

SEPTEMBER 2018 | QUARTERLY ACTIVITIES REPORT

Further high-grade results from the Company's maiden drilling program at Hylea Cobalt Project in NSW

ASX Code: HCO

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Hylea Metals has a portfolio of cobalt, gold, iron ore and base metal projects in NSW and Western Australia.

Hylea's flagship asset is the Hylea Cobalt Project in the Fifield District of NSW. The Project represents a significant cobalt, platinum, nickel and scandium exploration target in both scale and grade potential, as demonstrated by the Company's maiden drilling program.

The Fifield District is Australia's premier cobalt address with CleanTeq, Australian Mines and Platina Resources all with JORC Cobalt-Scandium Resources

The Hylea Intrusive Complex, host to the Hylea Project, is one of the last ultramafic intrusive complexes in the region yet to have a JORC compliant Cobalt – Scandium resource.

The recently completed drill program is the first cobalt and scandium focused exploration on the Intrusive Complex. Having confirmed high grade cobalt, scandium, platinum and nickel in the drilling at Tiger's Creek, soil sampling suggests that the regional picture is even more promising with the addition of a significant vanadium anomaly.

HIGHLIGHTS FOR SEPTEMBER QUARTER

- Final assay results received from Hylea's maiden drill program at the Hylea Cobalt Project, NSW released
- Continued surprises on the up-side in terms of grade, widths and strike extents
- Results of the 54-hole program identify high grade Cobalt, Platinum, Scandium and Nickel, including outstanding grades of up to 0.61% Cobalt, 10.55g/t Platinum, 720ppm Scandium and 1.38% Nickel
- Exceptional Scandium and Platinum intersections returned in addition to Cobalt and Nickel confirm the mineralisation at Tiger's Creek
- The previously announced soil sampling results demonstrate the enormous regional up-side at Hylea
- Discreet Vanadium soil anomaly adds to the regional picture and offers another opportunity to build shareholder value

PLANS FOR DECEMBER QUARTER

- Expansion of the regional soil sampling program aiming to generate further drill targets
- Interpretation of the drill results aiming to define infill and extensional drill targets
- Interpretation of the soil sampling results to identify regional drill targets.

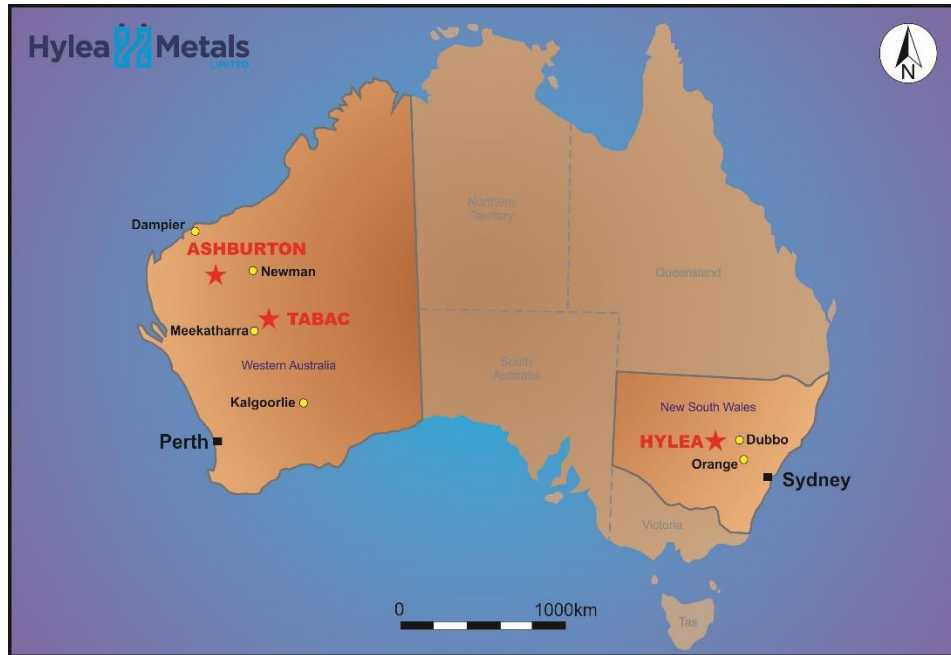


Figure 1: Hylea Metals Limited Project Location Map

ACTIVITY OVERVIEW

The September quarter saw Hylea Metals Limited (ASX: HCO) announce the final assays for its maiden 54-hole for 3,621m drill program at its flagship asset, the Hylea Cobalt Project in NSW. Having completed multi-disciplinary exploration programs consisting of detailed tenement wide airborne magnetic and radiometric surveying and completing regional soil sampling, Hylea is in the process of defining a pipeline of exploration targets outside of the advanced Tiger's Creek prospect.



Figure 2: Maiden drilling program and air-borne magnetic survey at Tiger's Creek Prospect

The final results from the Company's maiden drill program released during the quarter (ASX: HCO: 9th July 2018** and 14th August 2018***) confirmed the outstanding potential of Tiger's Creek as an advanced prospect with near term resource potential. Results from this work, coupled with results released last quarter confirmed the cobalt, nickel and platinum potential:

- **16m @ 0.14% Co, 0.63% Ni, 0.43g/t Pt** from 10m,
 - Incl. **12m @ 0.17% Co, 0.70% Ni, 0.50g/t Pt** (HYRC006)**
- **8m @ 0.13% Co, 0.30% Ni, 0.11g/t Pt** from 1m,
 - Incl. **3m @ 0.26% Co, 0.47% Ni, 0.18g/t Pt** (HYRC015)**
- **8m @ 0.14% Co, 0.33% Ni, 1.51g/t Pt** from 7m,
 - Incl. **7m @ 0.16% Co, 0.29% Ni, 1.68g/t Pt** (HYRC016)**
- **8m @ 0.12% Co, 0.34% Ni, 0.02g/t Pt** from 14m,
 - Incl. **4m @ 0.16% Co, 0.37% Ni, 0.02g/t Pt** (HYRC021)**
- **7m @ 0.17% Co, 0.57% Ni, 0.10g/t Pt** from 12m, (HYRC024)**
- **10m @ 0.12% Co, 0.42% Ni, 0.18g/t Pt** from 16m,
 - Incl. **8m @ 0.14% Co, 0.40% Ni, 0.21g/t Pt** (HYRC025)**
- **15m @ 0.10% Co, 0.80% Ni, 0.17g/t Pt** from 30m,
 - Incl. **5m @ 0.17% Co, 0.89% Ni, 0.14g/t Pt** (HYRC026)**
- **10m @ 0.10% Co, 0.41% Ni & 0.20g/t Pt** from 36m,
 - Incl. **6m @ 0.13% Co, 0.42% Ni & 0.24g/t Pt** (HYRC036)**
- **10m @ 0.19% Co, 0.56% Ni & 0.74g/t Pt** from 12m,
 - Incl. **8m @ 0.22% Co, 0.46% Ni & 0.79g/t Pt** (HYRC037)**
- **22m @ 0.14% Co, 0.51% Ni & 0.21g/t Pt** from 13m,
 - Incl. **11m @ 0.22% Co, 0.39% Ni & 0.26g/t Pt** (HYRC039)**
- **10m @ 0.13% Co, 0.42% Ni & 0.37g/t Pt** from 14m,
 - Incl. **6m @ 0.17% Co, 0.41% Ni & 0.40g/t Pt** (HYRC044)**
- **16m @ 0.12% Co, 0.34% Ni & 0.33g/t Pt** from 15m,
 - Incl. **4m @ 0.31% Co, 0.47% Ni & 0.54g/t Pt** (HYRC049)**
- **13m @ 0.13% Co, 0.48% Ni & 0.15g/t Pt** from 27m,
 - Incl. **6m @ 0.19% Co, 0.41% Ni & 0.20g/t Pt** (HYRC050)**
- **8m @ 0.24% Co, 0.15% Ni & 0.14g/t Pt** from 35m (HYRC052)**

In addition, very promising cobalt intersections were returned at the first regional target drilled 1.5km from Tiger's Creek, illustrating the project's broader potential:

- **5m @ 0.13% Co, 0.25% Ni, 0.06g/t Pt** from 3m,
 - Incl. **4m @ 0.14% Co, 0.30% Ni, 0.07g/t Pt** (HYRC018)**

Drilling also intersected significant widths and grades of Scandium, highlighting enormous potential to the north, south and east with the possibility for multiple scandium zones:

- **31m @ 471ppm Sc** from 26m, including
 - **2m @ 635ppm Sc, 2m @ 635ppm Sc and 1m @ 600ppm Sc (HYRC054)*****
- **14m @ 532ppm Sc** from 45m, including
 - **1m @ 650ppm Sc and 2m @ 705ppm Sc (HYRC053)*****
- **15m @ 490ppm Sc** from 40m, including
 - **2m @ 620ppm Sc (HYRC047)*****
- **12m @ 528ppm Sc** from 29m, including
 - **4m @ 633ppm Sc (HYRC046)*****
- **17m @ 425ppm Sc** from 12m, including
 - **1m @ 650ppm Sc & 1m @ 670ppm Sc (HYRC042)*****
- **9m @ 447ppm Sc** from 8m, including
 - **2m @ 725ppm Sc (HYRC038)*****
- **6m @ 652ppm Sc** from 7m, including **4m @ 810ppm Sc (HYRC016)****

TIGERS CREEK PROSPECT

Objectives

Having achieved the main objectives of the Tiger's Creek drill program, which were:

- To confirm the thickness, tenor and location of results reported by previous explorers;
- To expand out from currently identified cobalt mineralisation into areas where laterite has been drilled but not assayed for cobalt; and
- To undertake sample analysis which has advanced significantly since the historical drilling was completed.

the Board has been delighted by the continued surprises on the up-side.

- Grades for all the relevant elements were higher than historical results;
- The mineralised profile was enhanced in width and strike extent, and remains open in multiple directions;
- The first ever significant and systematic sampling for Scandium confirmed that Tiger's Creek contains compelling thickness and grades;
- Results confirm the Hylea Intrusive Complex is host to mineralisation consistent with high profile peers in the Fifield District.

** refer to ASX announcement "Emerging Discovery – Further Outstanding Drilling Results" - 9th July 2018 for full details

*** refer to ASX announcement "High Grade Scandium and Cobalt Drilling Results Tiger's Creek" – 14th August 2018 for full details

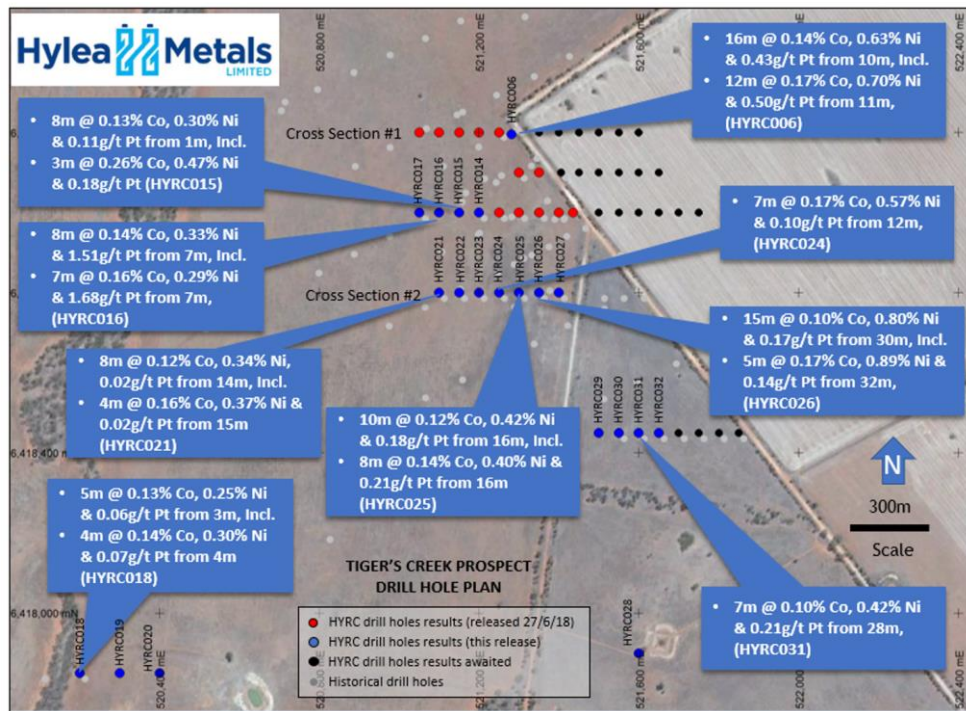


Figure 3: Tiger's Creek Prospect drill hole location plan illustrating significant Cobalt¹ intersections reported July 9th, 2018. ¹ Refer ASX:HCO 9th July 2018 for full details including intersection calculation parameters

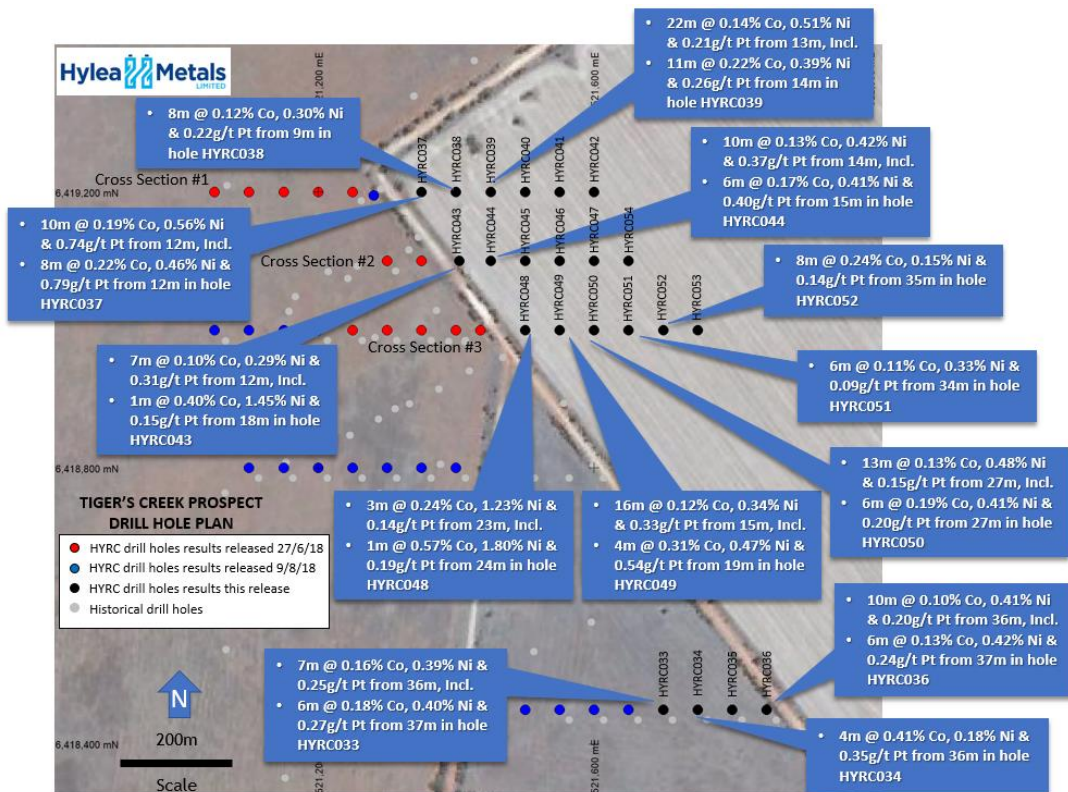


Figure 4: Tiger's Creek Prospect drill hole location plan illustrating significant Cobalt² intersections reported August 14th 2018. ² Refer ASX:HCO 14th August 2018 for full details including intersection calculation parameters

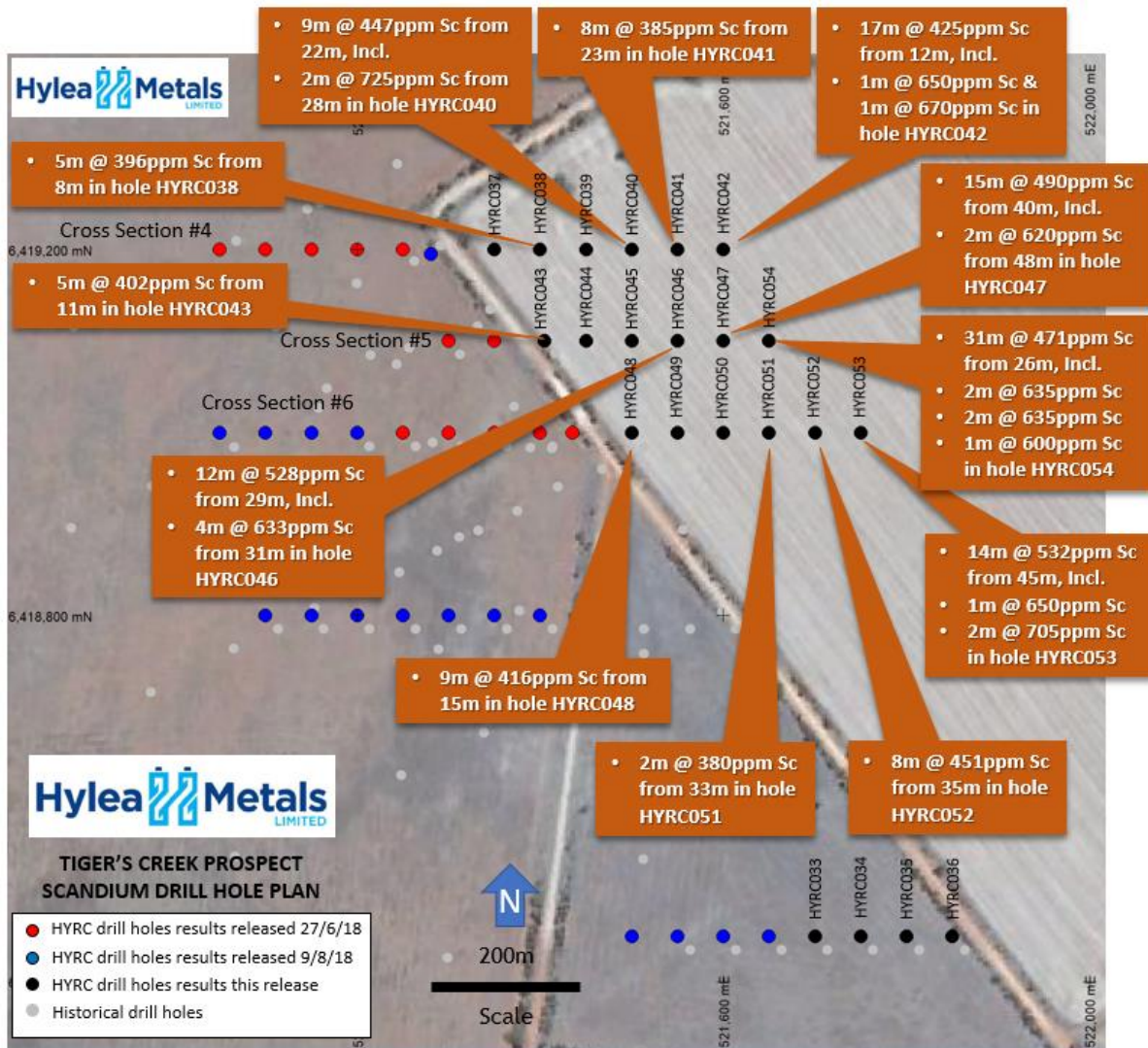


Figure 5: Tiger's Creek prospect drill hole location plan illustrating significant Scandium³ intersections, (300ppm Sc cut-off) as reported August 14th, 2018³ Refer ASX:HCO 14th August 2018 for full details including intersection calculation parameters.

ADDITIONAL UP-SIDE

With the Company's strategy to invest early in broad scale regional target identification paying off it now finds itself with a pipeline of high-quality regional cobalt, scandium, platinum and vanadium targets for RC drill testing. These regional targets complement the drilling at the advanced Tiger's Creek cobalt prospect. The vendors of the Hylea Project continue to manage the exploration, reinforcing their commitment and fast-tracking exploration.

As previously advised (ASX:HCO 20th September 2018), results from soil sampling programs are compelling, successfully defining four significant scale, high tenor Cobalt, plus semi-coincident Nickel, Platinum, Palladium, Scandium and Vanadium in-soil geochemical anomalies which collectively define a >5km long multi-element geochemical corridor (Figures 6, 7 and 8). Three high-tenor Scandium-in-soil targets were defined, one of which is ~3.5km long x ~1.2km wide, and four coherent Vanadium-in-soil targets also were identified. When coupled with the high resolution aeromagnetic and radiometric surveys, resultant targets reaffirm the Company's belief that the Hylea Intrusive complex is fertile for additional Cobalt and multielement opportunities.

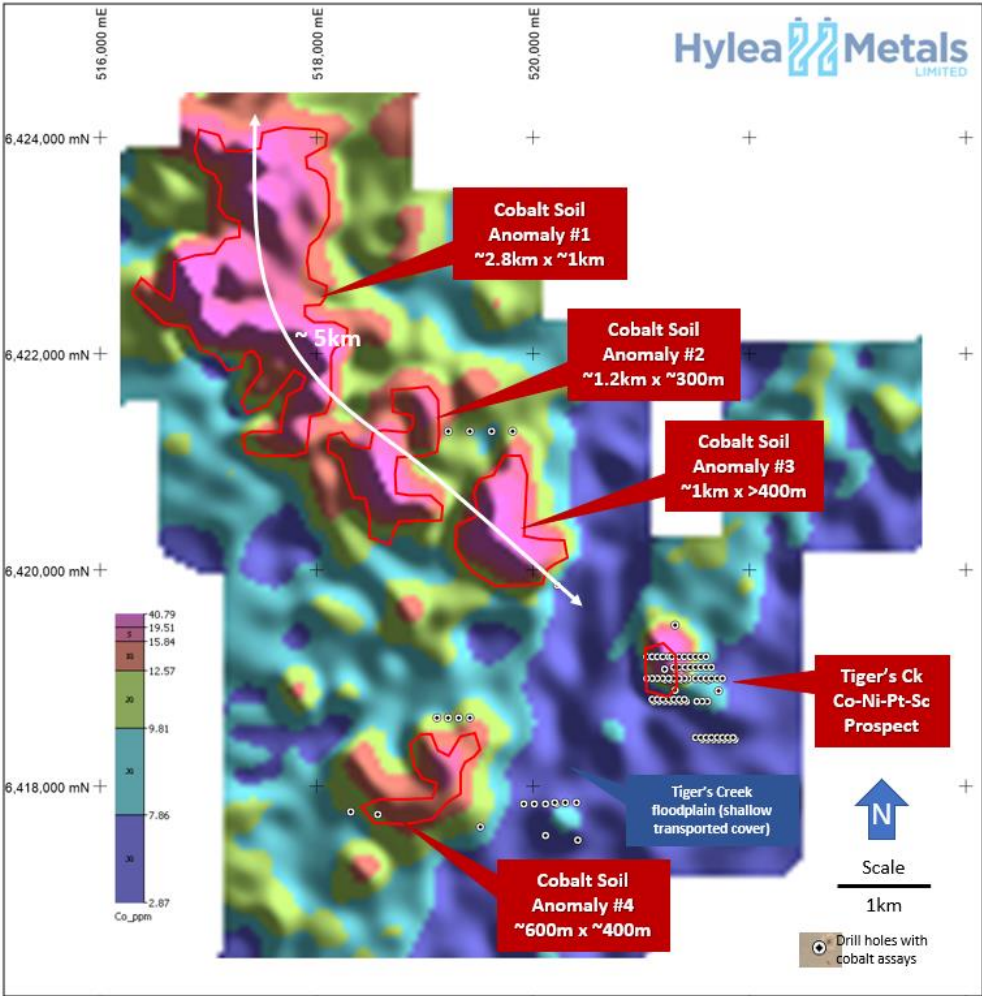


Figure 5: Cobalt (ppm) in soil anomalies on gridded image, illustrating the four defined Cobalt targets. Note the Tiger's Creek drainage cover effecting soil geochemical responses. Refer ASX: HCO 18th September 2018 "Promising Project Wide Soil Sampling at Hylea" for full details

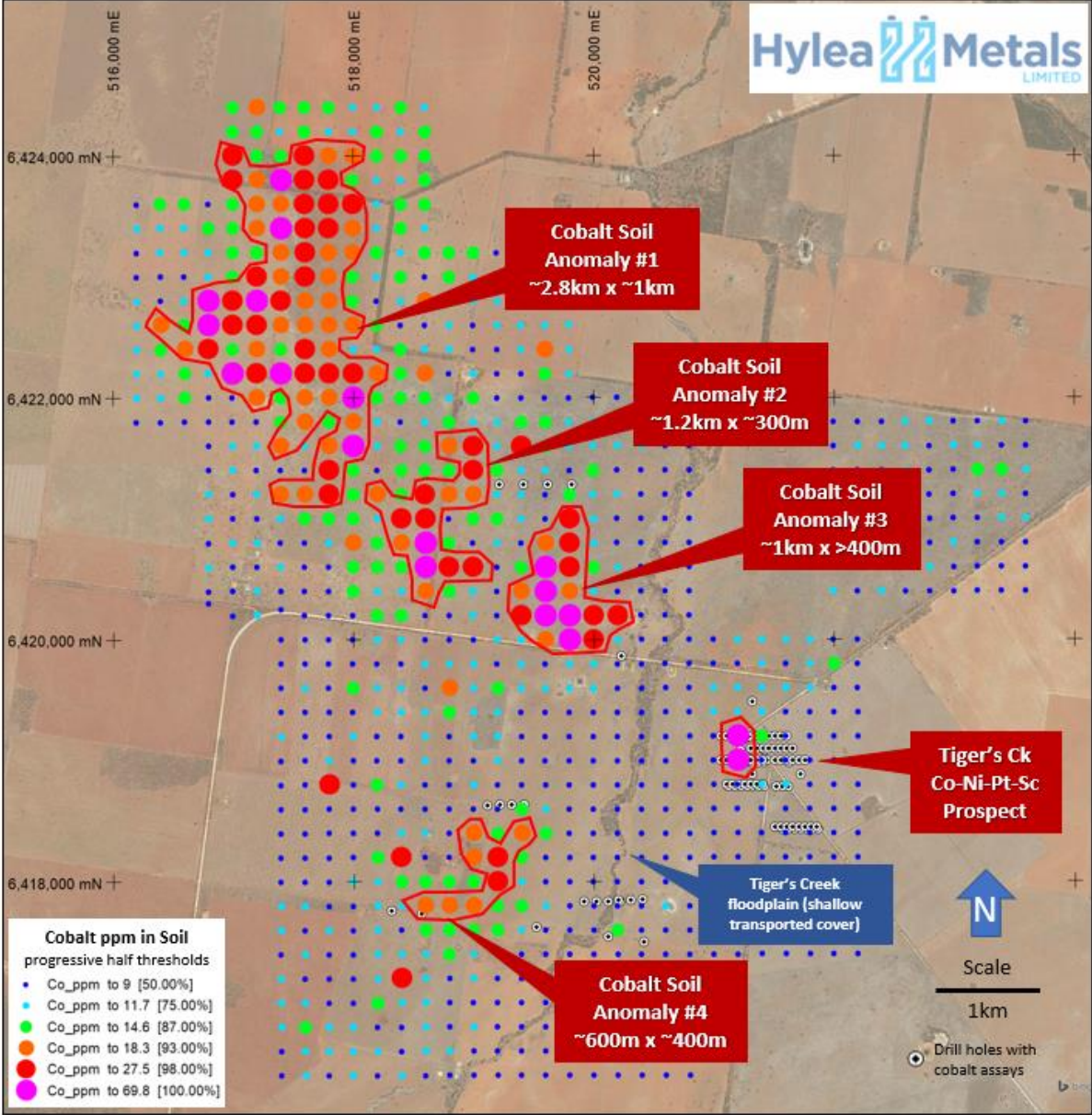


Figure 6: Cobalt (ppm) in soil anomalies on satellite image. Note the Tiger’s Creek drainage cover effecting soil geochemical responses. Refer ASX: HCO 18th September 2018 “Promising Project Wide Soil Sampling at Hylea” for full details.

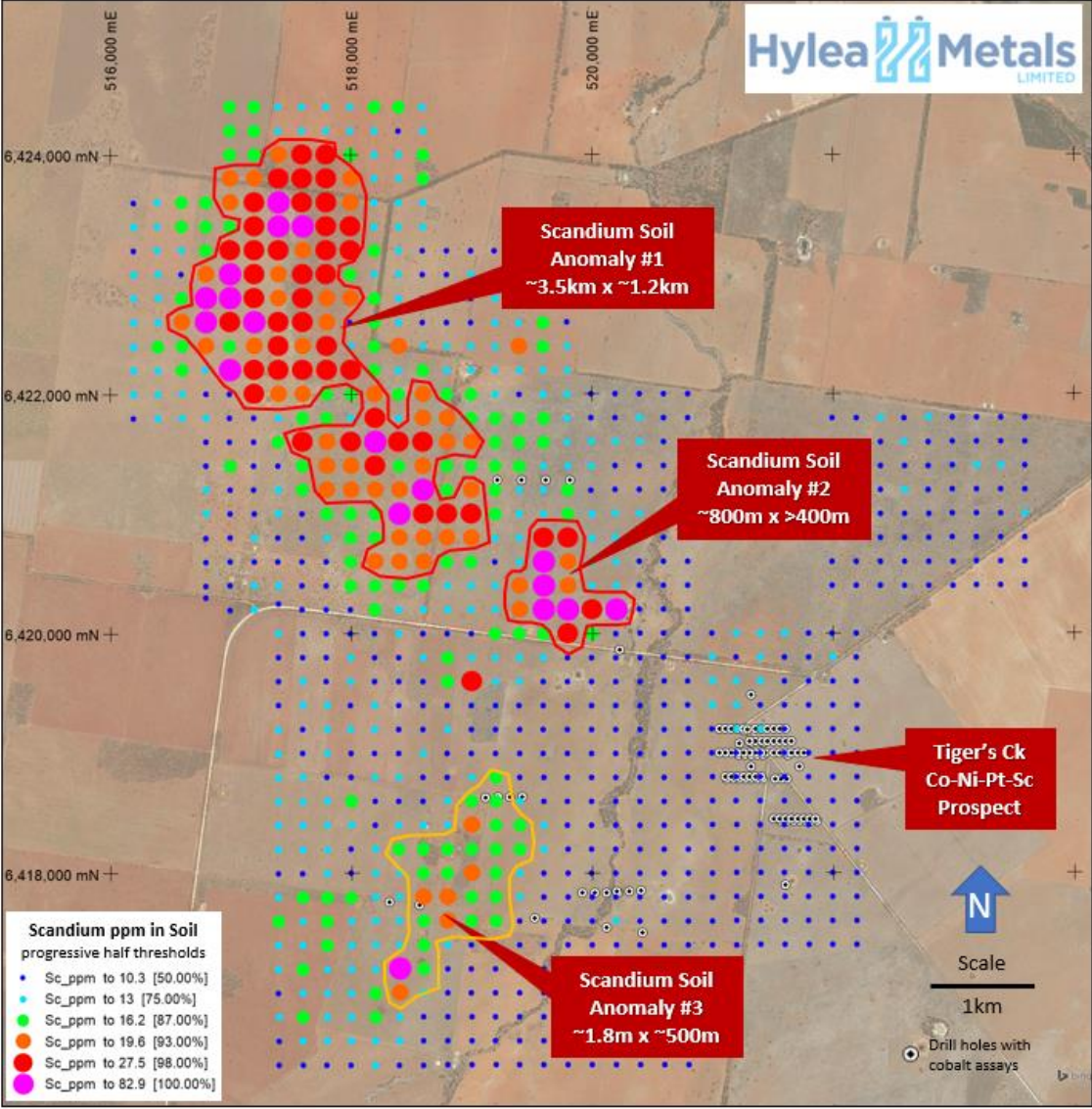


Figure 7: Scandium (ppm) in soil anomalies satellite image.
Refer ASX: HCO 18th September 2018 "Promising Project Wide Soil Sampling at Hylea" for full details.

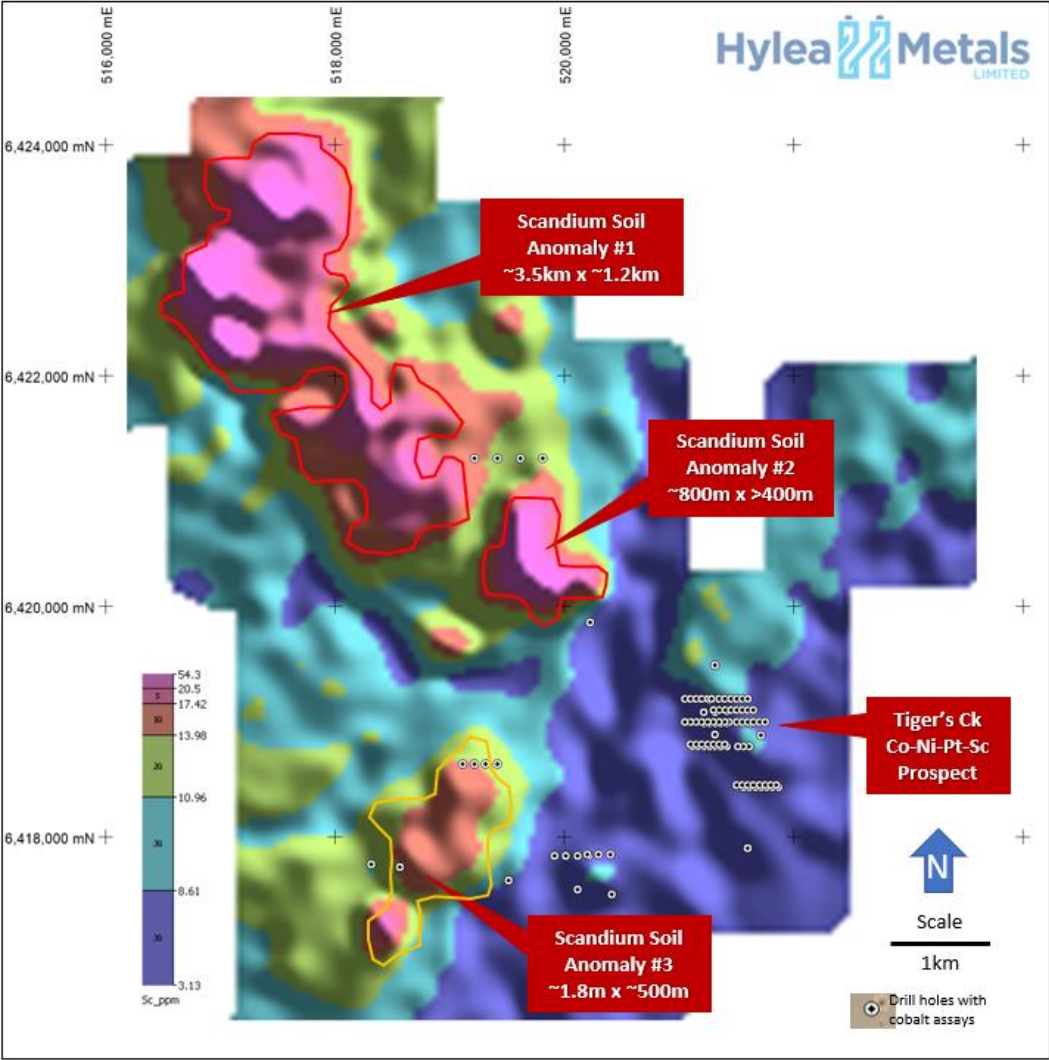


Figure 8: Scandium (ppm) in soil anomalies on gridded image, illustrating the three defined Scandium targets. Refer ASX: HCO 18th September 2018 “Promising Project Wide Soil Sampling at Hylea” for full details.

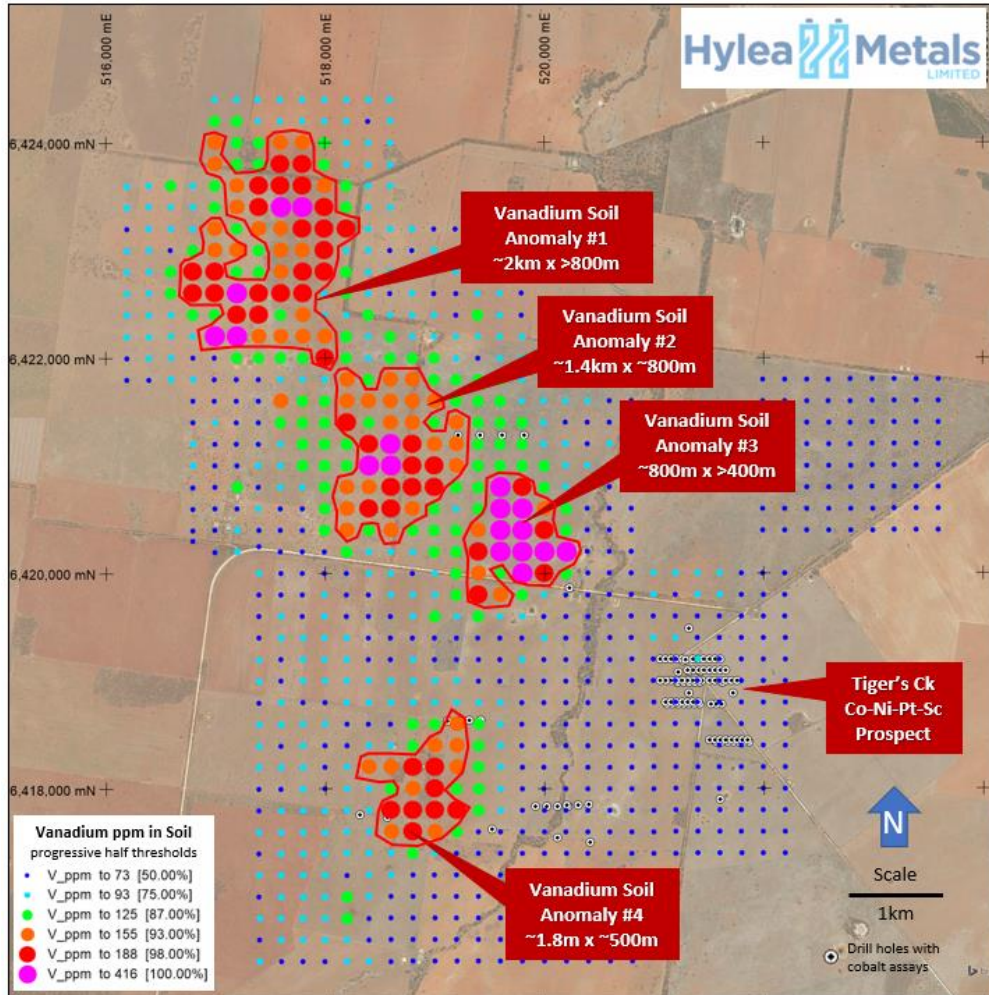
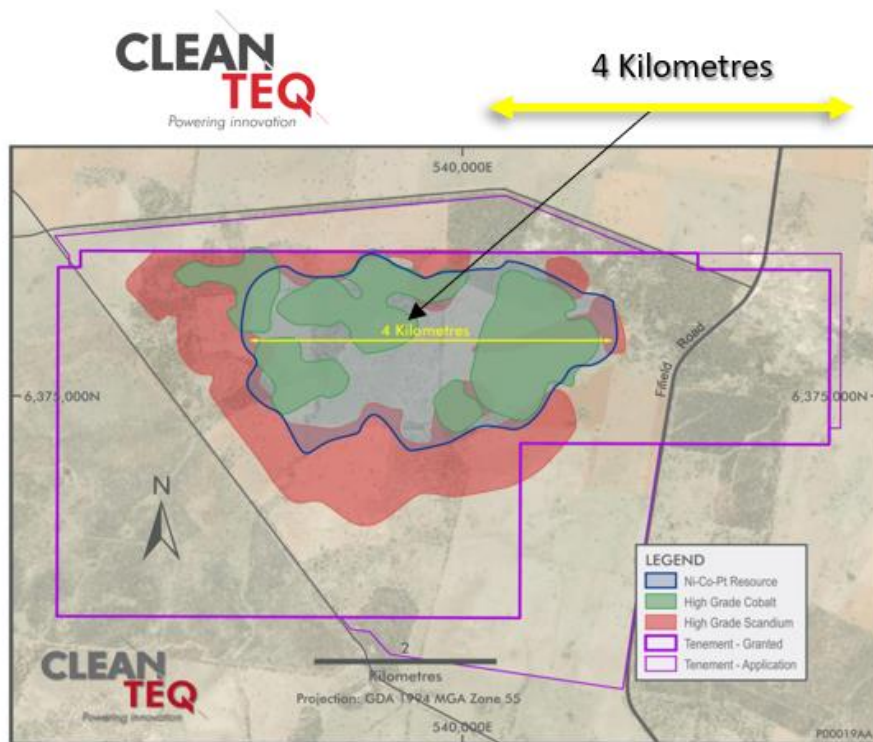
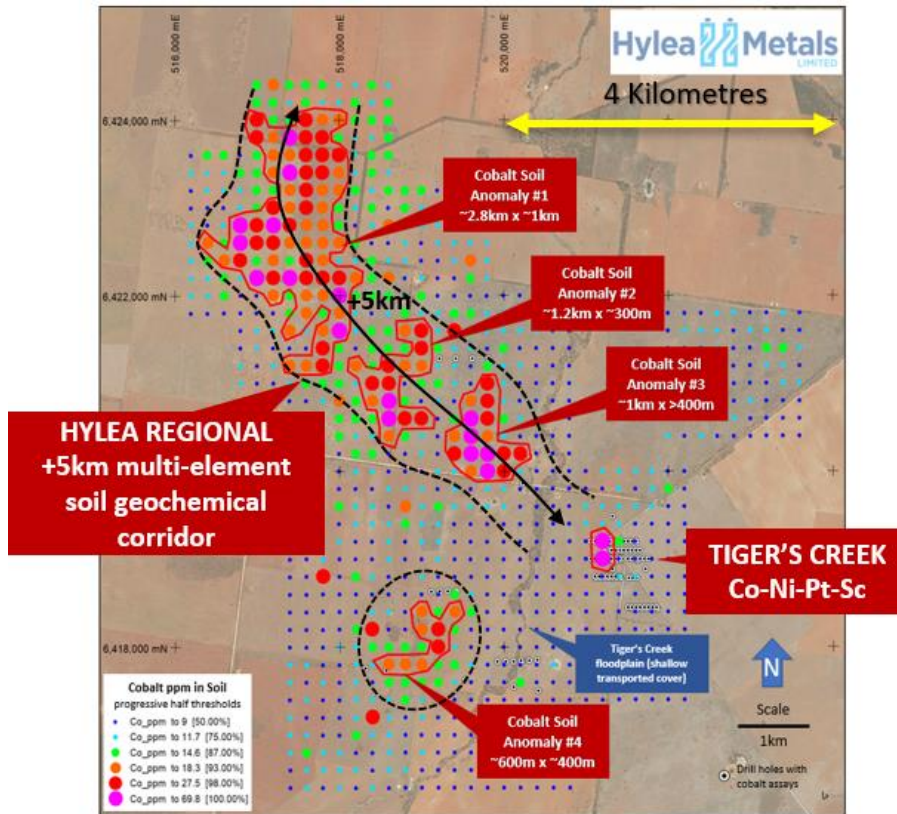


Figure 9: Vanadium (ppm) in soil anomalies on satellite image.

Refer ASX: HCO 18th September 2018 "Promising Project Wide Soil Sampling at Hylea" for full details.

SCALE COMPARISON

From its work at Tiger's Creek and the regional soil sampling campaigns the Company continues to be encouraged about the regional potential of the Hylea Intrusive Complex. The defined >5km long soil geochemical corridor, host to multiple large-scale Cobalt and multi-element anomalies has defined a pipeline of robust targets ready for drill testing. The scale of this corridor compares favourably with that of peer companies in the Fifeild "Battery Metals" District (Figure 10), with little more than further drilling required.



Sunrise Resource Plan

Figure 10: (Top) Hylea Project illustrating >5km long soil geochemical corridor containing multiple Cobalt plus multi-element drill ready targets, (Bottom) scale comparison with CleanTeq's Sunrise Deposit over the the Tout Intrusive Complex. Source "Updated Mineral Resource confirms significant increase in cobalt grade and contained metal at Clean TeQ's Syerston Project", ASX:CLQ 9th October 2017

COMPETENT PERSONS STATEMENT

The information in this document that relates to Exploration Results is based on information compiled by Mr. Darren Glover who is a member of the Australasian Institute of Mining and Metallurgy (AUSIMM). Mr Glover has over 20 years' experience in the mineral and mining industry. Mr Glover is a consultant to Hylea Metals, and has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Glover consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.