SCANDIUM INTERNATIONAL
MINING CORP.

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Directors of
Scandium International Mining Corp.

We have audited the accompanying consolidated financial statements of Scandium International Mining Corp. (the "Company"), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of loss and comprehensive loss, cash flows, and changes in equity for the years ended December 31, 2016 and 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Scandium International Mining Corp. as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years ended December 31, 2016 and 2015 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that Scandium International Mining Corp. will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, Scandium International Mining Corp. has suffered recurring losses from operations. This matter, along with other matters set forth in Note 1, indicate the existence of material uncertainties 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.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Professional Accountants

March 16, 2017

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

As at:		December 31, 2016		December 31, 2015
ASSETS				
Current				
Cash	$	615,234	$	2,249,676
Prepaid expenses and receivables		51,227		107,529
Total Current Assets		666,461		2,357,205
Equipment (Note 3)		2,918		2,611
Mineral property interests (Note 4)		704,053		942,723
Total Assets	$	1,373,432	$	3,302,539
LIABILITIES AND EQUITY				
Current				
Accounts payable and accrued liabilities	$	27,649	$	196,322
Accounts payable with related parties (Note 5)		13,704		11,009
Total Liabilities		41,353		207,331
Stockholders' Equity				
Capital stock (Note 6) (Authorized: Unlimited number of common shares; Issued and outstanding: 225,047,200 (2015 – 225,047,200))		91,142,335		91,142,335
Treasury stock (Note 7) (1,033,333 common shares) (2015 – 1,033,333)		(1,264,194)		(1,264,194)
Additional paid in capital (Note 6)		6,844,671		6,375,237
Accumulated other comprehensive loss		(853,400)		(853,400)
Deficit		(93,446,610)		(91,338,182)
Total Stockholders' Equity		2,422,802		4,061,796
Non-controlling Interest in a Subsidiary (Note 11)		(1,090,723)		(966,588)
Total Equity		1,332,079		3,095,208
Total Liabilities and Equity	$	1,373,432	$	3,302,539

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, 2016	December 31, 2015
EXPENSES		
Amortization (Note 3)	$ 2,850	$ 3,833
Consulting (Note 5)	102,000	102,000
Exploration	509,854	997,677
General and administrative	185,336	195,063
Insurance	33,224	20,816
Professional fees	96,007	167,786
Salaries and benefits	516,361	462,034
Stock-based compensation (Note 6)	469,434	673,224
Travel and entertainment	54,988	61,048
	(1,970,054)	(2,683,481)
Foreign exchange loss	(23,839)	(34,282)
Write-off of mineral property (Note 4)	(238,670)	-
Interest expense	-	(226,141)
	(262,509)	(260,423)
Loss and comprehensive loss for the year	(2,232,563)	(2,943,904)
Costs allocable to non-controlling interest in a subsidiary	124,135	173,473
Loss and comprehensive loss for the year attributable to Scandium International Mining Corp.	$ (2,108,428)	$ (2,770,431)
Basic and diluted loss and comprehensive loss per common share attributable to Scandium International Mining Corp.	$ (0.01)	$ (0.01)
Weighted average number of common shares outstanding	225,047,200	211,264,568

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, 2016	December 31, 2015
CASH FLOWS USED IN OPERATING ACTIVITIES		
Loss for the year	$ (2,232,563)	$ (2,943,904)
Items not affecting cash:		
Amortization	2,850	3,833
Stock-based compensation	469,434	673,224
Shares issued in settlement of interest payable	-	169,262
Write-off of mineral property	238,670	-
Changes in non-cash working capital items:		
Decrease (increase) in prepaids and receivables	56,302	(50,096)
Increase (decrease) in accounts payable, accrued liabilities and accounts payable with related parties	(165,978)	134,086
	(1,631,285)	(2,013,595)
CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES		
Equipment purchase	(3,157)	-
Sale of royalty	-	2,070,000
	(3,157)	2,070,000
CASH FLOWS FROM FINANCING ACTIVITIES		
Common shares issued	-	1,812,047
Share issuance costs	-	(60,000)
Options exercised for common shares	-	23,838
	-	1,775,885
Change in cash during the year	(1,634,442)	1,832,290
Cash, beginning of year	2,249,676	417,386
Cash, end of year	$ 615,234	$ 2,249,676

Supplemental disclosure with respect to cash flows (Note 10)

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

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

	Number of Shares	Capital Stock	Additional Paid in Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Deficit	Total Stockholders' Equity	Non-controlling Interest in a Subsidiary	Total Equity
Balance, December 31, 2014	**198,604,790**	**$ 89,186,471**	**$ 2,419,615**	**$ (1,264,194)**	**$ (853,400)**	**$ (88,567,751)**	**$ 920,741**	**$ -**	**$ 920,741**
Private placements	23,654,930	1,812,047	-	-	-	-	1,812,047	-	1,812,047
Shares issued in settlement of debt	2,237,480	169,262	-	-	-	-	169,262	-	169,262
Share issue costs	-	(60,000)	-	-	-	-	(60,000)	-	(60,000)
Stock options exercised	550,000	34,555	(10,717)	-	-	-	23,838	-	23,838
Stock-based compensation	-	-	673,224	-	-	-	673,224	-	673,224
Sale of 20% of Australian subsidiary	-	-	3,293,115	-	-	-	3,293,115	(793,115)	2,500,000
Loss for the year	-	-	-	-	-	(2,770,431)	(2,770,431)	(173,473)	(2,943,904)
Balance, December 31, 2015	**225,047,200**	**91,142,335**	**6,375,237**	**(1,264,194)**	**(853,400)**	**(91,338,182)**	**4,061,796**	**(966,588)**	**3,095,208**
Stock-based compensation	-	-	469,434	-	-	-	469,434	-	469,434
Loss for the year	-	-	-	-	-	(2,108,428)	(2,108,428)	(124,135)	(2,232,563)
Balance, December 31, 2016	**225,047,200**	**$ 91,142,335**	**$ 6,844,671**	**$ (1,264,194)**	**$ (853,400)**	**$ (93,446,610)**	**$ 2,422,802**	**$ (1,090,723)**	**$ 1,332,079**

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

(Expressed in US Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

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

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

The Company's focus is on the exploration and evaluation of its specialty metals assets, specifically the Nyngan scandium deposit located in New South Wales, Australia. The Company is an exploration stage company and anticipates incurring significant additional expenditures prior to production at any and all of its properties.

In fiscal 2015, the Company settled a $2,500,000 promissory note payable in exchange for a 20% interest in its Australian subsidiary which holds the Nyngan and Honeybugle properties. Accordingly, the Company holds an 80% interest in its Australian subsidiary as at year end (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., Wolfram Jack Mining Corp., and The Technology Store, Inc. Non-controlling interest represents the minority shareholders' 20% proportionate share of the net assets and results of the Company's majority-owned Australian subsidiary, EMC Metals Australia Pty Ltd., from the date the 20% interest was disposed by the Company (Note 4). All significant intercompany accounts and transactions have been eliminated on consolidation.

b) Use of estimates

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

The Company considers itself to be an exploration stage company and will consider the transition to development stage after it receives a mining lease for its Nyngan Scandium project from the Mines Department of New South Wales, Australia, 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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

amortized using the unit-of-production method over the estimated life of the ore body based on proven and probable reserves (which exclude non-recoverable reserves and anticipated processing losses).

e) Asset retirement obligations

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

f) Long-lived assets

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

g) Income taxes

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

h) Loss per share

Basic loss per common share is computed using the weighted average number of common shares outstanding during the year. To calculate diluted loss per share, the Company uses the treasury stock method and the if converted method. As at December 31, 2016 and 2015 there were no warrants outstanding and 21,820,000 options (2015 – 17,610,000) 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 USD. Any monetary assets and liabilities that are in a currency other than the USD are translated at the rate prevailing at year end. Revenue and expenses in a foreign currency are translated at rates that approximate those in effect at the time of translation. Gains and losses from translation of foreign currency transactions into USD are included in current results of operations. Fixed assets and mineral properties have been translated at historical rates, the rate on the date of the transaction.

j) Stock-based compensation

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

k) Financial instruments

The Company's financial instruments consist of cash, receivables, accounts payable, accounts payable with related parties, and accrued liabilities. 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 two commercial banks, one in Chicago, Illinois, United States of America and the other in Melbourne, Victoria, Australia.

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, 2016 and 2015, 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.

(Expressed in US Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

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, 2016, and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability, and included situations where there is little, if any, market activity for the asset:

	December 31, 2016	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash	$ 615,234	$ 615,234	$ —	$ —
Total	$ 615,234	$ 615,234	$ —	$ —

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

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

n) Recently Adopted and Recently Issued Accounting Standards

Accounting Standards Update 2016-09 – Compensation—Stock Compensation (Topic 718) Improvements to Employee Share-Based Payment Accounting. This accounting pronouncement, which goes into effect for annual periods beginning after December 16, 2016, addresses the simplification of several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The Company is reviewing this update to determine the impact it will have on its financial statements.

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

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

Accounting Standards Update 2015-17 – Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes. This accounting pronouncement requires that deferred tax liabilities and assets be classified as noncurrent in a classified balance sheet. Currently deferred tax liabilities and assets must be presented as current and noncurrent. The policy is effective for annual periods beginning after December 16, 2016. The Company has adopted this policy and it has had no impact on the presentation of its financial statements.

(Expressed in US Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Accounting Standards Update 2015-02 - Consolidation (Topic 810) - Amendments to the Consolidation Analysis. This update provides guidance with respect to the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. The amendments in this Update are effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. The Company has adopted this policy and it has had no impact on the presentation of its financial statements.

Accounting Standards Update 2015-01 - Income Statement—Extraordinary and Unusual Items (Subtopic 225-20). This Update is part of an initiative to reduce complexity in accounting standards (the Simplification Initiative). This Update eliminates from GAAP the concept of extraordinary items. The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. The Company has adopted this policy and it has had no impact on the presentation of its financial statements.

Accounting Standards Update 2014-15 – Presentation of Financial Statements – Going Concern (Subtopic 205-40). This accounting pronouncement provides guidance in GAAP about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. In doing so, the amendments should reduce diversity in the timing and content of footnote disclosures. The policy is effective for annual periods ending after December 15, 2016. The Company has adopted this policy which has had no impact on the presentation of its financial statements.

3. EQUIPMENT

2016

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

2015

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

4. MINERAL PROPERTY INTERESTS

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

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

4. MINERAL PROPERTY INTERESTS (cont'd…)

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

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

During fiscal 2015, the Company settled a $2,500,000 promissory note payable in exchange for a 20% interest in its Australian subsidiary which holds title to both the Nyngan and Honeybugle properties (Note 11).

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

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

Honeybugle property, Australia

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

Tørdal and Evje-Iveland properties, Norway

During 2012 the Company entered into an option agreement with REE Mining AS ("REE") to earn up to a 100% interest in the Tørdal and Evje-Iveland properties pursuant to which the Company paid $130,000 and issued 1,000,000 common shares valued at $40,000. The Company subsequently renegotiated the payments required to earn the interest and the Evje-Iveland property was removed from the option agreement. Pursuant to the amendment, the Company earned a 100% interest in the Tørdal property by paying an additional $35,000 and granting a 1% Net Smelter Return ("NSR") payable to REE. In December 2016 it was decided to write-off the Company's interest in the Tordal property.

5. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2016, the Company expensed $366,923 for stock-based compensation for stock options issued to Company directors. During the year ended December 31, 2015, the Company expensed $517,934 for stock options issued to Company directors.

During each of the years ended December 31, 2016 and December 31, 2015 the Company paid a consulting fee of $102,000 to one of its directors.

6. CAPITAL STOCK AND ADDITIONAL PAID IN CAPITAL

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

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

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

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

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, 2014	15,378,750	$ 0.11
Granted	5,350,000	0.14
Cancelled	(2,568,750)	0.16
Exercised	(550,000)	0.05
Outstanding, December 31, 2015	17,610,000	0.12
Granted	5,260,000	0.14
Expired	(1,050,000)	0.24
Outstanding, December 31, 2016	21,820,000	$ 0.11
Number currently exercisable	21,166,500	$ 0.11

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

	Number of Options (exercisable)	Number of Options (outstanding)	Exercise Price in Canadian $	Expiry Date
Options				
	4,300,000	4,300,000	0.100	November 5, 2020*
	2,285,000	2,285,000	0.080	April 24, 2017
	150,000	150,000	0.120	July 25, 2017
	1,400,000	1,400,000	0.070	August 8, 2017
	1,000,000	1,000,000	0.100	May 9, 2018
	3,375,000	3,375,000	0.120	July 25, 2019
	200,000	200,000	0.100	December 30, 2019
	3,260,000	3,450,000	0.140	April 17, 2020
	400,000	400,000	0.115	August 28, 2020
	4,636,500	4,860,000	0.130	February 8, 2021
	160,000	400,000	0.200	June 14, 2021
	21,166,500	21,820,000		

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

As at December 31, 2016 the Company's outstanding and exercisable stock options have an aggregate intrinsic value of $922,412 (2015 - $489,509).

Stock-based compensation

During the year ended December 31, 2016, the Company recognized stock-based compensation of $469,434 (December 31, 2015 - $673,224) in the statement of operations and comprehensive loss as a result of incentive stock options granted, vested and extended in the current period. There was a corresponding entry to additional paid in capital. There were 5,260,000 stock options granted during the year ended December 31, 2016 (December 31, 2015 – 5,350,000).

(Expressed in US Dollars)

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

The weighted average fair value of the options granted in the year was C$0.12 (2015 - C$0.14).

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:

	2016	2015
Risk-free interest rate	1.13%	1.02%
Expected life	5 years	5 years
Volatility	141.12%	145.72%
Forfeiture rate	0.00%	0.00%
Dividend rate	0.00%	0.00%

7. TREASURY STOCK

	Number		Amount
Treasury shares, December 31, 2016, 2015 and 2014	1,033,333	$	1,264,194

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

8. SEGMENTED INFORMATION

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

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

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

(Expressed in US Dollars)

9. DEFERRED INCOME TAX

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

		2016		2015
Loss before income taxes	$	(2,108,428)	$	(2,770,431)
Expected income tax (recovery)		(548,000)		(720,000)
Change in statutory, foreign tax, foreign exchange rates and other		(439,000)		(24,000)
Permanent difference		90,000		130,000
Adjustment to prior years provision versus statutory tax returns		-		1,055,000
Change in unrecognized deductible temporary differences		897,000		(441,000)
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;

		2016		2015
Deferred Tax Assets (Liabilities)				
Exploration and evaluation assets	$	1,527,000	$	745,000
Property and equipment		63,000		61,000
Share issue costs		13,000		27,000
Marketable securities		19,000		19,000
Allowable capital losses		1,786,000		1,935,000
Non-capital losses available for future periods		3,533,000		3,257,000
		6,941,000		6,044,000
Unrecognized deferred tax assets		(6,941,000)		(6,044,000)
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:

		2016	Expiry Date Range	2015	Expiry Date Range
Temporary Differences					
Exploration and evaluation assets	$	5,848,000	No expiry date	$2,866,000	No expiry date
Property and equipment		244,000	No expiry date	236,000	No expiry date
Share issue costs		48,000	2036 to 2039	104,000	2035 to 2038
Marketable securities		145,000	No expiry date	145,000	No expiry date
Allowable capital losses		6,870,000	No expiry date	7,442,000	No expiry date
Non-capital losses available for future periods		13,509,000	2017 to 2036	12,166,000	2016 to 2035

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

		2016		2015
Cash paid during the year for interest	$	-	$	56,250
Cash paid during the year for income taxes	$	-	$	-

There were no significant non-cash transactions for the year ended December 31, 2016.

In the year ending December 31, 2015 the Company exchanged a loan of $2,500,000 for a 20% interest in its Australian subsidiary which hold both the Nyngan and Honeybugle properties resulting in initial non-controlling interests of $793,115.

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 Metals Australia Pty Ltd ("EMC Australia"), with the Company holding an 80% ownership interest. EMC Australia holds our interests in the

(Expressed in US Dollars)

11. EMC METALS AUSTRALIA PTY LTD (cont'd…)

Nyngan Scandium Project and Honeybugle Scandium property. Upon conversion of the promissory note payable, EMC Australia is now operated as a joint venture between Scandium Investments LLC ("SIL") and the Company. SIL holds a carried interest in the Nyngan Scandium Project and is not required to contribute cash for the operation of EMC Australia until the Company meets two development milestones: (1) filing a feasibility study on SEDAR, and (2) receiving a mining license on either joint venture property. At such time as the two development milestones are met, SIL becomes fully participating on project costs thereafter.

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

EMC Australia is consolidated in the Company's Consolidated Financial Statements for the year ended December 31, 2016.

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

12. Subsequent event

Subsequent to December 31, 2016, the Company granted 5,100,000 stock options exercisable at C$0.37 for a period of 5 years expiring on February 21, 2022.

Subsequent to December 31, 2016, 2,380,000 stock options were exercised raising C$181,400.