

Scandium International Mining

Peter Evensen Remarks at 1st International Scandium Symposium October 20, 2022

To be read in conjunction with PowerPoint presentation titled “Scandium Mining Presentation October 2022”.

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Hi everyone, it’s been a long but productive day of presentations and speakers talking about my favorite element Scandium. Our company has been on the Scandium journey for over a decade, and I am here to talk about our Nyngan Scandium project that is ready to go into production when we get enough customers as well as additional Scandium deposits we have waiting in the wings if the Scandium market growth really goes parabolic in the coming decade because that is how long we are thinking – that adoption of scandium will be slow and then a step change. I’ll give you the overview and I’m happy to continue with more detailed discussions in the about our exciting project at the reception.

The holy grail in customer terms is of course for Scandium aluminum alloys to become a key element of the aerospace sector given its consumption of aluminum alloys and scandium alloys’ superior attributes – light weighting, strength, anti-corrosion. This will ultimately happen as will other modes of transportation that are being electrified and need lightweighting including EVs but aerospace will take at least a decade given all the regulatory requirements, and so we near-term concentrate on other industries with less strenuous requirements.

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Cautionary Notes

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So who is Scandium International Mining or SCY which we call our Company internally using its Canadian ticker symbol? We are a Canadian listed junior miner who over 10 years ago identified Scandium-aluminum alloys as a metal of the future and since then have been doggedly pursuing the development of the Nyngan Scandium deposit which is located in the high Scandium ppm Bogan Shire area of New South Wales Australia. We have received our federal mining license

and are fully permitted to begin development of this deposit. However, we are prudently waiting upon sufficient offtakes before taking FID.

Early in 2022, SCY's board of directors undertook a strategic review given the delay in the development of the Scandium commercial market. The previous management had been concentrating on two avenues to create value using our intellectual property and knowhow – The Scandium project in Australia and Critical Metals Recovery from existing mine tailings in North America which would also yield some Scandium. The strategic review resulted in the following decisions:

- A recognition that we had limited management and financial resources so agreement to prioritize and strategically focus on our Nyngan Scandium project and idling our CMR initiative
- A recognition that the Scandium market would take longer to develop meant a need to strengthen the Company's liquidity without taking on debt while we are in our development stage as a Company.
- A recognition that as a small junior we probably can't do it alone, so we are embracing a partnering philosophy to bring the deposit into production
- With the change in strategic focus came a change in Management - I became interim CEO in the spring of this year and my brother Chris Evensen is interim CFO after both of us have served on the SCY board since 2017. My family has been the largest shareholder since 2017, participating in all equity raises since then and increasing our ownership percentage. We actually became involved in the company earlier and as an investor in the Australian project since 2014. So when I say no one is more excited for there to be a dedicated scandium conference than the Evensen family, trust me - we've been waiting for this day for a long time! And we are getting close
- With the full support of the Board, the first thing Chris and I did when we became part of Management and with the support of the Board was to put the Company on a stronger financial footing to be able to be patient and develop the Nyngan project when the market is ready for its initial 38 tons of production. So, as the largest shareholder, we led a C\$3 million non-brokered equity private placement equity raise in the 2nd quarter of this year which ultimately was oversubscribed, raising C\$3.4 million. The raise

and the reduction of annual expenses fundamentally strengthened the Company:

- One thing I want to stress here is that the net cash position of the Company is the strongest it has been in the 8.5 years I have been involved with the Company.
- We have reduced the burn rate below \$500,000 p.a. as neither the CEO or CFO are taking cash compensation and we reduced the outstanding payables by close to \$1 million.

Slide 4 – Project Status – Key Milestones

Let's talk about our Project now because that is where the significant value will be created for our investors. Nyngan is a classic example of how even great mining projects take time. Our 2016 Definitive Feasibility Study (or DFS) shows for approximately \$90mm we can build a 38 tonne per annum primary scandium mine with a 20+ year mine life that exploits less than 25% of the NI 43-101 resource! It's an HPAL circuit that targets the limonite portion of the lateritic orebody and there is saprolite we have done testing on as well but not currently in the mine plan, though I want to stress we've done that metallurgical work and even done some preliminary thoughts around atmospheric leaching for saprolite instead of HPAL but that's many years down the track to being relevant.

What makes Nyngan unique and differentiated?

First – we are at an advanced stage with a mining license and our deposit is in a western world jurisdiction. Where we are located in NSW has a high ppm of Scandium lying 0 – 20 meters below the surface

Second - the low initial capex required to secure significant scandium output because we are only producing scandium

Third - our expansion potential, again the current mine plan exploits less than 25% of the mineral resource, and

Fourth - our primary scandium position. For many projects presented here today, scandium is not the product that singularly anchors the economics of the operation. For potential offtake partners it's very important to know they need not look at the titanium, nickel, cobalt or other metal prices to know if they will get their scandium requirements supplied next year.

I mentioned earlier we had a feasibility study done in 2016 and our mining license in 2017, so the logical question is “why isn’t Nyngan in production?” And the answer is simple, the growth of the scandium market requires two sides, and at SCY we are not going to build on speculation. The days of “build it and they will come” in the mining industry are over for foreseeable future.

What hasn’t changed is the support of major shareholders including myself for the plan of taking a positive construction decision on Phase I of the Nyngan Scandium Project as outlined in the Feasibility Study when SCY has secured offtake contracts for a material portion of the annual scandium oxide production. For the purposes of clarity, the mental figure we use in board discussions when outlining that level of materiality is approximately 50% of production or ~20 tonnes per year.

The challenge with an emerging commodity market such as scandium oxide is the opacity of the spot price and price indices now and in the future potentially published by price reporting services. This is a challenge that will not be resolved quickly and only through continued development of the scandium market with liquidity in the spot market similar to other specialty metals. For that reason, the hypothetical offtake agreements I mentioned above will require a floor price in the first several years and be with a credit worthy counterparty.

We believe SCY will play a major part of developing a liquid spot market for scandium oxide and master alloys. It will only further accelerate the development of the total market. For that reason, even if only ~50% of full Phase I production is with committed offtake partners with floor pricing, SCY will look to market the remaining production volumes as spot volumes or stockpile in anticipation of future demand. In addition, SCY will point this out to potential offtake partners who provide the floor price firm volume take or pay offtakes that allow any future FID to occur – those partners would be a logical first call for any spot volume sales.

As the largest shareholder, a board member, and now the CEO, I am more convinced of the potential market for scandium today than I have been in the last 8 years, but it is non-negotiable that Nyngan FID be predicated on the operation being free cash flow positive after full ramp up. After all, the feasibility study mine

plan only assumes exploitation of 20-25% of the compliant resource at Nyngan, and SCY is happy to be long term greedy given the potential for scandium.

If we had offtake partners for just 15-20 tonnes per year with a floor price for scandium oxide, we would move expeditiously to bring Nyngan into production, but we are not going to waste such a strategic asset and risk returns for existing shareholders that have gone on this journey with us.

Our feasibility study is done at \$2,000 per kg and I would reiterate to those customers in attendance we are open to conversations and partnering opportunities. We don't need \$3,500 per kg but we also need to make acceptable returns as the first greenfield scandium operation in the western world. And while we are eager, we are also ready to be patient.

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So why scandium?

The Potential of Scandium has already been covered by previous presentations so let me tell you why we are even more excited today. Well first, as we decarbonize the global economy one of the obvious trends is light weighting and we can all discuss aluminum versus steel and how scandium aluminum alloys advance the light weighting super trend. But we also have solid oxide fuel cells that utilize scandium such as at Bloom energy and TBD as the hydrogen industry that is seeing phenomenal investment begins to ramp up.

SCY has been targeting scandium for over a decade now and the fact we still don't have offtake agreements is visual evidence that, until this works for us, no one should be looking for new scandium deposits. That's just economic rational sense. And we couldn't be more excited about scandium, in fact we are more excited than ever before because Rio Tinto/Element 21 North have stepped up to provide the first western produced tonnes. And of course, Rusal's plans to supply the market look problematic.

But what happens after Rio's Sorel-Tracy is maxed out, whether that is 30 tonnes or 50 tonnes? Nyngan is the next logical supplier to Western markets once the scandium market hits the S curve of market size growth and a customer in this

room or not yet even considering scandium says “I want scandium oxide or scandium alloy in this upcoming application or product line we are developing” and whether it’s the idea of a single supplier or inability to add another module, the need for a second source of supply shall come to the forefront.

And that’s where we get to greenfield economics, while spot prices today may be \$1,000 - \$1,500 per kg, it’s one thing to do a brownfield project to exploit scandium already in solution as a by-product and quite another to build a greenfield in terms of the incentive price required for the capex.

So we view Nyngan as the next source of supply for the western world after Element 21 North whether that’s at \$2,000 per kilo or even \$1,500 per kilo, our feasibility study shows a 22% after-tax IRR even at \$1,500/kg pricing, and again, I want to stress that does not account for all the potential optionality in the resource left over beyond the reserves in the mine plan.

Based on our analysis, we do not believe there is a primary scandium greenfield project besides Nyngan that will generate 15+% after-tax IRR which is a bare minimum a junior miner needs to show to get financed unless scandium price starts \$1,500/kg, so we feel very comfortable with our position in the future development of this market.

And for scandium to achieve its full market potential, it won’t just come from innovative companies targeting their existing waste streams as Rio Tinto has done for 3 tonnes and soon to be 12 tonnes per annum, there will be a need for deposits like Nyngan to be producing.

In the meantime, we are focused on making the strategic nature of our scandium portfolio even stronger through further delineating the Honeybugle scandium exploration target approximately 25km from Nyngan and engaging with potential customers. We also have a license on a promising deposit in Finland for potential European customers.

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Let me close by emphasizing our investment highlights:

Nyngan can accelerate the supply of scandium to the market – Full kudos to Rio Tinto for accelerating Western adoption of Scandium but when significant volumes are needed there is only Nyngan. It is positioned to be the first primary large scale scandium supply source in the western world when the market conditions merit.

Nyngan is a growth story – The 2016 feasibility study does not assume full exploitation of the NI 43-101 mineral resource and we can quickly expand the Nyngan resource and looking further down the road - we have Honeybugle, an adjacent resource 25 km away that we continue to delineate with drilling with the goal of getting a Mineral Resource Estimate.

Scandium market development is accelerating – as you have heard today from many speakers.

We are aware that SCY's market cap does not reflect project stage, positioning relative to competitors, or the progression of the scandium market in light of recent initiatives from major aluminum producers – but we took our medicine in raising equity earlier this year but now we don't expect to have to raise equity for many years until we take FID.

SCY has improved its financial strength and its existing investors are in a position to benefit from the growth in the Scandium market and after the 2Q22 private placement SCY is capitalized such that existing shareholders benefit from further scandium market.

Our Nyngan Project has robust project returns IRR (33%) and NPV (US\$225M @ 8% discount rate) over 20 years, from an expandable platform, demonstrate solid phase I project for investors, with upside and economies of scale from bringing additional resources into production.

One thing I will close with is to reiterate that when I became interim CEO this spring, SCY made a strategic decision to capitalize the company for the next 4-5 years with an equity raise including a 5-year full warrant. Without those warrants being exercised, or any major expenditures to accelerate development, we have multiple years of runway. If the warrants are exercised, we will have multiple

more years and that is why the largest shareholder showed its confidence by anchoring that raise and finding investors in a non-brokered placement.

When the scandium market happens - whether next year, 3 years, or 5 years, we will be here with Nyngan to supply low-cost volumes and ready to serve our future customers.

Thank you and I look forward to seeing even more of you at the next scandium conference, may this be the first of many. I look forward to meeting all of you at the reception.