

EMC METALS CORP.
Form 10-Q
November 14, 2013

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 **September 30, 2013**

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. 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 November 7, 2013, the registrant's outstanding common stock consisted of 165,358,337 shares.**

PART I. FINANCIAL INFORMATION

(An Exploration Stage Company)

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NINE MONTHS AND QUARTER ENDED SEPTEMBER 30, 2013

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

As at:	September 30, 2013	December 31, 2012
ASSETS		
Current		
Cash	\$ 15,629	\$ 190,215
Prepaid expenses and receivables	25,509	109,335
Total Current Assets	41,138	299,550
Restricted cash (Note 3)	154,713	160,217
Property, plant and equipment (Note 1 & 4)	11,236	30,193,679
Assets held for sale (Note 1 & 4)	5,177,110	-
Mineral interests (Note 5)	1,663,203	753,182
Total Assets	\$7,047,400	\$31,406,628
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 1,248,608	\$ 656,499
Convertible debentures (Note 8)	649,175	1,861,373
Promissory notes payable (Note 7)	4,368,507	4,680,688
Total Current Liabilities	6,266,290	7,198,560
Total Liabilities	6,266,290	7,198,560
Stockholders' Equity		
Capital stock (Note 9) (Authorized: Unlimited number of shares; Issued and outstanding: 165,358,337 (2012 – 165,358,337))	87,310,708	87,310,708
Treasury stock (Note 10)	(1,264,194)	(1,264,194)
Additional paid in capital (Note 9)	2,099,801	2,033,718
Accumulated other comprehensive loss	(2,844,668)	(2,844,668)
Deficit accumulated during the exploration stage	(84,520,537)	(61,027,496)
Total Stockholders' Equity	781,110	24,208,068
Total Liabilities and Stockholders' Equity	\$7,047,400	\$31,406,628

Nature and continuance of operations (Note 1)

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

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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 September 30, 2013	Three month period ended September 30, 2013	Three month period ended September 30, 2012	Nine month period ended September 30, 2013	Nine month period ended September 30, 2012
EXPENSES					
Amortization (Note 4)	\$ 2,355,150	\$ 5,927	\$ 46,214	\$ 17,781	\$ 173,987
Consulting	2,522,479	67,700	82,933	154,906	178,561
Exploration	15,063,260	18,918	339,587	328,033	762,634
General and administrative	7,714,348	184,925	133,046	362,926	351,555
Insurance	1,041,319	20,193	28,763	67,385	64,506
Professional fees	3,178,460	25,551	50,686	104,995	194,919
Research and development	3,042,091	-	-	-	-
Salaries and benefits	8,036,428	227,895	285,124	740,890	703,333
Stock-based compensation (Note 9)	5,406,459	1,886	115,273	66,083	313,860
Travel and entertainment	1,605,530	711	15,119	16,282	62,090
Loss before other items	(49,965,524)	(553,706)	(1,096,745)	(1,859,281)	(2,805,445)
OTHER ITEMS					
Foreign exchange gain (loss)	447,800	(6,871)	139,663	20,912	(16,191)
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 4)	(37,401,184)	(21,436,015)	-	(21,436,015)	-
Write-off of land and water rights (Note 4)	(3,243,685)	-	-	-	-
Gain on insurance proceeds	912,534	-	-	-	-
Interest expense	(1,047,651)	(154,635)	(191,134)	(513,591)	(520,646)
Other income	761,397	90,369	-	294,934	-
	933,075	-	-	-	-

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Gain on disposition of assets					
Change in fair value of derivative liability	453,790	-	-	-	-
Unrealized loss on marketable securities	(3,070,425)	-	-	-	-
	(38,084,849)	(21,507,152)	(51,471)	(21,633,760)	(536,837)
Loss before income taxes	(88,050,373)	(22,060,858)	(1,148,216)	(23,493,041)	(3,342,282)
Deferred income tax recovery	6,020,527	-	-	-	-
Loss for the period	(82,029,846)	(22,060,858)	(1,148,216)	(23,493,041)	(3,342,282)
Foreign currency translation adjustment	(2,844,668)	-	1,659,649	-	1,116,618
Comprehensive loss for the period	\$ (84,874,514)	\$ (22,060,858)	\$ 511,433	\$ (23,493,041)	\$ (2,225,664)
Basic and diluted loss per common share		\$ (0.13)	\$ (0.01)	\$ (0.14)	\$ (0.02)
Weighted average number of common shares outstanding		165,358,337	158,549,764	165,358,337	153,321,548

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 September 30, 2013	Nine month period ended September 30, 2013	Nine month period ended September 30, 2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period	\$ (82,029,846)	\$ (23,493,041)	\$ (3,342,282)
Items not affecting cash:			
Amortization	2,355,150	17,781	173,987
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	789,395	5,504	43,510
Stock-based compensation	5,406,459	66,083	313,860
Unrealized gain on marketable securities	(46,707)	-	-
Realized gain on marketable securities	(1,720,016)	-	-
Write-off of mineral properties and property, plant & equipment	37,401,184	21,436,015	-
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	207,940	212,872
	(36,665,874)	(1,759,718)	(2,598,053)
Changes in non-cash working capital items:			
Decrease (increase) in prepaids and receivables	8,017	83,826	(14,515)
Increase (decrease) in accounts payable and accrued liabilities	419,876	660,615	(285,417)
Increase in due to related parties	1,091,043	-	-
Asset retirement obligations	(999,176)	-	-
	(36,146,144)	(1,015,277)	(2,897,985)
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	-	-
Proceeds from sale of marketable securities, net	(3,881,287)	-	-
Proceeds from sale of property, plant and equipment	633,294	-	-
Purchase of property, plant and equipment	(19,920,751)	-	(3,376)
Proceeds from sale of mineral interests	517,550	-	-
Additions to unproven mineral interests	(4,224,388)	(1,108,484)	(157,696)

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	(32,414,834)	(1,108,484)	(161,072)
CASH FLOWS FROM FINANCING ACTIVITIES			
Common shares issued	52,484,603	-	683,227
Share issuance costs	(1,190,801)	-	-
Special warrants	12,095,274	-	-
Options exercised	370,812	-	-
Warrants exercised	10,534,109	-	-
Notes payable	(9,272,423)	-	-
Receipt of promissory note	2,300,000	1,300,000	2,000,000
Convertible debenture	2,679,175	649,175	1,000,000
Debt issuance costs	(249,827)	-	(253,929)
Payment of promissory note	(1,685,228)	-	(500,000)
Advances from related party	191,508	-	-
Loans advanced to Midway	(1,822,651)	-	-
Loan repayment from Midway	1,760,221	-	-
	68,164,772	1,949,175	2,929,303
Effect of foreign exchange on cash flows	411,835	-	(103,362)
Change in cash during the period	15,629	(174,586)	(233,116)
Cash, beginning of period	-	190,215	791,438
Cash, end of period	\$ 15,629	\$ 15,629	\$ 558,322

Supplemental disclosure with respect to cash flows (Note 12)

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)

Capital Stock	Deficit Accumulated					
Number of Shares	During the	Additions	Treasury	Comprehensive	Other	Total
Balance, -	Amount	Paid	in	Loss	Stock	Total
July 17,	\$	\$	\$	\$	\$	\$
2006	\$	\$	\$	\$	\$	\$

Craig A. Johnson

Mr. Johnson's agreement became effective June 16, 2010 and does not have an expiration date. His agreement currently provides for:

annual base salary of \$150,000, subject to periodic and customary review for increase by the Board or Compensation Committee;

an annual bonus of equal to 30% of base salary, with a maximum equal to 150% of the target award; and

options to purchase 750,000 shares of Common Stock pursuant to our 1998 Equity Incentive Plan and our 2006 Equity Incentive Plan.

If Mr. Johnson's employment is terminated without cause (as defined in the agreement) or by us upon a change in control (as defined in the agreement), Mr. Johnson will be entitled to receive an amount equal to six months base salary at the time of termination. In addition, Mr. Johnson shall be entitled to receive the pro rata portion of the annual incentive bonus to the extent performance measures were met. All previously awarded equity grants would immediately vest upon such termination and Mr. Johnson will have a period of twelve months following such termination to exercise any unexercised stock options.

If Mr. Johnson's employment is terminated by (i) us as a result of Mr. Johnson's disability, (ii) mutual agreement of the parties, or (iii) Mr. Johnson for a change of control (as defined in the agreement), Mr. Johnson will be entitled to receive his base salary through the date of termination, the pro rata portion of his annual incentive bonus for that year and all other amounts to which he was entitled for portion of the year up to his termination. In the event of Mr. Johnson's death, Mr. Johnson's legal representatives will be entitled to receive the same amounts that Mr. Johnson would have been entitled to receive for a termination as a result of the foregoing events. All previously awarded equity grants shall immediately vest upon such termination and Mr. Johnson shall have a period of twelve months following such termination to exercise any unexercised stock options.

The Agreement also contains provisions prohibiting Mr. Johnson, during the term of his employment and for a period of two years following his employment from soliciting for hiring, or hiring, any employee, consultant or independent contractor employed or affiliated with the Company. Mr. Johnson shall also refrain either directly or indirectly from approaching or attempting to solicit any business of the Company.

Potential Payments Upon Termination or Change in Control

The following table shows the potential payments upon death or disability, termination, resignation or a change of control of NovaDel for each of the named executive officers. For purposes of disclosure, the table assumes that the death or disability, termination, resignation or a change of control occurred as of December 31, 2010.

Name	Executive Benefits and Payments Upon Termination	Death or Disability (\$)	Termination for Cause or Resignation (\$)	Termination by Company Without Cause or in Connection With Change in Control, or by Executive For Good Reason (\$)	Termination by Executive in Connection With Change in Control (\$)
Steven B. Ratoff	Base Salary			350,000	
	Bonus ⁽¹⁾	262,500		262,500	262,500
	Stock Options/Restricted Stock Accelerated ⁽²⁾	77,000		77,000	77,000
	Health Care Continuation				
	Accrued Vacation Pay	20,192	20,192	20,192	20,192
	Life Insurance Benefits ⁽³⁾	100,000			
David H. Bergstrom, Ph.D.	Base Salary			300,000	300,000
	Bonus ⁽¹⁾	90,000		90,000	90,000
	Stock Options/Restricted Stock Accelerated ⁽²⁾	28,500			28,500
	Health Care Continuation	11,256		11,256	11,256
	Accrued Vacation Pay	28,846	28,846	28,846	28,846
	Life Insurance Benefits ⁽³⁾	100,000			
Craig A. Johnson	Base Salary			75,000	
	Bonus ⁽¹⁾	67,500		67,500	67,500
	Stock Options/Restricted Stock Accelerated ⁽²⁾				
	Health Care Continuation	39,684		39,684	39,684
	Accrued Vacation Pay	8,654	8,654	8,654	8,654
	Life Insurance Benefits ⁽³⁾	100,000			
Joseph Warusz					
TOTAL (\$)		934,132	57,692	1,330,632	934,132

- (1) Assumes the named executive officer has earned 100% of the potential bonus payable per the individual employment agreement.
- (2) Represents the intrinsic value of the options or restricted stock as of December 31, 2010 (the difference between the market value of \$0.19 as of December 31, 2010 and the exercise price).
- (3) Pursuant to our current benefit plans, each named executive officer would receive a \$50,000 death benefit plus an additional \$50,000 for an accidental death or a maximum benefit of \$100,000.

Compensation of Directors

The general policy of the Board is that compensation for independent Directors should be a mix of cash and equity-based compensation. NovaDel does not pay employee Directors for Board service in addition to their regular employee compensation. The Compensation Committee, which consists solely of independent Directors, has the primary responsibility for reviewing and considering any revisions to Director compensation. The Board reviews the Compensation Committee's recommendations and determines the amount of Director compensation.

Pursuant to its charter, the Compensation Committee may engage the services of outside advisors, experts, and others to assist them. During 2010, the Compensation Committee did not engage the services of outside advisors, experts or others to assist in setting Director compensation.

The following table shows amounts earned by each Director during the year ended December 31, 2010.

Director	Fees Earned or Paid in Cash (\$) ⁽¹⁾	Stock Awards (\$)	Option Awards (\$) ⁽²⁾	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation (\$)	All Other Compensation (\$)	Total (\$)
Mark J. Baric	\$ 50,000		\$ 6,563				\$ 56,563
Thomas E. Bonney, CPA	\$ 50,000		\$ 6,563				\$ 56,563
Charles B. Nemeroff, M.D., Ph.D. ⁽³⁾	\$ 52,000		\$ 6,563				\$ 58,563

⁽¹⁾ Reflects the amount of fees earned during the year ended December 31, 2010. Of such amount, \$12,500 for each director that was earned in 2010 was paid in 2009.

⁽²⁾ Represents estimated fair value of the option award on the grant date using a Black-Scholes option pricing model that assumes the following: expected volatility of 113%; dividend yield of 0%; expected term until exercise of 2.7 years; and a risk-free interest rate of 2.0%.

⁽³⁾ Fees earned includes \$2,000 earned for participation on the Company's Scientific Advisory Board.

The following table shows the options granted to each non-employee Director during the year ended December 31, 2010.

Director	Number of Shares Underlying Options Granted	Grant Date	Exercise Price Per Share
Mark J. Baric	50,000	6/10/2010	\$ 0.20
Thomas E. Bonney, CPA	50,000	6/10/2010	\$ 0.20
Charles B. Nemeroff, M.D., Ph.D.	50,000	6/10/2010	\$ 0.20

The Board followed the recommendation of the Compensation Committee and determined non-employee Director compensation as follows for 2010:

Equity Compensation Each new non-employee Director will, upon initially joining the Board, receive options to purchase 100,000 shares of our Common Stock pursuant to our 2006 Equity Incentive Plan, referred to herein as the 2006 Plan, and thereafter, each non-employee Director

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will receive an annual grant of options to purchase 50,000 shares of our Common Stock upon re-election to the Board.

Cash Compensation Each non-employee Director will receive an annual retainer of \$50,000 to be paid quarterly in installments of \$12,500 at the beginning of each quarter during such year.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Directors, named executive officers and beneficial owners of more than 10% of our Common Stock are required by Section 16(a) of the Securities Exchange Act of 1934 and related regulations to file ownership reports on Forms 3, 4 and 5 with the Securities and Exchange Commission and the principal exchange upon which such securities are traded or quoted and to furnish us with copies of the reports. Other than as set forth below, based solely on a review of the copies of such forms furnished to us, we believe that from January 1, 2010 to December 31, 2010 all Section 16(a) filing requirements applicable to our named executive officers, Directors and greater than 10% holders of our Common Stock were in compliance.

Mr. Ratoff did not timely file a Form 4 with respect to a grant of options to purchase 2,000,000 shares of our Common Stock on December 31, 2009. This transaction was reported on a Form 4 dated January 7, 2010. ProQuest Investments did not timely file a Form 4 with respect to the conversion of its convertible notes and issuance of certain warrants on December 31, 2009. This transaction was reported on a Form 4 dated January 5, 2010. ProQuest Investments did not timely file a Form 4 with respect to the exercise of certain warrants on November 10, 2010. This transaction was reported on a Form 4 dated November 19, 2010.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Certain Relationships and Related Transactions

To the best of management's knowledge, other than (i) compensation for services as named executive officers and Directors or (ii) as set forth below, there were no material transactions, or series of similar transactions, or any currently proposed transactions, or series of similar transactions, to which we were or were to be a party, in which the amount involved exceeds \$120,000 during 2010, and in which any Director or named executive officer, or any security holder who is known by us to own of record or beneficially more than 5% of any class of the Common Stock, or any member of the immediate family of any of the foregoing persons, has an interest.

On March 31, 2010, we announced a registered direct offering in which ProQuest Investments participated and received 4,848,485 shares of the Company's common stock and five-year warrants to purchase 2,424,243 shares of common stock with an exercise price of \$0.25 per share and six-month warrants to purchase 1,616,162 shares of common stock with an exercise price of \$0.25 per share. As a result of the 2010 equity financing and as of the Record Date, ProQuest Investments beneficially owns []% of our total outstanding common stock. As such, ProQuest Investments may be deemed to be our affiliate. Mr. Steven B. Ratoff, our President and Chief Executive Officer, has served as a venture partner with ProQuest Investments since December 2004, although he has no authority for investment decisions by ProQuest Investments.

Review, Approval and Ratification of Transactions with Related Persons

The Audit Committee is responsible for reviewing, approving or ratifying all transactions between us and any related person. Related persons can include any of our directors or executive officers, certain of our stockholders, and any of their immediate family members. This obligation is set forth in our Audit Committee Charter. In evaluating related person transactions, the members of the Audit Committee apply the same standards of good faith and fiduciary duty they apply to their general responsibilities as a committee of the Board of the Directors and as individual directors. The Audit Committee will approve a related person transaction when, in its good faith judgment, the transaction is in the best interest of the Company. To identify related person transactions, each year, we require each of our directors, director nominees and executive officers to complete a disclosure questionnaire identifying any transactions with us in which the officer or director or their family members have an interest.

GENERAL

Stockholder Proposals for the next Annual Meeting of Stockholders

In order for a stockholder proposal to be considered for inclusion in NovaDel's Proxy Statement for the next Annual Meeting pursuant to Rule 14a-8 of the Securities and Exchange Commission, the proposal must be received at our offices no later than the close of business on January 17, 2012. Proposals submitted thereafter will be opposed as not timely filed.

If a stockholder intends to present a proposal for consideration at the next Annual Meeting outside the processes of the Securities and Exchange Commission's Rule 14a-8, NovaDel must receive notice of such proposal not later than March 30, 2012. Otherwise the proposal will be considered untimely, and NovaDel's proxies will have discretionary voting authority on any vote with respect to such proposal, if presented at the meeting, without including information regarding the proposal in our proxy materials.

Annual Report on Form 10-K

A copy of our Annual Report on Form 10-K for the period ended December 31, 2010 is enclosed with these materials. Upon written request, we will provide each stockholder being solicited by this Proxy Statement with a copy, free of charge, of any of the documents referred to in this Proxy Statement. All such requests should be directed to NovaDel Pharma Inc., 1200 Route 22 East, Suite 2000, Bridgewater, New Jersey 08807, Attn: Secretary. You are asked to advise us if you plan to attend the Annual Meeting. For directions to the Annual Meeting, please see the materials attached to this proxy statement or please call (908) 203-4640.

You also may access this proxy statement and our Annual Report on Form 10-K for the period ended December 31, 2010 at www.proxyvote.com.

Householding

The Securities and Exchange Commission has adopted rules that permit companies and intermediaries (e.g., brokers, banks and nominees) to satisfy the delivery requirements for proxy statements and annual reports with respect to two or more stockholders sharing the same address by delivering a single proxy statement addressed to those stockholders. This process, which is commonly referred to as "householding," potentially means extra convenience for stockholders and cost savings for companies and intermediaries. This year, some banks, brokers or other nominee record holders may be "householding" our proxy materials. This means that only one copy of our proxy statement and annual report to stockholders may have been sent to multiple stockholders in your household unless contrary instructions have been received by the broker, bank or nominee from you. If you would like to receive a separate proxy statement and annual report, we will promptly send you additional copies if you call or write our investor relations department at our offices located at 1200 Route 22 East, Suite 2000, Bridgewater, New Jersey 08807; telephone 908-203-4640. If you are a beneficial owner, you can request additional copies of the proxy statement and annual report, or you can request a change in your householding status, by notifying your broker, bank or nominee.

Solicitation of Proxies

We will bear the cost of preparing, printing, assembling and mailing all proxy materials that may be sent to our stockholders in connection with this solicitation. Arrangements will also be made with brokerage houses, other custodians, nominees and fiduciaries, to forward soliciting material to the beneficial owners of our Common Stock held by such persons. We will reimburse such persons for reasonable out-of-pocket expenses incurred by them. In addition to the solicitation of proxies by use of the mails, officers and regular employees of ours may solicit proxies without additional compensation, by telephone or facsimile transmission. We do not expect to pay any compensation for the solicitation of proxies.

Management of NovaDel does not know of any matters, other than those stated in this Proxy Statement, that are to be presented for action at the Annual Meeting. If any other matters should properly come before the Annual Meeting, proxies will be voted on those other matters in accordance with the judgment of the persons voting the proxies. Discretionary authority to vote on such matters is conferred by such proxies upon the persons voting them.

Sincerely,

/s/ STEVEN B. RATOFF
Steven B. Ratoff
Chairman of the Board, President and
Chief
Executive Officer

May 16, 2011

Appendix A

Directions to Annual Meeting

Morgan Lewis is located at 1701 Market Street, which is on the northwest corner of 17th and Market Streets opposite One Liberty Place.

Driving directions from the South:

Take I-95 North. Follow signs for Central Phila./I-76 over George Platt Bridge to I-76 West. After going over the bridge, turn left at the light to get onto the Schuylkill Expressway (I-76) West. Take I-76 to exit 39 (30th Street Station). At 30th Street exit, go to Market Street (first traffic light) and turn right. Follow Market Street east to 17th Street. See below for parking information.

From the West:

Take I-76 (PA Tpke.) east to exit 24 (Schuylkill Expwy.). Take Schuylkill Expwy. (I-76) towards Central Philadelphia. The expressway splits when it reaches downtown Philadelphia. Stay in the center lane, and then take the left fork following the signs to Route 676 East Central Philadelphia. Exit on the right at Broad Street, in less than half of a mile. At the top of the ramp, turn right onto 15th Street follow to the third light and turn right onto John F. Kennedy Boulevard and proceed to 17th Street. See below for parking information.

From the North (Pennsylvania):

Take I-95 South to 676/Vine Street exit. Stay in the left lane. Follow I-676 West (Central Philadelphia) and stay in right lane (about 1 mile). Take the Broad Street exit. Follow ramp around onto 15th Street. Proceed on 15th Street until fifth traffic light. Make a right turn onto John F. Kennedy Boulevard and proceed to just past 17th Street. See below for parking information.

From the North (New Jersey):

Take the New Jersey Turnpike to exit 4. From there, follow Route 73 North to Route 38 West (changes to Rt. 30), which leads to the Benjamin Franklin Bridge into Philadelphia. You will be on Vine Street where you should continue, staying to the right and following the Rte. 611/Local Traffic sign. Turn left on 15th Street, until the fifth traffic light. Make a right turn onto John F. Kennedy Boulevard and proceed to just beyond 17th Street. See below for parking information.

From the East:

Take I-76 over Walt Whitman Bridge. Go west on I-76 (Schuylkill Expy.) To exit 39 (30th Street Station). Go one block to Market Street. Turn right onto Market Street and continue to 17th Street. See below for parking information.

Parking

Valet Parking: Drive up to the entrance to the Westin Hotel on 17th Street south of Market Street where your car will be taken by the valet. Walk north on 17th Street to Market; Morgan Lewis is on the diagonal corner. A bank is on the ground floor of the building. The entrance is off the Plaza on the North side of the street between the 17th and 18th Streets.

Self Parking: If you prefer to park yourself, there are several parking lots in the vicinity of the building.

The 1701 Market Street garage (Parkway Corporation) is entered off of the North side of Market Street or the South side of John F. Kennedy Boulevard.

The 1700 Market Street garage is entered off of the south side of Market Street just between 17th and 18th Streets.

One Liberty garage is entered off of 16th Street between Chestnut and Market Streets.

Annex A

Certificate of Amendment to Increase Authorized Shares

CERTIFICATE OF AMENDMENT

OF THE

RESTATED

CERTIFICATE OF INCORPORATION

OF

NOVADEL PHARMA INC.

Pursuant to Sections 141 and 242

of the

Delaware General Corporation Law

NovaDel Pharma Inc. (the Corporation), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the DGCL);

DOES HEREBY CERTIFY THAT:

FIRST: The name of the corporation (hereinafter, the Corporation) is NovaDel Pharma Inc.

SECOND: The Restated Certificate of Incorporation of the Corporation was filed with the office of the Secretary of State of Delaware on June 7, 2004 (as amended, the Charter).

THIRD: The Board of Directors of the Corporation, acting in accordance with the provisions of Sections 141 and 242 of the DGCL adopted resolutions dated March 23, 2011 to amend Article FOUR, Section 4.1 of the Charter to read in its entirety as follows:

4.1 Authorized Stock. The total number of shares of all classes of stock which the Corporation shall have authority to issue is seven hundred fifty one million (751,000,000) shares, which are to be divided into two classes as follows: (i) seven hundred fifty million (750,000,000) shares of Common Stock, par value \$.001 per share; and (ii) one million (1,000,000) shares of Preferred Stock, par value \$.001 per share.

FOURTH: The foregoing amendment was submitted to the stockholders of the Corporation for their approval and was duly adopted in accordance with the provisions of Section 242 of the DGCL.

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FIFTH: This Certificate of Amendment shall be deemed effective upon its filing with the Secretary of State of the State of Delaware.

IN WITNESS WHEREOF, this Certificate of Amendment of Certificate of Incorporation has been duly executed by the undersigned officer of the Corporation this day of , 2011.

NOVADEL PHARMA INC.

By:

Name:

Title:

SIGNATURE PAGE TO CERTIFICATE OF AMENDMENT TO CERTIFICATE OF INCORPORATION

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:

The Combined Document is available at www.proxyvote.com

M24717-P95411

NOVADEL PHARMA INC.

Annual Meeting of Stockholders

June 23, 2011 9:00 AM

THIS PROXY IS BEING SOLICITED BY THE BOARD OF DIRECTORS

The undersigned hereby appoint(s) Steven B. Ratoff and David H. Bergstrom with full power of substitution and resubstitution, as proxies to represent and vote any and all shares of common stock, par value \$.001 per share, of NovaDel Pharma Inc. (the Company) which the undersigned would be entitled to vote if personally present at the Annual Meeting of the Company, to be held on June 23, 2011, at 9:00 AM local time, at the offices of Morgan, Lewis & Bockius, LLP, located at 1701 Market Street, Philadelphia, Pennsylvania 19103, and at any adjournments or postponements thereof, hereby revoking any prior proxies to vote said stock, upon the following items more fully described in the Notice of Annual Meeting and Proxy Statement for the Annual Meeting dated as of May 16, 2011, a copy of which has been received by the undersigned. Proposals 1, 2 and 3 are proposed by the Company, and if no direction is made this proxy will be voted FOR the election of directors and FOR Proposals 2 and 3. The proxies are further authorized to vote, in their discretion, upon such other business as may properly come before the meeting or any adjournments or postponements thereof.

(Continued and to be signed on the reverse side)

NOVADEL PHARMA INC.

1200 ROUTE 22 EAST, SUITE 2000

BRIDGEWATER, NJ 08807

VOTE BY INTERNET- www.proxymvote.com

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

VOTE BY PHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

M24716-P95411

KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

NOVADEL PHARMA
INC.

The Board of Directors recommends that you vote **FOR** the following:
Election of Directors

FOR ALL	WITHHOLD ALL	FOR ALL EXCEPT
..

To withhold authority to vote for any individual nominee(s), mark **For All Except** and write the number(s) of the nominee(s) on the line below.

Nominees:

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01) Mark J. Baric 03) Charles B. Nemeroff, M.D., Ph.D.
02) Thomas E. Bonney 04) Steven B. Ratoff

For Against Abstain

ote on Proposal

The Board of Directors recommends you vote FOR the following proposal(s):

To approve an amendment to the Company's Restated Certificate of Incorporation, as amended, to increase the total number of authorized shares of capital stock available for issuance from 201,000,000, consisting of 200,000,000 shares of Common Stock and 1,000,000 shares of Preferred Stock to 751,000,000, consisting of 750,000,000 shares of Common Stock and 1,000,000 shares of Preferred Stock.

..
..

To ratify the selection of J.H. Cohn LLP as our independent registered public accounting firm for the year ending December 31, 2011.

NOTE: Such other business as may properly come before the meeting or any adjournment thereof.

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.

Signature (PLEASE SIGN WITHIN BOX)

Date

Signature (JOINT OWNERS) Date