

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 September 30, 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

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 November 07, 2016, the registrant's outstanding common stock consisted of 225,047,200 shares.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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”, “SCY”, “Scandium”, “Scandium International” or the “Company”) and its subsidiaries provides an analysis of the operating and financial results for the three and nine month periods ended September 30, 2016 and should be read in conjunction with our unaudited interim consolidated financial statements and the notes thereto for the nine month period ended September 30, 2016, and with the Company’s audited consolidated financial statements and the notes thereto for the year ended December 31, 2015 (the “Annual Statements”).

This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including, but not limited to, those set forth under the heading “Risk Factors and Uncertainties” in our Annual Report on Form 10-K for the year ended December 31, 2015, and elsewhere in this Quarterly Report on Form 10-Q.

The interim statements have been prepared in accordance with US Generally Accepted Accounting Principles (“US GAAP”) as required under U.S. federal securities laws 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 the United States. The reporting currency used in our financial statements is the United States Dollar.

The information contained within this report is current as of November 7, 2016 unless otherwise noted. Additional information relevant to the Company’s activities can be found on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

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.

Cautionary Note to U.S. Investors Regarding Reserve and Resource Estimates

The Company uses Canadian Institute of Mining, Metallurgy and Petroleum definitions for the terms “proven reserves”, “probable reserves”, “measured resources” and “indicated resources”. U.S. investors are cautioned that while these terms 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 (“SEC”) does not recognize them. Canadian mining disclosure standards differ from the requirements of the SEC under SEC Industry Guide 7, and reserve and resource information referenced in this Form 10-Q may not be comparable to similar information disclosed by companies reporting under U.S. standards. In particular, and without limiting the generality of the foregoing, the term “resource” does not equate to the term “reserve”. Under United States standards, mineralization may not be classified as a “reserve” unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. The SEC’s disclosure standards normally do not permit the inclusion of information concerning “measured mineral resources” or “indicated mineral resources” or other descriptions of the amount of mineralization in mineral deposits that do not constitute “reserves” by U.S. standards in documents filed with the SEC. Disclosure of “contained ounces” in a resource estimate is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute “reserves” by SEC standards as tonnage and grade without reference to unit measures. The requirements of NI 43-101 for identification of “reserves” are also not the same as those of the SEC, and reserves in compliance with NI 43-101 may not qualify as “reserves” under SEC standards.

Cautionary Note Regarding Forward-Looking Statements

Certain statements made in this Quarterly Report on Form 10-Q may constitute “forward-looking statements about the Company and its business. Forward looking statements are statements that are not historical facts and include, but are not limited to, reserve and resource estimates, estimated value of the project, projected investment returns, anticipated mining and processing methods for the project, the estimated economics of the project, anticipated scandium recoveries, production rates, scandium grades, estimated capital costs, operating cash costs and total production costs, planned additional processing work and environmental permitting. The forward-looking statements in this report are subject to various risks, uncertainties and other factors that could cause the Company's actual results or achievements to differ materially from those expressed in or implied by forward looking statements. These risks, uncertainties and other factors include, without limitation risks related to uncertainty in the demand for scandium and pricing assumptions; uncertainties related to raising sufficient financing to fund the project in a timely manner and on acceptable terms; changes in planned work resulting from logistical, technical or other factors; the possibility that results of work will not fulfill expectations and realize the perceived potential of the Company's properties; uncertainties involved in the estimation of scandium reserves and resources; the possibility that required permits may not be obtained on a timely manner or at all; the possibility that capital and operating costs may be higher than currently estimated and may preclude commercial development or render operations uneconomic; the possibility that the estimated recovery rates may not be achieved; risk of accidents, equipment breakdowns and labor disputes or other unanticipated difficulties or interruptions; the possibility of cost overruns or unanticipated expenses in the work program; risks related to projected project economics, recovery rates, and estimated NPV and anticipated IRR and other factors identified in the Company's SEC filings and its filings with Canadian securities regulatory authorities. Forward-looking statements are based on the beliefs, opinions and expectations of the Company's management at the time they are made, and other than as required by applicable securities laws, the Company does not assume any obligation to update its forward-looking statements if those beliefs, opinions or expectations, or other circumstances, should change.

Scandium International Corporate Overview

Scandium International is a specialty metals and alloys company focused on developing the production and sales of 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 (the “TSX”) under the symbol “SCY”.

Our focus of operations is the exploration and development of the Nyngan scandium deposit located in New South Wales (“NSW”), Australia (“Nyngan” or the “Nyngan Scandium Project”). We also hold an exploration stage property in Norway, known as the Tørdal scandium/rare earth minerals property and an exploration stage property in Australia, known as the Honeybugle scandium property.

We acquired a 100% interest in the Nyngan Scandium Project in June of 2014 pursuant to the terms of a settlement agreement with Jervois Mining Ltd. of Melbourne, Australia. The project is held through our Australian subsidiary, EMC Metals Australia Pty Ltd. (“EMC Australia”), which also holds the Honeybugle scandium property.

During Q3 of 2015, the Company converted a \$2,500,000 loan from Scandium Investments LLC (“SIL”), an unrelated investment company, into a 20% minority interest in EMC Australia. As a result, the Company currently holds an 80% equity interest in its Australian subsidiary, with SIL holding a 20% interest. EMC Australia is operated as a joint venture between SIL and SCY with SIL holding a carried interest in the

Nyngan Scandium Project until the Company meets two development milestones: (1) filing a feasibility study on SEDAR (the report was filed on May 6, 2016), and (2) receiving a mining license on either joint venture property. At such time as the two development milestones are met, SIL becomes fully participating on project costs thereafter.

Completion of the development milestones by the Company, as described above, triggers a limited period option whereby SIL can elect to convert the fair market value of its 20% interest in EMC Australia into an equivalent value of SCY common shares, at then prevailing market prices.

During the third quarter of 2016, we focused on Nyngan Scandium Project activities including scandium marketing arrangements, completion of the environmental impact statement (“EIS”) and application for a mining lease (“MLA”) with NSW Mines Department.

Principal Properties Review

Nyngan Scandium Project (NSW, Australia)

Nyngan Property Description and Location

The Nyngan Scandium Project site is located approximately 450 kilometers northwest of Sydney, NSW, Australia and approximately 20 kilometres due west of the town of Nyngan, a rural town of approximately 2900 people. The general area can be characterized as flat countryside and is classified as agricultural land, used predominantly for wheat farming and livestock grazing.

The specific location of the exploration licenses are provided in Figure 2 below.

Figure 1: Location of Nyngan Project

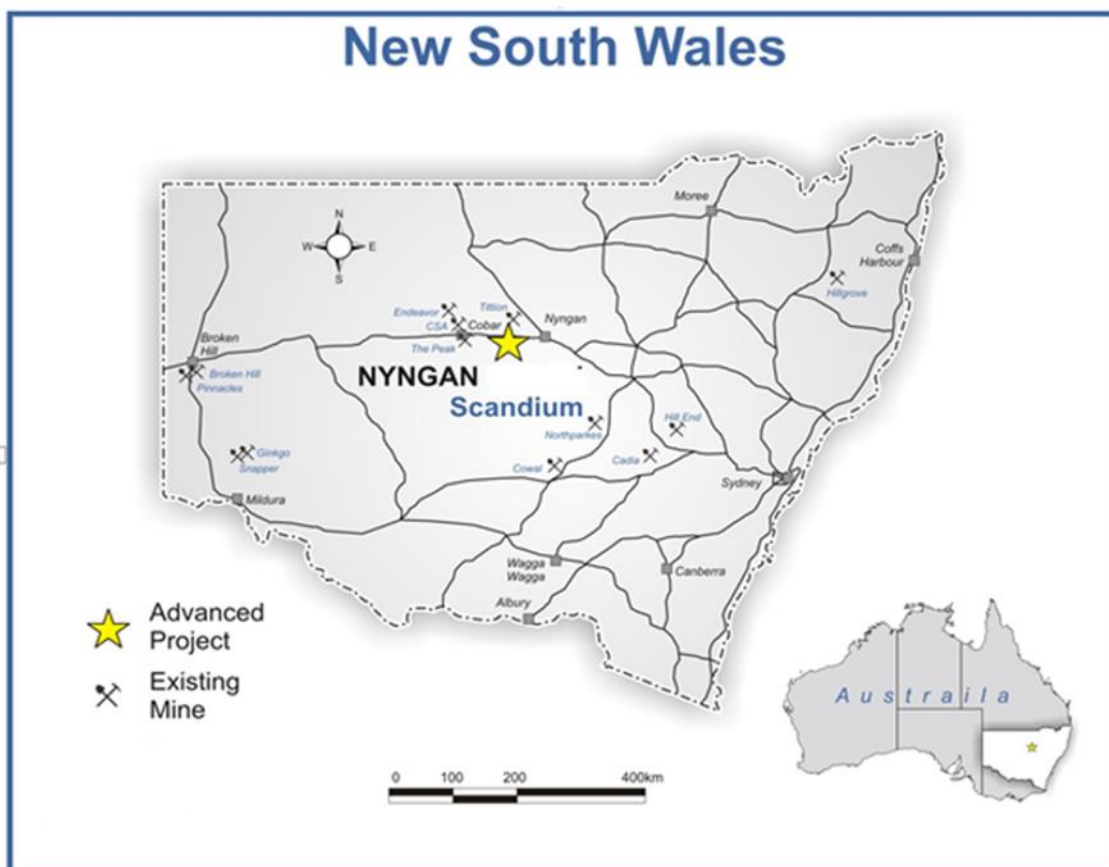
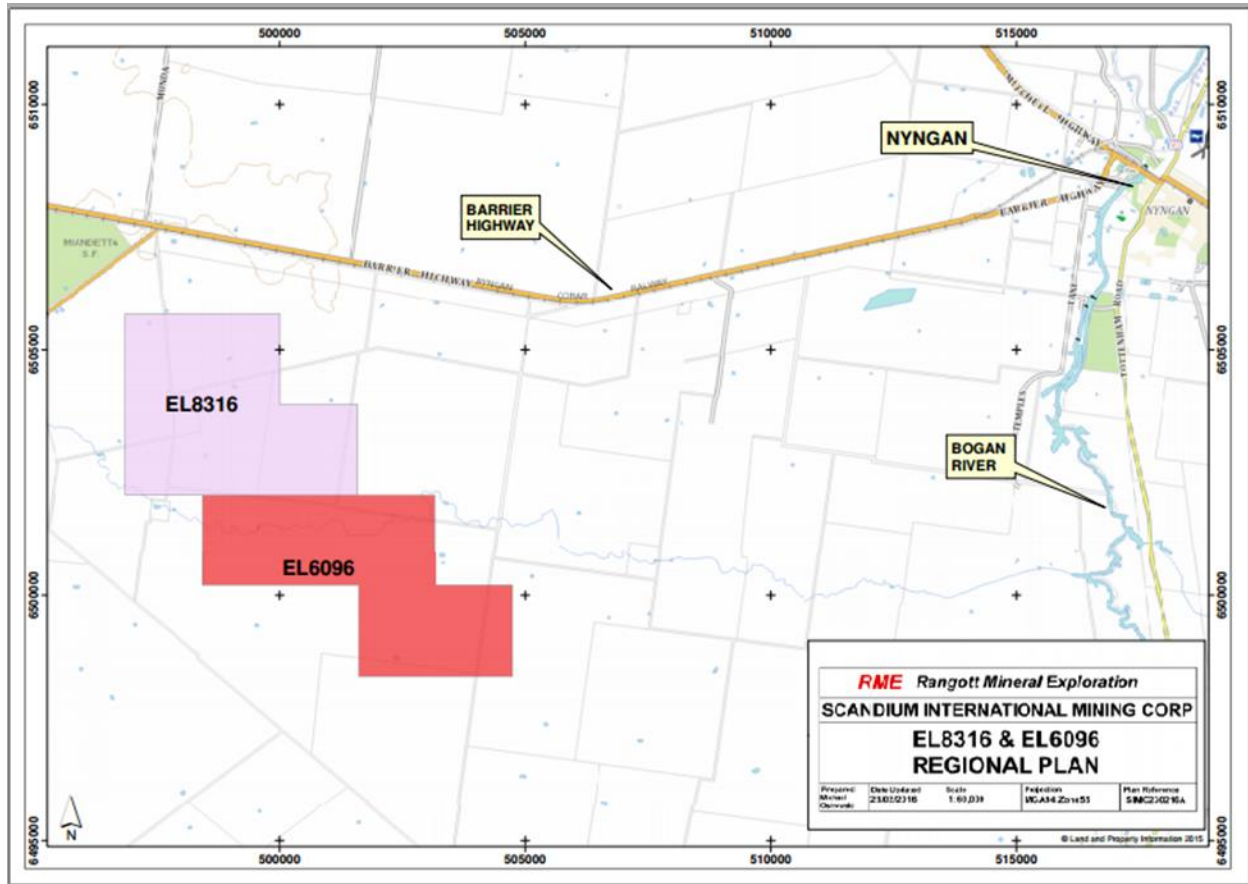


Figure 2: Location of the Exploration Licenses



Nyngan Feasibility Study

On April 18, 2016 the Company announced the results of an independently prepared feasibility study on the Nyngan Scandium Project. The technical report on the feasibility study entitled “*Feasibility Study – Nyngan Scandium Project, Bogan Shire, NSW, Australia*” is dated May 4, 2016 and was independently compiled pursuant to the requirements of NI 43-101. The report was filed on May 6, 2016 and is available on SEDAR (www.sedar.com) and on the Company’s website (www.scandiummining.com) and the SEC’s website (www.sec.gov). A full discussion on the technical report was provided in the Company’s Form 10Q for the quarterly period ending March 31, 2016, as filed with the SEC and on SEDAR on May 13, 2016.

The feasibility study concluded that the Nyngan Scandium Project has the potential to produce an average of 37,690 kilograms of scandium oxide (scandia) per year, at grades of 98.0%-99.9%, generating an after tax cumulative cash flow over a 20 year Project life of US\$629 million, with an NPV_{10%} of US\$177 million. The average process plant feed grade over the 20 year Project life is 409ppm of scandium.

The financial results of the feasibility study are based on a conventional flow sheet, employing continuous high pressure acid leach (HPAL) and solvent extraction (SX) techniques. The flow sheet was modeled and validated from METSIM modeling and considerable bench scale/pilot scale metallurgical test work utilising Nyngan resource material. A number of the key elements of this flowsheet work have been protected by the Company under US Patent Applications.

The Feasibility Study has been developed and compiled to an accuracy level of +15%/-5%, by a globally recognized engineering firm that has considerable expertise in laterite deposits and process facilities, as

well as in smaller mining and processing projects, and has excellent familiarity with the Nyngan Scandium Project location and environment.

Nyngan Scandium Project Highlights

- Capital cost estimate for the Project is US\$87.1 million,
- Annual scandium oxide product volume averages 37,690 kg per year, over 20 years
- Annual revenue of US\$75.4 million (oxide price assumption of US\$2,000/kg)
- Operating cost estimate for the Project is US\$557/kg scandium oxide,
- Project Constant Dollar NPV10% is US\$177 million, (NPV8% is US\$225 million),
- Project Constant Dollar IRR is 33.1%,
- Oxide product grades of 98-99.8%, as based on customer requirements,
- Project resource increases by 40% to 16.9 million tonnes, grading 235ppm Sc, at a 100ppm cut-off in the measured and indicated categories, and
- Project Reserve totalling 1.43 million tonnes, grading 409ppm Sc was established on part of the resource.

DFS Conclusions and Recommendations

The production assumptions in the Feasibility Study are backed by solid independent flow sheet test work on the planned process for scandium recovery. The Feasibility Study consolidates a significant amount of metallurgical test work and prior study on the Nyngan Scandium Project, including important test work results completed since the PEA was generated in 2014. The entire body of work demonstrates a viable, conventional process flow sheet utilizing a continuous-system HPAL leaching process, and good metallurgical recoveries of scandium from the resource. The metallurgical assumptions are supported by various bench and pilot scale independent test work programs that are consistent with known outcomes in other laterite resources. The continuous autoclave configuration, as opposed to batch systems explored in previous flow sheets, is also a more conventional and current design choice.

The level of accuracy established in the Feasibility Study substantially reduces the uncertainty levels inherent in earlier studies, specifically the PEA. The greater confidence intervals around the Feasibility Study were achieved by reliance on significant project engineering work, a capital and operating cost estimate supported by detailed requirements and vendor pricing, plus one offtake agreement and an independent marketing assessment, both supportive of the marketing assumptions on the business.

The Feasibility Study delivered a positive result on the Nyngan Scandium Project, and recommends the Nyngan Scandium Project owners seek finance and proceed to construction. Recommendations were made therein for additional immediate work, notably to win additional offtake agreements with customers, complete some optimizing flow sheet studies, and to initiate as early as possible detailed engineering required on certain long-lead capital items.

Confirmatory Metallurgical Test Results

On June 29, 2016 we announced the results of a confirmatory metallurgical test work report from Altrius Engineering Services (AES) of Brisbane, Australia. The test work results directly relate to the list of recommended programs included in the Feasibility Study. AES devised and supervised these test work programs at the SGS laboratory in Perth, Australia and at the Nagrom laboratory in Brisbane, Australia.

The project DFS recommended a number of process flowsheet test work programs be investigated prior to commencing detailed engineering and construction. Those study areas included pressure leach ("HPAL"), counter-current decant circuits ("CCD"), solvent extraction ("SX"), and oxalate precipitation, with specific work steps suggested in each area. This latest test work program addresses all of these recommended areas, and the results confirm recoveries and efficiencies that either meet or exceed the parameters used in the DFS. Highlights of the testing are:

- Pressure leach test work achieved 88% recoveries, from larger volume tests,
- Settling characteristics of leach discharge slurry show substantial improvement,
- Residue neutralization work meets or exceeds all environmental requirements as presented in the DFS and the environmental impact statement ("EIS"),
- Solvent extraction circuit optimization tests generated improved performance, exceeding 99% recovery in single pass systems, and
- Product finish circuits produced 99.8% scandium oxide, completing the recovery process from Nyngan ore to finished scandia product.

Environmental Permitting/Development Consent/Mining Lease

On May 2, 2016 the Company announced the filing of an Environmental Impact Statement ("EIS") with the New South Wales, Australia, Department of Planning and Environment, (the "Department") in support of the planned development of the Nyngan Scandium Project. The EIS was prepared by R.W. Corkery & Co. Pty. Limited, on behalf of the Company's 80% owned subsidiary, EMC Australia to support an application for Development Consent for the Nyngan Scandium Project. The EIS is a complete document, including a Specialist Consultants Study Compendium, and was submitted to the Department on Friday, April 29, 2016.

EIS Highlights:

- The EIS finds residual environmental impacts represent negligible risk.
- The proposed development design achieves sustainable environmental outcomes.
- The EIS finds net-positive social and economic outcomes for the community.
- Nine independent environmental consulting groups conducted analysis over five years, and contributed report findings to the EIS.
- The Nyngan Project development is estimated to contribute A\$12.4M to the local and regional economies, and A\$39M to the State and Federal economies, annually
- The EIS is fully aligned with the DFS and with a NSW Mining License Application for the Nyngan Project.

Conclusion statement in the EIS:

"In light of the conclusions included throughout this *Environmental Impact Statement*, it is assessed that the Proposal could be constructed and operated in a manner that would satisfy all relevant statutory goals and criteria, environmental objectives and reasonable community expectations."

EIS Discussion:

The EIS is the foundation document submitted by a developer intending to build a mine facility in Australia. The Nyngan Scandium Project is considered a State Significant Project, in that capital cost exceeds A\$30million, which means State agencies are designated to manage the investigation and approval process for granting a Development Consent, from the Minister of Planning and Environment. This Department will manage the review of the Proposal through a number of State and local governmental agencies.

The EIS is a self-contained set of documents used to seek a Development Consent. It is however, supported in many ways by the recently completed feasibility study.

Once the Development Consent is granted, there are a number of operating licenses that are required from various regulatory agencies to construct and operate a mining operation in NSW.

The key license approvals are:

- An Environment Protection Licence,

- A Mining Lease,
- Water Supply Works and Use Approval and Water Access Licence,
- A Section 138 Permit issued by the Bogan Shire Council, for construction of the intersection of the Site Access Road and Gilgai Road,
- An approval from the NSW Dams Safety Committee for the design and construction of the Residue Storage Facility, and
- A high voltage connection agreement with Essential Energy.

The EIS represents the cornerstone of all of these approvals and licenses, along with the multi-interagency review that will precede the approval authorization for a Development Consent. The timeframe for completion of these reviews and granting of licenses is not fixed, and is dependent on the quality of the EIS, the extent of the questions that may arise from the project review, and the available resources in government to address the review itself. General estimates range from 6-9 months, with some proposals taking longer, particularly larger proposals, or proposals with more community and environmental impacts to consider.

The Company held a town hall meeting in Nyngan on May 23, 2016, to brief the community on project plans and impacts. The meeting was announced in the local Nyngan Observer newspaper, and attended by local members of the community, the town Council, and the Mayor. Discussion was encouraged and issues raised were general in nature.

The EIS was accepted by the NSW Department of Planning and Environment after an adequacy review, and the Company met with Department staff on May 25th, for detailed discussions on details of the document and development plans. After this formal departmental review meeting, the EIS was subsequently placed on public exhibition on May 26th, for access by the public and other NSW governmental agencies, for a period of 30 days.

The exhibition period was completed on Friday, June 24th. The filing received relatively few comments, none that represent an issue with development, and has been followed by further internal reviews and discussions between the Company and various governmental agencies.

The Company intends to follow and support the progress of governmental agency reviews in coming months.

ALCERECO MOU and Offtake Agreements

On March 30, 2015, the Company announced that it had signed a memorandum of understanding (“MOU”) with ALCERECO Inc. of Kingston, Ontario (ALCERECO”), forming a strategic alliance to develop markets and applications for aluminum alloys containing scandium. To further that alliance, and to reinforce the capability of both companies to deliver product developed for Sc-Al alloy markets, Scandium International and ALCERECO also signed an offtake agreement governing sales terms of scandium oxide product (scandia) produced from the Nyngan Scandium Project. The offtake agreement specifies deliveries of scandium oxide product commencing in 2017.

Scandium as an alloying agent in aluminum allows for aluminum metal products that are much stronger, more easily weldable and exhibit improved performance at higher temperatures than current aluminum based materials. This means lighter structures, lower manufacturing costs and improved performance in areas that aluminum alloys do not currently compete.

- The MOU covers areas of joint cooperation and development of aluminum alloys that contain and are enhanced by the addition of scandium,
- The MOU recognizes the specialized capabilities ALCERECO holds for the design, manufacture, and testing of Sc-Al alloy materials,
- The offtake agreement outlines standard sale terms on 7,500 kg of scandia per annum, for a term of three years beginning in 2017, which can be extended, and

- The offtake agreement contains both fixed and variable pricing components, which are subject to confidentiality.

ALCERECO is an advanced materials development company that provides services and specialty processing capabilities to companies innovating in a diverse range of markets, including aerospace, automotive, electronics and consumer/sporting goods. ALCERECO staff work with a range of materials and processes and have the tools and knowledge to take on leading-edge projects such as development of aluminum-scandium alloys, specialty ceramics, composites and graphene enhanced materials. The company has a particular focus on lightweight materials capable of delivering greater strength, functionality and exceptional performance.

ALCERECO operates out of the Grafoid Global Technology Centre in Kingston, Ontario that was originally founded by Alcan Aluminum in the 1940s. ALCERECO is a Canadian private company, and a wholly-owned subsidiary of Ottawa-based Grafoid Inc., a graphene application development company.

Nyngan Scandium Project - Planned Activities for 2016-2017

The following steps are planned for Nyngan during the 2016 and 2017 Calendar years:

- Complete and file an EIS on the Nyngan Scandium Project in Q2 2016 (EIS was filed on April 29, 2016);
- Complete and file an advanced stage economic study (the DFS) with a +/- 15% accuracy level, in Q2 2016 (the report was filed on May 6, 2016 and is available on SEDAR);
- Make formal application for a mining lease (MLA) pertaining to the Nyngan Scandium Project with NSW Mines Department in Q3 2016 (mining lease application was made on July 14, 2016);
- Pursue additional offtake agreements in support of planned future scandium sales;
- Seek and secure project financing to fund the construction of the Nyngan Scandium Project;
- Undertake final investment decision (FID) in Q1 2017, subject to concluded/approved financing arrangements and receipt of all required permits, licenses and the MLA,
- Commence site construction in 2017, and
- Initiate project commissioning in 2018.

Other Properties Review

Tørdal Scandium/REE Property (Norway)

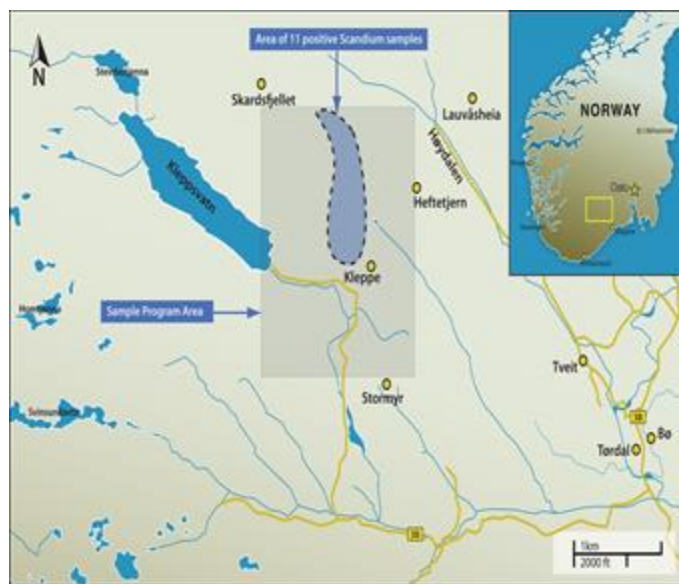
During 2011, we entered into agreements with REE Mining AS of Norway to obtain exploration rights to 90 sq km in Southern Norway, which we call the Tørdal scandium exploration property.

Exploration rights for the Tørdal property include certain minimum expenditure requirements. The Company intends to fulfill those minimum expenditure requirements.

Tørdal Property Location

The location of the Tørdal exploration property is provided in Figure 4 below.

Figure 3. Location of the Tørdal Exploration Property



2012 Tørdal Field Exploration

On February 14, 2013, we announced promising results from field exploration work on the Tørdal property during the summer and fall months of 2012, focused on scandium-bearing pegmatites. The 2012 work included independent assay results of pegmatite rock samples taken from one specific property area, and also includes an extensive pegmatite mapping program covering approximately 30 sq km. The assay results indicated the presence of high levels of scandium and various rare earth elements (“REEs”), including heavy rare earth elements (“HREEs”) in particular. Field XRF readings indicated elevated scandium content in hundreds of large and small pegmatite bodies, found and mapped in the reconnaissance area.

Highlights of the results of the 2012 field exploration are as follows:

- Tørdal 2012 assays of pegmatite rocks show presence of both scandium and REEs,
- Best scandium assays exceed 1,600 ppm,
- Promising HREE assay results from pegmatites with gadolinite mineralization,
- Host rock mineralization points to higher grade scandium or HREE contents,
- 2012 summer exploration program mapped and sampled over 300 pegmatites,
- A total of 1,940 Niton XRF scandium readings were taken on whole rock samples, and
- Overall program results at Tørdal are very encouraging and warrant expanded exploration.

SCY’s mapping and sampling work has confirmed that much of the Tørdal property is heavily populated with complex, near-surface pegmatite bodies. Based on hand-held XRF readings and mineralogy, these pegmatites show excellent promise for significant scandium enrichment, particularly within bodies containing micas, and for REE mineralization where the rare earth silicate gadolinite is present. Based on the results of 2012 exploration work, planning for future exploration work is warranted, subject to funding constraints.

We are currently in the planning process for work during 2016 to meet the minimum funding requirements to hold the exploration rights.

Honeybugle Scandium Property (NSW, Australia)

On April 2, 2014, the Company announced that it had secured a 100% interest in an exploration license (EL 7977) covering 34.7 square kilometers in New South Wales, Australia. The license area, we call the

Honeybugle scandium exploration property, is located approximately 24 kilometers west-southwest from the Company's Nyngan Scandium Project and approximately 36 kilometers southwest from the town of Nyngan, NSW.

Exploration rights for the Honeybugle property include certain minimum expenditure requirements. The Company intends to fulfill those minimum expenditure requirements.

Honeybugle Drill Results

On May 7, 2014, the Company announced completion of an initial program of 30 air core ("AC") drill holes on the property, specifically at the Seaford anomaly, targeting scandium (Sc). Results on 13 of these holes are shown in detail, in the table below. These holes suggest the potential for scandium mineralization on the property similar to Nyngan.

- Highlights of initial drilling program results include the following: The highest 3-meter intercept graded 572 ppm scandium (hole EHAC 11),
- EHAC 11 also generated two additional high grade scandium intercepts, grading 510 ppm and 415 ppm, each over 3 meters,
- The program identified a 13-hole cluster which was of particular interest; intercepts on these 13 holes averaged 270 ppm scandium over a total 273 meters, at an average continuous thickness of 21 meters per hole, representing a total of 57% (354 meters) of total initial program drilling,
- The 13 holes produced 29 individual (3-meter) intercepts over 300 ppm, representing 31% of the mineralized intercepts in the 273 meters of interest, and
- This initial 30-hole AC exploratory drill program generated a total of 620 meters of scandium drill/assay results, over approximately 1 square kilometer on the property.

Other Developments – Third Quarter 2015

None [Note to legal: nothing to report, can we delete this section?]

Operating results - Revenues and Expenses

The Company's results reflect lower operating costs as the focus of business has turned to its scandium projects.

Summary of quarterly results

A summary of the Company's quarterly results are shown below at Table 10.

Table 10. Quarterly Results Summary

	2016			2015				2014
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Net Sales	-	-	-	-	-	-	-	-
Net Income (Loss) attributable to Scandium	(333,031)	(496,118)	(1,081,096)	(1,163,542)	(503,537)	(632,698)	(470,654)	(577,174)
Basic and diluted Net Income (Loss) per share attributable to Scandium	(0.00)	(0.00)	(0.01)	(0.01)	(0.00)	(0.00)	(0.00)	(0.00)

Results of Operations for the three months ended September 30, 2016

The net loss attributable to Scandium for the quarter was \$333,031, a decrease of \$170,506 from \$503,537 during the same period of the prior year. Details of the individual items contributing to the decreased net loss are as follows:

Q3 2016 vs. Q3 2015 - Variance Analysis		
Item	Variance Favourable / (Unfavourable)	Explanation
Interest expense	\$95,450	Interest expense reduction due to Company debt extinguishment with the conversion of that debt into a 20% stake in the Company's Australian projects in Q3 of 2015.
Exploration	\$50,149	The Company incurred lower costs in the current quarter as the preparation of a DFS on the Nyngan Scandium Project development began in Q3 2015 with significant spending occurring from Q3 2015 through Q2, 2016. The DFS is completed and current quarter costs reflect much lower costs in this area.
Stock-based compensation	\$36,609	No stock options were issued in Q3 2016 while in Q3 2015 400,000 options were granted that vested immediately.
Costs allocable to non-controlling interest	\$20,502	During August 2015 a \$2,500,000 loan was converted into a 20% interest in the Company's Australian properties. Upon recognition of the 20% holder, a portion of the operating loss is allocated to the minority interest partner.

Q3 2016 vs. Q3 2015 - Variance Analysis		
Item	Variance Favourable / (Unfavourable)	Explanation
Professional fees	\$8,532	Lower fees in Q3 2016 are due to lower activity levels when compared to the same period one year ago when the Company was embarking on the preparation of a DFS for the Nyngan Scandium project.
Consulting	\$7,433	In the comparable quarter of 2015 a one-time use of a consultant was incurred.
Travel and entertainment	\$1,435	Costs are relatively the same when compared to Q3 2015.
Amortization	\$616	Certain assets are currently fully depreciated resulting in the lower amortization costs when compared to 2015.
Insurance	\$(1,217)	Higher policy premiums in 2016 resulted in this unfavourable variance.
Foreign exchange gain	\$(8,175)	The Company held very little amounts in foreign currencies in Q2 2016 resulting in minimum exposure to foreign exchange swings when compared to the same quarter one year ago.
General and administrative	\$(8,982)	General and administrative costs in the current quarter are higher when compared to one year ago are a result higher marketing and transfer agent fees.
Salaries and benefits	\$(32,035)	The company hired new staff at the end of Q2, 2016 resulting in this unfavorable variance.

Results of Operations for the nine months ended September 30, 2016

The net loss attributable to Scandium for the nine-month period was \$1,910,245, an increase of \$303,536 from \$1,606,709 during the same period of the prior year. Details of the individual items contributing to the increased net loss are as follows:

**Nine months ending September 30, 2016 vs. nine months ending September 30, 2015 -
Variance Analysis**

Item	Variance Favourable / (Unfavourable)	Explanation
Exploration	\$(578,827)	The Company has incurred increased costs in the current nine-month period with ongoing costs of the Nyngan Scandium Project development, and preparation of a DFS on that project.
Stock-based compensation	\$(58,238)	In the first nine months of 2016, the Company issued 5,260,000 stock options with 95% vesting while in the same period one year ago, 5,350,000 stock option were granted but those grants were at a lower exercise price resulting in less expensing for the period under review.
Salaries and benefits	\$(31,669)	The company hired new staff at the end of Q2, 2016 resulting in this unfavorable variance.
General and administrative	\$(27,608)	The increased level of activity in the first nine months of 2016 has resulted in higher G&A costs. In the comparable period of 2015 activities were kept to a minimum until Q3 when the preparation of the DFS on the Nyngan Scandium project began.
Insurance	\$(13,201)	In Q1 2015, the Company received a refund with respect to an appeal of a worker's compensation audit. No similar refund was received in 2016.
Travel and entertainment	\$(10,343)	This unfavorable variance is due to travel to promote the Company to potential investors in as well as meetings in Australia to further the development of the Nyngan Scandium project.
Professional fees	\$(9,961)	Fees associated with the application of an R&D credit in Australia have resulted in the negative variance when compared to one year ago.
Amortization	\$352	Year over year, amortization if fairly equal.
Consulting	\$2,500	In 2015 a one-time use of a consultant was incurred. No such charge was recognized in 2016.
Foreign exchange gain	\$5,426	There was very little foreign exchange exposure in the first nine months of 2016 as the Australian and Canadian dollar stabilized against the US dollar. One year ago the exchange rates were more volatile resulting in negative exposure.

Nine months ending September 30, 2016 vs. nine months ending September 30, 2015 - Variance Analysis		
Item	Variance Favourable / (Unfavourable)	Explanation
Costs allocable to non-controlling interest	\$191,891	During August 2015 a \$2,500,000 loan was converted into a 20% interest in the Company's Australian properties. Upon recognition of the 20% holder, a portion of the operating loss is allocated to the minority interest partner.
Interest expense	\$226,142	Interest expense reduction due to Company debt extinguishment with the conversion of that debt into a 20% stake in the Company's Australian projects in Q3 Of 2015.

Cash flow discussion for the nine-month period ended September 30, 2016 compared to September 30, 2015

The cash outflow for operating activities was \$1,732,544, an increase of \$692,424 (September 30, 2015 – \$1,040,120), due to increased activity levels as described in the variance analysis in addition to a decrease in accounts payable during the period. Cash outflows from operations are net of \$79,346 received as a result of payments received under the Australian research and development tax incentive program.

Cash outflows for investing activities were \$3,157 (September 30, 2015 – \$Nil). In 2016, the Company purchased computer equipment.

Cash inflows from financing activities decreased by \$1,775,885 to \$Nil (September 30, 2015 – \$1,775,885), reflecting the issuance of shares and the exercise of stock options in the nine months ended June 30, 2015.

Financial Position

Cash

The Company's cash position decreased during the nine-month period by \$1,735,701 to \$513,975 (December 31, 2015 - \$2,249,676) due primarily to the payment of expenditures related to the commissioning of the definitive feasibility study on the Nyngan Scandium Project.

Prepaid expenses and receivables

Prepaid expenses and accounts receivable decreased by \$89,219 to \$18,310 due to expensing of prepaid insurances and receipt of value added tax refunds from Australia and Canada (December 31, 2015 - \$107,529).

Equipment

Equipment consists of office furniture and computer equipment at the Sparks, Nevada office. The increase of \$634 to \$3,245 (December 2015 - \$2,611) is due to the purchase of computer equipment which is partially offset by amortization of net fixed assets.

Mineral interests

Mineral interests remained the same at \$942,723.

Accounts payable and accrued liabilities and accounts payable with related parties

Accounts payable has decreased by \$156,252 to \$51,079 (December 2015 – \$207,331) due to the winding down of activities related to the definitive feasibility study.

Capital Stock

Capital stock remained the same at \$91,142,335.

Additional paid-in capital increased by \$434,102 to \$6,809,339 (December 31, 2015 - \$6,375,237) as a result of expensing of stock options.

Liquidity and Capital Resources

At September 30, 2016, the Company had working capital of \$481,206, including cash of \$513,975, as compared to working capital of \$2,149,874, including cash of \$2,249,676, at December 31, 2015. The Company intends to fund its working capital and project development activities through the sales of equity, issuance of debt or sale of non-core assets.

At September 30, 2016, the Company had a total of 20,896,500 stock options exercisable between CAD\$0.07 and CAD\$0.20 that have the potential upon exercise to generate a total of C\$2,348,300 in cash over the next five years. There is no assurance that these securities will be exercised.

The Company's continued development is contingent upon its ability to raise sufficient financing both in the short and long term. There are no guarantees that additional sources of funding will be available to the Company. However, management is committed to pursuing all possible sources of financing (internal and external) in order to execute its business plan. The Company continues its cost cutting measures to conserve cash to meet its operational obligations.

Outstanding share data

At the date of this report, the Company has 225,047,200 issued and outstanding common shares and 21,820,000 stock options currently outstanding at a weighted average exercise price of CAD\$0.11.

Off-balance sheet arrangements

At September 30, 2016, the Company had no material off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

Transactions with related parties

During the 9-month period ended September 30, 2016, the Company expensed \$334,129 for stock-based compensation for stock options issued to Company directors. During the 9-month period ended September 30, 2015, the Company expensed \$235,972 for stock-based compensation for stock options issued to Company directors.

During the 9-month period ended September 30, 2016, the Company paid a consulting fee of \$76,500 to one of its directors. During the 9-month period ended September 30, 2015, the Company paid a consulting fee of \$79,000 to one of its directors.

Accounts payable to related parties at September 30, 2016 were \$Nil (2015 - \$11,009).

Proposed Transactions

There are no proposed transactions outstanding other than as disclosed.

Critical Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting policies requires management of the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on past experience, industry trends and known commitments and events. By their nature, these estimates are subject to measurement uncertainty and the effects on the financial statements of changes in such estimates in future periods could be significant. Actual results will likely differ from those estimates.

Stock-based compensation

The Company uses the Black-Scholes option pricing model to calculate the fair value of stock options and compensatory warrants granted. This model is subject to various assumptions. The assumptions the Company makes will likely change from time to time. At the time the fair value is determined; the methodology the Company uses is based on historical information, as well as anticipated future events. The assumptions with the greatest impact on fair value are those for estimated stock volatility and for the expected life of the instrument.

Future income taxes

The Company accounts for tax consequences of the differences in the carrying amounts of assets and liabilities and their tax bases using tax rates expected to apply when these temporary differences are expected to be settled. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no future income tax asset is recognized. The Company has taken a valuation allowance against all such potential tax assets.

Mineral properties and exploration and development costs

The Company capitalizes the costs of acquiring mineral rights at the date of acquisition. After acquisition, various factors can affect the recoverability of the capitalized costs. The Company's recoverability evaluation of our mineral properties and equipment is based on market conditions for minerals, underlying mineral resources associated with the assets and future costs that may be required for ultimate realization through mining operations or by sale. The Company is in an industry that is exposed to a number of risks and uncertainties, including exploration risk, development risk, commodity price risk, operating risk, ownership and political risk, funding and currency risk, as well as environmental risk. Bearing these risks in mind, the Company has assumed recent world commodity prices will be achievable. The Company has considered the mineral resource reports by independent engineers on the Nyngan Scandium Project in considering the recoverability of the carrying costs of the mineral properties. All of these assumptions are potentially subject to change, out of our control, however such changes are not determinable. Accordingly, there is always the potential for a material adjustment to the value assigned to mineral properties and equipment.

Recent Accounting Pronouncements

Accounting Standards Update 2016-09 – Compensation—Stock Compensation (Topic 718) Improvements to Employee Share-Based Payment Accounting. This accounting pronouncement, which goes into effect

December 16, 2016, addresses the simplification of several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The Company is reviewing this update to determine the impact it will have on its financial statements.

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

Accounting Standards Update 2016-01 – Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. This accounting pronouncement, which goes into effect 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.

Financial instruments and other risks

The Company’s financial instruments consist of cash, receivables, accounts payable, and accrued liabilities, accounts payable with related parties. It is management’s opinion that the Company is not exposed to significant interest, currency or credit risks arising from its financial instruments. The fair values of these financial instruments approximate their carrying values unless otherwise noted. The Company has its cash primarily in two commercial banks, one in Vancouver, British Columbia, Canada and in one in Chicago, Illinois.

Information Regarding Forward-Looking Statements

This Management's Discussion and Analysis of Financial Condition and Results of Operations contain certain forward-looking statements. Forward-looking statements include but are not limited to those with respect to the prices of metals, the estimation of mineral resources and reserves, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, Government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage and the timing and possible outcome of pending litigation. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "estimates", "intends", "anticipates" or "does not anticipate", or "believes" or variations of such words and phrases, or statements that certain actions, events or results "may", "could", "would", or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Scandium International to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and uncertainties include, among others, the actual results of current exploration activities, conclusions or economic evaluations, changes in project parameters as plans continue to be refined, possible variations in grade and or recovery rates, failure of plant, equipment or processes to operate as anticipated, accidents, labor disputes or other risks of the mining industry, delays in obtaining government approvals or financing or incompleteness of development or construction activities, risks relating to the integration of acquisitions, to international operations, and to the prices of metals. While Scandium International has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Scandium International expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 4. Controls and Procedures

Disclosure controls and procedures

The Company's management is responsible for establishing and maintaining adequate disclosure controls and procedures. The Company's management, including our principal executive officer and our principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by this report. Based on that evaluation, the principal executive officer and principal financial officer concluded that as of the end of the period covered by this report, the Company has maintained effective disclosure controls and procedures in all material respects, including those necessary to ensure that information required to be disclosed in reports filed or submitted with the SEC (i) is recorded, processed, and reported within the time periods specified by the SEC, and (ii) is accumulated and communicated to management, including the principal executive officer and principal financial officer, as appropriate to allow for timely decision regarding required disclosure.

Changes in Internal Control

There have been no changes in internal control over financial reporting that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

PART II – OTHER INFORMATION

Item 6. Exhibits

- 31.1 Certification of the Principal Executive Officer, pursuant to Rule 13a-14(a) or 15d-14(a) of the U.S. Securities Exchange Act of 1934 (filed herewith)
- 31.2 Certification of the Principal Financial Officer, pursuant to Rule 13a-14(a) or 15d-14(a) of the U.S. Securities Exchange Act of 1934 (filed herewith)
- 32.1 Section 1350 Certification of the Principal Executive Officer (filed herewith)
- 32.2 Section 1350 Certification of the Principal Financial Officer (filed herewith)
- 101 Financial Statements from the Quarterly Report on Form 10-Q of the Company for the nine months ended September 30, 2016, formatted in XBRL (filed herewith)

