing parent company will on closing of the reorganization change its name to EMC Metals Corp and has reserved the TSX trading symbol EMC. EMC Metals Corp will focus its efforts as a specialty metals and alloy company targeting primarily tungsten, molybdenum, vanadium and uranium. Shareholders of the Company will receive one unit of New GP for each four shares of the Company held by them of record at the effective time of the reorganization. Each unit of New GP comprises one New GP share and one New GP share purchase right. The New GP share purchase right may be exercised for a period of 21 days from closing of the reorganization at a price of \$0.50 to acquire a further New GP share and a half New GP share purchase warrant. Each whole New GP warrant may be exercised at a price of \$0.60 until three months from the date New GP is listed on a stock exchange, and thereafter at \$0.65, \$0.75, \$0.90 for each subsequent three month period.

On March 4, 2009, the spin-out and all other matters voted on at the GP special shareholders meeting were successfully passed.

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22. SUBSEQUENT EVENTS (cont'd...)

- vi) On February 18, 2009, the holders of Convertible Debentures (the "Debentures") issued by GAM have accepted a proposal to retire the Debentures in exchange for securities of the Company. Pursuant to the proposal, GAM share purchase warrants held by holders of the Debentures will be cancelled. The holders will receive 105% of their principal amount plus accrued interest as at February 18, 2009 in common shares of the Company at the rate of US\$0.40 per share. Accordingly the Company will issue an aggregate of up to 7,336,880 shares on closing of the proposal. In addition, the holders of the Debentures will receive share purchase warrants of the Company exercisable to acquire an aggregate of up to 1,787,374 shares of the Company at US\$0.30 per share for a period of two years. It is expected that shares issued pursuant to the proposal will participate in the spin-out transaction (Note 22 v). The warrants will not participate in the spin-out, however the holders of the debentures will receive share purchase warrants of Golden Predator Royalty & Development Corp. ("GPRD") exercisable to acquire an aggregate of up to 446,844 shares of GPRD at US\$0.45 per share for a period of one year. Also, the Company proposes to issue up to 500,040 share purchase warrants of the Company and up to 125,010 share purchase warrants of GPRD to Westminster Securities as an agent's fee for their services in connection with the proposal to holders of Debentures. The warrants will have the same terms as the share purchase warrants issued to the holders of the Debentures and are issuable only upon successful completion of the proposal. Westminster will also cancel their GAM broker warrants previously issued in connection with the original issuance of the Debentures by GAM.