

SCANDIUM INTERNATIONAL MINING CORP.  
Form 10-Q  
May 15, 2015

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-Q**

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **March 31, 2015**

TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE EXCHANGE ACT

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**  
(State or other jurisdiction  
of incorporation or organization)

**98-1009717**  
(IRS Employer  
Identification No.)

**1430 Greg Street, Suite 501, Sparks, Nevada 89431**  
(Address of principal executive offices) (Zip Code)

**(775) 355-9500**  
(Registrant's telephone number, including area code)

**N/A**  
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) filed all reports required to be filed by sections 13 or 15(d) of the Securities and 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  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer [  ]      Accelerated filer [  ]      Non-accelerated filer [  ]      Smaller reporting company [  ]

Indicate by check mark whether the registrant is a shell company, as defined in Rule 12b-2 of the Exchange Act.

Yes [  ]      No [  ]

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date:

**As of May 14, 2015, the registrant's outstanding common stock consisted of 199,104,790 shares.**

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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

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**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**QUARTER ENDED MARCH 31, 2015**

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

<b>As at:</b>	March 31, 2015	December 31, 2014
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 165,221	\$ 417,386
Prepaid expenses and receivables	35,708	57,433
<b>Total Current Assets</b>	<b>200,929</b>	<b>474,819</b>
<b>Equipment</b> (Note 3)	<b>5,486</b>	<b>6,444</b>
<b>Mineral interests</b> (Note 4)	<b>3,012,723</b>	<b>3,012,723</b>
<b>Total Assets</b>	<b>\$ 3,219,138</b>	<b>\$ 3,493,986</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 174,806	\$ 51,343
Accounts payable with related parties	79,931	21,902
Promissory notes payable (Note 6)	2,500,000	2,500,000
<b>Total Liabilities</b>	<b>2,754,737</b>	<b>2,573,245</b>
<b>Stockholders Equity</b>		
Capital stock (Note 8) (Authorized: Unlimited number of shares with no par value; Issued and outstanding: 198,604,790 (2014 198,604,790))	89,186,471	89,186,471
Treasury stock (Note 9) (1,033,333 common shares)	(1,264,194)	(1,264,194)
Additional paid in capital (Note 8)	2,433,929	2,419,615
Accumulated other comprehensive loss	(853,400)	(853,400)
Deficit	(89,038,405)	(88,567,751)
<b>Total Stockholders Equity</b>	<b>464,401</b>	<b>920,741</b>
<b>Total Liabilities and Stockholders Equity</b>	<b>\$ 3,219,138</b>	<b>\$ 3,493,986</b>
Nature and continuance of operations (Note 1)		

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

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

	Quarter ended March 31, 2015	Quarter ended March 31, 2014
<b>EXPENSES</b>		
Amortization (Note 3)	\$ 958	\$ 958
Consulting	28,000	-
Exploration	133,606	52,756
General and administrative	54,688	47,322
Insurance	(2,226)	6,689
Professional fees	42,808	21,122
Salaries and benefits	116,416	97,294
Stock-based compensation (Note 8)	14,314	1,166
Travel and entertainment	15,935	7,266
<b>Loss before other items</b>	<b>(404,499)</b>	<b>(234,573)</b>
<b>OTHER ITEMS</b>		
Foreign exchange loss	(10,463)	(7,231)
Interest expense	(55,692)	(30,000)
	(66,155)	(37,231)
<b>Loss and comprehensive loss for the period</b>	<b>(470,654)</b>	<b>(271,804)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
<b>Weighted average number of common shares outstanding</b>	<b>198,604,790</b>	<b>166,022,035</b>

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

**Scandium International Mining Corp.**

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in US Dollars) (Unaudited)

	Quarter ended March 31, 2015	Quarter ended March 31, 2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (470,654)	\$ (271,804)
Items not affecting cash:		
Amortization	958	958
Unrealized foreign exchange	-	5,680
Stock-based compensation	14,314	1,166
Changes in non-cash working capital items:		
Decrease in prepaids and receivables	21,725	108,102
Increase in accounts payable and accrued liabilities	181,492	62,726
	(252,165)	(93,172)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to unproven mineral interests	-	-
	-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Common shares issued	-	192,000
Payment of promissory note and convertible debenture	-	(650,000)
	-	(458,000)
<b>Change in cash during the period</b>	<b>(252,165)</b>	<b>(551,172)</b>
<b>Cash, beginning of period</b>	<b>417,386</b>	<b>785,075</b>
<b>Cash, end of period</b>	<b>\$ 165,221</b>	<b>\$ 233,903</b>
<b>Supplemental disclosure with respect to cash flows (Note 11)</b>		

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

**Scandium International Mining Corp.**

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

(Expressed in US Dollars) (Unaudited)

	Capital Stock			Treasury Stock \$	Accumulated Other Comprehensive Loss (Foreign Currency Translation) \$	Deficit \$	Total \$
	Number of Shares	Amount \$	Additional Paid in Capital \$				
<b>Balance, December 31, 2013</b>	<b>165,358,337</b>	<b>87,310,708</b>	<b>2,108,327</b>	<b>(1,264,194)</b>	<b>(853,400)</b>	<b>(86,718,095)</b>	<b>583,346</b>
Private placements	33,246,453	1,875,763	-	-	-	-	1,875,763
Stock-based compensation	-	-	311,288	-	-	-	311,288
Loss for the year	-	-	-	-	-	(1,849,656)	(1,849,656)
<b>Balance, December 31, 2014</b>	<b>198,604,790</b>	<b>89,186,471</b>	<b>2,419,615</b>	<b>(1,264,194)</b>	<b>(853,400)</b>	<b>(88,567,751)</b>	<b>920,741</b>
Stock-based compensation	-	-	14,314	-	-	-	14,314
Loss for the period	-	-	-	-	-	(470,654)	(470,654)
<b>Balance, March 31, 2015</b>	<b>198,604,790</b>	<b>89,186,471</b>	<b>2,433,929</b>	<b>(1,264,194)</b>	<b>(853,400)</b>	<b>(89,038,405)</b>	<b>464,401</b>

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



**Scandium International Mining Corp.**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2015

(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 and the Tørdal scandium/rare earth minerals deposit in Norway. In June 2014, the Company made the final installment payment to acquire the Nyngan property. The Company is an exploration stage company and anticipates incurring significant additional expenditures prior to production at any and all of its properties.

These condensed consolidated financial statements have been prepared on a going concern basis that contemplates the realization of assets and discharge of liabilities at their carrying values in the normal course of business for the foreseeable future. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

The Company currently earns no operating revenues and will require additional capital in order to advance both the Nyngan and Tørdal properties. The Company's ability to continue as a going concern is uncertain and is dependent upon the generation of profits from mineral properties, obtaining additional financing and maintaining continued support from its shareholders and creditors. These are material uncertainties that raise substantial doubt about the Company's ability to continue as a going concern. In the event that additional financial support is not received or operating profits are not generated, the carrying values of the Company's assets may be adversely affected.

**2. BASIS OF PRESENTATION**

**Basis of presentation**

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (SEC). The interim condensed consolidated financial statements include the consolidated accounts of the Company and its wholly-owned subsidiaries with all significant intercompany transactions eliminated. In the opinion of management, all adjustments necessary for a fair statement of the consolidated financial position, results of operations and cash flows for the interim periods have been made. Certain information and footnote disclosures normally included in the consolidated financial statements prepared in accordance with generally accepted accounting principles of the United States of America (US GAAP) have been condensed or omitted pursuant to such SEC rules and regulations. These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2014 and with our Annual Report on Form 10-K filed with the SEC on February 27, 2015. Operating results for the three month period ended March 31, 2015 may not necessarily be indicative of the results for the year ending December 31, 2015.

### **Use of estimates**

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

### **Fair value of financial assets and liabilities**

The Company measures the fair value of financial assets and liabilities based on US GAAP guidance which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

The Company classifies financial assets and liabilities as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities depending on their nature. Financial assets and financial liabilities are recognized at fair value on their initial 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.

**Scandium International Mining Corp.**

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2015

(Expressed in US Dollars)

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

Financial instruments, including receivables, accounts payable and accrued liabilities, accounts payable with related parties, convertible debentures and promissory notes payable are carried at amortized cost, which management believes approximates fair value due to the short term nature of these instruments.

The following table presents information about the assets that are measured at fair value on a recurring basis as at March 31, 2015, 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:

	<b>March 31, 2015</b>	<b>Quoted Prices in Active Markets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Assets:				
Cash	\$ 165,221	\$ 165,221	\$	\$
Total	\$ 165,221	\$ 165,221	\$	\$

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

**Recently Issued Accounting Standards**

Accounting Standards Update 2014-08 - Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360) Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. This accounting pronouncement provides guidance on the treatment of Property, Plant and Equipment plus the reporting of discontinued operations and disclosure of disposals of components of an entity. The policy is effective December 15, 2014. The adoption of this standard has had no impact on the presentation of the Company's 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 December 15, 2016. The Company is evaluating this guidance and believes it will have little impact on the presentation of its financial statements.

Accounting Standards Update 2015-01 - 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 is evaluating this guidance and believes it will have little impact on the presentation of its financial statements.

Accounting Standards Update 2015-02 - Consolidation (Topic 810) - Amendments to the Consolidation Analysis. This update provides guidance with respect to the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. The amendments in this Update are effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. The Company is evaluating this guidance and believes it will have little impact on the presentation of its financial statements.

### 3. EQUIPMENT

	December 31, 2014 Net Book Value	Additions (disposals) (write-offs)	Amortization	March 31, 2015 Net Book Value
Computer equipment	\$ 1,696	\$ -	\$ (169)	\$ 1,527
Office equipment	4,748	-	(789)	3,959
Equipment	\$ 6,444	\$ -	\$ (958)	\$ 5,486

	December 31, 2013 Net Book Value	Additions (disposals) (write-offs)	Amortization	December 31, 2014 Net Book Value
Computer equipment	\$ 2,375	\$ -	\$ (679)	\$ 1,696
Office equipment	7,903	-	(3,155)	4,748
Equipment	\$ 10,278	\$ -	\$ (3,834)	\$ 6,444

**Scandium International Mining Corp.**

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2015

(Expressed in US Dollars)

**4. MINERAL INTERESTS**

<b>December 31, 2014</b>	Scandium and other
<b>Acquisition costs</b>	
<b>Balance, December 31, 2013</b>	\$ 1,613,203
Additions	1,399,520
<b>Balance December 31, 2014</b>	\$ 3,012,723
<b>March 31, 2015</b>	Scandium and other
<b>Acquisition costs</b>	
<b>Balance, December 31, 2014</b>	\$ 3,012,723
Additions	-
<b>Balance, March 31, 2015</b>	\$ 3,012,723

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 5, 2010, the Company entered in to an earn-in agreement with Jervois Mining Limited ( Jervois ), whereby it would acquire a 50% interest in the Nyngan Scandium property (the Nyngan Project ) located in New South Wales, Australia. The JV Agreement, as amended, gave the Company the right to earn a 50% interest in a joint venture with Jervois, for the purpose of holding and developing the Nyngan Project. On June 22, 2012, the Company received notice of a lawsuit filed against the Company with regard to the achievement of certain milestones required under the JV Agreement. On February 6, 2013, the Company announced agreement of an out of court settlement to the dispute with Jervois. The terms of the settlement transferred 100% ownership and control of the Nyngan Project to the Company, in return for AUD\$2.6 million cash payments and a percentage royalty payable to Jervois on sales of product from the project. A total of \$1,108,484 (AUD\$1.2 million) was paid in June 2013 as part of the settlement. A total of \$1,364,031 (AUD\$1.4 million) was paid in June 2014 to fulfill the obligations under the settlement agreement which gives 100% of the property to the Company.

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 US\$370k cap. A NSW minerals royalty will also be levied on the project, subject to negotiation, currently 4% on revenue.

*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. To earn its interest, the original agreement required the Company to pay REE an additional \$500,000, incur \$250,000 of exploration work and issue 250,000 common shares upon releasing the second of two full feasibility studies on the two properties. 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.

*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.

**Scandium International Mining Corp.**

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2015

(Expressed in US Dollars)

**5. CONVERTIBLE DEBENTURES**

On February 22, 2013, the Company completed a \$650,000 loan financing consisting of convertible debentures. The convertible debenture had a maturity date of February 22, 2014 and bore interest at 10% per annum. The lenders had the option to convert the loan into 13,000,000 common shares of the Company. There was no beneficial conversion feature associated with the conversion option. The loan was secured by an interest in the assets of the Company's wholly owned subsidiary, Wolfram Jack Mining Corp., and the Company's interest in the Hogtuva and Tørdal properties in Norway. This financing was repaid in full in February 2014.

**6. PROMISSORY NOTES PAYABLE**

	March 31, 2015	December 31, 2014
On June 24, 2014, the Company completed a \$2,500,000 loan financing which includes a convertible feature. The loan has a maturity date of December 24, 2015 and bears loan interest that increases in quarterly increments from 4% to a maximum of 12%. The full loan can be converted into an effective 20% JV interest in Nyngan and Honeybugle. This conversion feature can convert at the lender's option or once the Company raises \$3,000,000 in equity. The 20% JV partner has a carried interest until the Company meets two milestones: (1) filing a feasibility study on SEDAR, and (2) receiving a mining license on either JV property. The JV partner becomes fully participating on development and build costs thereafter. The JV partner holds an option to convert their 20% JV interest into equivalent value of the Company's shares, at market prices, rather than participate in construction. The JV partner's option to convert its project interest to the Company's shares is a one-time option, at such time the partner becomes fully participating on project costs. If the Company is unable to raise \$3,000,000 and repay the loan, the lender may exercise a purchase option wherein the debt will be settled in exchange for 100% interest in the Nyngan mineral rights.	\$ 2,500,000	\$ 2,500,000
On June 24, 2013 the Company completed a \$1,204,875 financing consisting of a series of insider and non-insider loans. The loans had a maturity date in June 2014 and bore interest at 10% per annum. The loans were secured by the ownership interest the Company has or earns in the Nyngan Scandium Project. As an inducement to enter into this loan, the lenders received a royalty of 0.2% of average scandium sales value, produced from the Nyngan property, on the first 100 tonnes of scandium oxide product produced and sold. The royalty was capped at \$370,000 and the Company retained a right to buy back the royalty from the lenders or their assigns for \$325,000 at any time up to the commencement of first production, or three years from the loan date, whichever occurs first. This financing was paid in full in June 2014.	\$ Nil	\$ Nil
	\$ 2,500,000	\$ 2,500,000

**7. RELATED PARTY TRANSACTIONS**

The loan financing completed on February 22, 2013, of which \$350,000 was contributed from directors and officers was repaid in the three months ending March 31, 2014.

During the three month period ended March 31, 2015, the Company incurred a consulting fee of \$25,500 for one of its directors of which \$17,000 is included in accounts payable. There were no such expenses incurred during the three month period ended March 31, 2014.

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

On August 26, 2014, the Company issued 5,534,411 common shares at a value of C\$0.085 per common share for total proceeds of C\$470,425 (\$429,900).

On July 11, 2014, the Company issued 4,641,236 common shares at a value of C\$0.085 per common share for total proceeds of C\$394,505 (\$368,325).

On June 26, 2014, the Company issued 10,415,396 common shares at a value of C\$0.085 per common share for total proceeds of C\$885,309 (\$825,433).

On April 24, 2014, the Company issued 4,122,150 common shares at a value of C\$0.025 per common share for total proceeds of C\$103,053 (\$93,687).

On March 25, 2014, the Company issued 8,533,260 common shares at a value of C\$0.025 per common share for total proceeds of C\$213,332 (\$192,000).



**Scandium International Mining Corp.**

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2015

(Expressed in US Dollars)

**8. CAPITAL STOCK AND ADDITIONAL PAID IN CAPITAL (cont d )****Stock Options and Warrants**

The Company established a stock option plan (the Plan ) under which it is authorized to grant options to executive officers and directors, employees and consultants and the number of options granted under the Plan shall not exceed 15% of the shares outstanding. Under the Plan, the exercise period of the options may not exceed five years from the date of grant and vesting is determined by the Board of Directors.

Stock option and share purchase warrant transactions are summarized as follows:

	Warrants		Stock Options	
	Number	Weighted average exercise price in Canadian \$	Number	Weighted average exercise price in Canadian \$
Outstanding, December 31, 2013	3,750,000	\$ 0.20	14,168,750	\$ 0.12
Granted	-	-	3,725,000	0.12
Cancelled	(3,750,000)	0.20	(2,515,000)	0.17
Exercised	-	-	-	-
Outstanding, December 31, 2014	-	-	15,378,750	0.11
Granted	-	-	-	-
Cancelled	-	-	(568,750)	0.25
Exercised	-	-	-	-
Outstanding, March 31, 2015	-	\$ -	14,810,000	\$ 0.11
Number currently exercisable	-	\$ -	14,075,000	\$ 0.11

As at March 31, 2015, incentive stock options were outstanding as follows:

Options	Number of options	Exercise Price in Canadian \$	Expiry Date	
	500,000	0.050	May 9, 2015	(1)
	4,800,000	0.100	November 5, 2015	
	250,000	0.315	May 4, 2016	
	500,000	0.250	May 16, 2016	
	300,000	0.155	September 15, 2016	
	2,335,000	0.080	April 24, 2017	

150,000	0.120	July 25, 2017
1,400,000	0.070	August 8, 2017
1,000,000	0.100	May 9, 2018
3,375,000	0.120	July 25, 2019
200,000	0.100	December 30, 2019
14,810,000		

(1) All of the options set to expire May 9, 2015 were exercised subsequent to period end.

As at March 31, 2015 the Company's outstanding and exercisable stock options have an aggregate intrinsic value of \$305,291 (2014 - \$Nil).

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

### Stock-based compensation

During the three months ended March 31, 2015, the Company recognized stock-based compensation of \$14,314 (March 31, 2014 - \$1,166) in the statement of operations and comprehensive loss as a result of incentive stock options granted and vested in the current period. There were no stock options issued during the three months ended March 31, 2015 (March 31, 2014 - Nil).

The weighted average fair value of the options granted in the period was C\$Nil (2014 - C\$Nil).

**Scandium International Mining Corp.**

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2015

(Expressed in US Dollars)

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

The fair value of all compensatory options and warrants granted is estimated on grant date using the Black-Scholes option pricing model. The weighted average assumptions used in calculating the fair values are as follows:

	2015	2014
Risk-free interest rate	N/A	N/A
Expected life	N/A	N/A
Volatility	N/A	N/A
Forfeiture rate	N/A	N/A
Dividend rate	N/A	N/A

**9. TREASURY STOCK**

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

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

**10. SEGMENTED INFORMATION**

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

<b>March 31, 2015</b>	Norway	Australia	United States	Total
Equipment	\$ -	\$ -	\$ 5,486	\$ 5,486
Mineral interests	238,670	2,774,053	-	3,012,723
	\$ 238,670	\$ 2,774,053	\$ 5,486	\$ 3,018,209

<b>December 31, 2014</b>	Norway	Australia	United States	Total
Equipment	\$ -	\$ -	\$ 6,444	\$ 6,444
Mineral interests	238,670	2,774,053	-	3,012,723
	\$ 238,670	\$ 2,774,053	\$ 6,444	\$ 3,019,167

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

	2015	2014
Cash paid during the first three months for interest	\$ 56,250	\$ 30,000
Cash paid during the first three months for income taxes	\$ -	\$ -

There were no significant non-cash transactions in either of the three month periods ending March 31, 2015 and March 31, 2014.

**12. SUBSEQUENT EVENTS**

The Company issued 4,950,000 options to directors and consultants with an exercise price of C\$0.14 with vesting periods up to two years. All of these options have a 5 year life.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion of the operating results, corporate activities and financial condition of Scandium International Mining Corp. (hereinafter referred to as we, us, Scandium International, SCY, or the Company) subsidiaries provides an analysis of the operating and financial results between December 31, 2014 and March 31, 2015 and a comparison of the material changes in our results of operations and financial condition between the three-month period ended March 31, 2014 and the three-month period ended March 31, 2015. This discussion should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2013.

The interim statements have been prepared in accordance with US Generally Accepted Accounting Principles (US GAAP) in accordance with the requirements of U.S. federal securities laws as applicable to the Company, and as permitted under applicable Canadian securities laws. The Company is a reporting company under applicable securities laws in Canada, and in July of 2011 also became a reporting issuer under U.S. federal laws. The reporting currency used in our financial statements is the United States Dollar.

The information contained within this report is current as of May 14, 2015 unless otherwise noted. Additional information relevant to the Company's activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Technical information in this MD&A has been reviewed and approved by Willem Duyvesteyn, a Qualified Person as defined by Canadian National Instrument 43-101 (NI 43-101). Mr. Duyvesteyn is a director and consultant of Scandium International.

### **Scandium International Corporate Overview**

Scandium International is a specialty metals and alloys company focusing on scandium and other specialty metals. The Company intends to utilize its knowhow and, in certain instances, patented technologies to maximize opportunities in scandium and other specialty metals.

The Company was formed in 2006, under the name Golden Predator Mines Inc. As part of a reorganization and spin-out of the Company's precious metals portfolio in March 2009, the Company changed its name to EMC Metals Corp. In order to reflect our emphasis on mining for scandium minerals, effective November 19, 2014, we changed our name to Scandium International Mining Corp. The Company currently trades on the Toronto Stock Exchange under the symbol SCY.

Our focus of operations is the exploration and development of our specialty metals assets, including the Nyngan scandium deposit located in New South Wales, Australia and the Tørdal scandium/rare earth minerals deposit in Norway.

On February 5, 2010, the Company entered into a Joint Venture Agreement (JV Agreement) with Jervois Mining Limited (Jervois) to develop the Nyngan scandium property in New South Wales, Australia (Nyngan). The JV Agreement, came into dispute in February 2012, and was settled by the parties in February 2013. That settlement provided for Scandium International to acquire 100% of the project for A\$2.6 million cash, in two installments. We have met the total payment obligation and now own 100% of the project.

During the first quarter of 2015, we focused on scandium marketing arrangements, refined our Nyngan project process flowsheet, analyzed Nyngan project site drilling performed during the fourth quarter of 2014, and initiated a bid and review process on selecting a qualified engineering firm to perform a feasibility study during the second half of 2015.

### **Principal Properties Review**

**Nyngan Scandium Project (NSW, Australia)**

On February 5, 2010, SCY entered into the JV Agreement with Jervois of Melbourne, Australia (ASX: JRV) to co-develop Nyngan . The JV Agreement gave SCY the right to earn a 50% interest in a joint venture with Jervois for the purpose of holding and developing Nyngan, provided SCY met certain technical and financial milestones. SCY met all financial requirements and delivered evidence of technical milestone achievement to Jervois on February 24, 2012.

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On February 27, 2012, Jervois formally rejected SCY's claim to have met the earn-in conditions specified in the JV. The parties discussed and successfully reached an agreed settlement in February 2013 that resolved all issues in dispute. The terms of the binding settlement provided for the transfer of 100% ownership and control of the Nyngan Project, including the relevant exploration tenements and surface (freehold) land holdings, to the Company, in return for A\$2.6 million in future cash payments. The settlement agreement also applied a production royalty on the Nyngan project of 1.7% of sales for products produced from the site, payable to Jervois. The royalty has a 12 year term from the first production date, and a 10 tpa scandium oxide production minimum.

In June of 2014 the Company completed all settlement payments required under its agreement with Jervois. Formal transfer of the Nyngan Project exploration licenses to SCY's Australian subsidiary is currently underway, with completion anticipated by the end of the second quarter of 2015.

With regard to the payoff of the Jervois settlement payments, on June 24, 2014 SCY entered into a \$2.5 million loan facility with Scandium Investments LLC, a company owned by a US private investor group. The proceeds of the 2014 loan were applied to pay a A\$1.3 million final payment to Jervois required for SCY to acquire a 100% interest in the Nyngan Project pursuant to the terms of a settlement agreement with Jervois dated February 2013. The balance of the proceeds of the loan was applied to repay \$1.2 million in maturing debt. The loan from Scandium Investments LLC has a maturity date of December 24, 2015 and bears interest that increases in quarterly increments from 4% to a maximum of 12%.

The \$2.5M loan automatically converts into an effective 20% joint venture interest in both our Nyngan and Honeybugle Scandium projects, at such time as the Company meets a funding milestone, defined as raising \$3.0 million in equity, during the period from drawdown to loan maturity. This conversion feature can also be triggered at any time, at the lender's option, prior to the loan maturity date. Once the conversion feature is triggered, the 20% joint venture partner has a carried interest in the project until the Company meets two development milestones as follows: (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, the joint venture partner becomes fully participating on development costs thereafter.

Completion of the development milestones by the Company, as described above, activates a second one-time, limited period option for the joint venture partner to elect to convert their 20% joint venture interest in the project into an equivalent value of the Company's common shares, at agreed market prices, rather than continue with ownership at the project level.

Repayment of the loan is secured against the Company's interest in its Australian mineral properties, and the lender has the right to purchase the Australian mineral properties at a price equal to the outstanding loan obligations in certain events of default under the loan agreement.

Substantial Nyngan Project metallurgical test work has been completed, and additional work in this area is planned for 2015. Scandium International intends to produce a Feasibility Study demonstrating project economics and development viability on the project, which we expect to complete by the end of 2015.

### **Nyngan Property Description and Location**

The Nyngan 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 2900 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.

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The specific location of the exploration licenses that we may earn an interest in are provided in Figure 2 below.

Figure: Location of Nyngan Project

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Figure: Location of the Exploration Licenses

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## Nyngan Project Metallurgy Development

The first work phase of the metallurgy development program consisted of detailed metallurgical bench scale testing, which was intended to refine and enhance the Company's existing material process flow sheet to extract scandium from the resource material. This existing flow sheet, developed by Jervois and external consultants, formed the basis of a preliminary, conceptual engineering report for the processing elements of the project that was completed by Roberts & Schaefer of Salt Lake City, Utah, specifically for use by SCY management.

The Roberts & Schaefer report included capital and operating cost estimates, based on process flow sheets and technical reports previously done for Jervois or SCY on various metallurgical aspects of the resource. These technical/process reports included work done by METCON, the CSIRO, and others proprietary to or sourced by Jervois or SCY. The bulk of the process applied by Roberts & Schaefer in their report was defined by bench scale as well as small scale pilot plant work results compiled by others, and a preliminary flow sheet compiled by the CSIRO.

This early stage Roberts & Schaefer Report was carried forward into the later metallurgical test work subsequently conducted by Hazen Research and the design work utilized in the SNC- Lavalin economic study presented to management in 2012.

In January 2011, SCY announced results of initial lab test work, independently prepared by Hazen Research, Inc., of Golden, Colorado, USA. These results defined general results involving conventional contained acid leach systems and suggested recoveries from resource of up to 75%. No secondary recoveries were considered in these initial bench-scale tests.

The second phase of the Hazen test work program continued through July, and involved continuous pilot plant testing of the acid leach systems, solvent extraction systems and product finish systems identified by earlier CSIRO work. The overall objectives of the test work program were to define and optimize a process or series of processes that achieves an 80% scandium recovery, lowest possible capital and operating costs, and most benign environmental impact, using standard and accepted processes.

On January 19, 2012 we announced receipt an independent metallurgical test-work report, titled "Purification of Scandium Extracted from Laterite Ore", outlining the results of a number of pilot-scale tests on Nyngan resource material, and estimated recoveries and grades of scandium oxide product. The report was independently prepared by Hazen and is the final in a series of three phases of semi-continuous pilot plant scale test-work completed by Hazen during 2011. Work was finalized in late November.

Highlights of the 2011 Hazen semi-continuous pilot plant test-work are as follows:

- Results of conventional contained sulfuric acid bake and water leach systems, at atmospheric pressure, demonstrated scandium recoveries averaging 75%,
- Results of conventional solvent extraction ("SX") on the pregnant leach solution, demonstrated scandium recoveries exceeding 99%,
- Results on final stage precipitation of scandium oxide, focused on highest combined purity and recovery, demonstrated scandium recoveries of 97.5%, at purity levels of 97.5% Sc<sub>2</sub>O<sub>3</sub>. Higher purity levels were achieved at lower recoveries,
- Overall recovery results were 70% to 80%, based on ore type (limonite or saprolite), and
- All process assumptions were based on standard and accepted techniques for ore preparation, leaching, solvent extraction and final product preparation.

In late 2011, the Company commissioned test work on high pressure acid leach ("HPAL") processes, with both Hazen and SGS-Lakefield (Ontario, Canada). The initial HPAL work was applied to residue from the acid bake process sourced from the earlier Hazen test work, specifically to determine if additional scandium could be effectively

recovered in a second pass with a pressure system. Those results were encouraging, and led to later test work in 2012-13 which applied HPAL techniques directly on the laterite resource material. No HPAL research results were included in the report and findings compiled for management by SNC-Lavalin in early 2012. However, the work that subsequently continued on HPAL, after that SNC Report was completed, has been incorporated into current engineering studies and flow sheet strategies for the Nyngan project. Existing HPAL work results were done to bench scale, and not to pilot scale, and are currently being followed up with further test work.

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The Company is continuing test work on metallurgy to increase recoveries and final product grades.

In February, 2011 we announced results of a series of laboratory-scale tests investigating the production of scandium-aluminum (“Sc-Al”) 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 Sc-Al master alloy using impure scandium oxide as the scandium source, potentially significantly improving the economics of scandium aluminum master alloy production.

### ***Environmental Permitting Work***

In April 2011, SCY announced a general progress report on the project which outlined a series of environmental work steps designed to advance the Environmental Impact Study (“EIS”). Work steps included both ground and surface water assessments, along with other assessments of Aboriginal, ecology, traffic, noise and air quality matters.

All of this work has subsequently been completed, including 8 water bores with ongoing test monitoring equipment, and reports on the various other targeted assessments, without material issues in any area. An aerial photography and contour mapping program was also completed, to support the feasibility study work regarding location of site facilities.

On January 18, 2012, SCY announced that that key elements of environmental site work on the Nyngan Scandium Project had been completed and a Conceptual Project Development Plan (“CPDP”) submitted to the NSW, Australia state regulators. The CPDP submission forms the basis for an Environmental Impact Study (“EIS”), the foundation environmental document required for a mining permit in the state.

Specific EIS and property work, contained in the CPDP completed year end 2011:

- Draft ground water assessment study finalized and submitted to regulators,
- Surface water assessment results favorable, State review ongoing,
- Aboriginal heritage study finalized, no areas of significance,
- Soils study finalized, no issues, and
- Property aerial photography and contour mapping completed, location of site facilities defined.

Continuing EIS work underway:

- License applications (6), for access to groundwater as generated from property water bores have been submitted,
- Flora and fauna studies are ongoing; to date no significant issues have arisen, and
- Traffic, noise and air quality baseline monitoring are ongoing.

The environmental work was performed under direction from R. W. Corkery & Co., (Orange, NSW, Australia), and formed part of the SNC-Lavalin Nyngan economic study.

### **Nyngan Preliminary Economic Assessment**

On October 14, 2014, the Company announced completion of a report on a Preliminary Economic Assessment of the Nyngan project (the “PEA”) entitled, *NI 43-101F1 Technical Report on the Feasibility of the Nyngan Scandium Project*, dated October 24, 2012. The PEA was prepared by the engineering firm of Larpro Pty Ltd, of Brisbane, Australia, and supported by Mining One of Melbourne, Australia and Rangott Mineral Exploration Pty Ltd of Orange, Australia, and confirms the technical and economic potential of the Nyngan Scandium Project (the Project). The PEA has been independently prepared as a technical report on the form prescribed under NI 43-101 F1 and is available for public review on the Company’s website at [www.scandiummining.com](http://www.scandiummining.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).



*The PEA is preliminary in nature and should not be considered to be a pre-feasibility or feasibility study, as the economics and technical viability of the Project have not been demonstrated at this time. While this PEA does not consider or include any Inferred Mineral Resources, and includes only Measured and Indicated Resources, it remains a preliminary analysis that is not sufficient to enable Project Resources to be categorized as Mineral Reserves. Furthermore, there is no certainty that the PEA will be realized.*

*The Company uses Canadian Institute of Mining, Metallurgy and Petroleum definitions for the terms measured resources, indicated resources and inferred resources. We advise U.S. investors that while the terms measured resources, indicated resources and inferred resources are recognized and required by Canadian regulations, including National Instrument 43-101 Standards of Disclosure for Mineral Projects ( NI 43-101 ), the U.S. Securities and Exchange Commission does not recognize these terms. Accordingly, information contained in this Form 10Q contains descriptions of our mineral deposits that may not be comparable to similar information made public by U.S. companies subject to the reporting requirements under the U.S. federal securities laws and the rules and regulations thereunder. U.S. investors are cautioned not to assume that any part or all of the material in these categories will be converted into reserves. It should not be assumed that any part of an inferred mineral resource will ever be upgraded to a higher category.*

The PEA concludes that the Nyngan project has the potential to produce 35,975 kilograms of scandium oxide (scandia) per annum, at grades of 97%-99%, generating an after tax cumulative cash flow over a 20 year Project life of \$565 million, with an NPV<sub>10%</sub> of \$175 million. The PEA also concludes that the project can achieve this financial result with a conventional flow sheet, employing HPAL and solvent extraction (SX) techniques, which have been modeled and validated from METSIM modeling and bench scale/pilot scale metallurgical test work.

*Note that mineral resources that are not mineral reserves do not have demonstrated economic viability.*

#### **PEA Financial Highlights and Key Assumptions**

The PEA concludes that the Project has the potential for attractive economics, based on a capital estimate supported by conventional process designs. The overall PEA level of accuracy is +/-30%. The PEA is expressed in US dollar ( US\$ ) currency, unless otherwise noted. A foreign exchange rate of US\$0.90 to one Australian Dollar ( AUD\$ ) (1AUD\$=US\$0.90) was applied in all conversions. No escalation for inflation was assumed in cash flows. All cash flows and discounted cash flows (NPVs and IRRs) are shown on an after tax basis, based on a 30% tax rate.

Highlights and key assumptions are as follows:

#### **Table 1. Nyngan PEA Financial Highlights**

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<b>Summary Nyngan Project Key Project Parameters</b>	<b>NI 43-101 PEA Result</b>
<b>Capital Cost Estimate (US\$ M)</b>	<b>\$77.4</b>
<b>Resource Grade Assumption (ppm)</b>	<b>371</b>
<b>Resource Processed (tpy)</b>	<b>75,000</b>
<b>Mill Recovery Assumption (%)</b>	<b>84.3%</b>
<b>Oxide Production (kg per year)</b>	<b>35,975</b>
<b>Scandia Product Grade</b>	<b>97-99.0%</b>
<b>Annual Cash Operating Cost (US\$ M)</b>	<b>\$22.9</b>
<b>Unit Cash Cost (US\$/kg Oxide)</b>	<b>\$636</b>
<b>Oxide Price Assumption (US\$/kg)</b>	<b>\$2,000</b>
<b>Annual Revenue (US\$ millions)</b>	<b>\$72.0</b>
<b>Annual EBITDA (US\$ millions)</b>	<b>\$47.7</b>
<b>NPV (10% i)</b>	<b>\$175.6</b>
<b>NPV (8% i)</b>	<b>\$217.8</b>
<b>IRR (%)</b>	<b>40.6%</b>
<b>Payback (years)</b>	<b>2.5</b>

*The above estimates of capital and operating costs are a component of a number of factors required to complete a preliminary assessment of the economic viability of the project, and there is no guarantee that the company will achieve production from the resource at Nyngan. There are currently no established reserves on the Nyngan Project.*

### **PEA Mineral Resource Estimate**

In March of 2010, a NI 43-101 technical report which outlined a resources estimate on the Nyngan Scandium Project was completed. The report, titled, *NI 43-101 Technical Report on the Nyngan Gilgai Scandium Project, Jervois Mining Limited, Nyngan, New South Wales, Australia*, was prepared by or under the supervision of Max Rangott (BSc). The PEA does not alter the existing Nyngan Project resource estimate, established in the 2010 technical report. This NI 43-101 scandium resource consists of a Measured component of 2,718,000 tonnes, grading 274ppm scandium (100ppm cut-off) and an Indicated component of 9,294,000 tonnes, grading 258ppm scandium (100ppm cut-off). The combined Measured and Indicated scandium resource totals 12 million tonnes at an average grade of 261ppm scandium, and is made up of both limonite and saprolite resource material. The cut-off value of 100ppm used in the initial 2010 technical report was reviewed as part of the PEA. While the input assumptions to the formula calculations



are different from those assumed in 2010, the overall cut-off assumption for the combined limonite and saprolite resource generated by the formula was still considered reasonable, and has not changed.

The PEA assumes that a portion of limonite-only resource, in one particular area of the overall resource, will provide a 20 year mining pit sufficient to supply the processing facility at a rate of 75,000 tpy and an average grade of 371ppm scandium. A 20 year mining pit design was developed from drill hole data in support of this assumption and included in the PEA.

The current Nyngan Project scandium mineral resource is as follows:

**Table 2. Nyngan Scandium Resource (1)**

---

Nyngan Project NI 43-101 Resource Summary	Tonnes	Grade (ppm Sc)	Cut-Off Sc (ppm Sc)	Overburden Ratio (t/t)
Category				
<b>Measured Resource</b>	2,718,000	274	100	0.81:1
<b>Indicated Resource</b>	9,294,000	258	100	1.40:1
<b>Total Resource</b>	12,012,000	261	100	1.10:1

*NI 43-101 Technical Report on the Nyngan Gilgai Scandium Project, Jervois Mining Limited, Nyngan, New South Wales, Australia, dated March 2010, (Rangott Mineral Exploration Pty Ltd).*

(1) Mineral resources that are not mineral reserves do not have demonstrated economic viability.

Note that the terms Measured and Indicated Resources are not terms recognized in the United States under SEC rules and guidelines. See Note to U.S. Investors above.

The cut-off level used to define the resource was established using a standard formula that considered scandium pricing, estimated costs of mining and processing, and overall recovery rates, as they pertained to markets and process understanding at the time. Processing methodology assumed acid leaching and solvent extraction systems, and mining assumed a shallow, surface mining operation consistent with drill results on the resource.

### PEA Mining and Processing Assumptions

Mining represents a relatively minor part of the overall Project activity, based on a plant feed of 240tpd or 75,000 tonnes per year requirement. Mine production is based on conventional open pit methods, strip ratios of 1.5:1 to 3:1 (overburden/resource), contract mining assumptions and mining activity in campaigns of one month, three times per year, avoiding the wet season. The plant will run continuously, fed from field and plant stockpiles of mined resource, and covered against moisture and weather.

The processing plant operations will size the input material, apply HPAL using sulfuric acid, and then recover the liberated scandium using SX, oxalate precipitation and calcination, to generate a finished scandium oxide product. The output of the plant is forecasted at 35,975 kilograms per year, at grades between 97% and 99%, as Sc<sub>2</sub>O<sub>3</sub>. Product output will be refined to suitable grade for direct sales to end users, recognizing that grade varies based on application.

Plant tailings will be neutralized with lime to pH 8.5, dewatered, and stored in a permanent tailings facility meeting the environmental requirements of mining permits and NSW State regulators.

### PEA Capital Cost Assumptions

Total capital costs for the Project are estimated at \$77.4M, and include a 20% contingency. The majority (70%) of the capital cost in the PEA was Australian-sourced, and consequently initially priced in AUD\$, supported by direct vendor capital pricing. Concrete and steel costs have been estimated from concept drawings, and piping, electrical and instrumentation costs were estimated using standard industry factors. The capital cost estimate is considered to be +/-30% accuracy. Capital costs included in overall cash flow include \$2M per year for sustaining capital items (\$38M over full PEA term), and \$3M in final reclamation costs in year 20. No salvage costs were assumed. On the basis that the resource is adequate for 45 years at the assumed grade, it is unlikely the Project would be closed in year 20 if current assumptions remain viable.

**Table 3. PEA Capital Cost Detail**

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Nyngan Project Capital Cost Summary (US\$)	NI 43-101 PEA Result	
	Capital Cost (US\$ M)	CapEx/Annual kg Oxide
Pre-Stripping Cost	\$1.6	n/a
Mining Equipment	contractor	
Mine Vehicles/Site Equipment	\$0.4	\$10
<b><u>Processing Plant Equipment</u></b>		
Ore Preparation	\$2.1	\$58
HPAL	\$13.7	\$381
CCD, Ph Adjust	\$5.9	\$164
Solvent Extraction	\$3.1	\$86
Product Precipitation	\$1.3	\$37
Tailings	\$1.3	\$36
Reagent Storage	\$2.6	\$72
Water/Steam/Services	\$6.6	\$183
Plant Subtotal	\$36.6	\$1,019
<b><u>Other Site Costs</u></b>		
Freight and First fills	\$2.1	\$59
Evaporation Ponds-Tailings Dam	\$6.7	\$186
Transformer Farm/Buildings	\$2.5	\$69
On/Offsite Utilities Supply	\$2.2	\$62
Other Costs Subtotal	\$13.5	\$376
Owners Costs & Working Cap.	\$4.3	\$118
EPCM Costs (18%)	\$9.1	\$253
Contingency (20%)	\$11.9	\$332
Total Project Capital Cost	\$77.4	\$2,151
Total (20 Year) Sustaining Capital	\$38.0	N/A

### **PEA Operating Costs Assumptions**

Operating costs were estimated based on metallurgical test work results and METSIM modelling quantities and requirements. The single most significant cost item in operating costs is sulfuric acid, which is used in quantity and requires transport to site. The second most significant cost item is staff/labor cost. Reagents in total represent approximately 57% of total operating cash costs. Quantities were established through METSIM software outputs, and were 100% vendor-priced. The level of accuracy on the operating component costing in the PEA is +/-25%.

Operating cost details in the PEA are as follows:

#### **Table 4. PEA Operating Costs, and Unit Costs Per kg Oxide**

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Nyngan Project OpEx Mine/Process Expense (US\$ millions)	NI 43-101 PEA Result	
	Annual US\$M Cost	Unit Cost Per kg Oxide
<b>Mining Costs</b>	<b>\$1.4</b>	<b>\$38.78</b>
<b><u>Processing Cost</u></b>		
<b>Labor Cost</b>	<b>\$3.9</b>	<b>\$108.13</b>
<b>Utilities</b>	<b>\$0.8</b>	<b>\$21.96</b>
<b>Reagents</b>	<b>\$13.0</b>	<b>\$361.53</b>
<b>Lab Costs</b>	<b>\$0.2</b>	<b>\$6.95</b>
<b>Consumables</b>	<b>\$1.0</b>	<b>\$27.10</b>
<b>Total Processing Costs</b>	<b>\$18.9</b>	<b>\$525.67</b>
<b>Marketing &amp; Insurance</b>	<b>\$0.7</b>	<b>\$18.76</b>
<b>Maintenance Spend</b>	<b>\$1.3</b>	<b>\$37.02</b>
<b>Mobile Equipment Cost</b>	<b>\$0.6</b>	<b>\$15.28</b>
<b>Annual Cash Operating Cost</b>	<b>\$22.9</b>	<b>\$635.51</b>

### PEA Revenue Pricing Assumptions

The price assumption in the PEA is \$2,000 per kilogram (kg), as an average price covering all product sold, over various product grades. Current pricing is substantially above these levels, based on small unit quantities and varying grades. The pricing benchmark applied in the PEA was supported by limited current trading and pricing information, our discussions with potential customers, and the understanding that lower prices than scandium trades for today will be necessary to penetrate potential markets with significant sales tonnages in the future.

### PEA Sensitivities Analysis

The project is most sensitive to changes in product pricing, and somewhat less sensitive to either operating cost or capital cost changes, as shown below.

**Table 5. Profitability Sensitivities to Changes in Key Assumptions**

Sensitivity to
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