

SCANDIUM INTERNATIONAL MINING CORP.
Form 10-Q
August 05, 2015

**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, 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 August 5, 2015, the registrant's outstanding common stock consisted of 199,154,790 shares.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS AND QUARTER ENDED JUNE 30, 2015

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

As at: June 30, 2015 December 31, 2014

ASSETS

Current

Cash	\$ 143,719	\$ 417,386
Prepaid expenses and receivables	17,890	57,433

Total Current Assets 161,609 474,819

Equipment (Note 3) 4,528 6,444

Mineral interests (Note 4) 3,012,723 3,012,723

Total Assets \$ 3,178,860 \$ 3,493,986

LIABILITIES AND STOCKHOLDERS EQUITY

Current

Accounts payable and accrued liabilities	\$ 321,260	\$ 51,343
Accounts payable with related parties	193,360	21,902
Promissory notes payable (Note 6)	2,500,000	2,500,000

Total Liabilities 3,014,620 2,573,245

Stockholders Equity

Capital stock (Note 8) (Authorized: Unlimited number of shares with no par value; Issued and outstanding: 199,154,790 (2014 198,604,790))	89,221,026	89,186,471
Treasury stock (Note 9) (1,033,333 common shares)	(1,264,194)	(1,264,194)
Additional paid in capital (Note 8)	2,731,911	2,419,615
Accumulated other comprehensive loss	(853,400)	(853,400)
Deficit	(89,671,103)	(88,567,751)

Total Stockholders Equity 164,240 920,741

Total Liabilities and Stockholders Equity \$ 3,178,860 \$ 3,493,986

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 June 30, 2015	Quarter ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
EXPENSES				
Amortization (Note 3)	\$ 958	\$ 959	\$ 1,916	\$ 1,917
Consulting	25,500	8,500	53,500	8,500
Exploration	54,206	635	187,812	53,391
General and administrative	35,672	39,788	90,360	87,110
Insurance	7,271	(241)	5,045	6,448
Professional fees	7,001	62,691	49,809	83,813
Salaries and benefits	115,950	89,475	232,366	186,769
Stock-based compensation (Note 8)	308,699	-	323,013	1,166
Travel and entertainment	333	5,176	16,268	12,442
Loss before other items	(555,590)	(206,983)	(960,089)	(441,556)
OTHER ITEMS				
Foreign exchange gain (loss)	(2,108)	11,355	(12,571)	4,124
Interest expense	(75,000)	(25,666)	(130,692)	(55,666)
	(77,108)	(14,311)	(143,263)	(51,542)
Loss and comprehensive loss for the period	\$ (632,698)	\$ (221,294)	\$ (1,103,352)	\$ (493,098)
Basic and diluted loss per common share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.00)
Weighted average number of common shares outstanding – basic and diluted	199,002,042	177,640,929	198,804,514	171,690,544

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)

	Six months ended June 30, 2015	Six months ended June 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (1,103,352)	\$ (493,098)
Items not affecting cash:		
Amortization	1,916	1,917
Stock-based compensation	323,013	1,166
Changes in non-cash working capital items:		
Decrease in prepaids and receivables	39,543	103,950
Increase in accounts payable and accrued liabilities	441,375	101,324
	(297,505)	(284,741)
CASH FLOWS FROM INVESTING ACTIVITIES		
Restricted cash	-	149,868
Additions to unproven mineral interests	-	(1,364,031)
	-	(1,214,163)
CASH FLOWS FROM FINANCING ACTIVITIES		
Common shares issued	-	876,946
Share issuance costs	-	(27,531)
Stock options exercised	23,838	-
Receipt of promissory note	-	2,500,000
Payment of promissory note and convertible debenture	-	(1,854,875)
	23,838	1,494,540
Change in cash during the period	(273,667)	(4,364)
Cash, beginning of period	417,386	785,075
Cash, end of period	\$ 143,719	\$ 780,711

Supplemental disclosure with respect to cash flows (Note 11)

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				Accumulated Other Comprehensive Loss (Foreign Currency Translation)	Deficit	Total
	Number of Shares	Amount \$	Additional Paid in Capital \$	Treasury Stock \$	\$	\$	\$
Balance, December 31, 2013	165,358,337	87,310,708	2,108,327	(1,264,194)	(853,400)	(86,718,095)	583,346
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)
Balance, December 31, 2014	198,604,790	89,186,471	2,419,615	(1,264,194)	(853,400)	(88,567,751)	920,741
Stock options exercised	550,000	34,555	(10,717)	-	-	-	23,838
Stock-based compensation	-	-	323,013	-	-	-	323,013
Loss for the period	-	-	-	-	-	(1,103,352)	(1,103,352)
Balance, June 30, 2015	199,154,790	89,221,026	2,731,911	(1,264,194)	(853,400)	(89,671,103)	164,240

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

Scandium International Mining Corp.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 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 six month period ended June 30, 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

June 30, 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 June 30, 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:

	June 30, 2015	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash	\$ 143,719	\$ 143,719	\$ -	\$ -
Total	\$ 143,719	\$ 143,719	\$ -	\$ -

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	June 30, 2015 Net Book Value
Computer equipment	\$ 1,696			