



**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**SIX MONTHS AND THREE MONTHS ENDED JUNE 30, 2019**

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

As at:	June 30, 2019	December 31, 2018
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 402,645	\$ 284,757
Prepaid expenses and receivables	27,749	38,951
<b>Total Current Assets</b>	<b>430,394</b>	<b>323,708</b>
<b>Reclamation bond</b> (Note 4)	11,444	11,444
<b>Equipment</b> (Note 3)	8,120	9,274
<b>Mineral property interests</b> (Note 4)	704,053	704,053
<b>Total Assets</b>	<b>\$ 1,154,011</b>	<b>\$ 1,048,479</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 88,091	\$ 146,586
Accounts payable with related parties (Note 5)	37,928	-
<b>Total Liabilities</b>	<b>126,019</b>	<b>146,586</b>
<b>Equity</b>		
Capital stock (Note 6) (Authorized: Unlimited number of common shares; Issued and outstanding: 311,782,595 (2018 – 304,781,294))	109,241,572	108,244,311
Treasury stock (Note 7) (1,033,333 common shares) (2018 – 1,033,333)	(1,264,194)	(1,264,194)
Additional paid in capital (Note 6)	5,997,350	5,675,812
Accumulated other comprehensive loss	(853,400)	(853,400)
Deficit	(112,093,336)	(110,900,636)
<b>Total Equity</b>	<b>1,027,992</b>	<b>901,893</b>
<b>Total Liabilities and Equity</b>	<b>\$ 1,154,011</b>	<b>\$ 1,048,479</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)

Periods ended	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
<b>EXPENSES</b>				
Amortization (Note 3)	\$ 577	\$ 158	\$ 1,154	\$ 316
Consulting	103,803	67,632	199,421	135,811
Exploration (recovery)	73,339	162,305	47,155	145,511
General and administrative	112,625	93,261	207,117	194,003
Insurance	7,719	7,449	15,303	14,794
Professional fees	21,059	21,111	50,263	75,512
Salaries and benefits	115,026	155,003	229,135	313,898
Stock-based compensation (Note 6)	409,520	64,487	422,636	985,045
Travel and entertainment	12,431	17,547	26,162	43,566
	(856,099)	(589,313)	(1,198,346)	(1,908,456)
Foreign exchange gain (loss)	(3,835)	(37,085)	5,646	(47,555)
<b>Loss and comprehensive loss for the period</b>	<b>\$ (859,934)</b>	<b>\$ (626,398)</b>	<b>\$ (1,192,700)</b>	<b>\$ (1,956,011)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.01</b>
<b>Weighted average number of common shares outstanding – basic and diluted</b>	<b>311,782,595</b>	<b>302,290,280</b>	<b>308,694,037</b>	<b>297,541,595</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)

Periods ended	Six months ended June 30, 2019	Six months ended June 30, 2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (1,192,700)	\$ (1,956,011)
Items not affecting cash:		
Amortization	1,154	316
Stock-based compensation	422,636	985,045
Changes in non-cash working capital items:		
Decrease (increase) in prepaid expenses and receivables	11,202	8,933
(Decrease) increase in accounts payable, accrued liabilities and accounts payable with related parties	(20,567)	65,580
	<u>(778,275)</u>	<u>(896,137)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Common shares issued	799,483	1,675,300
Options exercised for common shares	96,680	78,820
	<u>896,163</u>	<u>1,754,120</u>
<b>Change in cash during the period</b>	117,888	857,983
<b>Cash, beginning of period</b>	<u>284,757</u>	<u>343,434</u>
<b>Cash, end of period</b>	<u>\$ 402,645</u>	<u>\$ 1,201,417</u>
<b>Cash paid during the period for interest</b>	\$ -	\$ -
<b>Cash paid during the period for taxes</b>	\$ -	\$ -

There were no significant non-cash investing and financing activities during the period ended June 30, 2019 and 2018.

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

	Number of Shares	Capital Stock	Additional Paid in Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Deficit	Total Stockholders' Equity
<b>Balance, December 31, 2017</b>	<b>291,970,239</b>	<b>\$ 106,468,869</b>	<b>\$ 4,617,484</b>	<b>\$ (1,264,194)</b>	<b>\$ (853,400)</b>	<b>\$ (107,939,528)</b>	<b>\$ 1,029,231</b>
Private placement	5,729,167	810,898	-	-	-	-	810,898
Options exercised	200,000	19,964	(3,893)	-	-	-	16,071
Stock-based compensation	-	-	920,558	-	-	-	920,558
Loss for the three months	-	-	-	-	-	(1,329,613)	(1,329,613)
<b>Balance, March 31, 2018</b>	<b>297,899,406</b>	<b>\$ 107,299,731</b>	<b>\$ 5,534,149</b>	<b>\$ (1,264,194)</b>	<b>\$ (853,400)</b>	<b>\$ (109,269,141)</b>	<b>\$ 1,447,145</b>
Private placement	6,071,888	864,402	-	-	-	-	864,402
Options exercised	800,000	78,323	(15,574)	-	-	-	62,749
Stock-based compensation	-	-	64,487	-	-	-	64,487
Loss for the three months	-	-	-	-	-	(626,398)	(626,398)
<b>Balance, June 30, 2018</b>	<b>304,771,294</b>	<b>\$ 108,242,456</b>	<b>\$ 5,583,062</b>	<b>\$ (1,264,194)</b>	<b>\$ (853,400)</b>	<b>\$ (109,895,539)</b>	<b>\$ 1,812,385</b>
Options exercised	10,000	1,855	(869)	-	-	-	986
Stock-based compensation	-	-	69,411	-	-	-	69,411
Loss for the three months	-	-	-	-	-	(461,781)	(461,781)
<b>Balance, September 30, 2018</b>	<b>304,781,294</b>	<b>\$ 108,244,311</b>	<b>\$ 5,651,604</b>	<b>\$ (1,264,194)</b>	<b>\$ (853,400)</b>	<b>\$ (110,357,320)</b>	<b>\$ 1,421,001</b>
Stock-based compensation	-	-	24,208	-	-	-	24,208
Loss for the three months	-	-	-	-	-	(543,316)	(543,316)
<b>Balance, December 31, 2018</b>	<b>304,781,294</b>	<b>\$ 108,244,311</b>	<b>\$ 5,675,812</b>	<b>\$ (1,264,194)</b>	<b>\$ (853,400)</b>	<b>\$ (110,900,636)</b>	<b>\$ 901,893</b>
Private placement	5,926,301	799,483	-	-	-	-	799,483
Options exercised	1,075,000	197,778	(101,098)	-	-	-	96,680
Stock-based compensation	-	-	13,116	-	-	-	13,116
Loss for the three months	-	-	-	-	-	(332,766)	(332,766)
<b>Balance, March 31, 2019</b>	<b>311,782,595</b>	<b>\$ 109,241,572</b>	<b>\$ 5,587,830</b>	<b>\$ (1,264,194)</b>	<b>\$ (853,400)</b>	<b>\$ (111,233,402)</b>	<b>\$ 1,478,406</b>
Stock-based compensation	-	-	409,520	-	-	-	409,520
Loss for the three months	-	-	-	-	-	(859,934)	(859,934)
<b>Balance, June 30, 2019</b>	<b>311,782,595</b>	<b>\$ 109,241,572</b>	<b>\$ 5,997,350</b>	<b>\$ (1,264,194)</b>	<b>\$ (853,400)</b>	<b>\$ (112,093,336)</b>	<b>\$ 1,027,992</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, evaluation and future development 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.

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 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. 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, 2018 and with our Annual Report on Form 10-K filed with the SEC on March 4, 2019. Operating results for the six-month period ended June 30, 2019 may not necessarily be indicative of the results for the year ending December 31, 2019.

These unaudited interim condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, EMC Metals USA Inc., Scandium International Mining Corp. Norway AS, SCY Exploration Finland Oy, and EMC Metals Australia Pty Ltd. (EMC-A").

### **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.

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.

### **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-

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

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 Company has no leases with a term of greater than 12 months. Short term lease expenses totaled \$13,932 during the six months ended June 30, 2019 and \$13,932 during the six months ended June 30, 2018.

The following table presents information about the assets that are measured at fair value on a recurring basis as at June 30, 2019 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:

	June 30, 2019	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash	\$ 402,645	\$ 402,645	\$ —	\$ —
Total	\$ 402,645	\$ 402,645	\$ —	\$ —

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 is determined through market, observable and corroborated sources.

**Recently Adopted and Recently Issued Accounting Standards**

Accounting Standards Update 2019-01 – Leases (Topic 842) Codification Improvements - Issue 3 Transition Disclosures Related to Topic 250, Accounting Changes and Error Corrections. The amendments in this Update clarify the Board's original intent by explicitly providing an exception to the paragraph 250-10-50-3 interim disclosure requirements in the Topic 842 transition disclosure requirements. The effective date is for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. The Company is currently evaluating the impact this guidance will have on its financial statements.

Accounting Standards Update 2018-13 – Fair Value Measurement (Topic 840) Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement. The amendments in this update apply to all entities that are required, under existing GAAP, to make disclosures about recurring or nonrecurring fair value measurements. This standard is effective for interim and annual reporting periods beginning after December 15, 2019, with early adoption permitted. The Company is currently evaluating the impact this guidance will have on its financial statements.

Accounting Standards Update 2018-11 - Leases (Topic 842) Targeted Update. This accounting pronouncement is an update to Accounting Standard 2016-02 (see below). This standard allows for an additional (and optional) transition method. This standard is effective for interim and annual reporting periods beginning after December 15, 2018, with early adoption permitted. The Company has adopted the election to recognize short-term leases through profit or loss, with no material effect to the consolidated 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 that 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 has adopted this policy which had no material effect to the consolidated financial statements.

**3. EQUIPMENT**

	December 31, 2018 Net Book Value	Additions (disposals) (write-offs)	Amortization	June 30, 2019 Net Book Value
Computer equipment	\$ 9,274	\$ -	\$ (1,154)	\$ 8,120

  

	December 31, 2017 Net Book Value	Additions (disposals) (write-offs)	Amortization	December 31, 2018 Net Book Value
Computer equipment	\$ 1,947	\$ 8,377	\$ (1,050)	\$ 9,274

**4. MINERAL PROPERTY INTERESTS**

June 30, 2019	Scandium and other
<b>Balance, June 30, 2019, December 31, 2018</b>	<b>\$ 704,053</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.

**SCANDIUM PROPERTIES**

*Nyngan Property, Australia*

The Company holds a 100% interest in the Nyngan property in New South Wales, Australia (NSW). 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.

In April 2019, the Company received notice from the New South Wales Department of Planning and Environment (the "Department") that, due to a procedural issue within the Department, the Company's Mine Lease Grant, ("ML 1763"), pertaining to the Nyngan Scandium Project, previously issued by the Department, is invalid. In May 2019, the Company filed a new mine lease application with the Department, related to the Nyngan Scandium Project. On July 24, 2019, the Company announced that a new mine lease ("ML 1792") had been granted.

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. 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% interest in the Honeybugle property in New South Wales, Australia (NSW).

*Kiviniemi Scandium Property, Finland*

In August 2018, the Company was granted an Exploration License for the Kiviniemi Scandium property in central Finland from the Finnish regulatory body governing mineral exploration and mining in Finland. As of March 31, 2019, no funds have been capitalized for this property. During fiscal 2018, a reclamation bond of \$11,444 (€10,000) was placed.



**5. RELATED PARTY TRANSACTIONS**

During the 6-month period ended June 30, 2019, the Company expensed \$314,104 for stock-based compensation for stock options issued to Company directors. During the 6-month period ended June 30, 2018, the Company expensed \$695,405 for stock-based compensation for stock options issued to Company directors.

During the 6-month period ended June 30, 2019, the Company paid a consulting fee of \$51,000 to one of its directors. During the 6-month period ended June 30, 2018, the Company paid a consulting fee of \$51,000 to one of its directors.

As at June 30, 2019, the Company owed \$37,928 to various directors and officers of the Company. (December 31, 2018 - \$Nil)

**6. CAPITAL STOCK AND ADDITIONAL PAID IN CAPITAL**

**Private placements**

On March 21, 2019, the Company issued 5,926,301 common shares at a value of C\$0.18 per common share for total proceeds of C\$1,066,734 (\$799,483).

On May 4, 2018, the Company issued 6,071,888 common shares at a value of C\$0.18 per common share for total proceeds of C\$1,092,940 (\$864,402).

On March 2, 2018, the Company issued 5,729,167 common shares at a value of C\$0.18 per common share for total proceeds of C\$1,031,250 (\$810,898).

**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, 2017	23,585,000	\$ 0.18
Granted	6,850,000	0.225
Exercised	(1,010,000)	0.10
Expired	(360,000)	0.27
Outstanding, December 31, 2018	29,065,000	0.19
Granted	9,860,000	0.15
Exercised	(1,075,000)	0.12
Cancelled	(240,000)	0.33
Outstanding, June 30, 2019	37,610,000	\$ 0.184
Number currently exercisable	32,530,000	\$ 0.188

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

As at June 30, 2019, incentive stock options were outstanding as follows:

	Number of Options Outstanding	Number of Options Exercisable	Exercise Price in Canadian \$	Expiry Date
<b>Options</b>				
	2,300,000	2,300,000	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	0.100	November 5, 2020
	4,850,000	4,850,000	0.130	February 8, 2021
	400,000	400,000	0.200	June 14, 2021
	4,800,000	4,800,000	0.370	February 21, 2022
	250,000	150,000	0.300	October 6, 2022
	6,200,000	5,980,000	0.225	January 19, 2023
	350,000	350,000	0.185	August 30, 2023
	9,810,000	5,050,000	0.150	May 9, 2024**
	50,000	50,000	0.130	June 24, 2024
	<u>37,610,000</u>	<u>32,530,000</u>		

\* Prior to expiry date 700,000 of these options were exercised and the remaining 1,600,000 expired unexercised

\*\* 4,760,000 of these options are performance based with vesting based on achieving certain milestones.

As at June 30, 2019 the Company's outstanding and exercisable stock options have an aggregate intrinsic value of \$125,165 (December 31, 2018 - \$1,084,994).

**Stock-based compensation**

During the 6-month period ended June 30, 2019, the Company recognized stock-based compensation of \$422,636 (June 30, 2018 - \$985,045) in the statement of operations and comprehensive loss. There were 9,860,000 stock options granted during the 6-month period ended June 30, 2019 (June 30, 2018 - 6,500,000).

The weighted average fair value of the options granted in the quarter was C\$0.15 (2018 - C\$0.192).

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 stock options granted in the 6-month period ended June 30 are as follows:

	2019	2018
Risk-free interest rate	2.31%	1.96%
Expected life	5 years	5 years
Volatility	90.40%	127.81%
Forfeiture rate	N/A	N/A
Dividend rate	N/A	N/A

7. TREASURY STOCK

	Number	Amount
Treasury shares, June 30, 2019 and December 31 2018	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 Australia. The Company's capital assets' geographic information is as follows:

<b>June 30, 2019</b>	<u>Australia</u>	<u>United States</u>	<u>Total</u>
Equipment	\$ -	\$ 8,120	\$ 8,120
Mineral property interests	<u>704,053</u>	<u>-</u>	<u>704,053</u>
	<u>\$ 704,053</u>	<u>\$ 8,120</u>	<u>\$ 712,173</u>
<hr/>			
<b>December 31, 2018</b>	<u>Australia</u>	<u>United States</u>	<u>Total</u>
Equipment	\$ -	\$ 9,274	\$ 9,274
Mineral property interests	<u>704,053</u>	<u>-</u>	<u>704,053</u>
	<u>\$ 704,053</u>	<u>\$ 9,274</u>	<u>\$ 713,327</u>