

Stock Commentary

Subject: Sky Metals Limited

DORADILLA-MIDWAY-3KEL TIN-COPPER PROJECT

RECENT DRILLING, PRELIMINARY METALLURGICAL TESTWORK & GLOBAL MARKET CONDITIONS REFOCUSSES SKY BACK TO TIN AS RESULTS SHOW EARLY PROMISE OF THE POTENTIAL OF A GLOBALLY SIGNIFICANT TIN PROJECT

Background

Sky Metals Limited (ASX:SKY) on 22nd September and 25th October 2021 released the results of a small 8 hole, surface RC drilling program at the 3KEL prospect which forms part of the much larger Doradilla-Midway-3KEL Tin-Copper Skarn Project, located approximately 30km south of Bourke, NSW.

Drilling at the 3KEL prospect followed up on a single SKY high-grade drill result from 2019 (**6m grading 1.1% Sn & 1.48% Cu from 105m**) effectively targeting for the first time, the *Primary Zone* of mineralisation located beneath a shallow lateritic zone of known mineralisation which historically has been approached with a modest degree of exploration.

The new Primary Zone drilling results, whilst overlooked by the market at the time of release, majorly surprised on the upside to those with a *trained eye for tin mineralisation*, as the holes that made target depth intersected consistently thick strong tin and copper mineralisation including:

- **32m grading 0.42% Tin (“Sn”) from 66m** including;
- **9m grading 0.99% Sn & 0.31% Cu from 81m**

- **37m grading 0.31% Sn from 91m** including;
- **1m grading 4.23% Sn & 0.20% Cu from 121m**

- **4m grading 1.10% Sn & 0.21% Cu from 135m**

- **42m grading 0.41% Sn from 37m** including;
- **7m grading 1.31% Sn & 0.22% Cu from 63m**

- **14m grading 0.46% Sn from 106m** including;
- **7m grading 0.77% Sn from 108m**

SKY, strongly encouraged by what it intersected, has immediately moved to commission the undertaking of some preliminary mineralogical and metallurgical work to provide early indicative answers to initial key questions around what the mineralisation consists of in the Primary Zone and whether the tin and copper bearing minerals present could potentially be commercially extracted to produce a saleable tin-copper concentrate.

Key Takeaway Points – What is the excitement surrounding the SKY findings?

Primary Zone: Previously Untested: First Results Highly Encouraging

- 1) Firstly, we note that this recently completed 8 hole drilling program tested the primary zone of mineralisation for the first time located beneath the known tin and copper mineralisation present in the *oxide laterite zone*.

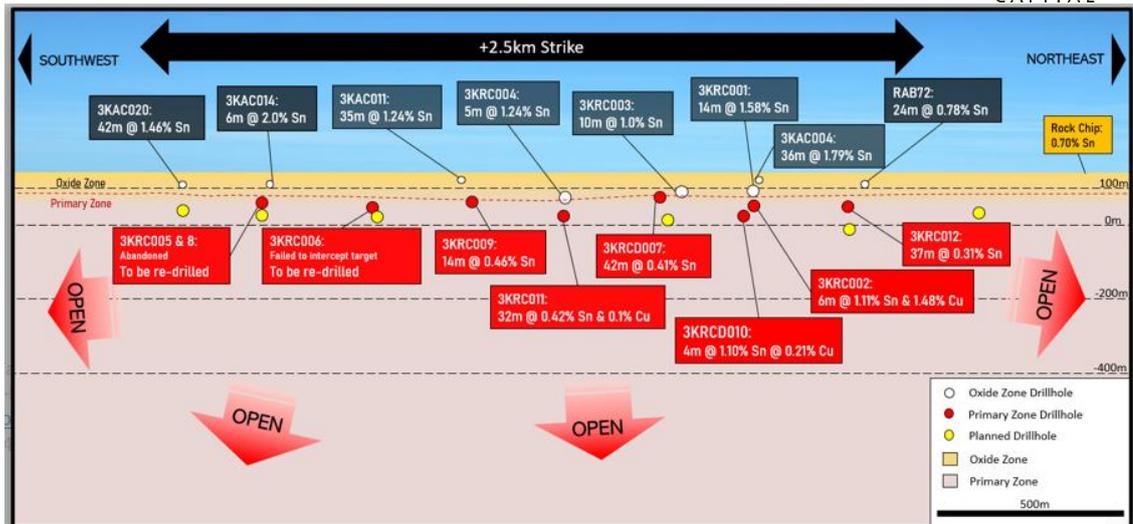
- 2) The drilling has demonstrated that not only is the mineralisation of a high grade nature, but also it appears to be thick and consistent in its makeup.
- 3) Over a reasonable strike length, we consider anything over 0.1% Sn to be of significant interest, so to have intersections of several tens of metres running 0.3 to 0.4% Sn is substantially worthy of note, particularly when within those intersections, grades up to and over 4% Sn are reported. NB:1% Sn is currently grade equivalent to approximately 6.6 grams per tonne gold.

Historically Assumed to be Metallurgically Complex But New Preliminary Metallurgical Work is Strongly Indicating this May Not Be So

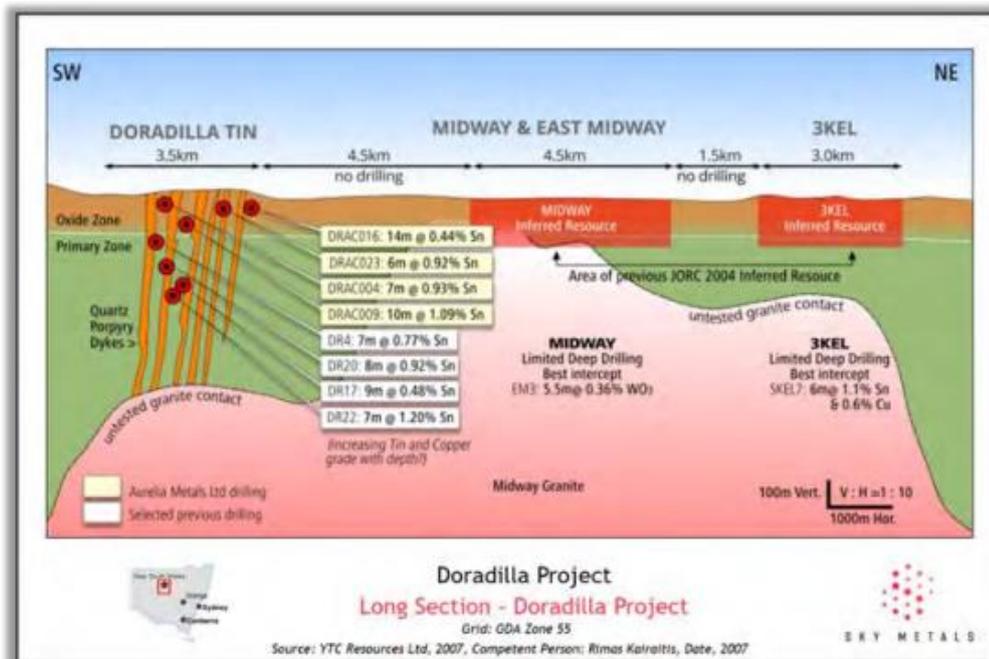
- 4) Previous explorers have all assumed that the mineralisation in the primary zone would be too metallurgically complex to consider commercially extracting the tin and copper bearing minerals and producing a saleable concentrate. However, based on new results from some very early metallurgical studies and test work, this “*too hard*” assumption may have itself been too premature.
- 5) From discussion with SKY management the metallurgy of the primary zone mineralisation is nowhere near as complex as they or previous explorers had initially assumed. The tin mineralisation reports as *malayaite*, a calcium tin silicate and the copper reporting as being contained within *bornite* (copper sulphide).
- 6) Historically, any tin incorporated in a *silicate* crystal structure as opposed to the traditional *oxide* structure (in the form of cassiterite) was considered too metallurgically complex from which to commercially extract tin. However, malayaite is amenable to processing and smelting and today there is a significant active part of the tin mining and processing sector in Malaysia that does just that i.e. commercially extracts tin from the tin silicate malayaite.
- 7) Whilst we cannot over emphasise the preliminary nature of the metallurgical work that has been undertaken so far, we understand SKY’s approach to Malaysian smelters has been receptive, with discussion if proven in sufficient quantity, the malayaite would likely be amenable to commercial extraction and concentration for shipment to Malaysia for smelting. We anticipate samples will be sent in the near term to Malaysian malayaite processors for initial metallurgical testing.
- 8) Furthermore, SKY management has recognised the potential for a density contrast between the dense malayaite and the surrounding waste material, and alternatively a fluorescence contrast has initiated advanced discussions with experienced sorting technology firm TOMRA to investigate the potential of XRF, density or optical ore sorting. We are informed TOMRA is about to run a series of simulated ore sorting tests at its Sydney laboratory this coming week. The early concept being considered is that a combination of initial ore sorting from one of TOMRA’s units followed by standard heavy media separation would be required to produce an exportable concentrate roughly containing 60% malayaite and 30% bornite. We anticipate SKY will announce the results of this preliminary test work in late November 2021.

Mineralised Skarn Footprint is Large, Trending for >14km

- 9) Importantly, we recognise the recent small drilling program only targeted the 3KEL prospect/target. 3KEL represents only the north-eastern 2.5km strike portion of a much larger +14km long mineralised trend known as the Doradilla- Midway-3KEL Tin-Copper Skarn (See diagrams below)
- 10) The oxide zone at 3KEL together with Midway already represents a substantial oxide tin deposit. However, the potential of the primary zone along the 14km long trend to host one or more large (i.e., several million tonnes) primary tin-copper deposits is considered excellent.



Above: Long section highlighting drilling and assays received to date at 3KEL. The Long section strongly highlights the mineralisation currently open to the southwest, northeast and at depth



Above: Schematic diagram of the Doradilla-Midway-3KEL Tin-Copper Skarn Trend taken from the Company's 2019 prospectus. Whilst schematic in nature the diagram nevertheless highlights well the potential of the trend to host one or more substantial primary tin-copper resource(s) along the 14km mineralised strike

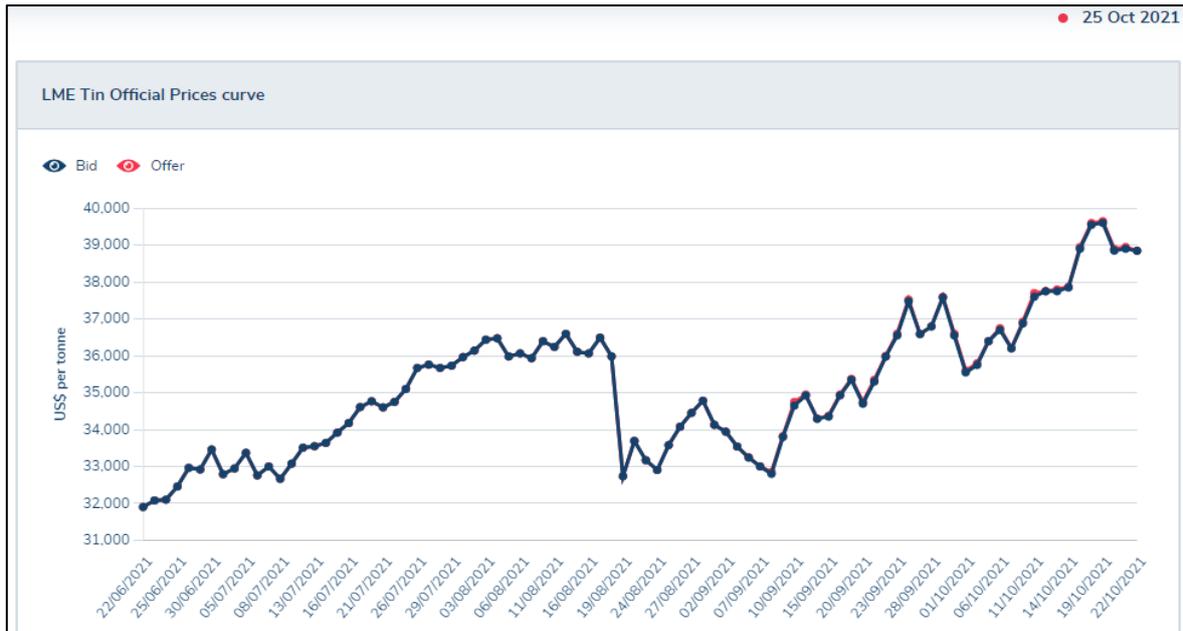
Copper Content Should not be Overlooked or Underestimated

- 11) In addition to the tin bearing malayaite, the copper content of the skarn deposit should not be overlooked or underestimated. With the copper in the primary zone being largely present in the form of the copper sulphide bornite, we consider a clean copper concentrate of bornite would be considered very desirable to global off takers and smelters.
- 12) Whilst grades at first glance range from 0.2 to 0.4% Cu on average (with notable included intervals up to and exceeding 4% Cu) it is easy to overlook the potential of the deposit for its copper potential, simply dispelling it as too low grade. However, mined with the tin bearing malayaite as a secondary mineral the bornite would essentially be considered a secondary mineral having the potential to provide additional substantial revenue which could go straight to the bottom line.

- 13) Furthermore, the Doradilla-Midway-3KEL trend's potential to host multiple deposits of several million tonnes provides economies of scale which could result in a substantial copper inventory eventuating.

Current Tin Market Supply – Demand Disconnect

- 14) SKY originally listed in June 2019 as a NSW tin focussed explorer holding a wholly owned portfolio of NSW tin assets including the Doradilla-Midway-3KEL Tin-Copper Skarn Project. At the time market forces largely dictated to the Company to *park up* its tin exploration and concentrate on gold and then copper exploration, which it has done until now. However, with tin now consistently trading well above USD30,000 per tonne (Currently circa 36,700 per tonne) since June 2021 and the tin market currently unable to solve the supply-demand imbalance, as no new production of any significance has come on line, there is now a pressing need for SKY to relook at its substantial tin portfolio which we believe has strong potential to host one or more globally significant deposits.



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