

SCANDIUM INTERNATIONAL MINING CORP.
Form 10-Q
May 13, 2016

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

FORM 10-Q

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

For the quarterly period ended **March 31, 2016**

[] 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
(Address of principal executive offices)

89431
(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

Edgar Filing: SCANDIUM INTERNATIONAL MINING CORP. - Form 10-Q

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 10, 2016, the registrant's outstanding common stock consisted of 225,047,200 shares.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2016

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

As at:	March 31, 2016	December 31, 2015
ASSETS		
Current		
Cash	\$ 1,331,731	\$ 2,249,676
Prepaid expenses and receivables	123,205	107,529
Total Current Assets	1,454,936	2,357,205
Equipment (Note 3)	4,704	2,611
Mineral property interests (Note 4)	942,723	942,723
Total Assets	\$ 2,402,363	\$ 3,302,539
LIABILITIES AND STOCKHOLDERS EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 74,359	\$ 196,322
Accounts payable with related parties	17,239	11,009
Total Liabilities	91,598	207,331
Stockholders Equity		
Capital stock (Note 6) (Authorized: Unlimited number of common shares;		
Issued and outstanding: 225,047,200 (2015 225,047,200))	91,142,335	91,142,335
Treasury stock (Note 7) (1,033,333 common shares)	(1,264,194)	(1,264,194)
Additional paid in capital (Note 6)	6,771,050	6,375,237
Accumulated other comprehensive loss	(853,400)	(853,400)
Deficit	(92,419,278)	(91,338,182)
Total Stockholders Equity	3,376,513	4,061,796
Non-controlling Interest in a Subsidiary (Note 10)	(1,065,748)	(966,588)
Total Equity	2,310,765	3,095,208
Total Liabilities and Equity	\$ 2,402,363	\$ 3,302,539
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)

3 month period ended March 31, 2016 March 31, 2015

EXPENSES

Amortization (Note 3)	\$	1,064	\$	958
Consulting		25,500		28,000
Exploration		512,289		133,606
General and administrative		78,986		54,688
Insurance		8,551		(2,226)
Professional fees		26,269		42,808
Salaries and benefits		115,924		116,416
Stock-based compensation (Note 6)		395,813		14,314
Travel and entertainment		15,997		15,935

Loss from operations before other items		(1,180,393)		(404,499)
--	--	-------------	--	-----------

OTHER ITEMS

Foreign exchange gain (loss)		137		(10,463)
Interest expense		-		(55,692)
		137		(66,155)

Loss and comprehensive loss for the period		(1,180,256)		(470,654)
---	--	-------------	--	-----------

Costs allocable to non-controlling interest in a subsidiary		99,160		-
--	--	--------	--	---

Loss and comprehensive loss for the period attributable to Scandium International Mining Corp.	\$	(1,081,096)	\$	(470,654)
---	----	-------------	----	-----------

Basic and diluted loss and comprehensive loss per common share attributable to Scandium International Mining Corp.	\$	0.01	\$	0.00
---	----	------	----	------

Weighted average number of common shares outstanding	225,047,200	198,604,790
---	-------------	-------------

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)

3-month period ended	March 31, 2016	March 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (1,180,256)	\$ (470,654)
Items not affecting cash:		
Amortization	1,064	958
Stock-based compensation	395,813	14,314
Changes in non-cash working capital items:		
Decrease (increase) in prepaids and receivables	(15,676)	21,725
Increase (decrease) in accounts payable, accrued liabilities and accounts payable with related parties	(115,733)	181,492
	(914,788)	(252,165)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to fixed assets	(3,157)	-
	(3,157)	-
Change in cash during the period	(917,945)	(252,165)
Cash, beginning of period	2,249,676	417,386
Cash, end of period	\$ 1,331,731	\$ 165,221
Supplemental disclosure with respect to cash flows (Note 9)		

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 Shares	Capital Stock	Additional Paid in Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Deficit	Total Stockholders Equity	co In S
Balance, December 31, 2014	198,604,790	\$ 89,186,471	\$ 2,419,615	\$ (1,264,194)	\$ (853,400)	\$ (88,567,751)	\$ 920,741	
Private placements	23,654,930	1,812,047	-	-	-	-	1,812,047	
Shares issued in settlement of debt	2,237,480	169,262	-	-	-	-	169,262	
Share issue costs	-	(60,000)	-	-	-	-	(60,000)	
Stock options exercised	550,000	34,555	(10,717)	-	-	-	23,838	
Stock-based compensation	-	-	673,224	-	-	-	673,224	
Sale of 20% of Australian subsidiary	-	-	3,293,115	-	-	-	3,293,115	
Loss for the year	-	-	-	-	-	(2,770,431)	(2,770,431)	
Balance, December 31, 2015	225,047,200	\$ 91,142,335	\$ 6,375,237	\$ (1,264,194)	\$ (853,400)	\$ (91,338,182)	\$ 4,061,796	
Stock-based compensation	-	-	395,813	-	-	-	395,813	
Loss for the period	-	-	-	-	-	(1,081,096)	(1,081,096)	
Balance, March 31, 2016	225,047,200	\$ 91,142,335	\$ 6,771,050	\$ (1,264,194)	\$ (853,400)	\$ (92,419,278)	\$ 3,376,513	

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

Scandium International Mining Corp.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

(Expressed in US Dollars) (Unaudited)

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.

In fiscal 2015, the Company settled a \$2,500,000 promissory note payable in exchange for a 20% interest in its Australian subsidiary which holds the Nyngan and Honeybugle properties. Accordingly, the Company holds an 80% interest in its Australian subsidiary as at period end.

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, 2015 and with our Annual Report on Form 10-K filed with the SEC on March 15, 2016. Operating results for the three-month period ended March 31, 2016 may not necessarily be indicative of the results for the year ending December 31, 2016.

These unaudited condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, EMC Metals USA Inc., Wolfram Jack Mining Corp., and The Technology Store, Inc. Non-controlling interest represents the minority shareholders' 20% proportionate share of the net assets and results of the Company's majority-owned Australian subsidiary, EMC Metals Australia Pty Ltd., from the date the 20% interest was disposed of by the Company (Note 4). All significant intercompany accounts and transactions have been eliminated on consolidation.

Use of estimates

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

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

Scandium International Mining Corp.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

(Expressed in US Dollars) (Unaudited)

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 following table presents information about the assets that are measured at fair value on a recurring basis as at March 31, 2016, and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability, and included situations where there is little, if any, market activity for the asset:

	March 31, 2016	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash	\$ 1,331,731	\$ 1,331,731	\$	\$
Total	\$ 1,331,731	\$ 1,331,731	\$	\$

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

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

Recently Adopted and Recently Issued Accounting Standards

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

Accounting Standards Update 2015-17 Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes. This accounting pronouncement requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. Currently deferred tax liabilities and assets must be presented as current and

noncurrent. The policy is effective December 16, 2016. The Company is evaluating this guidance and believes it will have little impact on the presentation of its financial statements.

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

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.

Scandium International Mining Corp.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

(Expressed in US Dollars) (Unaudited)

3. EQUIPMENT

December 31, Additions