



**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**THREE MONTHS ENDED MARCH 31, 2016**

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

| <b>As at:</b>   | March 31, 2016      | December 31, 2015   |
|---|---------------------|---------------------|
| <b>ASSETS</b>   |                     |                     |
| <b>Current</b>  |                     |                     |
| Cash  | \$ 1,331,731        | \$ 2,249,676        |
| Prepaid expenses and receivables  | 123,205             | 107,529             |
| <b>Total Current Assets</b>   | <b>1,454,936</b>    | <b>2,357,205</b>    |
| <b>Equipment</b> (Note 3)   | 4,704               | 2,611               |
| <b>Mineral property interests</b> (Note 4)  | 942,723             | 942,723             |
| <b>Total Assets</b>   | <b>\$ 2,402,363</b> | <b>\$ 3,302,539</b> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                     |                     |
| <b>Current</b>  |                     |                     |
| Accounts payable and accrued liabilities  | \$ 74,359           | \$ 196,322          |
| Accounts payable with related parties   | 17,239              | 11,009              |
| <b>Total Liabilities</b>  | <b>91,598</b>       | <b>207,331</b>      |
| <b>Stockholders' Equity</b>   |                     |                     |
| Capital stock (Note 6) (Authorized: Unlimited number of common shares;<br>Issued and outstanding: 225,047,200 (2015 – 225,047,200)) | 91,142,335          | 91,142,335          |
| Treasury stock (Note 7) (1,033,333 common shares)   | (1,264,194)         | (1,264,194)         |
| Additional paid in capital (Note 6)   | 6,771,050           | 6,375,237           |
| Accumulated other comprehensive loss  | (853,400)           | (853,400)           |
| Deficit   | (92,419,278)        | (91,338,182)        |
| <b>Total Stockholders' Equity</b>   | <b>3,376,513</b>    | <b>4,061,796</b>    |
| <b>Non-controlling Interest in a Subsidiary</b> (Note 10)   | <b>(1,065,748)</b>  | <b>(966,588)</b>    |
| <b>Total Equity</b>   | <b>2,310,765</b>    | <b>3,095,208</b>    |
| <b>Total Liabilities and Equity</b>   | <b>\$ 2,402,363</b> | <b>\$ 3,302,539</b> |

Nature and continuance of operations (Note 1)

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

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

| 3 month period ended  | March 31, 2016        | March 31, 2015      |
|---|-----------------------|---------------------|
| <b>EXPENSES</b>   |                       |                     |
| Amortization (Note 3)   | \$ 1,064              | \$ 958              |
| Consulting  | 25,500                | 28,000              |
| Exploration   | 512,289               | 133,606             |
| General and administrative  | 78,986                | 54,688              |
| Insurance   | 8,551                 | (2,226)             |
| Professional fees   | 26,269                | 42,808              |
| Salaries and benefits   | 115,924               | 116,416             |
| Stock-based compensation (Note 6)   | 395,813               | 14,314              |
| Travel and entertainment  | 15,997                | 15,935              |
| <b>Loss from operations before other items</b>  | <b>(1,180,393)</b>    | <b>(404,499)</b>    |
| <b>OTHER ITEMS</b>  |                       |                     |
| Foreign exchange gain (loss)  | 137                   | (10,463)            |
| Interest expense  | -                     | (55,692)            |
|   | 137                   | (66,155)            |
| <b>Loss and comprehensive loss for the period</b>   | <b>(1,180,256)</b>    | <b>(470,654)</b>    |
| <b>Costs allocable to non-controlling interest in a subsidiary</b>  | <b>99,160</b>         | <b>-</b>            |
| <b>Loss and comprehensive loss for the period attributable to Scandium International Mining Corp.</b>                     | <b>\$ (1,081,096)</b> | <b>\$ (470,654)</b> |
| <b>Basic and diluted loss and comprehensive loss per common share attributable to Scandium International Mining Corp.</b> | <b>\$ 0.01</b>        | <b>\$ 0.00</b>      |
| <b>Weighted average number of common shares outstanding</b>   | <b>225,047,200</b>    | <b>198,604,790</b>  |

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

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

| 3-month period ended   | March 31, 2016      | March 31, 2015    |
|--|---------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                     |                   |
| Loss for the period  | \$ (1,180,256)      | \$ (470,654)      |
| Items not affecting cash:  |                     |                   |
| Amortization   | 1,064               | 958               |
| Stock-based compensation   | 395,813             | 14,314            |
| Changes in non-cash working capital items:   |                     |                   |
| Decrease (increase) in prepaids and receivables  | (15,676)            | 21,725            |
| Increase (decrease) in accounts payable, accrued liabilities and accounts payable with related parties | (115,733)           | 181,492           |
|  | <u>(914,788)</u>    | <u>(252,165)</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                     |                   |
| Additions to fixed assets  | (3,157)             | -                 |
|  | <u>(3,157)</u>      | <u>-</u>          |
| <b>Change in cash during the period</b>  | (917,945)           | (252,165)         |
| <b>Cash, beginning of period</b>   | 2,249,676           | 417,386           |
| <b>Cash, end of period</b>   | <u>\$ 1,331,731</u> | <u>\$ 165,221</u> |

Supplemental disclosure with respect to cash flows (Note 9)

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

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

|                                      | Number of<br>Shares | Capital Stock        | Additional<br>Paid in<br>Capital | Treasury<br>Stock     | Accumulated<br>Other<br>Comprehensive<br>Loss | Deficit                | Total<br>Stockholders'<br>Equity | Non-<br>controlling<br>Interest in a<br>Subsidiary | Total Equity        |
|--------------------------------------|---------------------|----------------------|----------------------------------|-----------------------|---|------------------------|----------------------------------|--|---------------------|
| <b>Balance, December 31, 2014</b>    | <b>198,604,790</b>  | <b>\$ 89,186,471</b> | <b>\$ 2,419,615</b>              | <b>\$ (1,264,194)</b> | <b>\$ (853,400)</b>                           | <b>\$ (88,567,751)</b> | <b>\$ 920,741</b>                | <b>\$ -</b>  | <b>\$ 920,741</b>   |
| 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)         |
| <b>Balance, December 31, 2015</b>    | <b>225,047,200</b>  | <b>91,142,335</b>    | <b>6,375,237</b>                 | <b>(1,264,194)</b>    | <b>(853,400)</b>                              | <b>(91,338,182)</b>    | <b>4,061,796</b>                 | <b>(966,588)</b>                                   | <b>3,095,208</b>    |
| Stock-based compensation             | -                   | -                    | 395,813                          | -                     | -   | -                      | 395,813                          | -  | 395,813             |
| Loss for the period                  | -                   | -                    | -                                | -                     | -   | (1,081,096)            | (1,081,096)                      | (99,160)   | (1,180,256)         |
| <b>Balance, March 31, 2016</b>       | <b>225,047,200</b>  | <b>\$ 91,142,335</b> | <b>\$ 6,771,050</b>              | <b>\$ (1,264,194)</b> | <b>\$ (853,400)</b>                           | <b>\$ (92,419,278)</b> | <b>\$ 3,376,513</b>              | <b>\$ (1,065,748)</b>                              | <b>\$ 2,310,765</b> |

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

## **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 period end.

These condensed 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**

### **Basis of presentation**

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"). The interim condensed consolidated financial statements include the consolidated accounts of the Company and its wholly-owned subsidiaries with all significant intercompany transactions eliminated. In the opinion of management, all adjustments necessary for a fair statement of the consolidated financial position, results of operations and cash flows for the interim periods have been made. Certain information and footnote disclosures normally included in the consolidated financial statements prepared in accordance with generally accepted accounting principles of the United States of America ("US GAAP") have been condensed or omitted pursuant to such SEC rules and regulations. These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2015 and with our Annual Report on Form 10-K filed with the SEC on March 15, 2016. Operating results for the three-month period ended March 31, 2016 may not necessarily be indicative of the results for the year ending December 31, 2016.

These unaudited condensed 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 4). All significant intercompany accounts and transactions have been eliminated on consolidation.

### **Use of estimates**

The preparation of unaudited interim condensed 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.

### **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

**2. BASIS OF PRESENTATION (cont'd...)**

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 March 31, 2016, 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:

|         | March 31,<br>2016 | Quoted Prices<br>in Active Markets<br>(Level 1) | Significant Other<br>Observable Inputs<br>(Level 2) | Significant<br>Unobservable Inputs<br>(Level 3) |
|---------|-------------------|---|---|---|
| Assets: |                   |   |   |   |
| Cash    | \$ 1,331,731      | \$ 1,331,731                                    | \$ —  | \$ —  |
| Total   | \$ 1,331,731      | \$ 1,331,731                                    | \$ —  | \$ —  |

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

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

**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 has adopted this standard which has 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 has adopted this standard which will only have an impact on its presentation of its financial statements should an extraordinary or unusual event take place.

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.

**3. EQUIPMENT**

|                    | December 31,<br>2015 Net Book<br>Value | Additions<br>(disposals)<br>(write-offs) | Amortization | March 31, 2016<br>Net Book Value |
|--------------------|--|--|--------------|----------------------------------|
| Computer equipment | \$ 1,017                               | \$ 3,157                                 | \$ (275)     | \$ 3,899                         |
| Office equipment   | 1,594                                  | -  | (789)        | 805                              |
|                    | \$ 2,611                               | \$ 3,157                                 | \$ (1,064)   | \$ 4,704                         |

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

**4. MINERAL PROPERTY INTERESTS**

| March 31, 2016                | Scandium and<br>other |
|-------------------------------|-----------------------|
| <b>Acquisition costs</b>      |                       |
| Balance, December 31, 2015    | \$ 942,723            |
| Additions                     | -                     |
| <b>Balance March 31, 2016</b> | <b>\$ 942,723</b>     |

| December 31, 2015                | Scandium and<br>other |
|----------------------------------|-----------------------|
| <b>Acquisition costs</b>         |                       |
| Balance, December 31, 2014       | \$ 3,012,723          |
| Sale of net smelter royalty      | (2,070,000)           |
| <b>Balance December 31, 2015</b> | <b>\$ 942,723</b>     |

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.

**SCANDIUM PROPERTIES**

*Nyngan, New South Wales Property*

On February 6, 2013, the Company announced that it had acquired 100% of the Nyngan property, in return for AUD\$2.6 million cash payments and a percentage royalty payable to its previous partner on sales of product from the project.

During fiscal 2015, the Company settled a \$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,



**4. MINERAL PROPERTY INTERESTS (cont'd...)**

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 New South Wales 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.

**5. RELATED PARTY TRANSACTIONS**

During the 3-month period ended March 31, 2016, the Company expensed \$301,363 for stock-based compensation for stock options issued to Company directors. During the 3-month period ended March 31, 2015, the Company expensed \$Nil for stock-based compensation for stock options issued to Company directors.

During the 3-month period ended March 31, 2016, the Company paid a consulting fee of \$25,500 for one of its directors. During the 3-month period ended March 31, 2015, the Company paid a consulting fee of \$25,500 for one of its directors.

**6. 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 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.

**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.

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

Stock option transactions are summarized as follows:

|                                | Stock Options |  |
|--------------------------------|---------------|--|
|                                | Number        | Weighted average exercise price in Canadian \$ |
| 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   |
| Granted                        | 4,860,000     | 0.13   |
| Cancelled                      | -             | -  |
| Exercised                      | -             | -  |
| Outstanding, March 31, 2016    | 22,470,000    | \$ 0.12  |
| Number currently exercisable   | 21,357,000    | \$ 0.12  |

As at March 31, 2016, incentive stock options were outstanding as follows:

|                | Number of options | Exercise Price in Canadian \$ | Expiry Date        |
|----------------|-------------------|-------------------------------|--------------------|
| <b>Options</b> |                   |                               |                    |
|                | 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    |
|                | 4,860,000         | 0.130                         | February 8, 2021   |
|                | 22,470,000        |                               |                    |

\* 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 during the year ended December 31, 2015. 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%.

\*\* These options expired unexercised on May 4, 2016.

As at March 31, 2016 the Company's outstanding and exercisable stock options have an aggregate intrinsic value of \$1,168,470 (2015 - \$305,291).

As at March 31, 2016, and December 31, 2015, there were no warrants outstanding.

**Stock-based compensation**

During the 3-month period ended March 31, 2016, the Company recognized stock-based compensation of \$1,168,470 (March 31, 2015 - \$305,291) 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 4,860,000 stock options issued during the 3-month period ended March 31, 2016 (March 31, 2015 - Nil).

The weighted average fair value of the options granted in the quarter was C\$0.13 (2015 - Nil).

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

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:

|                         | 2016    | 2015 |
|-------------------------|---------|------|
| Risk-free interest rate | 1.14%   | N/A  |
| Expected life           | 5 years | N/A  |
| Volatility              | 141.21% | N/A  |
| Forfeiture rate         | 0.00%   | N/A  |
| Dividend rate           | 0.00%   | N/A  |

**7. TREASURY STOCK**

|  | Number    | Amount       |
|--|-----------|--------------|
| Treasury shares, March 31, 2016 and December 31 2015 | 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.

**8. SEGMENTED INFORMATION**

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

| <b>March 31, 2016</b>      | Norway     | Australia  | United States | Total      |
|----------------------------|------------|------------|---------------|------------|
| Equipment                  | \$ -       | \$ -       | \$ 4,704      | \$ 4,704   |
| Mineral property interests | 238,670    | 704,053    | -             | 942,723    |
|                            | \$ 238,670 | \$ 704,053 | \$ 4,704      | \$ 947,427 |
| <b>December 31, 2015</b>   | 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 |

**9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

|  | 2016 |   | 2015 |        |
|--|------|---|------|--------|
| Cash paid during the 3-month period for interest     | \$   | - | \$   | 56,250 |
| Cash paid during the 3-month period for income taxes | \$   | - | \$   | -      |

**10. 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 the Company's 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 3-month period ended March 31, 2016 as a non-controlling interest.

**11. SUBSEQUENT EVENTS**

A technical report on the feasibility study entitled "Feasibility Study – Nyngan Scandium Project, Bogan Shire, NSW, Australia" dated May 4, 2016 was compiled pursuant to the requirements of NI 43-101. The report was filed on May 6, 2016 and is available on SEDAR ([www.sedar.com](http://www.sedar.com)) and on the Company's website ([www.scandiummining.com](http://www.scandiummining.com)).