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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 **June 30, 2020**

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**000-54416**  
(Commission File Number)

**SCANDIUM INTERNATIONAL MINING CORP.**  
(Exact name of registrant as specified in its charter)

**British Columbia, Canada**  
(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)

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☒ Emerging growth company ☐

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

Indicate by check mark whether the registrant is a shell company, as defined in Rule 12b-2 of the Exchange Act. Yes ☐ No ☒

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: **As of August 7, 2020, the registrant's outstanding common stock consisted of 312,482,595 shares.**

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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**



**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**SIX MONTHS AND THREE MONTHS ENDED JUNE 30, 2020**

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

| <b>As at:</b>                                                                                                                    | <b>June 30,<br/>2020</b> | <b>December 31,<br/>2019</b> |
|----------------------------------------------------------------------------------------------------------------------------------|--------------------------|------------------------------|
| <b>ASSETS</b>                                                                                                                    |                          |                              |
| <b>Current</b>                                                                                                                   |                          |                              |
| Cash                                                                                                                             | \$ 241,317               | \$ 115,568                   |
| Prepaid expenses and receivables                                                                                                 | 21,073                   | 45,763                       |
| <b>Total Current Assets</b>                                                                                                      | <b>262,390</b>           | <b>161,331</b>               |
| <b>Reclamation bond</b> (Note 4)                                                                                                 | <b>11,444</b>            | <b>11,444</b>                |
| <b>Equipment</b> (Note 3)                                                                                                        | <b>5,813</b>             | <b>6,967</b>                 |
| <b>Mineral property interests</b> (Note 4)                                                                                       | <b>704,053</b>           | <b>704,053</b>               |
| <b>Total Assets</b>                                                                                                              | <b>\$ 983,700</b>        | <b>\$ 883,795</b>            |
| <b>LIABILITIES AND EQUITY</b>                                                                                                    |                          |                              |
| <b>Current</b>                                                                                                                   |                          |                              |
| Accounts payable and accrued liabilities                                                                                         | \$ 336,156               | \$ 269,059                   |
| Accounts payable with related parties (Note 5)                                                                                   | 460,074                  | 269,165                      |
| <b>Total Liabilities</b>                                                                                                         | <b>796,230</b>           | <b>538,224</b>               |
| <b>Equity</b>                                                                                                                    |                          |                              |
| Capital stock (Note 6) (Authorized: Unlimited number of common shares; Issued and outstanding: 312,482,595 (2019 – 312,482,595)) | 109,375,661              | 109,375,661                  |
| Treasury stock (Note 7) (1,033,333 common shares) (2019 – 1,033,333)                                                             | (1,264,194)              | (1,264,194)                  |
| Additional paid in capital (Note 6)                                                                                              | 6,194,450                | 5,936,074                    |
| Accumulated other comprehensive loss                                                                                             | (853,400)                | (853,400)                    |
| Deficit                                                                                                                          | (113,265,047)            | (112,848,570)                |
| <b>Total Equity</b>                                                                                                              | <b>187,470</b>           | <b>345,571</b>               |
| <b>Total Liabilities and Equity</b>                                                                                              | <b>\$ 983,700</b>        | <b>\$ 883,795</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)

|                                                                                 | Three months<br>ended<br>June 30,<br>2020 | Three months<br>ended<br>June 30,<br>2019 | Six months<br>ended<br>June 30,<br>2020 | Six months<br>ended<br>June 30,<br>2019 |
|---------------------------------------------------------------------------------|-------------------------------------------|-------------------------------------------|-----------------------------------------|-----------------------------------------|
| <b>EXPENSES</b>                                                                 |                                           |                                           |                                         |                                         |
| Amortization (Note 3)                                                           | \$ 576                                    | \$ 577                                    | \$ 1,154                                | \$ 1,154                                |
| Consulting                                                                      | 32,190                                    | 103,803                                   | 62,565                                  | 199,421                                 |
| Exploration                                                                     | 13,220                                    | 73,339                                    | 29,181                                  | 47,155                                  |
| General and administrative                                                      | 91,733                                    | 112,625                                   | 154,183                                 | 207,117                                 |
| Insurance                                                                       | 8,034                                     | 7,719                                     | 16,273                                  | 15,303                                  |
| Professional fees                                                               | 9,315                                     | 21,059                                    | 36,860                                  | 50,263                                  |
| Salaries and benefits                                                           | 114,840                                   | 115,026                                   | 228,410                                 | 229,135                                 |
| Stock-based compensation (Notes 5 & 6)                                          | 3,616                                     | 409,520                                   | 258,376                                 | 422,636                                 |
| Travel and entertainment                                                        | -                                         | 12,431                                    | 3,658                                   | 26,162                                  |
|                                                                                 | (273,524)                                 | (856,099)                                 | (790,660)                               | (1,198,346)                             |
| Foreign exchange gain (loss)                                                    | 3,061                                     | (3,835)                                   | (8,247)                                 | 5,646                                   |
| Sale of royalty (Note 9)                                                        | -                                         | -                                         | 382,430                                 | -                                       |
| <b>Loss and comprehensive loss for the period</b>                               | <b>\$ (270,463)</b>                       | <b>\$ (859,934)</b>                       | <b>\$ (416,477)</b>                     | <b>\$ (1,192,700)</b>                   |
| <b>Basic and diluted loss per common share</b>                                  | <b>\$ 0.00</b>                            | <b>\$ 0.00</b>                            | <b>\$ 0.00</b>                          | <b>\$ 0.00</b>                          |
| <b>Weighted average number of common shares outstanding – basic and diluted</b> | <b>312,482,595</b>                        | <b>311,782,595</b>                        | <b>312,482,595</b>                      | <b>308,694,037</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)

| 6-month period ended                                                                                   | June 30,<br>2020 | June 30,<br>2019 |
|--------------------------------------------------------------------------------------------------------|------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                            |                  |                  |
| Loss for the period                                                                                    | \$ (416,477)     | \$ (1,192,700)   |
| Items not affecting cash:                                                                              |                  |                  |
| Amortization                                                                                           | 1,154            | 1,154            |
| Stock-based compensation                                                                               | 258,376          | 422,636          |
| Changes in non-cash working capital items:                                                             |                  |                  |
| Decrease in prepaid expenses and receivables                                                           | 24,690           | 11,202           |
| (Decrease) increase in accounts payable, accrued liabilities and accounts payable with related parties | 258,006          | (20,567)         |
|                                                                                                        | 125,749          | (778,275)        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                                            |                  |                  |
| Common shares issued                                                                                   | -                | 799,483          |
| Options exercised for common shares                                                                    | -                | 96,680           |
|                                                                                                        | -                | 896,163          |
| <b>Change in cash during the period</b>                                                                | 125,749          | 117,888          |
| <b>Cash, beginning of period</b>                                                                       | 115,568          | 284,757          |
| <b>Cash, end of period</b>                                                                             | \$ 241,317       | \$ 402,645       |
|                                                                                                        | 2020             | 2019             |
| <b>Cash paid during the 6-month period for interest</b>                                                | \$ -             | \$ -             |
| <b>Cash paid during the 6-month period for taxes</b>                                                   | \$ -             | \$ -             |

There were no significant non-cash investing and financing activities during the periods ended June 30, 2020 and 2019.

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

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

|                                    | Number of<br>Shares | Capital Stock        | Additional<br>Paid in<br>Capital | Treasury<br>Stock    | Accumulated<br>Other<br>Comprehensive<br>Loss | Deficit              | Total<br>Stockholders'<br>Equity |
|------------------------------------|---------------------|----------------------|----------------------------------|----------------------|-----------------------------------------------|----------------------|----------------------------------|
| <b>Balance, December 31, 2018</b>  | <b>304,781,294</b>  | <b>\$108,244,311</b> | <b>\$ 5,675,812</b>              | <b>\$(1,264,194)</b> | <b>\$ (853,400)</b>                           | <b>\$110,900,636</b> | <b>\$ 901,893</b>                |
| Private placement                  | 5,926,301           | 799,483              | -                                | -                    | -                                             | -                    | 799,483                          |
| Options exercised                  | 1,075,000           | 197,778              | (101,098)                        | -                    | -                                             | -                    | 96,680                           |
| Stock-based compensation           | -                   | -                    | 13,116                           | -                    | -                                             | -                    | 13,116                           |
| Loss for the three months          | -                   | -                    | -                                | -                    | -                                             | (332,766)            | (332,766)                        |
| <b>Balance, March 31, 2019</b>     | <b>311,782,595</b>  | <b>\$109,241,572</b> | <b>\$ 5,587,830</b>              | <b>\$(1,264,194)</b> | <b>\$ (853,400)</b>                           | <b>\$111,233,402</b> | <b>\$ 1,478,406</b>              |
| Stock-based compensation           | -                   | -                    | 409,520                          | -                    | -                                             | -                    | 409,520                          |
| Loss for the three months          | -                   | -                    | -                                | -                    | -                                             | (859,934)            | (859,934)                        |
| <b>Balance, June 30, 2019</b>      | <b>311,782,595</b>  | <b>\$109,241,572</b> | <b>\$ 5,997,350</b>              | <b>\$(1,264,194)</b> | <b>\$ (853,400)</b>                           | <b>\$112,093,336</b> | <b>\$ 1,027,992</b>              |
| Options exercised                  | 700,000             | 134,089              | (69,773)                         | -                    | -                                             | -                    | 64,316                           |
| Stock-based compensation           | -                   | -                    | 4,844                            | -                    | -                                             | -                    | 4,844                            |
| Loss for the three months          | -                   | -                    | -                                | -                    | -                                             | (443,426)            | (443,426)                        |
| <b>Balance, September 30, 2019</b> | <b>312,482,595</b>  | <b>\$109,375,661</b> | <b>\$ 5,932,421</b>              | <b>\$(1,264,194)</b> | <b>\$ (853,400)</b>                           | <b>\$112,536,762</b> | <b>\$ 653,726</b>                |
| Stock-based compensation           | -                   | -                    | 3,653                            | -                    | -                                             | -                    | 3,653                            |
| Loss for the three months          | -                   | -                    | -                                | -                    | -                                             | (311,808)            | (311,808)                        |
| <b>Balance, December 31, 2019</b>  | <b>312,482,595</b>  | <b>\$109,375,661</b> | <b>\$ 5,936,074</b>              | <b>\$(1,264,194)</b> | <b>\$ (853,400)</b>                           | <b>\$112,848,570</b> | <b>\$ 345,571</b>                |
| Stock-based compensation           | -                   | -                    | 254,760                          | -                    | -                                             | -                    | 254,760                          |
| Loss for the three months          | -                   | -                    | -                                | -                    | -                                             | (146,014)            | (146,014)                        |
| <b>Balance, March 31, 2020</b>     | <b>312,482,595</b>  | <b>\$109,375,661</b> | <b>\$ 6,190,834</b>              | <b>\$(1,264,194)</b> | <b>\$ (853,400)</b>                           | <b>\$112,994,584</b> | <b>\$ 454,317</b>                |
| Stock-based compensation           | -                   | -                    | 3,616                            | -                    | -                                             | -                    | 3,616                            |
| Loss for the three months          | -                   | -                    | -                                | -                    | -                                             | (270,463)            | (270,463)                        |
| <b>Balance, June 30, 2020</b>      | <b>312,482,595</b>  | <b>\$109,375,661</b> | <b>\$ 6,194,450</b>              | <b>\$(1,264,194)</b> | <b>\$ (853,400)</b>                           | <b>\$113,265,047</b> | <b>\$ 187,470</b>                |

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

## **1. NATURE AND CONTINUANCE OF OPERATIONS**

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

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

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

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

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

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and related adverse public health developments, have adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

## **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, 2019 and with our Annual Report on Form 10-K filed with the SEC on February 28, 2020. Operating results for the six-month period ended June 30, 2020 may not necessarily be indicative of the results for the year ending December 31, 2020.

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

### **Use of estimates**

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

The Company considers itself to be an exploration stage company and will consider the transition to development stage after it receives funding to begin mine construction, and board approval.

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

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

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



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

recognition, except for those arising from certain related party transactions which are accounted for at the transferor's carrying amount or exchange amount.

Financial assets and liabilities classified as held-for-trading are measured at fair value, with gains and losses recognized in net income. Financial assets classified as held-to-maturity, loans and receivables, and financial liabilities other than those classified as held-for-trading are measured at amortized cost, using the effective interest method of amortization. Financial assets classified as available-for-sale are measured at fair value, with unrealized gains and losses being recognized as other comprehensive income until realized, or if an unrealized loss is considered other than temporary, the unrealized loss is recorded in income.

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

The Company has no leases with a term of greater than 12 months. Short term lease expenses totaled \$14,766 during the six months ended June 30, 2020 and \$13,932 during the six months ended June 30, 2019.

The following table presents information about the assets that are measured at fair value on a recurring basis as at June 30, 2020 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:

| Assets: | June 30,<br>2020 | Quoted<br>Prices in Active<br>Markets (Level<br>1) | Significant<br>Other Observable<br>Inputs (Level 2) | Significant Unobservable<br>Inputs (Level 3) |
|---------|------------------|----------------------------------------------------|-----------------------------------------------------|----------------------------------------------|
| Cash    | \$ 241,317       | \$ 241,317                                         | \$ —                                                | \$ —                                         |
| Total   | \$ 241,317       | \$ 241,317                                         | \$ —                                                | \$ —                                         |

### Recently Adopted and Recently Issued Accounting Standards

Accounting Standards Update 2019-12 – Income Taxes (Topic 740) The Financial Accounting Standards Board ("Board") is issuing this Update as part of its initiative to reduce complexity in accounting standards. This standard is effective for interim and annual reporting periods beginning after December 15, 2020, with early adoption permitted. The Company is currently evaluating the impact this guidance will have on its financial statements.

Accounting Standards Update 2019-01 – Leases (Topic 842) Codification Improvements - Issue 3 Transition Disclosures Related to Topic 250, Accounting Changes and Error Corrections. The amendments in this Update clarify the Board's original intent by explicitly providing an exception to the paragraph 250-10-50-3 interim disclosure requirements in the Topic 842 transition disclosure requirements. The effective date is for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2020. The Company has evaluated that this guidance will have little or no impact on its financial statements.

Accounting Standards Update 2018-13 – Fair Value Measurement (Topic 840) Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement. The amendments in this update apply to all entities that are required, under existing GAAP, to make disclosures about recurring or nonrecurring fair value measurements. This standard is effective for interim and annual reporting periods beginning after December 15, 2019, with early adoption permitted. The Company has adopted this policy which has no material effect on the consolidated financial statements.

## 3. EQUIPMENT

|                    | December 31,<br>2019<br>Net Book Value | Additions<br>(disposals)<br>(write-offs) | Amortization | June 30,<br>2020<br>Net Book Value |
|--------------------|----------------------------------------|------------------------------------------|--------------|------------------------------------|
| Computer equipment | \$ 6,967                               | \$ -                                     | \$ (1,154)   | \$ 5,813                           |

  

|                    | December 31,<br>2018<br>Net Book Value | Additions<br>(disposals)<br>(write-offs) | Amortization | December 31,<br>2019<br>Net Book Value |
|--------------------|----------------------------------------|------------------------------------------|--------------|----------------------------------------|
| Computer equipment | \$ 9,274                               | \$ -                                     | \$ (2,307)   | \$ 6,967                               |

#### 4. MINERAL PROPERTY INTERESTS

| June 30, 2020                                    | Scandium and other |
|--------------------------------------------------|--------------------|
| <b>Balance, June 30, 2020, December 31, 2019</b> | <b>\$ 704,053</b>  |

Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral property interests. The Company has investigated title to all of its mineral property interests and, to the best of its knowledge, title to all of its properties is in good standing.

##### SCANDIUM PROPERTIES

###### *Nyngan, New South Wales Property*

The Company holds a 100% interest in the Nyngan property in New South Wales, Australia (NSW). A definitive feasibility study was completed on the property in 2016.

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

Royalties attached to the Nyngan property include a 0.7% royalty on gross mineral sales on the property, a 1.5% Net Profits Interest royalty to private parties involved with the early exploration on the property, and a 1.7% Net Smelter Returns royalty payable for 12 years after production commences. Another revenue royalty is payable to private interests of 0.2%, subject to a \$370,000 cap. A NSW minerals royalty will also be levied on the project, subject to negotiation, currently 4% on revenue.

###### *Honeybugle property, Australia*

The Company holds a 100% interest in the Honeybugle property.

###### *Kiviniemi Scandium Property Finland*

In August 2018, the Company was granted an Exploration License for the Kiviniemi Scandium Property in central Finland from the Finnish regulatory body governing mineral exploration and mining in Finland. As of June 30, 2020, no funds have been capitalized for this property. During fiscal 2018, a reclamation bond of \$11,444 (€10,000) was placed.

#### 5. RELATED PARTY TRANSACTIONS

During the 6-month period ended June 30, 2020, the Company expensed \$196,551 for stock-based compensation for stock options issued to Company directors. During the 6-month period ended June 30, 2019, the Company expensed \$314,104 for stock-based compensation for stock options issued to Company directors.

During the 6-month period ended June 30, 2020, the Company expensed a consulting fee of \$51,000 to one of its directors. During the 6-month period ended June 30, 2019, the Company expensed a consulting fee of \$51,000 to one of its directors.

As at June 30, 2020, the Company owed \$460,074 to various directors and officers of the Company. (December 31, 2019 - \$269,165)

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

##### Private placements

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

##### 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.

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

Stock option transactions are summarized as follows:

|                                | Stock Options |                                                |
|--------------------------------|---------------|------------------------------------------------|
|                                | Number        | Weighted average exercise price in Canadian \$ |
| Outstanding, December 31, 2018 | 29,065,000    | \$ 0.19                                        |
| Granted                        | 9,860,000     | 0.15                                           |
| Exercised                      | (1,775,000)   | 0.12                                           |
| Expired                        | (2,540,000)   | 0.16                                           |
| Outstanding, December 31, 2019 | 34,610,000    | 0.188                                          |
| Granted                        | 8,525,000     | 0.065                                          |
| Expired                        | (8,360,000)   | 0.159                                          |
| Outstanding, June 30, 2020     | 34,775,000    | \$ 0.165                                       |
| Number currently exercisable   | 34,775,000    | \$ 0.165                                       |

As at June 30, 2020, incentive stock options were outstanding as follows:

|                | Number of Options Outstanding | Number of Options Exercisable | Exercise Price in Canadian \$ | Expiry Date       |
|----------------|-------------------------------|-------------------------------|-------------------------------|-------------------|
| <b>Options</b> |                               |                               |                               |                   |
|                | 100,000                       | 100,000                       | 0.225                         | July 11, 2020*    |
|                | 25,000                        | 25,000                        | 0.150                         | July 11, 2020*    |
|                | 400,000                       | 400,000                       | 0.115                         | August 28, 2020   |
|                | 4,300,000                     | 4,300,000                     | 0.100                         | November 5, 2020  |
|                | 4,850,000                     | 4,850,000                     | 0.130                         | February 8, 2021  |
|                | 4,800,000                     | 4,800,000                     | 0.370                         | February 21, 2022 |
|                | 250,000                       | 250,000                       | 0.300                         | October 6, 2022   |
|                | 6,100,000                     | 6,100,000                     | 0.225                         | January 19, 2023  |
|                | 350,000                       | 350,000                       | 0.185                         | August 30, 2023   |
|                | 5,025,000                     | 5,025,000                     | 0.150                         | May 9, 2024       |
|                | 50,000                        | 50,000                        | 0.130                         | June 24, 2024     |
|                | 8,425,000                     | 8,425,000                     | 0.065                         | March 19, 2025    |
|                | 100,000                       | 100,000                       | 0.075                         | May 22, 2025      |
|                | 34,775,000                    | 34,775,000                    |                               |                   |

\* These options expired unexercised on July 11, 2020.

As at June 30, 2020 the Company's outstanding and exercisable stock options have an aggregate intrinsic value of \$358,963 (December 31, 2019 - \$Nil).

### Stock-based compensation

During the 6-month period ended June 30, 2020, the Company recognized stock-based compensation of \$258,376 (June 30, 2019 - \$422,636) in the statement of operations and comprehensive loss. There were 8,525,000 stock options granted during the 6-month period ended June 30, 2020 (June 30, 2019 - 9,860,000).

The weighted average fair value of the options granted in the quarter was C\$0.065 (June 30, 2019 - C\$0.15).

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

The fair value of all compensatory options granted is estimated on grant date using the Black-Scholes option pricing model. The weighted average assumptions used in calculating the fair values of stock options granted in the 6-month period ended June 30 are as follows:

|                         | 2020    | 2019    |
|-------------------------|---------|---------|
| Risk-free interest rate | 1.31%   | 2.31    |
| Expected life           | 5 years | 5 years |
| Volatility              | 86.26%  | 90.40%  |
| Forfeiture rate         | N/A     | N/A     |
| Dividend rate           | N/A     | N/A     |

## 7. TREASURY STOCK

|                                                      | Number       | Amount    |
|------------------------------------------------------|--------------|-----------|
| Treasury shares, June 30, 2020, and December 31 2019 | \$ 1,033,333 | 1,264,194 |

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

## 8. SEGMENTED INFORMATION

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

| June 30, 2020              | Australia  | United States | Total      |
|----------------------------|------------|---------------|------------|
| Equipment                  | \$ -       | \$ 5,813      | \$ 5,813   |
| Mineral property interests | 704,053    | -             | 704,053    |
|                            | \$ 704,053 | \$ 5,813      | \$ 709,866 |
| December 31, 2019          | Australia  | United States | Total      |
| Equipment                  | \$ -       | \$ 6,967      | \$ 6,967   |
| Mineral property interests | 704,053    | -             | 704,053    |
|                            | \$ 704,053 | \$ 6,967      | \$ 711,020 |

## 9. SALE OF ROYALTY

On January 16, 2020, the Company received net proceeds of \$382,430 (C\$500,000) from completion of a royalty buyback agreement. The Company's royalty interest was related to the Windfall Lake gold property in Quebec, Canada, and was carried at zero value on the balance sheet.