SCANDIUM INTERNATIONAL
MINING CORP.

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Directors of
Scandium International Mining Corp.

We have audited the accompanying consolidated financial statements of Scandium International Mining Corp. (the "Company"), which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of operations and comprehensive loss, cash flows, and changes in equity for the years ended December 31, 2015 and 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Scandium International Mining Corp. as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years ended December 31, 2015 and 2014 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that Scandium International Mining Corp. will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, Scandium International Mining Corp. has suffered recurring losses from operations. This matter, along with the other matters set forth in Note 1, indicate the existence of material uncertainties that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Professional Accountants

March 11, 2016

Scandium International Mining Corp.
CONSOLIDATED BALANCE SHEETS
(Expressed in US Dollars)

As at:		December 31, 2015		December 31, 2014
ASSETS				
Current				
Cash	$	2,249,676	$	417,386
Prepaid expenses and receivables		107,529		57,433
Total Current Assets		2,357,205		474,819
Equipment (Note 4)		2,611		6,444
Mineral property interests (Note 5)		942,723		3,012,723
Total Assets	$	3,302,539	$	3,493,986
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	$	196,322	$	51,343
Accounts payable with related parties		11,009		21,902
Promissory notes payable (Note 7)		-		2,500,000
Total Liabilities		207,331		2,573,245
Stockholders' Equity				
Capital stock (Note 9) (Authorized: Unlimited number of common shares; Issued and outstanding: 225,047,200 (2014 – 198,604,790))		91,142,335		89,186,471
Treasury stock (Note 10) (1,033,333 common shares)		(1,264,194)		(1,264,194)
Additional paid in capital (Note 9)		6,375,237		2,419,615
Accumulated other comprehensive loss		(853,400)		(853,400)
Deficit		(91,338,182)		(88,567,751)
Total Stockholders' Equity		4,061,796		920,741
Non-controlling Interest in a Subsidiary (Note 14)		(966,588)		-
Total Equity		3,095,208		920,741
Total Liabilities and Equity	$	3,302,539	$	3,493,986

Nature and continuance of operations (Note 1)
Subsequent event (Note 15)

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

Scandium International Mining Corp.
CONSOLIDATED STATEMENTS OF OPERATIONS AND
COMPREHENSIVE LOSS
(Expressed in US Dollars)

Year ended	December 31, 2015	December 31, 2014
EXPENSES		
Amortization (Note 4)	$ 3,833	$ 3,834
Consulting	102,000	51,000
Exploration	997,677	493,107
General and administrative	195,063	150,218
Insurance	20,816	28,668
Professional fees	167,786	139,572
Salaries and benefits	462,034	432,955
Stock-based compensation (Note 9)	673,224	311,288
Travel and entertainment	61,048	58,381
Loss from operations before other items	(2,683,481)	(1,669,023)
OTHER ITEMS		
Foreign exchange loss	(34,282)	(65,647)
Interest expense	(226,141)	(114,986)
	(260,423)	(180,633)
Loss and comprehensive loss for the year	(2,943,904)	(1,849,656)
Costs allocable to non-controlling interest in a subsidiary	173,473	-
Loss and comprehensive loss for the year attributable to Scandium International Mining Corp.	$ (2,770,431)	$ (1,849,656)
Basic and diluted loss and comprehensive loss per common share attributable to Scandium International Mining Corp.	$ 0.01	$ 0.01
Weighted average number of common shares outstanding	211,264,568	184,252,595

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

Scandium International Mining Corp.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in US Dollars)

Year ended	December 31, 2015	December 31, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (2,770,431)	$ (1,849,656)
Items not affecting cash:		
Amortization	3,833	3,834
Stock-based compensation	673,224	311,288
Shares issued in settlement of interest payable	169,262	-
Portion of loss allocable to non-controlling interest in a subsidiary	(173,473)	-
Changes in non-cash working capital items:		
Decrease (increase) in prepaids and receivables	(50,096)	69,977
Increase (decrease) in accounts payable, accrued liabilities and accounts payable with related parties	134,086	(174,368)
	(2,013,595)	(1,638,925)
CASH FLOWS FROM INVESTING ACTIVITIES		
Restricted cash	-	149,868
Sale of royalty	2,070,000	-
Additions to unproven mineral interests	-	(1,399,520)
	2,070,000	(1,249,652)
CASH FLOWS FROM FINANCING ACTIVITIES		
Common shares issued	1,812,047	1,909,345
Share issuance costs	(60,000)	(33,582)
Options exercised for common shares	23,838	-
Receipt of promissory note	-	2,500,000
Payment of promissory note and convertible debenture	-	(1,854,875)
	1,775,885	2,520,888
Change in cash during the year	1,832,290	(367,689)
Cash, beginning of year	417,386	785,075
Cash, end of year	$ 2,249,676	$ 417,386

Supplemental disclosure with respect to cash flows (Note 13)

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

Scandium International Mining Corp.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in US Dollars)

	Number of Shares	Capital Stock	Additional Paid in Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Deficit	Total Stockholders' Equity	Non-controlling Interest in a Subsidiary	Total Equity
Balance, December 31, 2013	**165,358,337**	**$ 87,310,708**	**$ 2,108,327**	**$ (1,264,194)**	**$ (853,400)**	**$ (86,718,095)**	**$ 583,346**	**-**	**$ 583,346**
Private placements	33,246,453	1,909,345	-	-	-	-	1,909,345	-	1,909,345
Share issue costs	-	(33,582)	-	-	-	-	(33,582)	-	(33,582)
Stock-based compensation	-	-	311,288		-	-	311,288	-	311,288
Loss for the year	-	-	-	-	-	(1,849,656)	(1,849,656)	-	(1,849,656)
Balance, December 31, 2014	**198,604,790**	**89,186,471**	**2,419,615**	**(1,264,194)**	**(853,400)**	**(88,567,751)**	**920,741**	**-**	**920,741**
Private placements	23,654,930	1,812,047	-	-	-	-	1,812,047	-	1,812,047
Shares issued in settlement of debt	2,237,480	169,262	-	-	-	-	169,262	-	169,262
Share issue costs	-	(60,000)	-	-	-	-	(60,000)	-	(60,000)
Stock options exercised	550,000	34,555	(10,717)	-	-	-	23.838	-	23,838
Stock-based compensation	-	-	673,224	-	-	-	673,224	-	673,224
Sale of 20% of Australian subsidiary	-	-	3,293,115	-	-	-	3,293,115	(793,115)	2,500,000
Loss for the year	-	-	-	-	-	(2,770,431)	(2,770,431)	(173,473)	(2,943,904)
Balance, December 31, 2015	**225,047,200**	**$ 91,142,335**	**$ 6,375,237**	**$ (1,264,194)**	**$ (853,400)**	**$ (91,338,182)**	**$ 4,061,796**	**$ (966,588)**	**$ 3,095,208**

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

(Expressed in US Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Scandium International Mining Corp. (the "Company") is a specialty metals and alloys company focusing on scandium and other specialty metals.

The Company was incorporated under the laws of the Province of British Columbia, Canada in 2006. The Company currently trades on the Toronto Stock Exchange under the symbol "SCY".

The Company's focus is on the exploration and evaluation of its specialty metals assets, specifically the Nyngan scandium deposit located in New South Wales, Australia and the Tørdal scandium/rare earth minerals deposit in Norway. In June 2014, the Company made the final installment payment to acquire the Nyngan property. The Company is an exploration stage company and anticipates incurring significant additional expenditures prior to production at any and all of its properties.

In fiscal 2015, the Company settled a $2,500,000 promissory note payable in exchange for a 20% interest in its Australian subsidiary which holds the Nyngan and Honeybugle properties. Accordingly, the Company holds an 80% interest in its Australian subsidiary as at year end (Note 14).

These consolidated financial statements have been prepared on a going concern basis that 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 and will require additional capital in order to advance both the Nyngan and Tørdal properties. 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 and maintaining continued support from its shareholders and creditors. These are material uncertainties that raise substantial doubt about the Company's ability to continue as a going concern. 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.

2. BASIS OF PRESENTATION

a) Basis of presentation

These consolidated financial statements have been prepared in conformity with generally accepted accounting principles of the United States of America ("US GAAP").

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, EMC Metals USA Inc., Wolfram Jack Mining Corp., and The Technology Store, Inc. Non-controlling interest represents the minority shareholders' 20% proportionate share of the net assets and results of the Company's majority-owned Australian subsidiary, EMC Metals Australia Pty Ltd., from the date the 20% interest was disposed by the Company (Note 5). All significant intercompany accounts and transactions have been eliminated on consolidation.

b) Use of estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. The Company regularly evaluates estimates and assumptions related to the deferred income tax asset valuations, asset impairment, stock-based compensation and loss contingencies. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the other sources. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between estimates and the actual results, future results of operations will be affected.

c) Equipment

Equipment is recorded at cost less accumulated amortization, calculated as follows:

Computer equipment	30% straight line
Office equipment	20% straight line

d) Mineral interests and exploration and development costs

The costs of acquiring mineral rights are capitalized at the date of acquisition. After acquisition, various factors can affect the recoverability of the capitalized costs. If, after review, management concludes that the carrying amount of a mineral interest is impaired, it will be written down to estimated fair value. Exploration costs incurred on mineral interests are expensed as incurred. Development costs incurred on proven and probable reserves will be capitalized. Upon commencement of production, capitalized costs will be amortized using the unit-of-production method over the estimated life of the ore body based on proven and probable reserves (which exclude non-recoverable reserves and anticipated processing losses).

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

e) Asset retirement obligations

The Company records the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development, and/or normal use of the long-lived assets. The Company also records a corresponding asset which is amortized over the life of the asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation is adjusted at the end of each period to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying the obligation (asset retirement cost).

f) Long-lived assets

Long-lived assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For purposes of evaluating the recoverability of long-lived assets, the recoverability test is performed using undiscounted net cash flows related to the long-lived assets. If such assets are considered to be impaired, the impairment recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

g) Income taxes

The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under the asset and liability method the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recognized if it is more likely than not that some part or all of the deferred tax asset will not be recognized.

h) Loss per share

Basic loss per common share is computed using the weighted average number of common shares outstanding during the year. To calculate diluted loss per share, the Company uses the treasury stock method and the if converted method. As at December 31, 2015 and 2014 there were no warrants outstanding and 17,610,000 options (2014 – 15,378,750) outstanding which have not been included in the weighted average number of common shares outstanding as these were anti-dilutive.

i) Foreign exchange

The Company's and subsidiaries' functional currency is the USD. Any monetary assets and liabilities that are in a currency other than the USD are translated at the rate prevailing at year end. Revenue and expenses in a foreign currency are translated at rates that approximate those in effect at the time of translation. Gains and losses from translation of foreign currency transactions into USD are included in current results of operations. Fixed assets and mineral properties have been translated at historical rates, the rate on the date of the transaction.

j) Stock-based compensation

The Company accounts for stock-based compensation under the provisions of Accounting Standard Codification ("ASC") 718, "Compensation-Stock Compensation". Under the fair value recognition provisions, stock-based compensation expense is measured at the grant date for all stock-based awards to employees and directors and is recognized as an expense over the requisite service period, which is generally the vesting period. The Black-Scholes option valuation model is used to calculate fair value.

k) Financial instruments

The Company's financial instruments consist of cash, receivables, accounts payable, accounts payable with related parties and accrued liabilities, and promissory notes payable. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from its financial instruments. The fair values of these financial instruments approximate their carrying values unless otherwise noted. The Company has its cash primarily in one commercial bank in Chicago, Illinois, United States of America.

l) Concentration of credit risk

The financial instrument which potentially subjects the Company to concentration of credit risk is cash. The Company maintains cash in bank accounts that, at times, may exceed federally insured limits. As at December 31, 2015 and 2014, the Company has exceeded the federally insured limit. The Company has not experienced any losses in such amounts and believes it is not exposed to any significant risks on its cash in bank accounts.

m) Fair value of financial assets and liabilities

(Expressed in US Dollars)

The Company measures the fair value of financial assets and liabilities based on US GAAP guidance which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

The Company classifies financial assets and liabilities as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities depending on their nature. Financial assets and financial liabilities are recognized at fair value on their initial recognition, except for those arising from certain related party transactions which are accounted for at the transferor's carrying amount or exchange amount.

Financial assets and liabilities classified as held-for-trading are measured at fair value, with gains and losses recognized in net income. Financial assets classified as held-to-maturity, loans and receivables, and financial liabilities other than those classified as held-for-trading are measured at amortized cost, using the effective interest method of amortization. Financial assets classified as available-for-sale are measured at fair value, with unrealized gains and losses being recognized as other comprehensive income until realized, or if an unrealized loss is considered other than temporary, the unrealized loss is recorded in income.

Financial instruments, including receivables, accounts payable and accrued liabilities, accounts payable with related parties and promissory notes payable are carried at amortized cost, which management believes approximates fair value due to the short term nature of these instruments.

The following table presents information about the assets that are measured at fair value on a recurring basis as at December 31, 2015, and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability, and included situations where there is little, if any, market activity for the asset:

	December 31, 2015	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash	$ 2,249,676	$ 2,249,676	$ —	$ —
Total	$ 2,249,676	$ 2,249,676	$ —	$ —

The carrying value of receivables, accounts payable and accrued liabilities, accounts payable to related parties and promissory notes payable approximate their fair value due to their short-term nature.

The fair values of cash are determined through market, observable and corroborated sources.

n) Recently Adopted and Recently Issued Accounting Standards

Accounting Standards Update 2016 -01 – Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. This accounting pronouncement, which goes into effect December 12, 2017, is far reaching and covers several presentation areas dealing with measurement, impairment, assumptions used in estimating fair value and several other areas. The Company is reviewing this update to determine the impact it may have on its financial statements.

Accounting Standards Update 2015-17 – Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes. This accounting pronouncement requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. Currently deferred tax liabilities and assets must be presented as current and noncurrent. The policy is effective December 16, 2016. The Company is evaluating this guidance and believes it will have little impact on the presentation of its financial statements.

Accounting Standards Update 2015-02 - Consolidation (Topic 810) - Amendments to the Consolidation Analysis. This update provides guidance with respect to the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. The amendments in this Update are effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. The Company is evaluating this guidance and believes it will have little impact on the presentation of its financial statements.

Accounting Standards Update 2015-01 - Income Statement—Extraordinary and Unusual Items (Subtopic 225-20). This Update is part of an initiative to reduce complexity in accounting standards (the Simplification Initiative). This Update eliminates from GAAP the concept of extraordinary items. The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. The Company is evaluating this guidance and believes it will have little impact on the presentation of its financial statements.

Accounting Standards Update 2014-15 – Presentation of Financial Statements – Going Concern (Subtopic 205-40). This accounting pronouncement provides guidance in GAAP about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. In doing so, the amendments should reduce diversity in the timing and content of footnote disclosures. The policy is effective December 15, 2016. The Company is evaluating this guidance and believes it will have little impact on the presentation of its financial statements.

(Expressed in US Dollars)

3. RESTRICTED CASH

The Company had a Bank of Montreal letter of credit of up to C$159,400 as a security deposit related to a Vancouver office lease obligation. The letter of credit was returned to the Bank of Montreal in July 2014 and funds were released for use by the Company.

4. EQUIPMENT

2015

	December 31, 2014 Net Book Value	Additions (disposals) (write-offs)	Amortization	December 31, 2015 Net Book Value
Computer equipment	$ 1,696	$ -	$ (679)	$ 1,017
Office equipment	4,748	-	(3,154)	1,594
	$ 6,444	$ -	$ (3,833)	$ 2,611

2014

	December 31, 2013 Net Book Value	Additions (disposals) (write-offs)	Amortization	December 31, 2014 Net Book Value
Computer equipment	$ 2,375	$ -	$ (679)	$ 1,696
Office equipment	7,903	-	(3,155)	4,748
	$ 10,278	$ -	$ (3,834)	$ 6,444

5. MINERAL PROPERTY INTERESTS

December 31, 2015	Scandium and other
Acquisition costs	
Balance, December 31, 2014	$ 3,012,723
Sale of royalty	(2,070,000)
Balance December 31, 2015	$ 942,723

December 31, 2014	Scandium and other
Acquisition costs	
Balance, December 31, 2013	$ 1,613,203
Additions	1,399,520
Balance December 31, 2014	$ 3,012,723

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 is in good standing.

On October 13, 2015, the Company received US$2.07M from a private investor in return for the granting of a 0.7% royalty on gross mineral sales from both the Nyngan property and the Honeybugle property. The amount received in return for the royalty interest was deducted from the value of the mineral interests of Nyngan and Honeybugle.

(Expressed in US Dollars)

SCANDIUM PROPERTIES

Nyngan, New South Wales Property

On February 5, 2010, the Company entered in to an earn-in agreement with Jervois Mining Limited ("Jervois"), whereby it would acquire a 50% interest in the Nyngan Scandium property (the "Nyngan Project") located in New South Wales, Australia. The JV

5. MINERAL PROPERTY INTERESTS (cont'd…)

Agreement, as amended, gave the Company the right to earn a 50% interest in a joint venture with Jervois, for the purpose of holding and developing the Nyngan Project. On June 22, 2012, the Company received notice of a lawsuit filed against the Company with regard to the achievement of certain milestones required under the JV Agreement. On February 6, 2013, the Company announced agreement of an out of court settlement to the dispute with Jervois. The terms of the settlement transferred 100% ownership and control of the Nyngan Project to the Company, in return for AUD$2.6 million cash payments and a percentage royalty payable to Jervois on sales of product from the project. A total of $1,108,484 (AUD$1.2 million) was paid in June 2013 as part of the settlement. A total of $1,364,031 (AUD$1.4 million) was paid in June 2014 to fulfill the obligations under the settlement agreement which gives 100% of the property to the Company. During fiscal 2015, the Company settled its $2,500,000 promissory note payable in exchange for a 20% interest in its Australian subsidiary which holds title to both the Nyngan and Honeybugle properties.

Royalties attached to the Nyngan property include a 1.5% Net Profits Interest royalty to private parties involved with the early exploration on the property, and a 1.7% Net Smelter Returns royalty payable to Jervois for 12 years after production commences, subject to terms in the settlement agreement. Another revenue royalty is payable to private interests of 0.2%, subject to a $370,000 cap. A NSW minerals royalty will also be levied on the project, subject to negotiation, currently 4% on revenue.

Honeybugle property, Australia

In April of 2014 the Company also acquired an exploration license referred to as the Honeybugle property, a prospective scandium exploration property located 24 kilometers from the Nyngan Project. As described in the previous Nyngan Property section, during fiscal 2015, the Company settled its $2,500,000 promissory note payable in exchange for a 20% interest in its Australian subsidiary which holds title to both the Nyngan and Honeybugle properties.

Tørdal and Evje-Iveland properties, Norway

During 2012 the Company entered into an option agreement with REE Mining AS ("REE") to earn up to a 100% interest in the Tørdal and Evje-Iveland properties pursuant to which the Company paid $130,000 and issued 1,000,000 common shares valued at $40,000. The Company subsequently renegotiated the payments required to earn the interest and the Evje-Iveland property was removed from the option agreement. Pursuant to the amendment, the Company earned a 100% interest in the Tørdal property by paying an additional $35,000 and granting a 1% Net Smelter Return ("NSR") payable to REE.

6. CONVERTIBLE DEBENTURES

On February 22, 2013, the Company completed a $650,000 loan financing consisting of convertible debentures. The convertible debenture had a maturity date of February 22, 2014 and bore interest at 10% per annum. The lenders had the option to convert the loan into 13,000,000 common shares of the Company. This financing was repaid in full in February 2014.

7. PROMISSORY NOTES PAYABLE

	December 31, 2015	December 31, 2014
On June 24, 2014, the Company completed a $2,500,000 loan financing which includes a convertible feature. The loan had a maturity date of December 24, 2015 and bore loan interest that increased in quarterly increments from 4% to a maximum of 12% with a 5% interest rate penalty should the Company not pay on due dates. The full loan was converted into a 20% interest in the Company's Australian subsidiary in August of 2015. This conversion feature converted at the lender's option or once the Company raised $3,000,000 in equity. The minority shareholder now has a carried interest until the Company meets two milestones: (1) filing a feasibility study on SEDAR, and (2) receiving a mining license on either the Nyngan or Honeybugle property. The minority shareholder becomes fully participating on development and build costs thereafter. The minority shareholder has an option to convert their 20% non-controlling interest into equivalent value of the Company's shares, at market prices, rather than participate in construction. The minority shareholder's option to convert its project interest to the Company's shares is a one-time option, at such time the partner becomes fully participating on project costs.	$ Nil	$2,500,000
	$ -	$2,500,000

8. RELATED PARTY TRANSACTIONS

The loan financing completed on February 22, 2013, of which $350,000 was contributed from directors and officers, was repaid during the year ended December 31, 2014.

Of the $114,986 interest expensed in the year ended December 31, 2014, $14,375 was payable to a director of the Company. There was no interest paid to related parties in the year ended December 31, 2015.

During the year ended December 31, 2015, the Company expensed $517,934 for stock-based compensation for stock options issued to Company directors. During the year ended December 31, 2014, the Company expensed $113,397 for stock options issued to Company directors.

During the year ended December 31, 2015, the Company paid a consulting fee of $102,000 for one of its directors. There is $59,500 for consulting fees incurred during the year ended December 31, 2014.

9. CAPITAL STOCK AND ADDITIONAL PAID IN CAPITAL

On September 1, 2015, the Company issued 1,982,850 common shares at a value of C$0.10 per common share for total proceeds of C$198,285 ($150,000).

On August 31, 2015, the Company issued 2,237,480 common shares at a value of C$0.10 per common share in settlement of interest payable on the promissory note (Note 7) with a fair value of C$223,748 ($169,262).

On August 24, 2015, the Company issued 21,672,080 common shares at a value of C$0.10 per common share for total proceeds of C$2,167,208 ($1,662,047). The Company paid $60,000 in share issuance costs with regard to this common share issue.

On August 26, 2014, the Company issued 5,534,411 common shares at a value of C$0.085 per common share for total proceeds of C$470,425 ($429,900).

On July 11, 2014, the Company issued 4,641,236 common shares at a value of C$0.085 per common share for total proceeds of C$394,505 ($369,300).

On June 26, 2014, the Company issued 10,415,396 common shares at a value of C$0.085 per common share for total proceeds of C$885,309 ($824,458).

On April 24, 2014, the Company issued 4,122,150 common shares at a value of C$0.025 per common share for total proceeds of C$103,053 ($93,687).

On March 25, 2014, the Company issued 8,533,260 common shares at a value of C$0.025 per common share for total proceeds of C$213,331 ($192,000).

9. CAPITAL STOCK AND ADDITIONAL PAID IN CAPITAL (cont'd…)

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 ten years from the date of grant and vesting is determined by the Board of Directors.

Stock option and share purchase warrant transactions are summarized as follows:

	Warrants		**Stock Options**	
	Number	Weighted average exercise price in Canadian $	Number	Weighted average exercise price in Canadian $
Outstanding, December 31, 2013	3,750,000	$ 0.20	14,168,750	$ 0.12
Granted	-	-	3,725,000	0.12
Cancelled	(3,750,000)	0.20	(2,515,000)	0.17
Exercised	-	-	-	-
Outstanding, December 31, 2014	-	-	15,378,750	0.11
Granted	-	-	5,350,000	0.14
Cancelled	-	-	(2,568,750)	0.16
Exercised	-	-	(550,000)	0.05
Outstanding, December 31, 2015	-	$ -	17,610,000	$ 0.12
Number currently exercisable	-	$ -	16,550,000	$ 0.11

As at December 31, 2015, incentive stock options were outstanding as follows:

	Number of options	Exercise Price in Canadian $	Expiry Date
Options			
	4,300,000	0.100	November 5, 2020*
	250,000	0.315	May 4, 2016
	500,000	0.250	May 16, 2016
	300,000	0.155	September 15, 2016
	2,285,000	0.080	April 24, 2017
	150,000	0.120	July 25, 2017
	1,400,000	0.070	August 8, 2017
	1,000,000	0.100	May 9, 2018
	3,375,000	0.120	July 25, 2019
	200,000	0.100	December 30, 2019
	3,450,000	0.140	April 17, 2020
	400,000	0.115	August 28, 2020
	17,610,000		

* These options were extended by the Company shareholder's at the Company's annual meeting in October 2015. The Company recognized an additional expense of $281,962 related to this extension. Black-Scholes option pricing model assumptions used were a risk-free interest rate of 1.49%, expected life of 5 years, with a 0.00% forfeiture and dividend rate as well as a volatility rate of 145.92%.

As at December 31, 2015 the Company's outstanding and exercisable stock options have an aggregate intrinsic value of $489,509 (2014 - $92,525).

As at December 31, 2015, there were no warrants outstanding.

(Expressed in US Dollars)

Stock-based compensation

During the year ended December 31, 2015, the Company recognized stock-based compensation of $673,224 (December 31, 2014 - $311,288) in the statement of operations and comprehensive loss as a result of incentive stock options granted, vested and extended in the current period. There were 5,350,000 stock options issued during the year ended December 31, 2015 (December 31, 2014 – 3,725,000).

9. CAPITAL STOCK AND ADDITIONAL PAID IN CAPITAL (cont'd…)

The weighted average fair value of the options granted in the year was C$0.14 (2014 - C$0.12).

The fair value of all compensatory options 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:

	2015	2014
Risk-free interest rate	1.02%	0.86%
Expected life	5 years	5 years
Volatility	145.72%	148.81%
Forfeiture rate	0.00%	0.00%
Dividend rate	0.00%	0.00%

10. TREASURY STOCK

	Number		Amount
Treasury shares, December 31, 2015 and December 31 2014	1,033,333	$	1,264,194
	1,033,333	$	1,264,194

Treasury shares comprise shares of the Company which cannot be sold without the prior approval of the TSX.

11. SEGMENTED INFORMATION

The Company's mineral properties are located in Norway and Australia. The Company's capital assets' geographic information is as follows:

December 31, 2015		Norway		Australia		United States		Total
Equipment	$	-	$	-	$	2,611	$	2,611
Mineral property interests		238,670		704,053		-		942,723
	$	238,670	$	704,053	$	2,611	$	945,334

December 31, 2014		Norway		Australia		United States		Total
Equipment	$	-	$	-	$	6,444	$	6,444
Mineral property interests		238,670		2,774,053		-		3,012,723
	$	238,670	$	2,774,053	$	6,444	$	3,019,167

(Expressed in US Dollars)

12. DEFERRED INCOME TAX

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

		2015		2014
Loss before income taxes	$	(2,770,431)	$	(1,849,656)
Expected income tax (recovery)		(720,000)		(481,000)
Change in statutory, foreign tax, foreign exchange rates and other		(24,000)		(9,000)
Permanent difference		130,000		82,000
Adjustment to prior years provision versus statutory tax returns		1,055,000		-
Change in unrecognized deductible temporary differences		(441,000)		408,000
Total Income tax expense (recovery)	$	-	$	-

The Canadian income tax rate declined during the year due to changes in the law that reduced corporate income tax rates in Canada/British Columbia.

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows;

		2015		2014
Deferred Tax Assets (Liabilities)				
Exploration and evaluation assets	$	745,000	$	1,013,000
Property and equipment		61,000		79,000
Share issue costs		27,000		33,000
Marketable securities		19,000		19,000
Allowable capital losses		1,935,000		1,945,000
Non-capital losses available for future periods		3,257,00		3,396,000
		6,044,000		6,485,000
Unrecognized deferred tax assets		(6,044,000)		(6,485,000)
Net deferred tax assets	$	-	$	-

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2015	Expiry Date Range		2014	Expiry Date Range
Temporary Differences					
Exploration and evaluation assets	$ 2,866,000	No expiry date	$	3,897,000	No expiry date
Property and equipment	236,000	No expiry date		304,000	No expiry date
Share issue costs	104,000	2035 to 2038		127,000	2034 to 2037
Marketable securities	145,000	No expiry date		145,000	No expiry date
Allowable capital losses	7,442,000	No expiry date		7,482,000	No expiry date
Non-capital losses available for future periods	12,166,000	2016 to 2035		13,063,000	2015 to 2034

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

		2015		2014
Cash paid during the year for interest	$	56,250	$	114,986
Cash paid during the year for income taxes	$	-	$	-

(Expressed in US Dollars)

In the year ending December 31, 2015 the Company exchanged a loan of $2,500,000 for a 20% interest in its Australian subsidiary which hold both the Nyngan and Honeybugle properties resulting in initial non-controlling interests of $793,115. There were no significant non-cash transactions in the year ended December 31, 2014.

14. EMC METALS AUSTRALIA PTY LTD

On August 24, 2015 the Company's $2,500,000 promissory note payable converted into a 20% ownership interest in EMC Metals Australia Pty Ltd ("EMC Australia"), with the Company holding an 80% ownership interest. EMC Australia holds our interests in the Nyngan Scandium Project and Honeybugle Scandium property. Upon conversion of the promissory note payable, EMC Australia is now operated as a joint venture between Scandium Investments LLC ("SIL") and the Company. SIL holds a carried interest in the Nyngan Scandium Project and is not required to contribute cash for the operation of EMC Australia until the Company meets two development milestones: (1) filing a feasibility study on SEDAR, and (2) receiving a mining license on either joint venture property. At such time as the two development milestones are met, SIL becomes fully participating on project costs thereafter.

Completion of the development milestones by the Company, as described above, activates a second one-time, limited period option for SIL to elect to convert the fair market value of its 20% joint venture interest in the Nyngan Scandium Project and Honeybugle Scandium property into an equivalent value of the Company's common shares, at then prevailing market prices, rather than continue with ownership at the project level.

EMC Australia is consolidated in the Company's Consolidated Financial Statements for the year ended December 31, 2015.

Year ended	December 31, 2015	December 31, 2014
Loss attributable to Scandium International Mining Corp. Shareholders	$ (2,770,431)	$ (1,849,656)
Increase in Scandium International Mining Corp additional paid in capital on disposal of 20% of subsidiary	3,293,115	-
Change from loss to Scandium International Mining Corp. shareholders and transfers from non-controlling interests	$ 522,684	$ (1,849,656)

15. Subsequent event

In February 2016, the company issued 4,860,000 stock options at an exercise price of C$0.13 with various vesting timetables all of which have a maturity date of February 8, 2021 (5 years).