SCANDIUM INTERNATIONAL MINING CORP.
Form 10-K
March 05, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2018**

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

000-54416
(Commission File Number)

SCANDIUM INTERNATIONAL MINING CORP.

(Exact Name of Registrant as specified in its charter)

British Columbia, Canada	**98-1009717**
(State or other Jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)

1430 Greg Street, Suite 501
Sparks, Nevada **89431**
(Address of Principal Executive Offices) (Zip Code)

Registrant s Telephone Number, including area code: **(775) 355-9500**

Securities registered pursuant to Section 12(b) of the Act: **None**

Securities to be registered pursuant to Section 12(g) of the Act: **Common Shares without par value**
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes [ ] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes [ ] No [X]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act (Check one):

Large Accelerated Filer [ ]	Accelerated Filer [ ]
Non-Accelerated Filer [ ]	Smaller Reporting Company [X]
	Emerging Growth Company [ ]

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as of the last business day of the registrant s most recently completed second fiscal quarter: $19,076,270 as at June 30, 2018.

Indicate the number of shares outstanding of each of the registrant s classes of common equity, as of the latest practicable date: 304,781,294 common shares as at February 28, 2019.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K, which Proxy Statement is to be filed within 120 days after the end of the registrant's fiscal year ended December 31, 2018.

TABLE OF CONTENTS

Note about Forward-Looking Statements	4
Glossary of Terms	4
ITEM 1. BUSINESS	8
ITEM 1A. RISK FACTORS	12
ITEM 2. PROPERTIES	14
ITEM 3. LEGAL PROCEEDINGS	33
ITEM 4. MINE SAFETY DISCLOSURES	33
ITEM 5. MARKET FOR REGISTRANTS COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES	33
ITEM 6. SELECTED FINANCIAL DATA	35
ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS	35
ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	42
ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	43
ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	43
ITEM 9A. CONTROLS AND PROCEDURES	43
ITEM 9B. OTHER INFORMATION	44
ITEM 15. EXHIBITS, FINANCIAL STATEMENTS SCHEDULES	44

PART I

Note about Forward-Looking Statements

Certain statements contained in this annual report on Form 10-K and the documents incorporated by reference herein constitute "forward-looking statements". Forward-looking statements may include, but are not limited to, statements with respect to the future price of commodities, the estimation of mineral resources, the realization of mineral resource estimates, the timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of the development of new deposits, success of exploration activities, our ability to fund property acquisition costs, our ability to reach targeted time frames for establishing feasibility, permitting time lines, currency fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, our ability to raise funds necessary for ongoing and planned expenditures and operations, and regulatory approvals. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "scheduled", "estimates", "intends", "anticipates" or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would" or "will be taken", "occur" or "be achieved". Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors may include, among others, risks related to our joint venture operations; actual results of current exploration activities or production technologies that we are currently testing; actual results of reclamation activities; future metal prices; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental or regulatory approvals or financing or in the completion of development activities, as well as those factors discussed in the section entitled "Risk Factors" and elsewhere in this Form 10-K. Although we have attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Glossary of Terms

Company , SCY , we , us , our and similar words of similar meaning refer to Scandium International Mining Corp.

$, A$, C$	Mean respectively, United States dollars, Australian dollars and Canadian dollars.
Alteration	Usually referring to chemical reactions in a rock mass resulting from the passage of hydrothermal fluids.
Assay	An analysis to determine the presence, absence or quantity of one or more components, elements or minerals.

Core	The long cylindrical piece of a rock, up to several inches in diameter, brought to the surface by Diamond drilling.
Diamond drilling	A drilling method in which the cutting is done by abrasion using diamonds embedded in a matrix rather than by percussion. The drill cuts a core of rock, which is recovered in long cylindrical sections.
Fractures	Breaks in a rock, usually due to intensive folding or faulting.
Grade	The concentration of a valuable mineral within an Ore.
Hydrothermal	Hot fluids, usually water, which may or may not carry metals and other compounds in solution to the site of mineral deposition or wall rock alteration.
Igneous	A rock formed by the cooling of molten silicate material.
Intrusion	A general term for a body of igneous rock formed below the surface of the earth.
Kg	Kilogram which is equivalent to approximately 2.20 pounds.
Km	Kilometer which is equivalent to approximately 0.62 miles.
Mineralization	A term used to describe the presence of minerals of possible economic value. Also used to describe the process by which concentration of economic minerals occurs.
Net Smelter Returns Royalty	A share of the net revenues generated from the sale of metal produced by a mine.
NI 43-101	National Instrument 43-101 *Standards for Disclosure of Mineral Projects*, being the regulation adopted by Canadian securities regulators that governs the public disclosure of technical and scientific information concerning a mineral property.
Ore	A naturally occurring solid material from which a metal or valuable mineral can be profitably extracted.
Outcrop	An exposure of rock at the earth s surface.
ppm	Parts per million.
Pyrite	Iron sulphide mineral. The most common and abundant sulphide mineral and often found in association with copper and gold.
Qualified Person	Means a Qualified Person as defined in National Instrument 43-101, including an engineer or geoscientist in good standing with their professional association, with at least five years of relevant experience.
Quartz	The second most common rock forming mineral in the earth s crust. SiO2.

Resource Means any of a measured, indicated or inferred resource as used in NI 43-101, and having the following meanings:

measured resource is that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

indicated resource is that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics, can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

inferred resource is that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

For the purposes of the above a **mineral resource** means a concentration or occurrence of diamonds, natural solid inorganic material, or natural solid fossilized organic material including base and precious metals, coal, and industrial minerals in or on the Earth s crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge.

(Please refer to *Item 2. Properties - Cautionary Note to U.S. Investors Regarding Resource Estimates* in regards to the use of the above terms in this Form 10-K.)

Sulphide A class of minerals characterized by the linkage of sulphur with a metal (such as Pyrite (FeS2)).

Tpd/Tpa Tonnes per day/tonnes per annum.

Tonne A metric ton which is equivalent to approximately 2,204 pounds.

Sediments The debris resulting from the weathering and breakup of rocks that have been deposited by or carried by runoff, streams and rivers, or left over from glacial erosion or sometimes from wind action.

Vein	A geological feature comprised of minerals (usually dominated by quartz) that are found filling openings in rocks created by faults or replacing rocks on either side of faults or fractures.

ITEM 1. BUSINESS

General

We were incorporated on July 17, 2006 under the laws of British Columbia, Canada under the name Golden Predator Mines Inc. We were incorporated as a wholly owned subsidiary of Energy Metals Corp. for the purpose of holding precious metals and certain specialty metals assets. In order to focus on specialty metals, during February 2009 we transferred most of our precious mineral assets to our then wholly-owned subsidiary Golden Predator Corp., and on March 6, 2009 we completed a spin-out of Golden Predator Corp. to our shareholders. Effective March 12, 2009, we changed our name to EMC Metals Corp. In order to reflect a new emphasis on mining for scandium minerals, effective November 19, 2014, we changed our name to Scandium International Mining Corp (SCY or the Company).

We are a reporting issuer in the Canadian Provinces of British Columbia, Alberta and Ontario and our common shares are listed for trading on the Toronto Stock Exchange under the trading symbol SCY .

Our head office is located at 1430 Greg Street, Suite 501, Sparks, Nevada 89431. The address of our registered office is 1200 - 750 West Pender Street, Vancouver, British Columbia, Canada, V6C 2T8.

Our focus of operations is the development of the Nyngan scandium project located in New South Wales, Australia (the Nyngan Scandium Project). We also hold a scandium mineral property located nearby Nyngan known as the Honeybugle Scandium property and a reservation on an exploration license in Finland, known as the Kiviniemi Scandium property .

Our plan of operation for the remainder of 2019 is to obtain offtake sales agreements with counterparties for Nyngan Scandium Project product and seek additional funding for project construction and corporate working capital. We plan to conduct exploration activities at the Kiviniemi Scandium property and also continue to test and develop unique scandium recovery and finishing techniques, including the processing of intermediate scandium aluminum products.

Intercorporate Relationships

The chart below illustrates our corporate structure on December 31, 2018, including our subsidiaries, the jurisdictions of incorporation, and the percentage of voting securities held.

Recent History

Nyngan Feasibility Study

On April 18, 2016, the Company announced the results of an independently prepared feasibility study on the Nyngan Scandium Project. The technical report on the feasibility study entitled *Feasibility Study Nyngan Scandium Project, Bogan Shire, NSW, Australia* is dated May 4, 2016 and was independently 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) and on the Company s website (www.scandiummining.com) and the SEC s website (www.sec.gov). A summary of the report is provided herein under *Item 2. Properties Description of Mineral Projects Nyngan Scandium Project Nyngan Feasibility Study* .

Transactions with Scandium Investments LLC

On June 24, 2014, SCY entered into a $2.5 million loan facility with Scandium Investments LLC (SIL), a company owned by a US private investor group (the 2014 Loan). In accordance with the terms of the 2014 Loan, the outstanding principal and interest were converted in 2015 into a 20% ownership interest in EMC Metals Australia Pty Ltd (EMC Australia), with SCY holding an 80% ownership interest. EMC Australia holds our interests in the Nyngan Scandium Project and Honeybugle Scandium property. As a result, from Q3 2015 until October 2017, EMC Australia was operated as a joint venture between SIL and SCY with SIL holding a carried interest in the Nyngan Scandium Project until the Company met certain development milestones. The Company completed the development milestones during May 2017 and triggered a limited period option whereby SIL had a right to convert the fair market value of its 20% interest in EMC Australia into an equivalent value of SCY common shares, at then prevailing market prices.

In June of 2017, the Company entered into a share exchange agreement with SIL for the purchase of SIL s 20% interest in EMC Australia in exchange for 57,371,565 common shares of SCY as well as an additional 1,459,080 common shares as a royalty adjustment payment. Closing of the purchase of the EMC Australia shares was subject to shareholder approval, which the Company obtained at a special meeting of shareholders held on September 11, 2017. The transaction subsequently closed on October 9, 2017. Under the terms of the share purchase agreement, SIL was granted the right to nominate two individuals to the board of the Company for so long as SIL held at least 15% of SCY s issued and outstanding shares, and one director for so long as they held at least 5% but less than 15% of SCY s issued and outstanding shares. Pursuant to the nomination rights, Peter Evensen and R. Christian Evensen were appointed as directors to the SCY Board on closing of the transaction.

Business Operations

Company Summary

We are a mineral exploration and development company that is primarily focused on the development of scandium mineral resources, and scandium end-use markets, through identification of value-added applications for scandium in aluminum alloys and end products. The Company has also considered exploration and development interest in rare earth minerals, and other specialty metals, including nickel, cobalt, boron, manganese, tantalum, titanium and zirconium. We have not commenced development of any of our scandium projects, and as a result we are an exploration stage company.

We have established a 16.9 million tonne measured and indicated resource on the Nyngan property (grading 235ppm at a 100ppm cut-off) and we have also established a 1.43 million tonne mineral reserve (combined proven and probable) on the Nyngan Scandium Project, based on economics presented in our 2016 feasibility study.

Our principal project is the Nyngan Scandium Project located in New South Wales, Australia, over which we own 100% of the mineral rights, including exploration licenses and a mining lease grant on the portion of the property that corresponds to the feasibility study development. In April 2014, we also acquired an exploration license referred to as the Honeybugle Scandium property, a prospective scandium exploration property located 24 kilometers from the Nyngan Scandium Project. During August 2018, we were granted an exploration license for the Kiviniemi Scandium property in central Finland from the Finnish regulatory body governing mineral exploration and mining in Finland.

Corporate Objectives and Strategy

Our corporate focus is to produce and sell scandium (Sc) and scandium-based products. None of our current properties has advanced to the development or production stage and we are currently an exploration stage company. We have completed an independently prepared definitive feasibility study (DFS) of the Nyngan Scandium Project. Subject to successfully financing of construction costs, we intend to develop the Nyngan Scandium Project for production, with a view to supplying anticipated future demand for scandium oxide and scandium-content materials. For further information on the Nyngan Scandium Project, please refer to *Item 2. Properties - Description of Mineral Projects Nyngan Scandium Project* and *Item 1A. Risk Factors* .

Concurrently with our analysis of the Nyngan Scandium Project, we are developing and testing unique mineral recovery techniques as well as techniques to produce high quality intermediate scandium-content aluminum alloy products. If effective at a commercial level, these mineral recovery techniques, scandia finishing techniques and intermediate product developments are expected to provide increased economic margins and returns on capital on any future scandium production.

Presently our recovery and finishing technology is completed to a degree that supports engineering and flow sheet design for our +15%/-5% DFS, although further development work will continue in both areas. There is no guarantee that we will be able to benefit from the commercial application of such techniques or that we will have scandium production in the future.

Global Scandium Production and Market

Scandium is the 31st most abundant element in the earth s crust (average 33 ppm), which makes it more common than lead, mercury and precious metals, but less common than copper. Scandium has characteristics that are similar to rare earth elements, and it is often classified as a member of that group, although it is technically a light transition metal. Scandium occurs in nature as an oxide, rarely occurs in concentrated quantities because it does not selectively combine with the common ore-forming anions, and is very difficult to reduce to a pure metal state. Scandium is typically produced and sold as scandium oxide (Sc_2O_3), more properly known as scandia.

Global annual production estimates of scandium range from 10 tonnes to 15 tonnes, but accurate statistics are not available due to the lack of public information from countries in which scandium is currently being produced. There are five known, primary production sources globally today: stockpiles from the former Zhovti Voty uranium mine in Ukraine, the rare earth mine at Bayan Obo in China, apatite mines on the Kola Peninsula in Russia, by-product production from titanium dioxide (TiO_2) pigment refiners in China, and recent start-up production of scandium oxide concentrates from the Taganito Nickel Mine in the Philippines (Sumitomo Metal Mining Co., Ltd.)

There is no reliable pricing data on global scandium oxide trading. The U.S. Geological Survey (USGS) in its latest report (February 2018) documents the 2017 price of scandium oxide (99.99% grade) at US$4,600/kg, indicating no change from the 2016 price estimate. Small quantities of scandium oxide are currently offered on the internet by traders for prices at this level, although product of slightly lower grade is commonly available at considerably lower prices. Scandium oxide grades of 95% or greater are considered commercially suitable, with 99.9% grade used for electrical applications, and grades higher than 99.9% reserved for science and new technical applications. Scandium oxide grades of 95-99% are generally considered suitable for aluminum alloy applications.

Scandium oxide is typically traded in small quantities, between private parties, and pricing is not transparent to other buyers or sellers as there is no clearing facility as is more common with commercially traded metals and commodities. Prices do vary, based on purity and quantity supplied. Small sale quantities tend to command premium prices, and large quantities (over one tonne) are simply not available to establish appropriate commercial pricing.

Scandium can also be effectively purchased in the form of aluminum-scandium (Al-Sc) master alloy, typically containing 2% scandium by weight. This product is tailored for use in aluminum alloy production containing scandium. The 2017 USGS report indicates the 2017 price for Al-Sc 2% master alloy at US$350/kg. This 2017 price estimate represents a slightly higher estimate than the 2015 USGS average. USGS estimated prices for Al-Sc 2% master alloy over the last five years show significant year-by-year volatility, ranging from a low of US$ 220/kg (2012) to a high of US$386/kg (2014).

Principal uses for scandium are in high-strength aluminum alloys, high-intensity metal halide lamps, electronics, and laser research. Recently developed applications include welding wire and fuel cells which are expected to be in future demand. Approximately 15 different commercial aluminum-scandium alloys have been developed, and some of them are used for aerospace applications. In Europe and the U.S., scandium-containing alloys have been evaluated for use in structural parts in commercial airplanes and high stress parts in automobile engines and brake systems. Military and aerospace applications are known to be of interest, although with less specificity. The combination of high strength, weldability and ductility makes aluminum-scandium alloys potentially attractive replacements for existing aluminum alloys in a number of applications where improved alloy properties can add value to final products.

Competitive Conditions

We compete with numerous other companies and individuals in the search for and the acquisition or control of attractive rare earth and specialty metals mineral properties. Our ability to acquire further properties will depend not only on our ability to operate and develop our properties but also on our ability to select and acquire suitable properties or prospects for development or mineral exploration.

In regard to our plan to produce scandium, there are a limited number of scandium producers presently. If we are successful at becoming a producer of scandium, our ability to be competitive will require that we establish a reliable supply of scandium to the market, delivered at purity levels demanded by various applications, and that our operating costs generate margins at prices that will be set by customers and competitors in a market yet to mature.

Governmental Regulations and Environmental Laws

The development of any of our properties, and specifically the Nyngan Scandium Project, will require numerous local and national government approvals and environmental permits. For further information about governmental approvals and permitting requirements, please refer to *Item 1A. Risk Factors* .

Employees

As at January 1, 2019, we have 5 full and part time employees and 5 individuals working on a consulting basis. Our operations are managed by our officers with input from our directors. We engage geological, metallurgical, and engineering consultants from time to time as required to assist in evaluating our property interests and recommending and conducting work programs.

ITEM 1A. RISK FACTORS

In addition to the factors discussed elsewhere in this Form 10-K, the following are certain material risks and uncertainties that are specific to our industry and properties that could materially adversely affect our business, financial condition and results of operations.

Risks Associated with the Nyngan Scandium Project

There are technical challenges to scandium production that may render the Nyngan Scandium Project not economic. The economics of scandium recovery are known to be challenging. There are very few facilities producing scandium and the existing scandium producers are secretive in their techniques for recovery. In addition, the recovery of scandium product from laterite resources, such as are found on the Nyngan property, has not been demonstrated at an operating facility. The Nyngan processing facility design, if constructed, will be the first of its kind for scandium production. These factors increase the possibility that we will encounter unknown or unanticipated production and processing risks. Should we encounter any of these risks, they could increase the cost of production thereby reducing margins on the Nyngan Scandium Project or rendering it uneconomic.

There is no guarantee that we will be able to finance the Nyngan Scandium Project for production.

Any decision to proceed with production on the Nyngan Scandium Project will require significant production financing. Scandium projects are uncommon, and economic and production uncertainty may limit our ability to attract the required amount of capital to put the project into production. If we are unable to source production financing on commercially viable terms, we may not be able to proceed with the project and may have to write off our investment in the project.

If we are successful at achieving production, we may have difficulty selling scandium. Scandium is characterized by unreliable supply, resulting in limited development of markets for scandium oxide. Markets may take longer to develop than anticipated, and Nyngan and other potential scandium producers may have to wait for products and applications to create adequate demand. Certain applications may require lengthy certification processes that could delay usage or acceptance. In addition, certain scandium applications require very high purity scandium product, which is much more difficult to produce than lower grade product. If we commence production, our inability to supply scandium in sufficient quantities, in a reliable and timely manner, and in the correct quality, could reduce the demand for any scandium produced from our projects and possibly render the project uneconomic.

General Risks Associated with our Mining Activities and Company

We may not receive permits necessary to proceed with the development of a mining project. The development of any of our properties, including the Nyngan Scandium Project, will require the acquisition and sustained possession of numerous local and national government approvals and permits. Our ability to secure all necessary permits required to develop any of our projects is unknown until such permits are received. If we cannot obtain or retain all necessary permits, the Nyngan Scandium Project cannot be developed, and our investment in the project will potentially be lost. While the critical permits for the Nyngan Scandium Project have been received, other permits remain outstanding at this time and continuing compliance with the terms of the permits is required. Our future market value will likely be significantly reduced to the extent one or more of our projects cannot proceed to the development or production stage

due to an inability to secure all required permits.

Mineral Resource Estimates on our properties are subject to uncertainty and may not reflect what may be economically extracted. Resource estimates included for scandium on our Nyngan property are estimates only and no assurances can be given that the estimated levels of scandium minerals will actually be produced or that we will receive the metal prices assumed in determining our resources. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling and exploration results and industry practices. Estimates made at any given time may change significantly when new information becomes available or when parameters that were used for such estimates change. By their nature resource estimates are imprecise and depend, to a certain extent, upon statistical inferences which may ultimately prove unreliable. Furthermore, market price fluctuations in scandium, as well as increased capital or production costs or reduced recovery rates, may limit our ability to establish reserves at some future point on Nyngan, or on any of our properties. The extent to which more Nyngan project resources may ultimately be reclassified as proven or probable reserves is dependent upon the demonstration of their profitable recovery. The evaluation of reserves or resources is always influenced by economic and technological factors, which may change over time. Accordingly, further current resource estimates on our material properties may never be converted into reserves, or be economically extracted, and we may have to write off such properties or incur a loss on sale of our interest on such properties, which will likely reduce the value of our shares.

Our potential for a competitive advantage in specialty and rare metals production depends on the availability of our technical processing abilities, as currently provided by our Chief Technology Officer. We are dependent upon the personal efforts and commitment of Willem Duyvesteyn, our CTO, a director and significant shareholder of the Company, for the continued development of new extractive technologies related to scandium and other rare and specialty metals production. The loss of the services of Mr. Duyvesteyn will likely limit our ability to use or continue the development of such technologies, which would remove the potential competitive and economic benefit of such technologies.

Our operations are subject to losses due to exchange rate fluctuation. We maintain accounts in Canadian, Australian, Euro and U.S. currency. Our equity financings have to date been priced in Canadian dollars. All of our material projects and non-cash assets are located outside of both Canada and the USA, however, and require regular currency conversions to local currencies where such projects and assets are located. Our operations are accordingly subject to foreign currency fluctuations and such fluctuations may materially affect our financial position and results. We do not engage in currency hedging activities.

We do not currently earn any revenue and without additional funding, we will not be able to carry out our business plan, and if we raise additional funding existing security holders may experience dilution.
As an exploration stage mining company, none of our principal properties are in operation and we do not currently earn any revenue. In order to continue our exploration activities and to meet our obligations on the Nyngan Scandium Project, we will need to raise additional funds. Recently, we have relied entirely on the sale of our securities to raise funds for operations. Our ability to continue to raise funds from the sale of our securities is subject to significant uncertainty due to volatility in the mineral exploration marketplace. If we are able to raise funds from the sale of our securities, existing security holders may experience significant dilution of their ownership interests and possibly to the value of their existing securities.

ITEM 2. PROPERTIES

Cautionary Note to U.S. Investors Regarding Resource Estimates

Certain terms used in this section are those used in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of U.S. securities laws. Canadian requirements, including NI 43-101, differ significantly from the requirements of the U.S. Securities and Exchange Commission (the SEC), and resource information contained herein may not be comparable to similar information disclosed by U.S. companies.

In particular, and without limiting the generality of the foregoing, the term resource does not equate to the term reserves . The requirements of NI 43-101 for identification of reserves are not the same as those of the SEC, and reserves reported in compliance with NI 43-101 may not qualify as reserves under SEC standards. Under U.S. standards, mineralization may not be classified as a reserve unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made.

The SEC s disclosure standards normally do not recognize information concerning measured mineral resources , indicated mineral resources or inferred mineral resources or other descriptions of the amount of mineralization in mineral deposits that do not constitute reserves by U.S. standards, in documents filed with the SEC. In addition, resources that are classified as inferred mineral resources have a great amount of uncertainty as to their existence and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimated inferred mineral resources may not generally form the basis of feasibility or pre-feasibility studies. Investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable.

Disclosure of contained ounces in a resource is permitted disclosure under Canadian regulations, however, the SEC normally only permits issuers to report mineralization that does not constitute reserves by SEC standards as in-place tonnage and grade without reference to unit measures.

Accordingly, information concerning mineral deposits set forth herein may not be comparable with information presented by companies using only U.S. standards in their public disclosure.

Description of Mineral Projects

Nyngan Scandium Project

Property Description and Location

The Nyngan Scandium Project site is located approximately 450 kilometres northwest of Sydney, NSW, Australia and approximately 20 kilometres due west from the town of Nyngan, a rural town of approximately 2,900 people. The deposit is located 5 kilometres south of Miandetta, off the Barrier Highway that connects the town of Nyngan to the town of Cobar. The license area can be reached via the paved Barrier Highway, which allows year-round access, but final access to the site itself is reached by clay farm tracks. The general area can be characterized as flat countryside and is classified as agricultural land, used predominantly for wheat farming and livestock grazing. Infrastructure in the area is good, with available water and electric power in close proximity to the property boundaries.

The Nyngan property is classified as an Australia Property for purposes of financial statement segment information.

The scandium resource is hosted within the lateritic zone of the Gilgai Intrusion, one of several Alaskan-type mafic and ultramafic bodies which intrude Cambrian-Ordovician metasediments collectively called the Girilambone Group. The laterite zone, locally up to 40 meters thick, is layered with hematitic clay at the surface followed by limonitic clay, saprolitic clay, weathered bedrock and finally fresh bedrock. The scandium mineralization is concentrated within the hematitic, limonitic, and saprolitic zones with values up to 350 ppm scandium.

The general location of the Nyngan Scandium Project is provided in Figure 1 below. The specific location of the exploration licenses that we may earn an interest in are provided in Figure 2 below.

Mineral License Details

The scandium resource is held under Exploration License (EL) 8316 (Block Number 3132, units d, e, j, k and Block no. 3133, unit f) and EL 6096 (Block 3132, unit p, and Block 3133, units l, m, r and s); a total of ten (10) graticular units. The exploration licenses allow the license holder to conduct exploration on private land (with landowner consents and signed compensation agreements in place) and public lands not including wildlife reserves, heritage areas or National Parks. The scandium resource is fully enclosed on private agricultural land.

The Company s Australian subsidiary holds legal title to both the surface and mineral exploration rights on the Nyngan Scandium Project.

Following the award of Mining Lease 1763 (ML 1763) an additional EL (EL 8448) was granted so as to provide better security at the project. Figure 2 provides details of the location of EL 8448 and the location of Mining Lease 1763, which overlays the exploration license area.

The exploration licenses cover 29.25 square kilometers (2,925 hectares). The resource site is located at geographic coordinates MGA zone 55, GDA 94, Lat: - 31.5987, Long: 146.9827, Map Sheets 1:250k Cobar (SH/55-14) and 1:100k Hermidale (8234).

The project surface rights (freehold) total 810 acres (370 hectares) on a portion of the exploration license area. The freehold property boundaries are defined by standard land survey techniques undertaken by the Lands Department and currently presented in the form of Cadastral Deposited Plans (DP) and Lots. The land associated with the project rights is DP 752879, Lots 6 and 7 (Appendix 2, Lots 6 and 7 - Nyngan).

The Company is required to lodge individual A$10,000 environmental bonds with the NSW Mines Department for each license, and must meet total minimum work requirements annually of approximately A$65,000, covering both licenses.

Royalties attached to the properties include a 1.5% Net Profits Interest royalty to private parties involved with the early exploration on the property, a 1.7% Net Smelter Returns Royalty payable to Jervois for 12 years after production commences, subject to terms in the settlement agreement, and a 0.7% royalty on gross mineral sales to a private investor. Another revenue royalty is payable to private interests of 0.2%, subject to a US$370k cap. A NSW minerals royalty will also be levied on the project, subject to negotiation, currently 4% on revenue.

Metallurgy Development

The Company has invested in and developed methodology for extracting scandium from the Nyngan property resource since 2010. A portion of the work done over this period has been superseded by work that followed, but subsequent test programs universally benefitted from prior efforts. In summary, the programs have been as follows:

- 2010 The Company inherited work done on Nyngan from the previous property owner, and applied that work to a quick flowsheet and capital estimate done for management by Roberts & Schaefer of Salt Lake City, Utah;
- 2011 The Company employed Hazen Research, Inc., of Golden, Colorado, USA (Hazen) to test acid baking techniques and solvent extraction (SX) processes with Nyngan resource material. The Company also employed SGS-Lakefield (Ontario) to test pressure acid leach techniques on Nyngan resource, as a replacement for or an enhancement to acid bake techniques done earlier in the year by Hazen;
- 2012 The Company engaged SNC-Lavalin to do an economic study for management, utilizing an acid bake flowsheet and SX work from the Hazen test program;
- 2014 The Company published a preliminary economic assessment (PEA) entitled NI 43- 101F1 Technical Report on the Feasibility of the Nyngan Scandium Project, authored by Larpro Pty Ltd, utilizing both Hazen and SGS-Lakefield test work results; and
- 2015 The Company amended and refiled the 2014 PEA Report as the *Amended Technical Report and Preliminary Economic Analysis on the Nyngan Scandium Project, NSW, Australia* .
- 2016 The Company published an independently prepared definitive feasibility study on the Nyngan Scandium Project. The technical report on the feasibility study entitled *Feasibility Study Nyngan Scandium Project, Bogan Shire, NSW, Australia* was independently compiled pursuant to the requirements of NI 43-101 and incorporated the results of current and previous test work.

Nyngan Feasibility Study

On April 18, 2016, the Company announced the results of an independent definitive feasibility study on the Nyngan Scandium Project. The technical report on the feasibility study entitled *Feasibility Study Nyngan Scandium Project, Bogan Shire, NSW, Australia* is dated May 4, 2016 and was independently compiled pursuant to the requirements of NI 43-101 (the Feasibility Study or DFS). The report was filed on May 6, 2016 and is available on SEDAR (www.sedar.com) and on the Company s website (www.scandiummining.com) and the SEC s website (www.sec.gov). A full discussion on the technical report was provided in the Company s Form 10Q for the quarterly period ending March 31, 2016, as filed with the SEC and on SEDAR on May 13, 2016.

The Feasibility Study concluded that the Nyngan Scandium Project has the potential to produce an average of 37,690 kilograms of scandium oxide (scandia) per year, at grades of 98.0% -99.8%, generating an after-tax cumulative cash flow over a 20 year project life of US$629 million, with an $^{NPV}10\%$ ^{of} US$177 million. The average process plant feed grade over the 20 year project life is 409ppm of scandium.

The Feasibility Study has been developed and compiled to an accuracy level of +15%/-5%, by a globally recognized engineering firm that has considerable expertise in laterite deposits and process facilities, as well as in smaller mining and processing projects, and has excellent familiarity with the Nyngan Scandium Project location and environment.

Nyngan Scandium Project Highlights

- Capital cost estimate for the project is US$87.1 million,
- Annual scandium oxide product volume averages 37,690 kg, over 20 years,
- Annual revenue of US$75.4 million (oxide price assumption of US$2,000/kg),
- Operating cost estimate for the project is US$557/kg scandium oxide,
- Project Constant Dollar NPV10% is US$177 million, (NPV8% is US$225 million),
- Project Constant Dollar IRR is 33.1%,
- Oxide product grades of 98-99.8%, as based on customer requirements,
- Project resource increases by 40% to 16.9 million tonnes, grading 235ppm Sc, at a 100ppm cut- off in the measured and indicated categories, and
- Project Reserve totalling 1.43 million tonnes, grading 409ppm Sc was established on part of the resource.

DFS Conclusions and Recommendations

The production assumptions in the Feasibility Study are backed by solid independent flow sheet test work on the planned process for scandium recovery. The Feasibility Study consolidates a significant amount of metallurgical test work and prior study on the Nyngan Scandium Project, including important test work results completed since the PEA was generated in 2014. The entire body of work demonstrates a viable, conventional process flow sheet utilizing a continuous-system HPAL leaching process, and good metallurgical recoveries of scandium from the resource. The metallurgical assumptions are supported by various bench and pilot scale independent test work programs that are consistent with known outcomes in other laterite resources. A number of the key elements of this flowsheet work have been protected by the Company under US Patent Applications. The continuous autoclave configuration, as opposed to batch systems explored in previous flow sheets, is also a more conventional and current design choice.

The level of accuracy established in the Feasibility Study substantially reduces the uncertainty levels inherent in earlier studies, specifically the PEA. The greater confidence intervals around the Feasibility Study were achieved by reliance on significant project engineering work, a capital and operating cost estimate supported by detailed requirements and vendor pricing, plus one offtake agreement and an independent marketing assessment, both supportive of the marketing assumptions on the business.

The Feasibility Study delivered a positive result on the Nyngan Scandium Project, and recommends the Nyngan Scandium Project owners seek finance and proceed to construction. Recommendations were made therein for additional immediate work, notably to win additional offtake agreements with customers, complete some optimizing flow sheet studies, and to initiate as early as possible detailed engineering required on certain long-lead capital items.

Confirmatory Metallurgical Test Results

On June 29, 2016 we announced the results of a confirmatory metallurgical test work report from Altrius Engineering Services (AES) of Brisbane, Australia. The test work results directly relate to the list of recommended programs included in the Feasibility Study. AES devised and supervised these test work programs at the SGS laboratory in Perth, Australia and at the Nagrom laboratory in Brisbane, Australia.

The project DFS recommended a number of process flowsheet test work programs be investigated prior to commencing detailed engineering and construction. Those study areas included pressure leach (HPAL), counter-current decant circuits (CCD), solvent extraction (SX), and oxalate precipitation, with specific work steps suggested in each area. This latest test work program addresses all of these recommended areas, and the results confirm recoveries and efficiencies that either meet or exceed the parameters used in the DFS. Highlights of the testing are:

- Pressure leach test work achieved 88% recoveries, from larger volume tests,
- Settling characteristics of leach discharge slurry show substantial improvement,
- Residue neutralization work meets or exceeds all environmental requirements as presented in the DFS and the environmental impact statement,
- Solvent extraction circuit optimization tests generated improved performance, exceeding 99% recovery in single pass systems, and
- Product finish circuits produced 99.8% scandium oxide, completing the recovery process from Nyngan ore to finished scandia product.

Engineering, Procurement and Construction Management Contract

On May 30, 2017, the Company announced that its subsidiary EMC Australia signed an Engineering, Procurement and Construction Management ("EPCM") contract with Lycopodium Minerals Pty Ltd ("Lycopodium"), to build the Nyngan Scandium Project in New South Wales, Australia. The EPCM contract also provides for start-up and commissioning services.

The EPCM contract ("the EPCM Contract") appoints Lycopodium (Brisbane, QLD, Australia) to manage all aspects of project construction. Lycopodium is the principal engineering firm involved with the DFS. Lycopodium's continued involvement in project construction and commissioning ensures valuable technical and management continuity for the project during the construction and start-up of the project.

The EPCM Contract consists of two phases: Phase I is pre-notice to proceed (NTP), and Phase II is full-NTP. Phase I is a cost-reimbursable period that allows SCY full access to Lycopodium's services and the EPCM team for specific tasks and advance work on long-lead items. Phase II will be initiated with a formal NTP, fully at SCY's discretion, with project funding in place, and will activate the Contract and services as agreed in the scope of work.

Post-NTP, the EPCM Contract is cost-reimbursable for labor and other costs, and specifies fixed price components for labor rates, corporate overhead and profit margins ("Fee"), and firm scope (hours) for all EPCM services. A portion (50%) of the Fee is adjustable, based on measured performance on four specified parameters: overall project capital cost performance, schedule performance, safety performance and the overall assessment of Lycopodium's performance by Scandium International. There is also a provision in the EPCM Contract to establish a Fee incentive for Lycopodium based on the ramp-up of the project's production levels, post completion.

19

Lycopodium has been awarded the majority of the services in this EPCM Contract scope, including project management, engineering design and management, procurement services, contracting services, construction management and commissioning. SCY has specified that Knight Piesold Consulting (Brisbane, QLD, Australia) will perform water, earthworks, and tailings systems engineering and design. Knight Piesold were the engineers on these components of the DFS as well.

On October 19, 2017, we announced that Lycopodium has been instructed to initiate critical path engineering for the Nyngan Scandium Project. Lycopodium commenced work on select critical path components for the project, including design and specification engineering on the high-pressure autoclave unit, associated flash and splash vessels and several specialized high-pressure input pumps. The engineering work was completed during 2018 and will enable final supplier selection, firm component pricing and delivery dates for these key process components.

Environmental Permitting/Development Consent/Mining Lease

On May 2, 2016, the Company announced the filing of an Environmental Impact Statement (EIS) with the New South Wales, Australia, Department of Planning and Environment, (the Department) in support of the planned development of the Nyngan Scandium Project. The EIS was prepared by R.W. Corkery & Co. Pty. Limited, on behalf of the Company s 80% owned subsidiary, EMC Australia, to support an application for Development Consent for the Nyngan Scandium Project. The EIS is a complete document, including a Specialist Consultants Study Compendium, and was submitted to the Department on Friday, April 29, 2016.

EIS Highlights:

- The EIS finds residual environmental impacts represent negligible risk.
- The proposed development design achieves sustainable environmental outcomes.
- The EIS finds net-positive social and economic outcomes for the community.
- Nine independent environmental consulting groups conducted analysis over five years, and contributed report findings to the EIS.
- The Nyngan project development is estimated to contribute A$12.4M to the local and regional economies, and A$39M to the State and Federal economies, annually
- The EIS is fully aligned with the DFS and with a NSW Mining License Application for the Nyngan project.

Conclusion statement in the EIS:

In light of the conclusions included throughout this *Environmental Impact Statement*, it is assessed that the Proposal could be constructed and operated in a manner that would satisfy all relevant statutory goals and criteria, environmental objectives and reasonable community expectations.

EIS Discussion:

The EIS is the foundation document submitted by a developer intending to build a mine facility in Australia. The Nyngan Scandium Project is considered a State Significant Project, in that capital cost exceeds A$30million, which means State agencies are designated to manage the investigation and approval process for granting a Development Consent, from the Minister of Planning and Environment. This Department will manage the review of the Proposal through a number of State and local governmental agencies.

The EIS is a self-contained set of documents used to seek a Development Consent. It is however, supported in many ways by the recently completed DFS.

On November 10, 2016, the Company announced that the Development Consent had been granted. This Development Consent represents an approval to develop the Nyngan Scandium Project and is based on the EIS. The Development Consent follows an in-depth review of the EIS, the project plan, community impact studies, public EIS exhibition and commentary, and economic viability, and involved more than 12 specialized governmental agencies and groups.

During May 2017, EMC Australia received notice of approval for its Mining Lease application. The Mining Lease (ML) overlays select areas previously covered by two Exploration Licenses. The ML represents the final major development approval required from the NSW Government to begin construction on the project. The final signed ML Grant was received in October 2017, issued for a period of 21 years, and based on the development plans and intent submitted in the ML Application. The ML can be modified by NSW regulatory agencies, as requested by EMC Australia over time, to reflect changing operating conditions.

In addition to these two key governmental approvals, other required licenses and permits must be acquired but are considered routine and require only compliance with fixed standards and objective measurements. These remaining approvals include submittal of numerous plans and reports supporting compliance with Development Consent and Mining Lease. In addition, the following water, roads, dam and electrical access reviews and arrangements must be finalized:

- Water Supply Works and Use Approval and Water Access License,
- State and local approval for construction of the intersection of the Site Access Road and Gilgai Road,
- An approval from the NSW Dams Safety Committee for the design and construction of the Residue Storage Facility, and
- A high voltage connection agreement with Essential Energy.

On January 2, 2019, the Company announced receipt of notification that the New South Wales Department of Planning and Environment is reviewing the granting of Mine Lease 1763 related to the Nyngan Scandium Project. The Company does not expect the outcome of this review to affect its ability to bring the Nyngan Scandium Project into production.

This current formal Department review is in response to an objection by a landowner who holds freehold surface ownership over a portion of the total 874 hectare mine lease area. The landowner objection claims the property is Agricultural Land , with meaning as defined in the relevant law.

The landowner filed a formal objection with the Department in mid-2016. That formal objection notice was improperly handled, and was only physically located and verified as compliant in mid-2018. The landowner made the Department aware of the existence of an unrecorded objection in mid-2017, and the Company was subsequently advised that the objection was investigated by the Department directly with the landowner prior to final award of the signed ML grant in late 2017.

The NSW Department of Planning and Environment has recently sought and received independent consultant input that the landowner objection should qualify as Agricultural Land , as defined in the relevant law. The Company has rights of comment on that finding, which have been exercised, in a formal comment package delivered to the Department on February 1, 2019. With receipt and consideration of comment documents from the parties, and further Department input, the Department Secretary will make a new determination on the validity of the affected portion of the ML.

If the Department Secretary s decision upholds the landowner objection, the Company believes that outcome will not delay or prevent the development of the Nyngan Scandium Project., as is generally characterized in the 2016 feasibility study.

Patent Application Filings

On February 17, 2015, the Company announced the filing of patent applications with the US Patent Office related to novel flowsheet designs for the recovery of scandium from laterite resource material. These filings have been supplemented by additional patent applications and the Company has now filed a total of eight additional applications in this area. All of these patents are directly applicable to our Nyngan Scandium Project, and future project expansions.

To date three patent applications have been granted:

(i) May 2018 - USP 9,982,325 Systems and Methodologies for Direct Acid Leaching of Scandium-bearing Ores ,
(ii) May 2018 -USP 9,982,326 Solvent Extraction of Scandium from Leach Solutions and,
(iii) January 2019 (# not yet assigned) Method and Recovery of Scandium Values from Leach Solutions .

Patent Applications Discussion:

- These patent applications cover novel, unique flowsheet designs, applicable to scandium extraction, from scandiferous laterite resources;
- The patented designs are largely supported by test work done with Nyngan Scandium Project resource material and known design parameters;
- The patents cover HPAL system material flows, solvent extraction (SX), ion exchange systems (IX), atmospheric tank and heap leaching systems and techniques, and processes for directly making select master alloys containing scandium; and
- Most of the designs are incorporated as part of the DFS.

These patent applications, filed with the US Patent Office, protect the Company s position and rights to the intellectual property (IP) contained and identified in the applications as of the date filed, within the worldwide jurisdiction limits of the US patent system. Review by the US Patent Office takes further time, but the dates of filing these patents define the basis of IP ownership claims, as is generally afforded U.S. patent-holders.

The Company intends to utilize the IP contained in these process patents in the development of process flowsheets for recovery of scandium from its Nyngan Scandium Project, as well as its Honeybugle project.

The Company believes that patent protection of these specific, novel process designs will be granted. Many of the basic design elements contemplated in the Nyngan Scandium Project flowsheet are commonly applied to other specialty metals, particularly nickel. However, the application of these basic design elements has not been commonly applied to scandium extraction from laterite resources, and there are enough intended and required operational differences in the application to permit the Company to patent-protect IP on those differences.

These patent claims are the result of several years of metallurgical test work with independent resource laboratories and specific design work by Willem Duyvesteyn, the Company s Chief Technology Officer, using Nyngan property resource material. This work is ongoing. Patent protection on flowsheet intellectual property will serve to limit or prevent the unauthorized use of that IP by others without the Company s consent. We believe these filings are an important action to protect the ownership of a Company asset, on behalf of all SCY shareholders.

Downstream Scandium Products

In February 2011 we announced results of a series of laboratory-scale tests investigating the production of aluminum-scandium master alloys directly from aluminum oxide and scandium oxide feed materials, prepared by the CSIRO. The overall objective of this research was to demonstrate and commercialize the production of aluminum-scandium master alloy using impure scandium oxide as the scandium source, potentially significantly improving the economics of aluminum-scandium master alloy production. In 2014, the Company announced it applied for a US Patent on master alloy production, which is still in the application phase. That patent application addressed scandium master alloys with both aluminum-base and magnesium-base metals.

During the 2015-2017 timeframe, we continued our own internal laboratory-scale investigations into the production of aluminum-scandium master alloys, furthering our understanding of commercial processes, and achievable recoveries. We advanced our abilities to make a standard-grade 2% scandium master alloy product typical of commercially available products offered today.

On March 2, 2017, we announced the signing of a Memorandum of Understanding ("MOU") with Weston Aluminium Pty Ltd. ("Weston") of Chatswood, NSW, Australia. The MOU defines a cooperative commercial alliance to jointly develop the capability to manufacture aluminum-scandium master alloy. The intended outcome of this alliance will be to develop the capability to offer Nyngan Scandium Project aluminum alloy customers scandium in form of Al-Sc master alloy, should customers prefer that product form.

The MOU outlines steps to jointly establish the manufacturing parameters, metallurgical processes, and capital requirements to convert Nyngan Scandium Project scandium product into Master Alloy, on Weston's existing production site in NSW. The MOU does not include a binding contract with commercial terms at this stage, although the intent is to pursue the necessary technical elements to arrive at a commercial contract for conversion of scandium oxide to master alloy, and to do so prior to first mine production from the Nyngan Scandium Project.

On March 5, 2018 the Company announced that it has initiated a pilot scale program at the ALCERECO Inc. metallurgical research facilities in Kingston, Ontario, to confirm and refine previous work on the manufacture of aluminum-scandium 2% master alloy (MA). The pilot scale program is intended to confirm the previous bench-scale test work, and to provide necessary process understanding for commercial scale upgrade of Nyngan scandium oxide product to master alloy product.

The pilot program consisted of 5 separate trials on two MA product types, production of MA in various forms, and dross analysis to ascertain scandium recoveries to product. The total mass of master alloy and product variants produced in the program totalled approximately 20kg. The pilot program, as defined for 2018, was completed in December of 2018. Additional pilot scale work to pursue further refinements and specific process optimization has been planned for Q1/Q2 of 2019.

On March 5, 2018 the Company also announced that it has filed for patent protection on certain process refinements for master alloy manufacture that it believes are novel methods, and also on certain product variants that it believes represent novel forms of introducing scandium more directly into aluminum alloys.

Focus on Aluminum Alloy Applications for Scandium Products

The Company is in the process of obtaining sales agreements for scandium products produced from our Nyngan Scandium Project. Our focus is on the use of scandium as an alloying ingredient in aluminum-based products. The specific scandium product forms we intend to sell from the Nyngan project include both scandium oxide (Sc_2O_3) and aluminum-scandium master alloys (Al-Sc 2%).

Scandium as an alloying agent in aluminum allows for aluminum metal products that are much stronger, more easily weldable and exhibit improved performance at higher temperatures than current aluminum-based materials. This means lighter structures, lower manufacturing costs and improved performance in areas that aluminum alloys do not currently compete.

Aluminum Alloy Research Partner Alcereco

In 2015, the Company entered into a memorandum of understanding (MOU) with ALCERECO Inc. of Kingston, Ontario (ALCERECO), forming a strategic alliance to develop markets and applications for aluminum alloys containing scandium. To further that alliance, and to reinforce the capability of both companies to deliver product developed for scandium aluminum alloy markets, Scandium International and ALCERECO also signed an offtake agreement governing sales terms of scandium oxide product (scandia) produced from the Nyngan Scandium Project. The offtake agreement specifies prices, delivery volumes and timeframes for commencement of delivery of scandium oxide product. The offtake agreement does not provide for a mandatory annual minimum purchase volume of scandium oxide by ALCERECO, and there is no requirement for payment in lieu of purchase.

The MOU represented keen mutual interest in foundry-based test work on aluminum alloys containing scandium, based on understandings that ALCERECO s team had gained from prior work with Alcan Aluminum, and based on SCY s twin goals of understanding and identifying quality applications for scandium, and also understanding the scandium value proposition with customers.

During December 2017, the Company revised and renewed the scandium product offtake agreement with ALCERECO. The revised agreement extends the deadline for initial production and shipments from the Nyngan Scandium Project from December 1, 2017, to as late as December 1, 2020. The defined sale product was changed to an aluminum scandium 2% master alloy from scandium oxide in the prior agreement. The revised sales agreement covers approximately the same scandium oxide volume as the prior agreement, representing 55% of Nyngan s initial twelve month forecast production, and approximately 20% of nameplate capacity, as established by the Definitive Feasibility Study. The revised offtake agreement does not provide for a mandatory annual minimum purchase volume of scandium oxide by ALCERECO, and there is no requirement for payment in lieu of purchase.

The Company has sponsored research work as contemplated by the MOU with ALCERECO, and with other unrelated entities in separate locations. This work develops and documents the improvement in strength characteristics scandium can deliver to aluminum alloys without degrading other key properties. The team has run multiple alloy mix programs where scandium loading is varied, in order to look at response to scandium additions on a cost/benefit basis. This work has been done in the context of industries and applications where these particular alloys are popular today.

These programs are focused on 1000 series, 3000 Series, 5000 Series and 7000 Series Al-Sc alloys, and have served to make independent data and volume samples available for sales efforts.

The results of our research work is positive, and consistent with the body of published literature available today on aluminum scandium alloys. We are observing noteworthy strengthening effects with scandium additions at and above 0.1%, and dramatic strengthening improvements with additions of 0.35%, while preserving or enhancing other alloy properties and characteristics. We have also demonstrated that altering the combinations of scandium loads and alloy hardening process techniques has significant effect on the final alloy properties, offering the opportunity to tune alloy characteristics to suit specific applications. These findings are considered commercially sensitive, and the data is not intended for public disclosure at this time, although the findings and data are being shared with select potential customers under specific non-disclosure agreement protections, as is deemed relevant to their specific areas of commercial interest,

Letters of Intent with Potential Customers

During 2018, the Company announced signing letter of intent (LOI) agreements with eight unrelated partnering entities. In each LOI, we have agreed to contribute scandium samples, either in form of scandium master alloy product, or aluminum-scandium alloy product, for trial testing by the partners in their downstream manufacturing applications. Each of the parties to the LOI agreements have agreed to report the parameters and general results of the testing program utilizing these scandium-containing alloys, upon completion of testing. All samples committed by the Company for 2018 delivery, through this LOI program, have been delivered and received, and all but one of the recipients has initiated testing and reporting activity. The one remaining recipient has test work planned for Q1 2019. The Company plans to continue this LOI program of introducing scandium for trial testing by partners through agreements with more potential customers in 2019.

These formal LOI agreements, with distinct industry segment leaders, represent a key marketing program demonstrating precisely how scandium will perform in specific products, and in production-specific environments. Potential scandium customers insist on these sample testing opportunities, directly in their research facilities or on their shop floor, to ensure their full understanding of the impacts, benefits, and costing implications of introducing scandium into their traditional aluminum feedstocks.

The partnering entities in these LOI agreements are set out below:

Austal Ltd. (Austal), headquartered in Henderson, Western Australia, (Australia). Austel is a public corporation, listed on the Australian Stock Exchange (ASB.ASX), with shipbuilding facilities in Perth, Australia, Mobile, Alabama (USA), Vung Tau, Vietnam and Balamban, Cebu (Philippines). The company maintains a focus on research and development of emerging maritime technologies and cutting-edge ship designs, and is today a recognized world leader in the design and construction of large aluminum commercial and defense vessels.

Impression Technologies Ltd. ("ITL"), based in Coventry, UK. ITL is a privately held technology company, developing and licensing its advanced aluminum forming technology, Hot Form Quench ("HFQ®"), to automotive, aerospace, rail and electronics industries, globally. ITL manufactures custom parts for customers with its patented HFQ technology, which enables the single-pass forming of complex, lightweight, high-strength aluminum parts that can't otherwise be similarly formed today.

PAB Coventry Ltd. (PAB), based in Coventry, UK. PAB is a privately held manufacturing and prototyping company offering specialty metal parts and design capabilities, serving the automotive, aerospace, defense and HVAC industries. PAB has been a well-known parts and forms supplier to the upper market segment of the British automotive industry for decades.

Eck Industries Inc. ("Eck"), based in Manitowoc, Wisconsin, USA. Eck is a privately held manufacturer of precision sand cast parts, and engineering services. Eck Industries operates a 210,000 sq. ft. facility with over 250 employees, and 110 customers. Customer segments include commercial aircraft parts, automotive and trucking cast parts, military drivetrain casings, marine propulsion system castings, and military aerospace components.

Grainger & Worrall Ltd. ("GW"), based in Shropshire, UK. GW is a privately held manufacturer of precision sand cast parts, and engineering services. GW is a well-recognized precision air-set sand cast parts manufacturer in the UK, specializing in low to intermediate volume cast parts for commercial automotive, motorsports/racing, defense, marine, and aerospace applications.

Gränges AB (Gränges), based in Stockholm, Sweden. Gränges is a public company, traded on the NASDAQ Stockholm Stock Exchange (GRNG:OMX), and a large global player in the rolled aluminum products business, with production assets in Europe, USA, and China, and a worldwide customer base, majority concentrated in the USA. Gränges is focused on advanced aluminum materials, and holds a leading global position in rolled products for brazed heat exchangers, which it estimates at 20%.

Ohm & Häner Metallwerk GmbH & Co. GK (O&H), based in Olpe, Germany. O&H is a privately held manufacturer of sand cast and gravity die cast parts, using metal alloys, servicing a significant, global customer base. O&H produces over 3,000 individual cast parts, and currently works with over 40 different alloys, primarily aluminum and copper-based alloys.

AML Technologies ("AML"), an Adelaide, Australia based start-up company with proprietary technology for applying aluminium alloys to additive layer manufacturing processes, also commonly referred to as 3D printing.

These LOI agreements are part of a developing strategy by the Company to engage with innovative, research-capable partners, willing to test scandium in their applications. The Company also has similar agreements with other research capable partners who do not wish to be publicly named at this time. We are selecting and approaching these specific partners because we have an understanding, from our commissioned alloy mixing programs, that scandium additions can make valuable contributions to their specific products, and we have the alloy samples to enable an expedient uptake on that validation. The scandium market for aluminum alloys needs to be built, and that construction should be seen as underway in the most direct sense. The Company plans to conduct further application-specific programs, in pursuit of sales contracts with quality customers across numerous industry segments, predominantly existing aluminum alloy consumers.

Nyngan Scandium Project - Planned Activities for 2019-2020

The following steps are planned for Nyngan during the 2019 and 2020 Calendar years:

- Complete master alloy pilot trials and optimization work in Q1/Q2 2019
- Pursue additional offtake agreements in support of planned future scandium sales,
- Seek project construction financing for the Nyngan Scandium Project in 2019,
- Commence site construction in the latter half of 2019, with anticipated construction completion over 14 months, and
- Initiate project commissioning in late 2020, with product available for sale by the start of 2021.

Honeybugle Scandium Property

On April 2, 2014 the Company announced that it had secured a 100% interest in an exploration license (EL 7977) covering 34.7 square kilometers in New South Wales (NSW), Australia referred to as the Honeybugle Scandium property. The license area is located approximately 24 kilometers west-southwest from SCY s Nyngan Scandium Project. The license area covers part of the Honeybugle geologic complex, and will carry that name in our future references to the property. The ground was released by the prior holder, and SCY intends to explore the property for scandium and other metals.

The Company currently does not consider the Honeybugle Scandium property to be a material property at this time. No resources or reserves are known to exist on the property. The property is classified as an Australian property for purposes of financial statement segment information.

The location of the Honeybugle Scandium property is provided below.

Honeybugle Drill Results

On May 7, 2014 the Company announced completion of an initial program of 30 air core (AC) drill holes on the property, specifically at the Seaford anomaly, targeting scandium (Sc). Results on 13 of these holes are shown in detail in the table below. These holes suggest the potential for scandium mineralization on the property similar to our Nyngan Scandium Project.

Highlights of initial drilling program results are as follows:

- The highest 3-meter intercept graded 572 ppm scandium (hole EHAC 11);
- EHAC 11 also generated two additional high grade scandium intercepts, grading 510 ppm and 415 ppm, each over 3 meters;
- The program identified a 13-hole cluster which was of particular interest;
- Intercepts on these 13 holes averaged 270 ppm scandium over a total 273 meters at an average continuous thickness of 21 meters per hole, representing a total of 57% (354 meters) of total initial program drilling;

- The 13 holes produced 29 individual (3-meter) intercepts over 300 ppm, representing 31% of the mineralized intercepts in the 273 meters of interest; and
- This initial 30-hole AC exploratory drill program generated a total of 620 meters of scandium drill/assay results, over approximately 1 square kilometer on the property.

The detail results of 13 holes in the initial drill program are as follows:

Table 7. Results of 13-Hole Initial Drill Program

Honeybugle 30 Hole Drill Program - April 2014 Target - Scandium						
DrillHole Number	**Honeybugle Drill Area**	**Hole Type**	**From (meter depth)**	**To (meter depth)**	**Intercept Length (meters)**	**Total Scandium Grade (ppm)**
EHAC 1	Seaford	**Explore (AC)**	21	42	21	218
		including	*27*	*36*	9	*262*
EHAC 2	Seaford	**Explore (AC)**	0	12	12	300
		including	*0*	*9*	9	*333*
EHAC 3	Seaford	**Explore (AC)**	3	12	9	295
		including	*6*	*9*	3	*352*
EHAC 5	Seaford	**Explore (AC)**	0	15	15	244
		including	*12*	*15*	3	*333*
EHAC 6	Seaford	**Explore (AC)**	0	24	24	185
		including	*0*	*9*	9	*214*
		including	*18*	*24*	6	*214*
EHAC 7	Seaford	**Explore (AC)**	9	51	42	225
		including	*15*	*42*	27	*220*
		including	*42*	*51*	9	*252*
EHAC 9	Seaford	**Explore (AC)**	6	27	21	272
		including	*9*	*24*	15	*350*
EHAC 10	Seaford	**Explore (AC)**	*0*	*18*	18	*251*
EHAC 11	Seaford	**Explore (AC)**	*0*	*30*	30	*369*
		including	*9*	*15*	6	*461*
		including	*21*	*24*	3	*572*
EHAC 12	Seaford	**Explore (AC)**	*0*	*21*	21	*177*
EHAC 26	Seaford	**Explore (AC)**	0	21	21	309
	Seaford	*including*	*3*	*18*	15	*343*
EHAC 28	Seaford	**Explore (AC)**	*0*	*18*	18	*344*
	Seaford	*including*	*3*	*15*	12	*363*

EHAC 29	Seaford	**Explore (AC)** *including*	*3* *9*	*21* *18*	18 9	*316* *396*
Assumes 175 ppm cut-off grade						

Seaford is characterized by extensive outcrops of dry, iron-rich laterites, allowing for a particularly shallow drill program. Thirty (30) air core (AC) holes on nominal 100-meter spacing were planned, over an area of approximately 1 square kilometer. Four holes were halted in under 10 meters depth, based on thin laterite beds, low scandium grades, and shallow bedrock.

The 13 holes highlighted in the table are grouped together on either side of Coffills Lane, and represent all of the drill locations where meaningful intercept thickness generated scandium grades exceeding 175 ppm. Some of these 13 holes showed significant scandium values on the immediate surface, and alternately, other holes exhibited favorable scandium grades that began at shallow depth. The highest grade Sc sample was found in a 21-24 meter interval (572 ppm), although several holes produced better than 350 ppm Sc intercepts at depths of under 9 meters. The deepest hole (EHAC 7) was drilled to 57 meters, showing good scandium grades over a 12-meter horizon (245 ppm) near the bottom of the hole, from 39 to 51 meters depth. Higher scandium grades were associated with higher iron levels. Holes were drilled to a depth where they contacted the fresh ultramafic bedrock, which generally signaled the end of any scandium enrichment zones.

The drill plan divided Seaford into four sub-areas, 1-4, as highlighted Figure 5, below. Area 1 was relatively higher ground and therefore the least impacted by ground moisture. Consequently, this dryer area received the greatest attention, although that had been the general intention in the plan. Area 1 received 17 holes, with 13 presented in detail in the table above. Areas 2-4 were each intended as step-out areas that need to be further examined in the next program. The three step-out areas did not generate results of particular note, although hole locations were not optimal due to ground conditions and access.

Area 2 received 3 holes, 60 meters total, and generated Sc grades from 45-75 ppm,
Area 3 received 4 holes, 87 meters total, and generated Sc grades from 47-122 ppm,
Area 4 received 5 holes, 72 meters total, and generated Sc grades from 60-101 ppm, and
The average depth of all of these holes was 18 meters, with the deepest 30 meters.

Figure 5. Initial Drill Program Map

This 13-hole cluster (Area 1) was noted to be in a relatively thick laterite zone which was constrained to the west by contact with meta-sediments, to the east by fresh ultramafic bedrock, and to some extent in the north by a poor intersection result in hole 30. Area 1 remains somewhat open to the south, with the two southern-most holes (EHAC 9 and EHAC 29) generating some of the best scandium grade intercepts in the area.

The surface and near surface mineralization at this property is an advantage, both in locating areas of interest for future exploration work, and also because of extremely low overburden ratios. This particular characteristic for the Honeybugle Scandium property is different to our Nyngan Scandium Project, where mineralization is typically covered by 10-20 meters of barren alluvium.

Further drilling at Seaford is warranted, based on the results of this introductory and modest program, specifically to the north and south of the existing area 1 drill pattern, along with investigation and select drilling at the other three remaining anomalies on the property.

During 2018 we performed site work at the Honeybugle Scandium property to meet the annual expenditure commitment to maintain the exploration license. Work performed during 2018 does not change the previous conclusions, as described above.

Qualified Person and Quality Assurance/Quality Control

John Thompson, B.E. (Mining); Vice President - Development at SCY is a qualified person as defined in NI 43-101 and has reviewed the technical information on this property. The drilling, sampling, packaging and transport of the drill samples was carried out to industry standards for QA/QC. SCY employed an independent local geology consulting and drill supervisory team, Rangott Mineral Exploration Pty. Ltd., (RME) of Orange, NSW, Australia, to manage the drill work on-site. Bulk samples of drill returns were collected at one metre intervals from a cyclone mounted on the drilling rig, and a separate three-tier riffle splitter was used on site to obtain 2.0 -4.5kg composite samples collected over 3 metre intervals, for assay. Individual sample identifiers were cross-checked during the process. The assay samples were placed in sealed polyweave bags which remained in RME s possession until the completion of the drilling program, at which time they were transported to RME s office in Orange. There, the sequence of sample numbers was validated, and the assay samples were immediately submitted to Australian Laboratory Services (ALS) laboratory in Orange. The remnant bulk samples, which were collected in sealed polythene bags, were transported by RME to a local storage unit at Miandetta, for long-term storage.

ALS/Orange dried and weighed the samples, and pulverized the entire sample to 85% passing 75 microns or better (technique PUL-21). These 50g sample bags of pulps were then sent to the ALS laboratory at Stafford in Brisbane, Queensland for analysis. ALS/Brisbane analyzed the pulps for scandium, nickel, cobalt, chromium, iron and magnesium, using Inductively Coupled Plasma Atomic Emission Spectroscopy (ICP-AES) after a four acid (total) digestion (technique ME-ICP61). The lower detection limit for scandium using this technique is 1ppm. For their internal quality control, ALS/Brisbane added 4 standard samples (for 20 repeat analyses), 10 blank samples and 16 duplicate samples to the batch. Please see news release see news release dated May 7, 2014 and available on www.sedar.com for further information on the Honeybugle drill results.

Kiviniemi Scandium Property (Eastern Finland Province, Finland)

On September 25, 2017 the Company announced that its wholly-owned subsidiary company, Scandium International Mining Corp., Norway AS, 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. The exploration license was subsequently granted during August 2018. We are in the process of moving all our exploration rights to SCY Exploration Finland Oy, a wholly owned Finnish subsidiary.

The Geological Survey of Finland (GTK) conducted airborne survey work on the area in 1986, conducted exploration drilling on the property in 2008-2010, and published those program results on their public GTK website in 2016.

The Company does not consider the Kiviniemi Scandium property to be a material property at this time. No NI 43-101 resources or reserves are known to exist on the property. The property is classified as the Finland property for purposes of financial statement segment information.

Highlights

- Kiviniemi property previously identified for scandium and explored by GTK,
- Property is a high iron content, medium grade scandium target, located on surface, with on-site upgrade potential,
- Early resource upgrade work done for GTK promising, confirmed by SCY,
- Property is all-weather accessible, close to infrastructure, and
- Finland location is mining-friendly and ideally suited to EU customer markets.

Property/Location

The Kiviniemi property is located in the municipality of Rautalampi, Eastern Finland Province, approximately 350km northeast of Helsinki, by road. The closest major city/airport is Kuopio (pop. 110,000), approximately 70km to the northeast of the property. The exploration target is located on a small portion of a family farm, partially cleared for farming. Most of the property is wooded, including the area where the mineralization has been located,

Mineral Reservation

The Company applied for a reservation on the property in early 2017, which was granted in June 2017, after the public comment period ended. The reserved exploration area is approximately 24.6 hectares (0.25 square kilometer), identical to the historic GTK exploration license on the property, which expired in 2015. The mineralized area, as defined on GTK resource modeling maps, is approximately 25% of the total reservation. This reservation granted us a first position right to apply for an exploration license on the property (protected through 2018). The Company filed the exploration application in January 2018, and was granted the exploration license during August 2018. We are in the process of moving all our exploration rights to SCY Exploration Finland Oy, a wholly owned Finnish subsidiary. The exploration license requires us to report our exploration activities annually to Finland government agencies and to demonstrate in the annual reports that exploration work has been effective and systematic.

Prior Exploration Work

GTK performed magnetic surveys on the general area in 1986, focused on copper/nickel/cobalt targets, and based on current mining activity in the area. That initial field work located a significant magnetic anomaly on the Kiviniemi property. In 2008, GTK initiated an exploration drilling program on the property, completing 4 diamond core holes in that first program phase, followed by a further 5 diamond holes in 2010, totaling 1,250 meters, at an average (angled) length of 139 meters, and a maximum vertical extension of 167 meters. The drill spacing varied from 50-200 meters, using a diamond drill size of 46mm (T56).

Four of the nine total holes drilled (approx. 850 meters) are in the mineralized area, with the remainder defining portions of the mag zone that did not contain scandium. The mag zone is generally very high in iron, ranging from about 20% to 35% Fe. The GTK published the results of the drill program assays, and other information on the geology and mineralization, on their website in 2016.

Geology of Resource Target

The host rock is very iron-rich, garnet-bearing fayalite ferro(monzo) diorite. The main minerals in the deposit include: plagioclase, potassium feldspar, ferrohedenbergite (clinopyroxene), ferrohastingsite (amphibole), almandine garnet and fayalite. The principal scandium carrier minerals are ferrohastingsite (59 %) and ferrohedenbergite (40 %).

Resource Modeling

GTK completed and published a paper outlining property work including a 3D modeling and resource estimation on the project, in March 2016. The authors employed data from 6 holes, and used an industry standard GEOVIA Surpac software to produce a geological 3D domain model, and inverse distance was run to estimate resource grades into the block model. The authors declined to specifically characterize the resource on the basis of limited holes and uneven spacing, describing their estimate as an exploration potential measurement . The authors estimated that another 500-700 meters of drilling (5-7 holes) would establish 50 meter centers on the target and allow a resource classification. The mineralized target remains open at depth. The authors did provide a table of results on tonnage estimates from their modeling work, at various cut off values, excerpts of which are presented below.

The Company believes the standards and controls employed by GTK are reliable and consistent with proper industry practice. However, the potential quantity and grade is conceptual in nature and there has been insufficient exploration to define a mineral resource and it is uncertain whether further exploration will result in a mineral resource. The Company considers the above estimates as historical in nature, and such estimates do not use the categories prescribed by NI 43-101. A qualified person (as defined in NI 43-101) has not done sufficient work to classify the historical estimate as a current mineral resource. The Company is not treating the historical estimate as a current mineral resource.

Metallurgical Upgrade Work

In 2010, GTK engaged their metallurgical research laboratory (at Outokumpu) to conduct standard upgrade testing on the drill core sample material, specifically magnetic gravity separations. The mag separation work suggested a scandium upgrade to approximately 346ppm, based on a resource material head grade of 160-200ppm, and a 72% scandium recovery.

In June 2017, SCY engaged FLSmidth (Salt Lake City, Utah) seeking to duplicate the earlier 2010 upgrade work and confirm the earlier results. The earlier results were generally confirmed, in that the 2017 work achieved magnetic separation upgrade assays of 286ppm on a resource material head grade of 186ppm. We supplied FLSmidth with approximately 16kg of resource material sourced from GTK, all samples from a single hole (P433-R3). FLSmidth also carried out scandium check assays on the individual drill hole samples provided by GTK, with good grade correlation to GTK data.

Kiviniemi Summary

The Kiviniemi property represents a medium grade scandium resource target that has remained unrecognized and overlooked by exploration work, largely due to the absence of the more commonly sought-after minerals in the region, specifically copper, nickel and cobalt. We believe that Kiviniemi is Europe s largest underdeveloped primary scandium resource.

The target has benefited significantly from valuable early exploration work by the GTK, which has advanced the property to a stage where successful metallurgical investigations may prove value that offsets grade concerns. SCY estimates roughly US$2M of work value has been directed at this property to date, including field work, drilling programs, assay work, overheads, and metallurgical upgrade studies, but firm numbers are not available.

We plan a limited drill program to augment the existing GTK data, and provide more sample material for metallurgical test work programs to define economic site upgrade possibilities on the scandium mineralization observed to date.

ITEM 3. LEGAL PROCEEDINGS

We are not a party to any pending legal proceedings and, to the best of our knowledge, none of our properties or assets are the subject of any pending legal proceedings.

ITEM 4. MINE SAFETY DISCLOSURES

The Company has no active mining operations or dormant mining assets at this time, and has no outstanding mine safety violations or other regulatory safety matters to report.

PART II

ITEM 5. MARKET FOR REGISTRANTS COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Price Range of Common Shares

The principal market on which our common shares are traded is the Toronto Stock Exchange. Our common shares commenced trading on the Toronto Stock Exchange on April 24, 2008 under the symbol GP . Effective March 11, 2009, the common shares were listed and posted for trading on the Toronto Stock Exchange under the symbol EMC . Effective November 28, 2014, the common shares were listed and posted for trading on the Toronto Stock Exchange under the symbol SCY . The following table shows the high and low trading prices of our common shares on the Toronto Stock Exchange for the periods indicated.

Year	High (C$)	Low (C$)
Fiscal Year ended December 31, 2018		
First quarter	0.240	0.165

Year	High (C$)	Low (C$)
Second quarter	0.190	0.125
Third quarter	0.280	0.145
Fourth quarter	0.285	0.200
Fiscal Year ended December 31, 2017		
First quarter	0.475	0.255
Second quarter	0.455	0.300
Third quarter	0.425	0.270
Fourth quarter	0.350	0.220

Exchange Rates

We maintain our books of account in United States dollars and references to dollar amounts herein are to the lawful currency of the United States except that we are traded on the Toronto Stock Exchange and, accordingly, stock price quotes and sales of stock are conducted in Canadian dollars (C$). The following table sets forth, for the periods indicated, certain exchange rates based on the noon rate provided by the Bank of Canada. Such rates are the number of Canadian dollars per one (1) U.S. dollar (US$). The high and low exchange rates for each month during the previous six months were as follows:

	High	Low
January 2019	1.3600	1.3221
December 2018	1.3642	1.3191
November 2018	1.3302	1.3088
October 2018	1.3142	1.2803
September 2018	1.3188	1.2905
August 2018	1.3152	1.2917

The following table sets out the exchange rate (price of one U.S. dollar in Canadian dollars) information as at each of the years ended December 31, 2017 and 2018.

	Year Ended December 31 (Canadian $ per U.S. $)	
	2017	2018
Rate at end of Period	1.2771	1.3610
Low	1.2128	1.2288
High	1.3743	1.3642

As of February 28, 2019, there were 104 registered holders of record of the Company s common shares and an undetermined number of beneficial holders.

Dividends

We have not paid any cash dividends on our common shares since our inception and do not anticipate paying any cash dividends in the foreseeable future. We plan to retain our earnings, if any, to provide funds for the expansion of our business.

34

Securities Authorized for Issuance under Compensation Plans

The following table sets forth information as at December 31, 2018 respecting the compensation plans under which shares of the Company s common stock are authorized to be issued.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	29,065,000	C$0.194	16,652,194
Equity compensation plans not approved by security holders	Nil	Nil	Nil
Total	**29,065,000**	**C$0.194**	**16,652,194**

Purchases of Equity Securities by the Company and Affiliated Purchasers

Neither the Company nor an affiliated purchaser of the Company purchased common shares of the Company in the year ended December 31, 2018.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Overview

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 Project and Honeybugle Scandium property located in New South Wales, Australia and the Kiviniemi scandium prospect in Finland, all of which are 100% owned by SCY. 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 2017, the Company exchanged a 20% interest in its Australian subsidiary which holds the Nyngan Scandium Project and Honeybugle Scandium property for 58,830,645 common shares of the Company. Accordingly, the Company now holds 100% interest in its Australian subsidiary as at period end.

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 to advance both the Nyngan Scandium Project and the Honeybugle 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. If additional financial support is not received or operating profits are not generated, the carrying values of the Company s assets may be adversely affected.

RESULTS FOR THE YEAR ENDED DECEMBER 31, 2018

Liquidity and Capital Resources

At December 31, 2018, we had working capital of $177,122 including cash of $284,757 and current liabilities of $146,586 as compared to working capital of $323,231 including cash of $343,434 at December 31, 2017.

At December 31, 2018, we had a total of 29,065,000 (2017 23,585,000) stock options exercisable between C$0.10 and C$0.60 (2017 between C$0.10 and C$0.60) which have the potential upon exercise to generate a total of C$5,635,350 (2017 C$4,307,800) in cash over the next four and a half years. There is no assurance that these securities will be exercised.

Our continued development is contingent upon our ability to raise sufficient financing both in the short and long term. There are no guarantees that additional sources of funding will be available to us; however, management is committed to pursuing all possible sources of financing to execute our business plan.

Our major capital requirement in the next 12 months relates to the start of construction on the Nyngan Scandium Project.

The Company will need additional funding to develop the Nyngan project into a mine in the last half of 2019 and will seek to raise additional equity financing at that time.

Results of Operations

Quarter ended December 31, 2018

The net loss for the quarter decreased by $20,136 to $543,316 from a loss of $563,452 in the prior year mainly as a result of lower exploration, salaries and stock-based compensation. Details of the individual items contributing to the decreased loss are as follows:

Q4 2018 vs. Q4 2017 - Variance Analysis (US$)		
Item	**Variance Favourable / (Unfavourable)**	**Explanation**
Salaries and benefits	$42,563	The Vice President Project and Market Development resigned from the Company during July 2018 which has resulted in this favourable variance when compared to Q4 2017.
Stock based compensation	$33,838	The decrease in stock option compensation (favourable variance) is due primarily to the issuance of 250,000 options in Q4 of 2017. There were no stock options issued in Q4 of 2018.
Exploration	$26,281	During the Q4 of 2018, there was reduced spending on testing of new alloys as compared to Q4 of 2017.
Professional fees	$11,761	The lower costs in Q4 2018 are attributable to reduced legal fees in the Company s activities when compared to Q4 2017.
Travel	$5,866	Higher travel costs in Q4 2017 as compared to Q4 2018 are associated with marketing scandium in Europe and Asia.
Foreign exchange	$1,489	When comparing Q4 2018 versus Q4 2017 the exposure costs for foreign exchange were relatively the same.
Insurance	($267)	Slightly higher insurance premiums in 2018 resulted in this minor negative variance.
Amortization	($418)	In Q3 2018, the Company replaced computer equipment in its Sparks office resulting in higher amortization costs. Prior to this addition the fixed assets had been fully depreciated in the second half of 2018.
Consulting	($45,311)	In mid-2018 a senior management position was vacated and replaced with consultants. In addition, a consultant was hired during late 2017 to assist with North American marketing. These factors contributed to the negative variance.
General and administrative	($55,666)	The higher general and administrative costs in 2018 when compared to 2017 are due to a significant increase in the property tax levy for the Nyngan project.

Results of Operations for the Year ended December 31, 2018

The net loss for the year increased by $170,518 to $2,961,108 from $2,790,590 in the prior year, mainly because of increased foreign exchange losses, general and administrative costs and consulting fees.

Details of the individual items contributing to the decreased net loss are as follows:

2018 vs. 2017 - Variance Analysis (US$)		
Item	**Variance Favourable / (Unfavourable)**	**Explanation**
Consulting	($134,891)	In mid-2018 a senior management position was vacated and replaced with a consultant. In addition, a consultant was hired in late 2017 to assist with North American marketing. These factors contributed to the negative variance.
General and administrative	($121,700)	The higher general and administrative costs in 2018 when compared to 2017 are due to increased spending on marketing and investor relations as well as a significant increase in property taxes on the Company s Nyngan property
Foreign exchange loss	($115,422)	The Company maintains a significant portion of its cash in Canadian and Australian currencies. American dollar made strong gains when compared to the Canadian and Australian dollars in Q4 2018. The opposite occurred in 2017, contributing to this unfavorable variance.
Costs allocable to non-controlling interest in a subsidiary	($73,488)	20% of the losses incurred in the Nyngan Scandium Project to October 6, 2017, are allocated to the minority partner interest, effectively reducing the Company loss for the year. With the conversion of the minority interest into Company shares in late 2017, there is no longer an allocation of losses.
Exploration	($19,130)	In 2018 the Company expended $322,883 on exploration an increase of 3.4% over 2017. The slightly higher cost is due to continued aluminum alloy testing.
Insurance	($982)	Slightly higher insurance premiums for the Company when compared to one year ago results in this minor negative variance.
Amortization	($79)	In Q3 2018, the Company replaced computer equipment in its Sparks office resulting in higher amortization costs. Prior to this addition the fixed assets had been fully depreciated in the second half of 2018.
Professional fees	$1,590	The favorable variance is due to lower legal fees when compared to 2017.
Travel and entertainment	$9,043	This favourable variance reflects the fact that in 2018 trips to Australia for Nyngan project site activities were less frequent than in 2017.

2018 vs. 2017 - Variance Analysis (US$)		
Item	**Variance Favourable / (Unfavourable)**	**Explanation**
Salaries and benefits	$79,375	A senior staff position was vacated in mid-2018 and the position was not replaced with a staff person. This accounts for the favorable variance when compared to 2017.
Stock-based compensation	$205,166	The computation of stock-based compensation expense is dependent upon the number of options issued, the share price on the date of grant and historic variability of stock price. The lower share price for stock options issued on 2018 has resulted in lower expenses when compared to 2017 when stock options expensed were based on higher share prices.

Cash flow discussion for the year ended December 31, 2018 compared to December 31, 2017

The cash outflow from operating activities increased by $244,762 to $1,793,962 (2017 $1,549,200) due to higher consulting and general and admin costs which were partially offset by lower salary costs.

Cash flows used in investing activities increased by $19,821 to $19,821 (2017 $Nil) due to the replacement of computer servers at the Sparks office and the purchase of a reclamation bond on the Kiviniemi property.

Cash inflows from financing activities of $1,755,106 reflect greater private placements of $593,050 partially offset by lower exercise of stock options of $115,344, resulting in an increase of $477,706 when compared to the year ending December 31, 2017 of $1,277,400.

Summary of quarterly results (US$)

	2018				2017			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Net Sales	-	-	-	-	-	-	-	-
Net Income (Loss)	(543,316)	(461,781)	(626,398)	(1,329,613)	(563,452)	(409,069)	(490,303)	(1,327,766)
Basic and diluted Net Income (Loss) per share	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)	(0.01)

Financial Position

Cash

The decrease in cash of $58,677 to $284,757 (2017 - $343,434) results from increased operating costs which is partially offset by higher common share issuances.

Prepaid expenses and receivables

Prepaid expenses and receivables have decreased by $7,035 to $38,951 (2017 - $45,986) due to lower value added tax receivables in both Australia and Canada.

Reclamation bond

A reclamation bond of $11,444 has been purchased for the Kiviniemi property. (2017 - $Nil)

Property, plant and equipment

Property plant and equipment consists of office furniture and computer equipment at the Sparks, Nevada office. The increase of $7,327 to $9,274 at December 31, 2018 (2017 - $Nil) is due to replacement of computer servers at the Sparks office.

Mineral interests

Mineral interests remained at $704,053 at December 31, 2018 (2017 - $704,053).

Accounts Payable, Accounts payable with related parties and Accrued Liabilities

Accounts payable, accounts payable with related parties and accrued liabilities have increased by $80,397 to $146,586 at December 31, 2018 (2017 $66,189) due to late 2018 invoices received for alloy testing and property taxes on the Nyngan property.

Capital Stock

Capital stock increased by $1,775,442 to $108,244,311 (2017 - $106,468,869) due to private placements of $1,675,300 and stock option exercises of $79,806.

Additional paid-in capital decreased by $1,058,328 to $5,675,812 (2017 - $4,617,474) as a result of stock option expensing which was partially offset by stock option exercises.

Treasury shares remained at $1,264,194 through the 2018 fiscal period.

Off-balance sheet arrangements

At December 31, 2018, we had no material off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to us.

Additional Information and Accounting Pronouncements

Outstanding share data

At February 28, 2019 we had 304,781,294 issued and outstanding common shares and 29,065,000 outstanding stock options at a weighted average exercise price of C$0.194. No warrants are outstanding at February 28, 2019.

Critical Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting policies requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on past experience, industry trends and known commitments and events. By their nature, these estimates are subject to measurement uncertainty and the effects on the financial statements of changes in such estimates in future periods could be significant. Actual results will likely differ from those estimates.

Stock-based compensation

We use the Black-Scholes option pricing model to calculate the fair value of stock options and compensatory warrants granted. This model is subject to various assumptions. The assumptions we make will likely change from time to time. At the time the fair value is determined, the methodology that we use is based on historical information, as well as anticipated future events. The assumptions with the greatest impact on fair value are those for estimated stock volatility and for the expected life of the instrument.

Deferred income taxes

We account for tax consequences of the differences in the carrying amounts of assets and liabilities and our tax bases using tax rates expected to apply when these temporary differences are expected to be settled. When the deferred realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no future income tax asset is recognized. We have taken a valuation allowance against all such potential tax assets.

Mineral properties and exploration and development costs

We capitalise the costs of acquiring mineral rights at the date of acquisition. After acquisition, various factors can affect the recoverability of the capitalized costs. Our recoverability evaluation of our mineral properties and equipment is based on market conditions for minerals, underlying mineral resources associated with the assets and future costs that may be required for ultimate realization through mining operations or by sale. We are in an industry that is exposed to a number of risks and uncertainties, including exploration risk, development risk, commodity price risk, operating risk, ownership and political risk, funding and currency risk, as well as environmental risk. Bearing these risks in mind, we have assumed recent world commodity prices will be achievable. We have considered the mineral resource reports by independent engineers on the Nyngan project in considering the recoverability of the carrying costs of the mineral properties. All of these assumptions are potentially subject to change, out of our control, however such changes are not determinable. Accordingly, there is always the potential for a material adjustment to the value assigned to mineral properties and equipment.

Recent Accounting Pronouncements

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 FASB 842-10-50-1 election with no expected material effect to the consolidated financial statements.

Accounting Standards Update 2018-07 Compensation Stock Compensation (Topic 718) Improvements to Nonemployee Share-Based Payment Accounting. This accounting pronouncement deals with simplification of share-based accounting in efforts to maintain or improve the usefulness of the information provided to the users of financial statements while reducing cost and complexity in financial reporting. The areas for simplification in this Update involve several aspects of the accounting for nonemployee share-based payment transactions resulting from expanding the scope of Topic 718, Compensation Stock Compensation, to include share-based payment transactions for acquiring goods and services from nonemployees. The amendments in this Update are effective for public business entities for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. The Company will adopt this policy with no expected material effect to the condensed consolidated financial statements.

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 adopted this policy with no material effect to the condensed 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 with no material effect to the consolidated 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 adopted this policy with no material effect to the condensed consolidated financial statements.

Financial instruments and other risks

Our financial instruments consist of cash, receivables, accounts payable and accrued liabilities, accounts payable with related parties, and promissory notes payable. It is management's opinion that we are not exposed to significant interest, currency or credit risks arising from our financial instruments. The fair values of these financial instruments approximate their carrying values unless otherwise noted. The Company has its cash primarily in two commercial banks, one in Vancouver, British Columbia, Canada and in one in Chicago, Illinois.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Consolidated Financial Statements of the Company and the notes thereto are attached to this report following the signature page and Certifications.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

For the fiscal years ended December 31, 2018 and 2017 we did not have any disagreement with our accountants on any matter of accounting principles, practices or financial statement disclosure.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure controls and procedures

The Company s management, including our principal executive officer and our principal financial officer, evaluated the effectiveness of disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by this report. Based on that evaluation, the principal executive officer and principal financial officer concluded that as of the end of the period covered by this report, the Company has maintained effective disclosure controls and procedures in all material respects, including those necessary to ensure that information required to be disclosed in reports filed or submitted with the SEC (i) is recorded, processed, and reported within the time periods specified by the SEC, and (ii) is accumulated and communicated to management, including the principal executive officer and principal financial officer, as appropriate to allow for timely decision regarding required disclosure.

Management s report on internal control over financial reporting

The Company s management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) or 15d-15(f) of the Exchange Act). Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2017, using criteria established in *Internal Control-Integrated Framework* issued in 1992 by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Even an effective internal control system, no matter how well designed, has inherent limitations, including the possibility of human error and circumvention or overriding of controls and therefore can provide only reasonable assurance with respect to reliable financial reporting. Furthermore, the effectiveness of an internal control system in future periods can change with conditions.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company s annual or interim financial statements will not be prevented or detected on a timely basis.

The Company s management has determined that the internal controls over financial reporting are effective as of December 31, 2018.

Changes in Internal Control.

There have been no changes in internal control over financial reporting that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

Information with respect to Items 10 through 14 is set forth in the definitive Proxy Statement to be filed with the Securities and Exchange Commission on or before April 30, 2019 and is incorporated herein by reference. If the definitive Proxy Statement cannot be filed on or before April 30, 2019, the Company will instead file an amendment to this Form 10-K disclosing the information with respect to Items 10 through 14.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENTS SCHEDULES

Financial Statements

The following Consolidated Financial Statements are filed as part of this report.

Description	Page
Financial statements for the years ended December 31, 2018 and 2017 and audit reports thereon.	F-1

Exhibits

The following table sets out the exhibits filed herewith or incorporated herein by reference.

Exhibit	Description
3.1	Certificate of Incorporation, Certificate of Name Change dated March 2009, Notice of Articles dated March 2009[1] Certificate of Name Change dated November 19, 2014 and Notice of Articles dated November 19, 2014[2]
3.2	Corporate Articles[1] Amendment to Corporate Articles dated November 10, 2014[2]
10.1[3]	2015 Stock Option Plan
10.2[1]	Management Contract with George Putnam dated May 1, 2010
10.3[4]	Management Contract with Edward Dickinson dated August 13, 2011
10.4[5]	Loan Agreement dated June 24, 2014
10.5[6]	Share Exchange Agreement dated June 30, 2017
21.1[7]	List of Subsidiaries
23.1[7]	Consent of Davidson & Company LLP
23.2[7]	Consent of Stuart Hutchin
23.3[7]	Consent of Dean Basile
23.4[7]	Consent of Geoffrey Duckworth
31.1[7]	Certification Pursuant to Rule 13a-14(a) or 15d-14(a) of the U.S. Securities Exchange Act of 1934 of the Principal Executive Officer
31.2[7]	Certification Pursuant to Rule 13a-14(a) or 15d-14(a) of the U.S. Securities Exchange Act of 1934 of the Principal Financial Officer
32.1[7]	Section 1350 Certification of the Principal Executive Officer and Principal Financial Officer of the Principal Executive Officer
32.2[7]	Section 1350 Certification of the Principal Executive Officer and Principal Financial Officer of the Principal Financial Officer

[1] Previously filed as exhibits to the Form 10 filed May 24, 2011 and incorporated herein by reference.
[2] Previously filed as exhibits to the Form 10-K filed February 27, 2015 and incorporated herein by reference.
[3] Previously filed as Schedule A to the Form DEF 14A filed October 5, 2015 and incorporated herein by reference.
[4] Previously filed as an exhibit to the Form 10-K/A filed May 1, 2014 and incorporated herein by reference.
[5] Previously filed as an exhibit to the Form 10-Q filed August 12, 2014 and incorporated herein by reference.
[6] Previously filed as an exhibit to the Form 8-K filed July 26, 2017 and incorporated herein by reference.

(7) Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SCANDIUM INTERNATIONAL MINING CORP.

By: /s/ George Putnam
George Putnam
President and Principal Executive Officer
Date: March 1, 2019

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ George Putnam George Putnam	President, Principal Executive Officer, and Director	March 1, 2019
/s/ William Harris William Harris	Chairman and Director	March 1, 2019
/s/ James Rothwell James Rothwell	Director	March 1, 2019
/s/ Willem Duyvesteyn Willem Duyvesteyn	Director	March 1, 2019
/s/ Warren Davis Warren Davis	Director	March 1, 2019
/s/ Barry Davies Barry Davies	Director	March 1, 2019
/s/ Peter Evensen Peter Evensen	Director	March 1, 2019
/s/ R.Christian Evensen R. Christian Evensen	Director	March 1, 2019

/s/ Andrew Greig Andrew Greig	Director	March 1, 2019
/s/ Edward Dickinson Edward Dickinson	Principal Accounting Officer and Principal Financial Officer	March 1, 2019

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

F-1

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Directors of
Scandium International Mining Corp.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Scandium International Mining Corp. (the Company), as of December 31, 2018 and 2017, and the related consolidated statements of loss and comprehensive loss, cash flows and changes in equity for the years ended December 31, 2018 and 2017, and the related notes and schedules (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, 2018 and 2017, and the results of its operations and its cash flows for the years ended December 31, 2018 and 2017 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 raise 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. Accordingly, 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 statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2008.

DAVIDSON & COMPANY LLP

Vancouver, Canada

Chartered Professional Accountants

February 27, 2019

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

As at:	December 31, 2018	December 31, 2017
ASSETS		
Current		
Cash	$ 284,757	$ 343,434
Prepaid expenses and receivables	38,951	45,986
Total Current Assets	323,708	389,420
Reclamation bond (Note 4)	11,444	-
Equipment (Note 3)	9,274	1,947
Mineral property interests (Note 4)	704,053	704,053
Total Assets	$ 1,048,479	$ 1,095,420
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	$ 146,586	$ 34,153
Accounts payable with related parties (Note 5)	-	32,036
Total Liabilities	146,586	66,189
Stockholders Equity		
Capital stock (Note 6) (Authorized: Unlimited number of common shares; Issued and outstanding: 304,781,294 (2017 291,970,239))	108,244,311	106,468,869
Treasury stock (Note 7) (1,033,333 common shares) (2017 1,033,333)	(1,264,194)	(1,264,194)
Additional paid in capital (Note 6)	5,675,812	4,617,484
Accumulated other comprehensive loss	(853,400)	(853,400)
Deficit	(110,900,636)	(107,939,528)
Total Stockholders Equity	901,893	1,029,231
Total Liabilities and Equity	$ 1,048,479	$ 1,095,420

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, 2018	December 31, 2017
EXPENSES		
Amortization (Note 3)	$ 1,050	$ 971
Consulting (Note 5)	316,919	182,028
Exploration	331,315	312,185
General and administrative	421,934	300,234
Insurance	30,050	29,068
Professional fees	96,387	97,977
Salaries and benefits	544,150	623,525
Stock-based compensation (Note 6)	1,078,664	1,283,830
Travel and entertainment	76,845	85,888
	(2,897,314)	(2,915,706)
Foreign exchange gain (loss)	(63,794)	51,628
Loss and comprehensive loss for the year	(2,961,108)	(2,864,078)
Loss attributable to non-controlling interest in a subsidiary	-	73,488
Loss and comprehensive loss for the year attributable to Scandium International Mining Corp.	$ (2,961,108)	$ (2,790,590)
Basic and diluted loss per common share attributable to Scandium International Mining Corp.	$ (0.01)	$ (0.01)
Basic and diluted weighted average number of common shares outstanding	301,187,498	230,206,639

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, 2018	December 31, 2017
CASH FLOWS USED IN OPERATING ACTIVITIES		
Loss for the year	$ (2,961,108)	$ (2,864,078)
Items not affecting cash:		
Amortization	1,050	971
Stock-based compensation	1,078,664	1,283,830
Changes in non-cash working capital items:		
Decrease in prepaids and receivables	7,035	5,241
Increase in accounts payable, accrued liabilities and accounts payable with related parties	80,397	24,836
	(1,793,962)	(1,549,200)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Reclamation bond	(11,444)	-
Equipment purchase	(8,377)	-
	(19,821)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Common shares issued	1,675,300	1,082,250
Options exercised for common shares	79,806	195,150
	1,755,106	1,277,400
Change in cash during the year	(58,677)	(271,800)
Cash, beginning of year	343,434	615,234
Cash, end of year	$ 284,757	$ 343,434

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	co Su
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**
Private placement	4,807,394	1,082,250	-	-	-	-	1,082,250	
Options exercised	3,285,000	414,052	(218,902)	-	-	-	195,150	
Minority interest acquisition	58,830,645	13,830,232	(3,292,115)	-	-	(11,702,328)	(1,164,211)	1
Stock-based compensation	-	-	1,283,830	-	-	-	1,283,830	
Loss for the year	-	-	-	-	-	(2,790,590)	(2,790,590)	
Balance, December 31, 2017	**291,970,239**	**106,468,869**	**4,617,484**	**(1,264,194)**	**(853,400)**	**(107,939,528)**	**1,029,231**	
Private placement	11,801,055	1,675,300	-	-	-	-	1,675,300	
Options exercised	1,010,000	100,142	(20,336)	-	-	-	79,806	
Stock-based compensation	-	-	1,078,664	-	-	-	1,078,664	
Loss for the year	-	-	-	-	-	(2,961,108)	(2,961,108)	
Balance, December 31, 2018	**304,781,294**	**$ 108,244,311**	**$ 5,675,812**	**$ (1,264,194)**	**$ (853,400)**	**$ (110,900,636)**	**$ 901,893**	**$**

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

Scandium International Mining Corp.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018
(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, SCY Exploration Finland Oy and EMC Metals Australia Pty Ltd.(EMC-A). During fiscal 2017, 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

Scandium International Mining Corp.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018
(Expressed in US Dollars)

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, 2018 and 2017 there were no warrants outstanding and 29,065,000 options (2017 23,585,000) 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.

Scandium International Mining Corp.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018
(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, 2018 and 2017, 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, 2018 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, 2018	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash	$ 284,757	$ 284,757	$	$
Total	$ 284,757	$ 284,757	$	$

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

n) Recently Adopted and Recently Issued Accounting Standards

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 FASB 842-10-50-1 election with no expected material effect to the consolidated financial statements.

Accounting Standards Update 2018-07 Compensation Stock Compensation (Topic 718) Improvements to Nonemployee Share-Based Payment Accounting. This accounting pronouncement deals with simplification of share-based accounting in efforts to maintain or improve the usefulness of the information provided to the users of financial statements while reducing cost and complexity in financial reporting. The areas for simplification in this update involve several aspects of the accounting for nonemployee share-based payment transactions resulting from expanding the scope of Topic 718, Compensation Stock Compensation, to include share-based payment transactions for acquiring goods and services from nonemployees. The amendments in this update are effective for public business entities for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. The Company will adopt this policy with no expected material effect to the consolidated financial statements.

Scandium International Mining Corp.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018
(Expressed in US Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont d)

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 adopted this policy 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 will have no material effect to the consolidated 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 adopted this policy with no material effect to the consolidated financial statements.

3. EQUIPMENT

2018

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

2017

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

4. MINERAL PROPERTY INTERESTS

	Scandium and other
Acquisition costs	
Balance, December 31, 2018, 2017 and 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% (Note 11) 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.

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% interest in its Honeybugle properties.

Scandium International Mining Corp.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018
(Expressed in US Dollars)

4. MINERAL PROPERTY INTERESTS (cont d)

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 September 30, 2018, 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 year ended December 31, 2018, the Company expensed $695,405 for stock-based compensation for stock options issued to Company directors. During the year ended December 31, 2017, the Company expensed $841,930 for stock options issued to Company directors.

During each of the years ended December 31, 2018 and December 31, 2017 the Company paid a consulting fee of $102,000 to one of its directors.

As at December 31, 2018, the Company owed $Nil (2017 - $32,036) to officers of the Company.

6. CAPITAL STOCK AND ADDITIONAL PAID IN CAPITAL

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 21, 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).

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, 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
Granted	6,850,000	0.22
Exercised	(1,010,000)	0.10
Expired	(360,000)	0.27
Outstanding, December 31, 2018	29,065,000	$ 0.194
Number currently exercisable	28,130,000	$ 0.192

Scandium International Mining Corp.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018
(Expressed in US Dollars)

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

As at December 31, 2018, incentive stock options were outstanding as follows:

	Number of Options (outstanding)	Number of Options (exercisable)	Exercise Price in Canadian $	Expiry Date
Options				
	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	0.100	November 5, 2020
	4,850,000	4,850,000	0.130	February 8, 2021
	400,000	400,000	0.200	June 14, 2021
	4,980,000	4,795,000	0.370	February 21, 2022
	250,000	100,000	0.300	October 6, 2022
	6,260,000	5,660,000	0.225	January 19, 2023
	350,000	350,000	0.185	August 30, 2023
	29,065,000	28,130,000		

As at December 31, 2018 the Company s outstanding and exercisable stock options have an aggregate intrinsic value of $1,084,994 (2017 - $1,467,123).

Stock-based compensation

During the year ended December 31, 2018, the Company recognized stock-based compensation of $1,078,664 (December 31, 2017 - $1,283,830) 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 6,850,000 stock options granted during the year ended December 31, 2018 (December 31, 2017 5,600,000).

The weighted average fair value of the options granted in the year was C$0.19 (2017 - C$0.32) .

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:

	2018	2017
Risk-free interest rate	1.96%	1.13%

Expected life	5 years	5 years
Volatility	127.81%	141.12%
Forfeiture rate	0.00%	0.00%
Dividend rate	0.00%	0.00%

7. TREASURY STOCK

	Number		Amount
Treasury shares, December 31, 2018, 2017 and 2016	1,033,333	$	1,264,194

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

Scandium International Mining Corp.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018
(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, 2018	Australia	United States	Total
Equipment	$ -	$ 9,724	$ 9,724
Mineral property interests	704,053	-	704,053
	$ 704,053	$ 9,724	$ 713,777

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

9. DEFERRED INCOME TAX

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

	2018	2017
Loss before income taxes	$ (2,961,108)	$ (2,864,078)
Expected income tax (recovery)	(768,000)	(726,000)
Change in statutory, foreign exchange rates, and other	2,000,000	(20,000)
Permanent difference	289,000	312,000
Adjustment to prior years provision versus statutory tax returns	-	(453,000)
Change in unrecognized deductible temporary differences	(1,521,000)	887,000
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;

	2018	2017
Deferred Tax Assets (Liabilities)		
Exploration and evaluation assets	$ 1,372,000	$ 1,708,000
Property and equipment	51,000	69,000
Share issue costs	3,000	8,000
Marketable securities	14,000	19,000
Allowable capital losses	1,404,000	1,913,000
Non-capital losses available for future periods	3,463,000	4,111,000
	6,307,000	7,828,000

Unrecognized deferred tax assets	(6,307,000)	(7,828,000)
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:

	2018	Expiry Date Range	2017	Expiry Date Range
Temporary Differences				
Exploration and evaluation assets	$ 5,231,000	No expiry date	$ 6,536,000	No expiry date
Property and equipment	196,000	No expiry date	264,000	No expiry date
Share issue costs	10,000	2036 to 2039	37,000	2036 to 2039
Marketable securities	106,000	No expiry date	145,000	No expiry date
Allowable capital losses	5,399,000	No expiry date	7,359,000	No expiry date
Non-capital losses available for future periods	13,195,000	2019 to 2038	15,709,000	2018 to 2037

Scandium International Mining Corp.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018
(Expressed in US Dollars)

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

There were no major non-cash transactions in the year ended December 31, 2018.

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% and payout of a 20% portion of a royalty (see Note 11 for additional details).

There were no amounts paid for taxes and interest in the years ended December 31, 2018 and December 31, 2017.

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 58,830,645 shares of the Company s common shares at a fair value of $13,830,232 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 s Board.

12. SUBSEQUENT EVENT

On January 2, 2019, the Company announced receipt of notification that the New South Wales Department of Planning and Environment is reviewing the granting of the mine lease for the Nyngan Scandium Project. The

Company does not expect the outcome of this review to affect its ability to bring the Nyngan Scandium Project into production.