

Sky Metals Limited

Tapping into historic NSW tin for new resources

Sky Metals Limited (ASX:SKY) is an ASX-listed base metals explorer focused on a portfolio of assets in New South Wales with the most advanced being the Tallebung tin project in central NSW. The company recently made material progress on the expansion of the mineral resource estimate (MRE) at Tallebung which positions it to be scoped for a bulk-mining operation. SKY says it is now planning a further drilling programme on a defined exploration target of approximately 23Mt-32Mt at a grade of between 0.14%-0.17% tin to build out the indicated resource for the mine scoping studies. The cash balance of \$1.12m at the end of December 2023 suggests to us that the company may need to raise capital to complete its programme.

Portfolio description

Sky Metals owns a portfolio of 10 base metals and gold exploration projects in NSW with the Tallebung tin project near Condobolin in central NSW the most advanced. Tin was first discovered at Tallebung in the 1890s and the resource was mined into the 1980s with an estimated 3,300 tonnes of tin concentrate recovered. The project is fortunate to have key non-process infrastructure such as sealed roads, power lines, and an historic water pumping station in proximity. The company's 2023 drilling programme has expanded the maiden mineral resource (15.6Mt @ 0.15% tin) and set a new exploration target estimate of 23-32Mt @ 0.14-0.17% tin. The resource is located near surface with sections of high-grade mineralisation at surface pointing to the potential for a low strip, bulk mining operation. In addition to Tallebung, Sky Metals owns 100% of the Narriah tin-tungsten-lithium project in south-west NSW where the company recently completed six diamond drill-holes intercepting strong tin and tungsten mineralisation. SKY says it will use the first stage results to target new areas for large-scale tin mineralisation.

Significant increase in MRE paves the way for scoping study

Sky Metals recently announced a 53% increase in the mineral resource estimate to 15.6Mt at 0.15% tin for 23.2Mt of contained tin at a cut off grade of 0.08% (ASX release 23 January 2024). The resource upgrade paves the way for a bulk mining operation, with the company now planning to continue the drilling programme to grow the indicated resource for mine scoping studies ahead of seeking mining approvals. The company says it plans to release mine scoping studies in the current quarter.

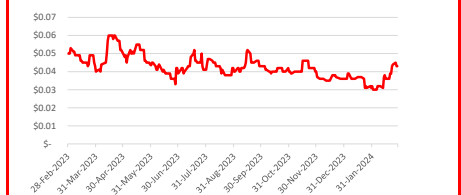
Imperative increases with inclusion in critical minerals list

The outlook for tin demand is robust with Australia and the US listing the metal as a critical mineral. Tin was added to the country's critical minerals list in December 2023 as a strategic material for the global transition to net zero emissions ([Government backs critical minerals for energy, jobs and defence, 19 December 2023](#)). The international tin association highlighted that while Australia currently has nearly 30 tin exploration projects underway, there is currently only one operating tin mine, Renison Bell in Tasmania, jointly owned by Metal X (ASX:MLX – 50%) and Yunnan Tin Group. Global supply disruptions have the potential to increase demand for the metal with the US currently running at record low stockpiles and two major suppliers into the market, Indonesia and Myanmar, disrupting supply. Indonesia, which contributes 20% of global supply, has imposed an export ban on metals ([15 April 2023 report on S&P Global](#)) while Myanmar, which produces 10% of world supply, total suspended all tin mining activity last August ([Mining Technology report 4 August 2023](#)).

Share Details

ASX code	SKY
Share price (28-Feb)	\$0.043
Market capitalisation	\$19.8M
Number of shares	461.4M
Net cash at 31-Dec-2023*	\$1.12M

Share Price Performance (12 months)



Upside Case

- Drilling programme delivers further MRE upside
- Global supply disruptions continue, pushing up prices
- Projects fast-tracked to meet US and European demand

Downside Case

- Additional capital raise may be dilutive
- Market becomes oversupplied with all projects coming on at the same time
- Drilling campaigns fail to extend the resource

Catalysts

- Expanded mineral resource from new exploration target at Tallebung
- Drill results from Narriah project
- Scoping studies released, mining approvals sought

Comparative Companies (Australia & NZ)

ELT, EMH, SRZ, VMS

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FINANCIAL SERVICES GUIDE

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