SCANDIUM INTERNATIONAL

MINING CORP.

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Directors of
Scandium International Mining Corp.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Scandium International Mining Corp. (the "Company"), as of December 31, 2017 and 2016, and the related consolidated statements of loss and comprehensive loss, cash flows, and changes in equity for the years ended December 31, 2017 and 2016, and the related notes (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Scandium International Mining Corp. as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years ended December 31, 2017,and 2016 in conformity with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has suffered recurring losses from operations 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.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. 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, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. According, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatements of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statement. We believe that our audits provide a reasonable basis for our opinion.

"DAVIDSON & COMPANY LLP"

We have served as the Company's auditor since 2006.

Vancouver, Canada — Chartered Professional Accountants

February 27, 2018

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

As at:		December 31, 2017		December 31, 2016
ASSETS				
Current				
Cash	$	343,434	$	615,234
Prepaid expenses and receivables		45,986		51,227
Total Current Assets		389,420		666,461
Equipment (Note 3)		1,947		2,918
Mineral property interests (Note 4)		704,053		704,053
Total Assets	$	1,095,420	$	1,373,432
LIABILITIES AND EQUITY				
Current				
Accounts payable and accrued liabilities	$	34,153	$	27,649
Accounts payable with related parties (Note 5)		32,036		13,704
Total Liabilities		66,189		41,353
Stockholders' Equity				
Capital stock (Note 6) (Authorized: Unlimited number of common shares; Issued and outstanding: 291,970,239 (2016 – 225,047,200))		106,468,869		91,142,335
Treasury stock (Note 7) (1,033,333 common shares) (2016 – 1,033,333)		(1,264,194)		(1,264,194)
Additional paid in capital (Note 6)		4,617,484		6,844,671
Accumulated other comprehensive loss		(853,400)		(853,400)
Deficit		(107,939,528)		(93,446,610)
Total Stockholders' Equity		1,029,231		2,422,802
Non-controlling Interest in a Subsidiary (Note 11)		-		(1,090,723)
Total Equity		1,029,231		1,332,079
Total Liabilities and Equity	$	1,095,420	$	1,373,432

Nature and continuance of operations (Note 1)
Subsequent event (Note 12)

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

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

Years ended	December 31, 2017	December 31, 2016
EXPENSES		
Amortization (Note 3)	$ 971	$ 2,850
Consulting (Note 5)	182,028	102,000
Exploration	312,185	509,854
General and administrative	300,234	185,336
Insurance	29,068	33,224
Professional fees	97,977	96,007
Salaries and benefits	623,525	516,361
Stock-based compensation (Note 6)	1,283,830	469,434
Travel and entertainment	85,888	54,988
	(2,915,706)	(1,970,054)
Foreign exchange gain (loss)	51,628	(23,839)
Write-off of mineral property (Note 4)	-	(238,670)
	51,628	(262,509)
Loss and comprehensive loss for the year	(2,864,078)	(2,232,563)
Loss attributable to non-controlling interest in a subsidiary	73,488	124,135
Loss and comprehensive loss for the year attributable to Scandium International Mining Corp.	$ (2,790,590)	$ (2,108,428)
Basic and diluted loss per common share attributable to Scandium International Mining Corp.	$ (0.01)	$ (0.01)
Weighted average number of common shares outstanding	230,206,639	225,047,200

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)

Years ended	December 31, 2017	December 31, 2016
CASH FLOWS USED IN OPERATING ACTIVITIES		
Loss for the year	$ (2,864,078)	$ (2,232,563)
Items not affecting cash:		
Amortization	971	2,850
Stock-based compensation	1,283,830	469,434
Write-off of mineral property	-	238,670
Changes in non-cash working capital items:		
Decrease in prepaids and receivables	5,241	56,302
Increase (decrease) in accounts payable, accrued liabilities and accounts payable with related parties	24,836	(165,978)
	(1,549,200)	(1,631,285)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Equipment purchase	-	(3,157)
	-	(3,157)
CASH FLOWS FROM FINANCING ACTIVITIES		
Common shares issued	1,082,250	-
Options exercised for common shares	195,150	-
	1,277,400	-
Change in cash during the year	(271,800)	(1,634,442)
Cash, beginning of year	615,234	2,249,676
Cash, end of year	$ 343,434	$ 615,234

Supplemental disclosure with respect to cash flows (Note 10)

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, 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**
Stock-based compensation	-	-	469,434	-	-	-	469,434	-	469,434
Loss for the year	-	-	-	-	-	(2,108,428)	(2,108,428)	(124,135)	(2,232,563)
Balance, December 31, 2016	**225,047,200**	**91,142,335**	**6,844,671**	**(1,264,194)**	**(853,400)**	**(93,446,610)**	**2,422,802**	**(1,090,723)**	**1,332,079**
Private placement	4,807,394	1,082,250	-	-	-	-	1,082,250	-	1,082,250
Options exercised	3,285,000	414,052	(218,902)	-	-	-	195,150	-	195,150
Minority interest acquisition	58,830,645	13,830,232	(3,292,115)	-	-	(11,702,328)	(1,164,211)	1,164,211	-
Stock-based compensation	-	-	1,283,830	-	-	-	1,283,830	-	1,283,830
Loss for the year	-	-	-	-	-	(2,790,590)	(2,790,590)	(73,488)	(2,864,078)
Balance, December 31, 2017	**291,970,239**	**$ 106,468,869**	**$ 4,617,484**	**$ (1,264,194)**	**$ (853,400)**	**$(107,939,528)**	**$ 1,029,231**	**$ -**	**$ 1,029,231**

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. 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. In fiscal 2017, this 20% interest was converted into common shares of the Company (Note 11).

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 the Nyngan property. 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. SIGNIFICANT ACCOUNTING POLICIES

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., Scandium International Mining Corp. Norway AS, and EMC Metals Australia Pty Ltd.("EMC-A")." During the year, Wolfram Jack Mining Corp. and The Technology Store, Inc. were wound-up and no longer are included in these consolidated financial statements. 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-A, until the date the 20% interest was disposed by the Company (Note 11). In October 2017, the Company reacquired the remaining 20% minority interest in EMC-A through the issuance of common shares (Note 11). 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. 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.

The Company considers itself to be an exploration stage company and will consider the transition to development stage after it receives funding to begin mine construction, and board approval.

c) Equipment

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

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.

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 or fair value in use 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, 2017 and 2016 there were no warrants outstanding and 23,585,000 options (2016 – 21,820,000) 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 US Dollar ("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. Any grants to non-employees are measured at the fair value of the services provided, or at the fair value of the options granted, whichever is more reliable. 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 and accrued liabilities, and accounts payable with related parties. 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 three commercial banks, one in Chicago, Illinois, United States of America, one in Vancouver, British Columbia, Canada and one in Melbourne, Victoria, Australia.

(Expressed in US Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

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, 2017 and 2016, 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

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.

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, and accounts payable with related parties 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, 2017 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, 2017	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash	$ 343,434	$ 343,434	$ —	$ —
Total	$ 343,434	$ 343,434	$ —	$ —

The carrying value of receivables, accounts payable and accrued liabilities, and accounts payable to related parties 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 2017-09 – Compensation – Stock Compensation (Topic 718) Scope of Modification Accounting. This accounting pronouncement deals with a change in any of the terms or conditions of a share-based payment award. The standard goes into effect for all interim and annual statements beginning after December 15, 2017. The Company has determined that this guidance will have no impact on its financial statements.

Accounting Standards Update 2016-02 - Leases (Topic 842). This accounting pronouncement allows lessees to make an accounting policy election to not recognize a lease asset and liability for leases with a term of 12 months or less and do not have a purchase option that is expected to be exercised. This standard is effective for interim and annual reporting periods beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the impact this guidance will have on its financial statements.

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 for annual periods beginning after 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 has determined that this guidance will have no impact on its financial statements.

(Expressed in US Dollars)

3. EQUIPMENT

2017

	December 31, 2016 Net Book Value	Additions (disposals)	Amortization	December 31, 2017 Net Book Value
Computer equipment	$ 2,918	$ -	$ (971)	$ 1,947
	$ 2,918	$ -	$ (971)	$ 1,947

2016

	December 31, 2015 Net Book Value	Additions (disposals)	Amortization	December 31, 2016 Net Book Value
Computer equipment	$ 1,017	$ 3,157	$ (1,256)	$ 2,918
Office equipment	1,594	-	(1,594)	-
	$ 2,611	$ 3,157	$ (2,850)	$ 2,918

4. MINERAL PROPERTY INTERESTS

December 31, 2017	Scandium and other
Acquisition costs	
Balance, December 31, 2016	$ 704,053
Additions	-
Balance December 31, 2017	$ 704,053

December 31, 2016	Scandium and other
Acquisition costs	
Balance, December 31, 2015	$ 942,723
Write-off of Tordal property	(238,670)
Balance December 31, 2016	$ 704,053

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.

SCANDIUM PROPERTIES

Nyngan, New South Wales Property

The Company holds a 100% (2016 – 80%) (Note 11) interest in the Nyngan property in New South Wales, Australia. A definitive feasibility study was completed on the property in fiscal 2016. During December 2017, the Company revised and renewed a scandium product offtake agreement for delivery of scandium based product upon availability from mine production.

Royalties attached to the Nyngan property include, a 0.7% royalty on gross mineral sales on the property, 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 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

The Company holds a 100% (2016 – 80%) (Note 11) interest in the Honeybugle property.

4. MINERAL PROPERTY INTERESTS (cont'd…)

Kiviniemi Scandium Property Finland

In June 2017, the Company was granted a reservation on an Exploration License for the Kiviniemi Scandium Property in central Finland from the Finnish regulatory body governing mineral exploration and mining in Finland. This reservation grants a first position right to apply for an exploration license on the property (protected through calendar 2018). The Company filed the exploration application in January 2018, for review and anticipated grant by mid-2018. As of December 31, 2017, no funds have been capitalized for this property

Tørdal property, Norway

In December 2016, it was decided to write-off the Company's interest, $238,670, in the Tordal property.

5. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2017, the Company expensed $841,930 for stock-based compensation for stock options issued to Company directors. During the year ended December 31, 2016, the Company expensed $366,923 for stock options issued to Company directors.

During each of the years ended December 31, 2017 and December 31, 2016 the Company paid a consulting fee of $102,000 to one of its directors.

As at December 31, 2017, the Company owed $32,036 (2016 - $13,704) to officers of the Company.

6. CAPITAL STOCK AND ADDITIONAL PAID IN CAPITAL

On October 6, 2017, the Company issued 58,830,645 common shares for conversion of the minority interest in its Australian properties at a fair value of $13,830,232 (Note 11).

On August 2, 2017, the Company issued 3,628,333 common shares at a value of C$0.30 per common share for total proceeds of C$1,088,500 ($820,875).

On March 17, 2017, the Company issued 1,179,061 common shares at a value of C$0.29 per common share for total proceeds of C$341,928 ($261,375).

Stock Options

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 transactions are summarized as follows:

	Stock Options	
	Number	Weighted average exercise price in Canadian $
Outstanding, December 31, 2015	17,610,000	$ 0.12
Granted	5,260,000	0.14
Expired	(1,050,000)	0.24
Outstanding, December 31, 2016	21,820,000	0.11
Granted	5,600,000	0.38
Exercised	(3,285,000)	0.08
Expired	(550,000)	0.07
Outstanding, December 31, 2017	23,585,000	$ 0.18
Number currently exercisable	22,495,500	$ 0.18

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

As at December 31, 2017, incentive stock options were outstanding as follows:

	Number of Options (exercisable)	Number of Options (outstanding)	Exercise Price in Canadian $	Expiry Date
Options				
	1,000,000	1,000,000	0.100	May 9, 2018
	3,375,000	3,375,000	0.120	July 25, 2019
	200,000	200,000	0.100	December 30, 2019
	3,450,000	3,450,000	0.140	April 17, 2020
	250,000	250,000	0.600	May 11, 2020
	400,000	400,000	0.115	August 28, 2020
	4,300,000	4,300,000	0.010	November 5, 2020
	4,785,500	4,860,000	0.130	February 8, 2021
	320,000	400,000	0.200	June 14, 2021
	4,365,000	5,100,000	0.370	February 21, 2022
	50,000	250,000	0.300	October 6, 2022
	22,495,500	23,585,000		

As at December 31, 2017 the Company's outstanding and exercisable stock options have an aggregate intrinsic value of $1,467,123 (2016 - $922,412).

Stock-based compensation

During the year ended December 31, 2017, the Company recognized stock-based compensation of $1,283,830 (December 31, 2016 - $469,434) in the statement of loss and comprehensive loss as a result of incentive stock options granted and vested in the current period. There was a corresponding entry to additional paid in capital. There were 5,600,000 stock options granted during the year ended December 31, 2017 (December 31, 2016 – 5,260,000).

The weighted average fair value of the options granted in the year was C$0.32 (2016 - 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 of options granted are as follows:

	2017	2016
Risk-free interest rate	1.13%	1.13%
Expected life	5 years	5 years
Volatility	141.12%	141.12%
Forfeiture rate	0.00%	0.00%
Dividend rate	0.00%	0.00%

7. TREASURY STOCK

	Number	Amount
Treasury shares, December 31, 2017, 2016 and 2015	1,033,333	$ 1,264,194

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

(Expressed in US Dollars)

8. SEGMENTED INFORMATION

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

December 31, 2017		Australia		United States		Total
Equipment	$	-	$	1,947	$	1,947
Mineral property interests		704,053		-		704,053
	$	704,053	$	1,947	$	706,000

December 31, 2016		Australia		United States		Total
Equipment	$	-	$	2,918	$	2,918
Mineral property interests		704,053		-		704,053
	$	704,053	$	2,918	$	706,971

9. DEFERRED INCOME TAX

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

		2017		2016
Loss before income taxes	$	(2,864,078)	$	(2,232,563)
Expected income tax (recovery)		(726,000)		(548,000)
Change in statutory, foreign tax, and other		(20,000)		(439,000)
Permanent difference		312,000		90,000
Adjustment to prior years provision versus statutory tax returns		(453,000)		-
Change in unrecognized deductible temporary differences		887,000		897,000
Total Income tax expense (recovery)	$	-	$	-

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;

		2017		2016
Deferred Tax Assets (Liabilities)				
Exploration and evaluation assets	$	1,708,000	$	1,527,000
Property and equipment		69,000		63,000
Share issue costs		8,000		13,000
Marketable securities		19,000		19,000
Allowable capital losses		1,913,000		1,786,000
Non-capital losses available for future periods		4,111,000		3,533,000
		7,828,000		6,941,000
Unrecognized deferred tax assets		(7,828,000)		(6,941,000)
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:

		2017	Expiry Date Range	2016	Expiry Date Range
Temporary Differences					
Exploration and evaluation assets	$	6,536,000	No expiry date	$5,848,000	No expiry date
Property and equipment		264,000	No expiry date	244,000	No expiry date
Share issue costs		37,000	2036 to 2039	48,000	2036 to 2039
Marketable securities		145,000	No expiry date	145,000	No expiry date
Allowable capital losses		7,359,000	No expiry date	6,870,000	No expiry date
Non-capital losses available for future periods		15,709,000	2018 to 2037	13,509,000	2018 to 2036

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

On October 10, 2017, the Company closed a share exchange transaction to acquire 100% ownership of EMC-A in a non-cash transaction. The Company issued 58,830,645 shares of the Company's common shares at a fair value of $13,830,232 to increase the Company ownership of EMC-A from 80% to 100% (see Note 11 for additional details).

There were no major non-cash transactions in the year ended December 31, 2016.

There were no amounts paid for taxes and interest in the years ended December 31, 2017 and December 31, 2016.

11. 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-A, with the Company holding an 80% ownership interest. EMC-A held interests in the Nyngan Scandium Project and Honeybugle Scandium property. Upon conversion of the promissory note payable, EMC-A was operated as a joint venture between Scandium Investments LLC ("SIL") and the Company. SIL held a carried interest in the Nyngan Scandium Project and was not required to contribute cash for the operation of EMC-A until the Company met 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 were met, SIL was to fully participate on project costs thereafter.

Completion of the development milestones by the Company, as described above, activated 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 the then prevailing market prices, rather than continue with ownership at the project level. SIL elected to exercise the conversion option as described.

On October 10, 2017, the Company announced that it had closed the share exchange transaction to acquire SIL's entire 20% ownership of EMC-A. The Company issued 57,371,565 shares of the Company's common shares at a fair value of $13,487,223 to acquire SIL's shares of EMC-A and increase the Company ownership of EMC-A from 80% to 100%.

The Company also provided for a pay-out of a 20% portion of a 0.7% revenue-based royalty on Nyngan/Honeybugle that was entered into by the Company in 2015. This royalty was excluded from SIL's share in the project interests, at the time, and as a result an adjustment payment of 1,459,080 common shares at a fair value of $343,009 was made.

SIL also was granted the right to nominate two directors to the Company Board.

12. SUBSEQUENT EVENT

On January 19, 2018, the Company issued 6,500,000 stock options at C$0.225 with a 5 year life and various vesting terms.

On January 30, 2018, a director of the Company exercised 200,000 stock options at a price of C$0.10 for proceeds of $16,070.00.