ASX ANNOUNCEMENT

SKY METALS

20 APRIL 2020

ASX: SKY

# SKY GOLD PROJECTS – MAJOR EXPLORATION EFFORT LAUNCHED ACROSS KEY TARGETS

- SKY to fast-track drill testing of NSW Gold Projects
- Follow up drill testing at Hume Target well advanced following up the exceptional mineralisation intersected in drillhole HUD002 (93m @4.24 g/t from 56m). Drillholes HUD003 completed to 510m depth and HUD004 to 379m.
- First assays from sampling of historic diamond drillcore from the Hume Target, Cullarin Project:
  - intersects new shallow high grade gold zone west of HUD002
  - extends previous intersection beneath HUD002
- Drilling of gold targets at Kangiara and Caledonian Projects also planned for May / June.
- Tranche 2 of placement complete - SKY fully funded with $11.5million cash at bank

The Board of Sky Metals Limited ('SKY' or 'The Company') is pleased to provide an update on its gold exploration projects in NSW (**Figure 4**).

SKY is now fully funded to aggressively and systematically test high priority targets at all of its Gold Projects. Besides follow up drill testing of the Hume Target (currently in progress), SKY is planning to test gold targets at its Kangiara and Caledonian Projects in the first half of 2020.

COVID-19: Through its exploration procedures SKY maintains a clear focus on protecting the health and wellbeing of our staff, contractors, landholders and other stakeholders. All planned work is subject to advice on any restrictions on normal business activities associated with COVID-19 imposed by the Australian and/or NSW governments. Being locally based SKY is in a unique position to be able to advance its projects at this time.

SKY CEO Mark Arundell commented; "*SKY is enacting a disciplined exploration program to follow up the high grade gold mineralisation encountered at the Hume Prospect. A programme of diamond core drilling is currently in progress and this is being augmented with historic diamond core sampling, soil sampling and geological mapping. The gold mineralisation identified in the re-assay of historic drill core validates SKY's strategy of sampling these historic drillholes, defining new zones and extending existing zones of gold mineralisation at the Hume Target.*"

## CULLARIN PROJECT (SKY EARNING 80%)

### *Hume Target Diamond Drilling*

Drillhole HUD003 was targeted to test the up dip extent of the mineralisation intersected in drillhole HUD002 (ASX SKY 10 February 2020). Originally planned for 300m depth, the hole was completed at 510.4m still within highly altered volcanics with sulphide mineralisation (**Figures 1 & 2**). HUD003 intersected an intensely altered volcanic package (silica-sericite-sulphide) from 24m to the end of hole. Sulphides – primarily pyrite, sphalerite (zinc) and galena (lead) – are present throughout the drillhole as disseminations, veins and veinlets. Significant gold mineralisation was noted to occur with this style of sulphide mineralisation in HUD002 thus the presence of this style of sulphide in HUD003 is considered promising.

Drillhole HUD004, located approximately 90m north of HUD002, was targeted as the first hole to test the northern strike of the mineralisation intersected in drillhole HUD002 (**Picture 2**). As in HUD003, drillhole HUD004 intersected an intensely altered volcanic package (silica-sericite-sulphide) from 26m to the end of hole. Sulphides – primarily pyrite, sphalerite (zinc) and galena (lead) – are present throughout the drillhole as disseminations, veins (**Picture 1**) and veinlets. HUD004 has recently been completed at 379m.

SKY will now look to test further north with drilling and continue to maintain a drilling presence at the Cullarin project for the foreseeable future and are planning to increase to a multi drill rig program depending on assay results from the sampling of the historical drilling and current drilling campaign.

| Hole ID | Easting (MGA) | Northing (MGA) | RL (m) | Dip | Azimuth (MGA) | Total Depth (m) | Comments |
|---|---|---|---|---|---|---|---|
| HUD003 | 724810 | 6144660 | 729 | -60 | 090 | 510.4 | Completed |
| HUD004 | 724810 | 6144745 | 735 | -60 | 090 | 378.6 | Completed |

**Table 1:** Cullarin Project, Hume Target


**Picture 1** - HUD004 – 33m – Quartz, Galena, Sphalerite vein

**Picture 2** -HUD004 in progress

## *Hume Target Historic Core Sampling*

As part of the follow up to the outstanding shallow gold mineralisation intersected in drillhole HUD002 (ASX SKY 10 February 2020), SKY identified a number of historic diamond drillholes from the Hume Target at the NSW Government drillcore library at Londonderry in western Sydney. A series of drillholes (drilled between 1981 and 1987) were identified as a priority for sampling primarily to evaluate the postulated trend of the HUD002 mineralisation (ASX SKY 9 March 2020). As noted previously, these historic drillholes are not ideally located and in many cases suffer from poor core recovery. However, the geological and analytical data gleaned is proving to be extremely helpful in efficiently targeting gold rich zones at the Hume Target. Initial analytical results from this sampling has been received from the first of these drillholes. Drillhole locations are presented in **Table 2** and **Figure 1**. Significant and anomalous gold results are reported in **Table 3**.

Sampling by SKY of WL015 has extended a historic intersection at approximately 150m depth. An intersection of **17m @ 1.69g/t Au** from 151m within a zone of **47.5m @ 0.84g/t Au** from 139.5m is now reported (**Table 3**). This intersection in WL015 appears to be correlated with the zone of lower grade gold mineralisation in drillhole HUD002 (43m @ 1.30g/t Au from 106m; ASX SKY 10 February 2020). The high grade (>4g/t Au) mineralisation in observed in HUD002 is not observed in WL015 due to an interpreted steep fault removing part of the mineralised section in WL015 (**Figure 2**). Further drilling will enable this fault to be mapped out in greater detail.

Shallow, high grade gold mineralisation has been intersected in previously unsampled intervals of historic drillhole WL015 (**Table 3**). This mineralisation occurs both west and up dip of the mineralisation intersected in SKY drillhole HUD002 (**Figure 2**) and is interpreted to represent a new gold zone at the Hume Target. Mineralisation at 25.6-25.9m (**0.3m @ 13.75 g/t Au**) is associated with a zone of intense silicification rather than sulphide and occurs in an interval of 3m (i.e. 10% recovery) where it appears only the intensely silicified material was recovered.

Sampling of historic drillhole WL021 located 500m north of HUD002 produced subdued gold results. Analysis of gold pathfinder metals from WL021 has revealed a distinct pattern that SKY believes may represent a "distal" signature to gold mineralisation. This "pattern" will be verified once further data from other drillholes is received. It is hoped it can be used to vector towards zones of significant gold mineralisation.

Sampling of historic drillholes DB1 and DB2 located on the eastern margin of the soil anomaly north of HUD002 produced some weakly anomalous gold results. The oxide portion (50-60m) of both of these drillholes was previously unsampled and displayed significant boxworks after sulphide. Although these drillholes are poorly located to test the peak of the soil anomaly, they were sampled opportunistically in order to determine what subsurface values were present under the soil numbers. The tenor of the gold values in these drillholes was consistent with the gold values of the soil samples proximal to the drillholes which has enabled SKY to reassess its follow up to the soil anomaly (**Figure 1**).

These early results from the sampling of historic drillcore have been very successful and validate SKY's approach in evaluation of the Hume Target.

Hole collar details of the historic drillholes sampled at the NSW Government core library are shown in **Table 2**, below.

| Hole ID | Year Drilled | Easting (MGA) | Northing (MGA) | RL (m) | Dip | Azimuth (MGA) | Total Depth (m) | Comments |
|---|---|---|---|---|---|---|---|---|
| DB01 | 1984 | 725,707 | 6,145,718 | 758.47 | -51 | 111 | 196 | Soil anomaly; sampled |
| DB02 | 1984 | 725,705 | 6,145,426 | 740 | -40 | 096 | 260.4 | Soil anomaly; sampled |
| WL015 | 1981 | 724,710 | 6,144,674 | 729 | -50 | 095 | 301.65 | 55m W of HUD002; sampled |
| WL021 | 1983 | 725,016 | 6,145,072 | 738.4 | -70 | 278 | 799..08 | 500m N of HUD002, sampled |

**Table 2:** Cullarin Project, collar summary for historic drill holes sampled from NSW Government core library

| Hole ID | From | To | Interval | Au | Cu | Pb | Zn | Ag | Comment | Recovery |
|---|---|---|---|---|---|---|---|---|---|---|
| | (m) | (m) | (m) | g/t | % | % | % | g/t | | % |
| **WL015** | **25.6** | **25.9** | **0.3#** | **13.75** | **-** | **-** | **-** | **3.5** | **SKY assay** | **>95** |
| " | 28.6 | 29 | 0.4 | 0.13 | - | - | - | - | SKY assay | >95 |
| " | 55.7 | 59.1 | 3.4 | 0.34 | | | 0.36 | 1 | SKY assay | 37 |
| " | **64.7** | **66** | **1.3** | **1.04** | **0.33** | **0.29** | **3.18** | **6.0** | **SKY assay** | **>95** |
| | **139.5** | **187** | **47.5** | **0.84^** | | | | | **SKY & historic** | **>95** |
| **incl** | **151** | **168** | **17** | **1.69^** | | | | | **SKY & historic** | **>95** |
| | | | | | | | | | | |
| DB01 | 13 | 14 | 1 | 0.20 | - | - | - | - | SKY assay | >95 |
| | | | | | | | | | | |
| DB02 | 31 | 32 | 1 | 0.26 | 0.11 | 0.10 | 0.24 | 26 | SKY assay | >95 |
| " | 34 | 35 | 1 | 0.12 | - | - | - | - | SKY assay | >95 |
| | | | | | | | | | | |

**Table 3:** Cullarin Project, Hume Target. Significant (**bold**) and anomalous historic drillhole intersections

# - Drilled 3m and 0.3m recovered.

^ - Au only analysed for historic assays

## *Hamilton Target*

The Hamilton Target is located approximately 3km north of the Hume Target on the Cullarin Project. It was identified as a combined potassium radiometric high and magnetic low anomaly and thus considered prospective for McPhillamys style mineralisation. Initial evaluation of the target by multi-element soil sampling and geological mapping is scheduled to commence late April.

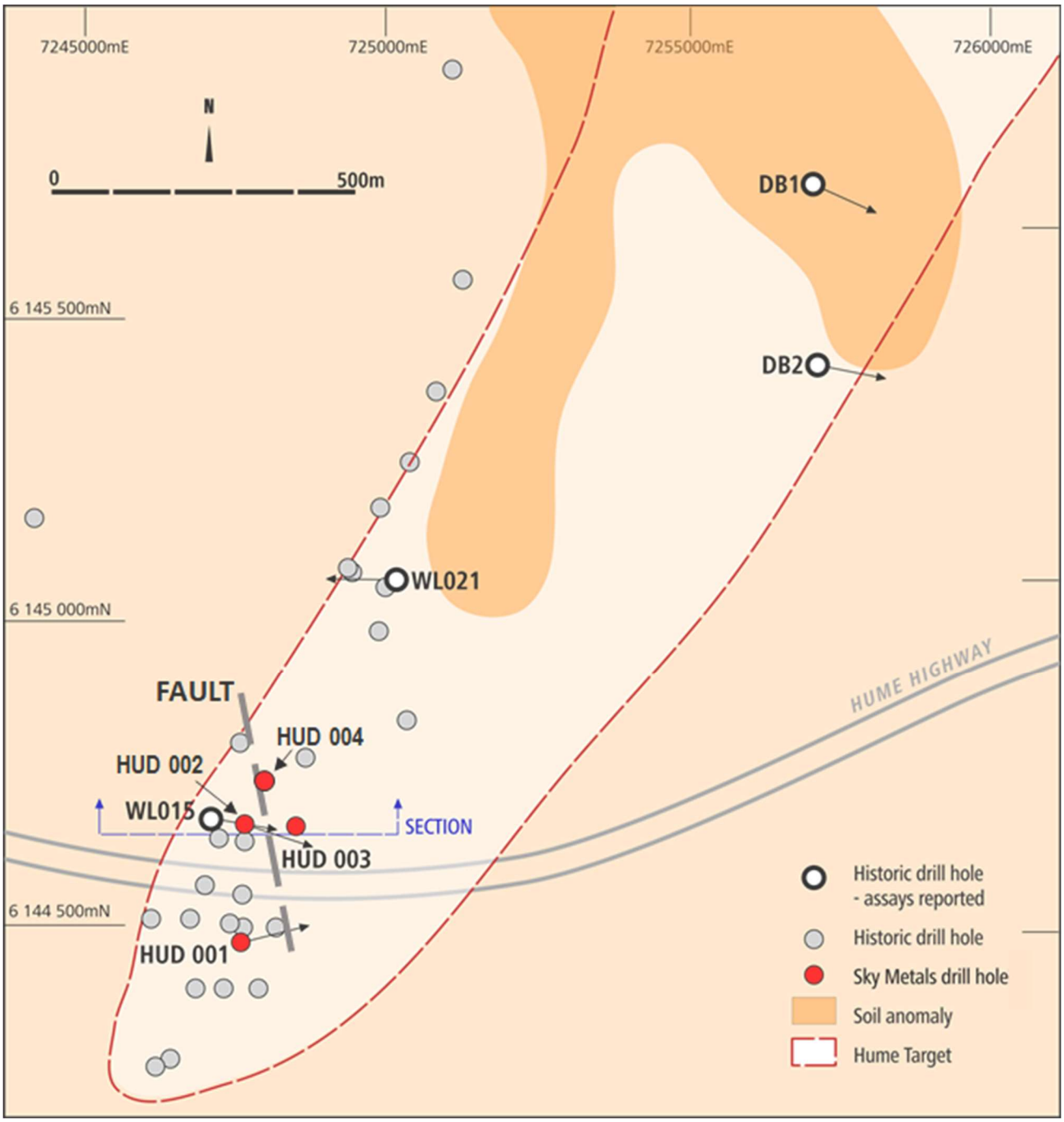


**Figure 1** - Cullarin Project – Hume Target – Location Plan

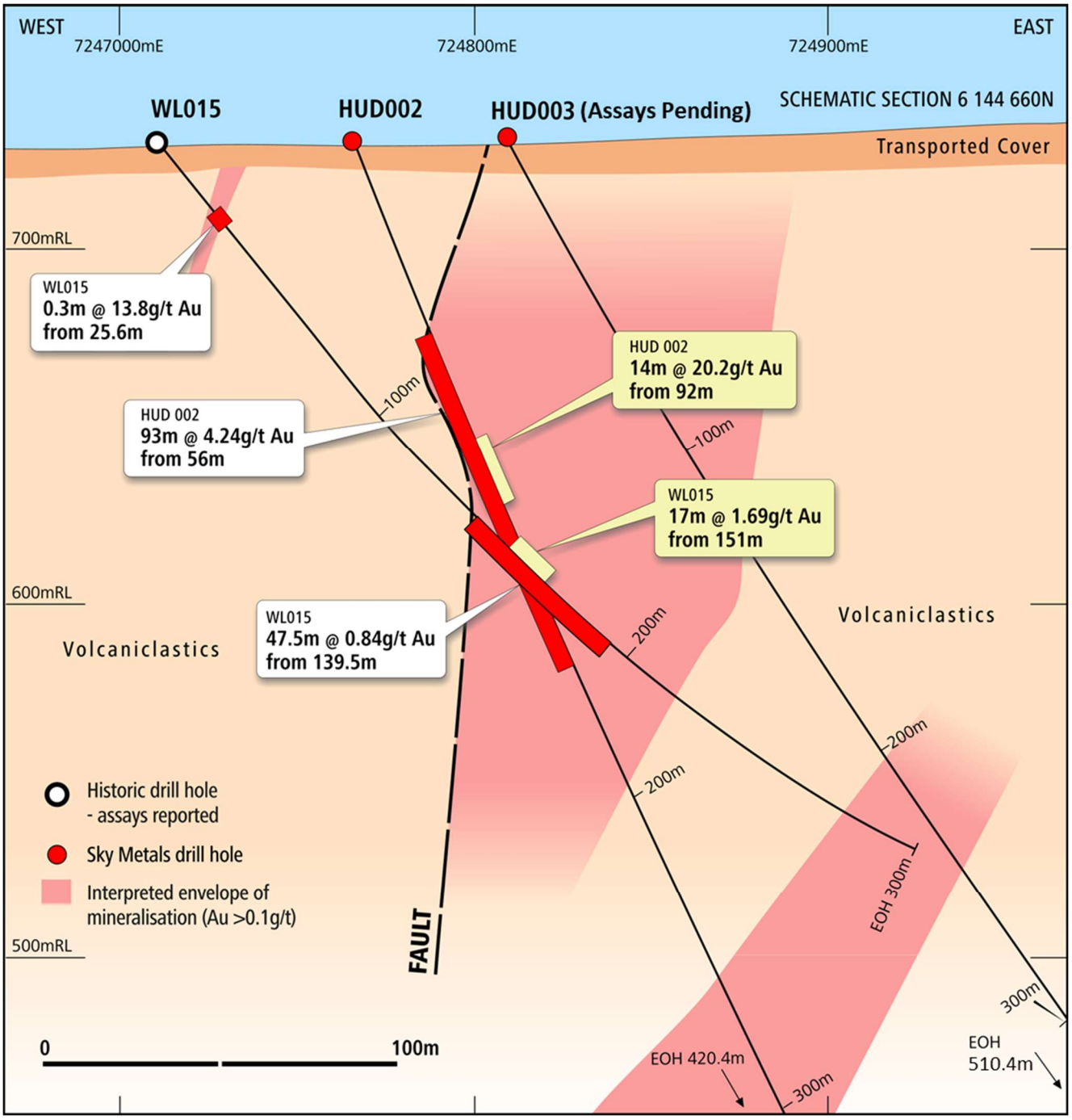


**Figure 2** – Cullarin Project – Hume Target. Schematic drill section showing interpreted envelope of mineralisation

## KANGIARA PROJECT (SKY EARNING 80%)

The Kangiara Project (EL8400, EL8573) is located 30km northwest of Yass in central New South Wales (**Figure 4**). The Project contains volcanic/volcaniclastic rocks of the Silurian Douro Group considered prospective for gold and base metal (copper-zinc) mineralisation.

The high grade Kangiara Mine operated during the early 1900s, with documented production of ~40,000 tonnes at 16% Pb, 3% Cu, 5% Zn, 280g/t Ag and 2g/t Au from narrow north-south trending sulphide veins (ASX PDM 18 June 2009). Mining occurred up to 120m depth (**Figure 3**). Previous work by Paradigm Metals led to the calculation of an Indicated and Inferred Mineral Resource at Kangiara.

SKY has identified a footwall gold target at the Kangiara Mine that appears to be largely untested. SKY plans to drill three drillholes to test this target in late May 2020.

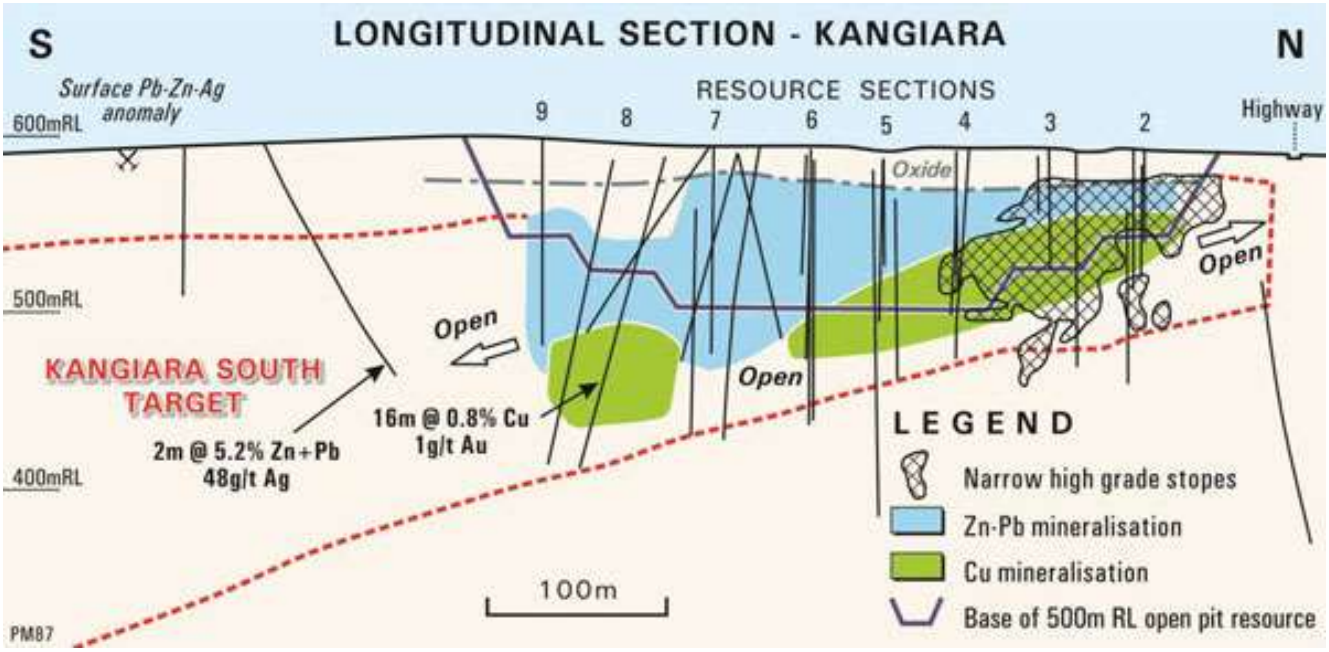


**Figure 3** – Kangiara Project – Longitudinal Section (after Paradigm Metals, ASX 17 Nov 2010)

## CALEDONIAN PROJECT (SKY 100%)

The Caledonian Project (EL88920) is located 30km southeast of Yass in central New South Wales (**Figure 4**). The area contains the historic Caledonian Mine. The distribution of multiple historic drill intersections at Caledonian Prospect indicate a potentially large and shallow mineralised gold system with discrete high-grade zones (e.g. 6m @ 8g/t Au recorded from the main lode, GSNSW; ASX SKY 11 Nov 2019). The deepest historical drillhole is 62m and most holes are ~25m deep. These drillholes are within a coherent 600 x 100m soil gold anomaly (+0.1ppm).

Historic shallow drill intercepts include:

- 10m @ 2.15 g/t Au from 16m
- 19m @ 1.8 g/t Au from 1.7m to EOH
- 36m @ 1.2 g/t Au from 0m to EOH
- 21.5m @ 1.2 g/t Au from 0m to EOH

SKY believes the prospect has not been adequately tested for significant gold mineralisation and thus intends to drill two or three diamond core holes to determine the depth extent and controls on the gold mineralisation. SKY plans to test this target during this Quarter.

This announcement is authorised for release by SKY's Board of Directors.

# ABOUT SKY (ASX: SKY)

SKY is an ASX listed public company focused on the exploration and development of high value mineral resources in Australia.

SKY's project portfolio offers exposure to the gold and tin market in the world class mining jurisdiction of NSW.

## GOLD PROJECTS

SKYs emerging gold exploration strategy leverages the SKY exploration team's significant combined experience during the early stages of the McPhillamys gold discovery (60Mt @ 1.05g/t Au for 2.03MOz, NPV of ~ $800M @$1800/oz, Regis Resources Ltd 2017). The McPhillamys mineralisation represents a distinct and economically important gold target style in NSW. The McPhillamys Gold Deposit was discovered in 2006 during the Alkane/Newmont 'Orange District Exploration Joint Venture' and is currently being advanced by Regis Resources Ltd, with a proposed 7Mt/annum mining operation (ASX RRL 8 September 2017).

### CULLARIN EL7954 / KANGIARA EL8400 & EL8573, HRR FARM-IN

Under the HRR farm-in, SKY may earn up to an 80% interest in the projects via the expenditure of $2M prior to the formation of a joint venture (ASX: 9 October 2019). Highlight, 'McPhillamys-style' gold results from previous drilling at the Cullarin Project include 148.4m @ 0.97 g/t Au (WL31) including 14.6m @ 5.1 g/t Au from 16.2m, and 142.1m @ 0.89 g/t Au (WL28) including 12m @ 4.4 g/t Au from 25.9m. The Cullarin Project contains equivalent host stratigraphy to the McPhillamys deposit with a similar geochemical (multielement pathfinders), geophysical (magnetics, radiometrics & IP) and alteration (white mica) signature. SKY's maiden drill programme to follow up this historical work has been very successful including core hole HUD002 which returned 93m @ 4.2 g/t Au from 56m.

### MYLORA / CALEDONIAN PROJECTS ( EL8915, EL8920 100% SKY)

Highlight, 'McPhillamys-style' gold results from previous exploration include 36m @ 1.2 g/t Au from 0m to EOH in drillhole LM2 and Costeaning: 81m @ 0.87g/t Au in a costean on EL8920 at the Caledonian Prospect, Jerrawa Project. At the Caledonian Prospect, the distribution of multiple historic drill intersections indicate a potentially large mineralised gold zone with discrete high-grade zones, e.g. 6m @ 8g/t Au recorded from lode at historic Caledonian Mines (GSNSW). A strong, robust soil gold anomaly (600 x 100m @ +0.1ppm) occurs and most drillholes (depth ~25m) terminate in the mineralised zone

## TIN PROJECTS

### TALLEBUNG PROJECT (EL6699, 100% SKY)

The Tallebung Project is located approximately 70km north-west of Condobolin in central NSW. The project encompasses the historic Tallebung Tin Mining Field at the northern extent of the Wagga Tin Belt within the central Lachlan Orogen and is considered prospective for lode and porphyry-style tin - tungsten mineralisation.

### DORADILLA PROJECT (EL6258, 100% SKY)

The Doradilla Project is located approximately 30km south of Bourke in north-western NSW and represents a large and strategic tin project with excellent potential for associated polymetallic mineralisation (tin, tungsten, copper, bismuth, indium, nickel, cobalt, gold).


**Figure 4:** SKY Location Map



SKY METALS

## COMPETENT PERSONS STATEMENT

The information in this announcement that relates to geology and exploration results and planning was compiled by Mark Arundell, who is a Member of the Australasian Institute of Geoscientists (AIG) and CEO of Sky Metals Ltd. Mr Arundell has sufficient experience which is relevant to the style of mineralisation 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 Arundell consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

## PREVIOUSLY REPORTED INFORMATION

The information in this report that references previously reported exploration results is extracted from the Company's ASX market announcements released on the date noted in the body of the text where that reference appears. The previous market announcements are available to view on the Company's website or on the ASX website (www. asx.com.au). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

## DISCLAIMER

This report contains certain forward-looking statements and forecasts, including possible or assumed reserves and resources, production levels and rates, costs, prices, future performance or potential growth of Sky Metals Ltd, industry growth or other trend projections. Such statements are not a guarantee of future performance and involve unknown risks and uncertainties, as well as other factors which are beyond the control of Sky Metals Ltd. Actual results and developments may differ materially from those expressed or implied by these forward-looking statements depending on a variety of factors. Nothing in this report should be construed as either an offer to sell or a solicitation of an offer to buy or sell securities.

This document has been prepared in accordance with the requirements of Australian securities laws, which may differ from the requirements of United States and other country securities laws. Unless otherwise indicated, all ore reserve and mineral resource estimates included or incorporated by reference in this document have been, and will be, prepared in accordance with the JORC classification system of the Australasian Institute of Mining, and Metallurgy and Australian Institute of Geoscientists.

# JORC CODE, 2012 - TABLE 1

**Section 1 Sampling Techniques and Data –CULLARIN PROJECT**

**(Criteria in this section apply to all succeeding sections)**

| Criteria | Explanation | Commentary |
|---|---|---|
| ***Sampling techniques*** | • *Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as downhole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.* | Drill core sampling is by sawn half core HQ, NQ & BQ core. Nominal sample intervals are 1m with a range from 0.3m to 2.0m.<br><br>All samples were submitted to ALS Chemex Orange for preparation and assaying. |
| | • *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.* | Assay standards or blanks are inserted at least every 30 samples for diamond drill core. All sample weights show consistency with core recovery and interval length.<br><br>Standards and field duplicates were used at least every 50 samples for soil sampling with field duplicates to ensure sample representivity. |
| | • *Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information.* | Each sample was dried, crushed and pulverised as per standard industry practice.<br><br>Diamond drilling - core samples were taken at nominally 1m, but with a range between 0.5-1.5m. Core samples are cut in half, dried, crushed and pulverised to 90% passing 75 microns.<br><br>The primary metal of interest, Gold (Au) was determined by 50g fire assay (method Au-AA26) with a detection limit 0.01ppm. Multielement assaying was completed for 48 elements by 0.25g four-acid digest with ICPMS determination (method ME-ICP61). |
| ***Drilling techniques*** | • *Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc)* | Diamond Drilling completed using HQ or NQ core until fresh rock is reached then NQ or BQ coring. Core orientation not completed |
| ***Drill sample recovery*** | • *Method of recording and assessing core and chip sample recoveries and results assessed* | Diamond drill core recovery recorded against intervals drilled as part of geotechnical logging to determine recovery. Recoveries are generally greater than 95% once in fresh rock. |
| | • *Measures taken to maximise sample recovery and ensure representative nature of the samples* | Diamond drilling utilising triple tube drilling and short drilling runs employed to maximise core recovery. |
| | • *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material* | There is no known relationship between sample recovery and grade. Where samples recoveries are less than 95% there is no relationship observed between grade and sample recovery. Relationships between sample recovery and grade are not considered significant where recoveries exceeded 95% in fresh rock. |

| Criteria | Explanation | Commentary |
|---|---|---|
| ***Logging*** | • *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies* | Systematic geological and geotechnical logging was undertaken by NBH and their joint venture partnerts when the holes were originally drilled. Data collected includes:<br>• Nature and extent of lithologies.<br>• Relationship between lithologies.<br>• Amount and mode of occurrence of ore minerals.<br>• Location, extent and nature of structures such as bedding, cleavage, veins, faults etc. Structural data (alpha & beta) are recorded for orientated core.<br>• Geotechnical data such as recovery, RQD, fracture frequency, qualitative IRS, microfractures, veinlets and number of defect sets. For some geotechnical holes the orientation, nature of defects and defect fill are recorded. |
| | • *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography* | Both qualitative and quantitative data is collected.<br>Half core samples are retained in trays for future reference. |
| | • *The total length and percentage of the relevant intersections logged* | All core were geologically and geotechnically logged. |
| ***Sub-sampling techniques and sample preparation*** | • *If core, whether cut or sawn and whether quarter, half or all core taken* | Diamond drilling - core was sawn with half core submitted for assay. Sampling was consistently on one side of the orientation line so that the same part of the core is sent for assay. |
| | • *If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry* | Not applicable for core drilling reported. |
| | • *For all sample types, the nature, quality and appropriateness of the sample preparation technique* | Core samples were dried crushed and pulverised to 90% passing 75 microns. This is considered to appropriately homogenise the sample to allow subsampling for the various assay techniques. |
| | • *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples* | The use of Certified Standard Reference Materials and blanks were inserted at least every 30 samples to assess the accuracy and reproducibility of the drill core results. Standards and field duplicates were used at least every 50 samples for soil sampling. The results of the standards were to be within ±10% variance from known certified result. If greater than 10% variance the standard and up to 10 samples each side were re-assayed. ALS conducted internal check samples every 20 samples for Au and every 20 for multielement assay. |
| | • *Measures taken to ensure that the sampling is representative of the in-situ material collected, including for instance results for field duplicate/second-half sampling.* | No field duplicates are taken for core samples. Core samples were cut in ½ for down hole intervals of 1m, however, intervals can range from 0.3-2.0m. This is considered representative of the in-situ material. The sample was crushed and pulverised to 90% passing 75 microns. This was considered to appropriately homogenise the sample. Field duplicate soil samples were collected and demonstrated representivity of soils samples. |
| | • *Whether sample sizes are appropriate to the grain size of the material being sampled* | Sample sizes are industry standard and considered appropriate |
| ***Quality of assay data and laboratory tests*** | • *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total* | Standard assay procedures performed by a reputable assay lab, (ALS Group), were undertaken. Gold (Au) was determined by 50g fire assay (method Au-AA26) with a detection limit 0.01ppm for drill core and soils samples were determined by 30g fire assay for trace Au with Au-AA21 with a detection limit of 0.002ppm. Multielement assaying for both drill core and soil samples was completed for 48 elements by 30g four-acid total digest with ICPMS determination (method ME-ICP61). |

| Criteria | Explanation | Commentary |
|---|---|---|
| | • *For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc* | Not applicable as no geophysical tools were used in the determination of assay results. |
| | • *Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established* | Certified reference material or blanks were inserted at least every 30 samples and every 50 samples in soil samples alternating with field duplicates. Standards are purchased from Certified Reference Material manufacture companies: Standards were purchased in foil lined packets of between 60g and 100g. Different reference materials were used to cover high grade, medium grade, low grade and trace ranges of elements, with a primary focus on gold. |
| ***Verification of sampling and assaying*** | • *The verification of significant intersections by either independent or alternative company personnel.* | Drill data is compiled and collated and reviewed by senior staff. External consultants do not routinely verify exploration data until resource estimation procedures are deemed necessary. The intersection calculations were viewed by >1 geological personnel. |
| | • *The use of twinned holes.* | Twinned holes have not been used in the drilling. |
| | • *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.* | Drill Hole Data including: meta data, any gear left in the drill hole, lithological, mineral, survey, sampling, magnetic susceptibility was collected and stored as physical and electronic copies or entered directly into an excel spread sheet using drop down codes. When complete the spreadsheet was combined into a master excel spreadsheet as the drill hole database.<br><br>Assay data was provided by ALS via .csv spreadsheets. The data was validated using the results received from the known certified reference material. Hard copies of the assay certificates were stored with drill hole data such as drillers plods, invoices and hole planning documents. |
| | • *Discuss any adjustment to assay data* | Assay data is not adjusted. |
| ***Location of data points*** | • *Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.* | Historic drill hole collars were located using either a licenced surveyor or on a local imperial or metric grid. Conversion of the local grid co-ordinates has been undertaken by previous exploration companies. SKY has used DGPS surveying of its drillholes (± 0.1m). |
| | • *Specification of the grid system used* | All coordinates are based on Map Grid Australia Zone 55E, Geodetic Datum of Australia 1994. |
| | • *Quality and adequacy of topographic control* | Historic drill hole collars were located using either a licenced surveyor or on a local imperial or metric grid. SKY drill hole collars were located using DGPS surveying (± 0.1m) |
| ***Data spacing and distribution*** | • *Data spacing for reporting of Exploration Results* | At this early exploration stage, the data spacing is variable as the focus is on geological mapping and identifying new zones of mineralisation. |
| | • *Data spacing for reporting of Exploration Results Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied* | Not Applicable as no resource estimate has been completed |
| | • *Whether sample compositing has been applied* | Sample compositing is not applied. |

| Criteria | Explanation | Commentary |
|---|---|---|
| ***Orientation of data in relation to geological structure*** | • *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type* | Drilling was orientated east to cross the interpreted, steeply westerly dipping mineralisation trend at moderate to high angles. The use of orientated core allows estimates of the true width and orientation of the mineralisation to be made.. |
| | • *If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced sampling bias, this should be assessed and reported if material* | No sample bias due to drilling orientation is known. |
| ***Sample security*** | • *The measures taken to ensure sample security* | Sample chain of custody has been managed by the employees of Sky Metals who commissioned the drilling from the drilling rig to assay laboratory.<br>All samples are bagged in tied numbered calico bags, grouped into larger tied polyweave bags and transported to ALS in Orange by SKY personnel. Soil samples are collected in bags and transported to ALS in Orange by SKY personnel. All sample submissions are documented via ALS tracking system and all assays are reported via email.<br>Sample pulps are returned to site and stored for an appropriate length of time (minimum 3 years). The Company has in place protocols to ensure data security. |
| ***Audits or reviews*** | • *The results of any audits or reviews of sampling techniques and data* | The Company does not routinely have external consultants verify exploration data until resource estimation procedures are deemed necessary. |

**Section 2 Reporting of Exploration Results - CULLARIN PROJECT**
**(Criteria listed in the preceding section also apply to this section)**

| Criteria | Explanation | Commentary |
|---|---|---|
| ***Mineral tenement and land tenure status*** | • *Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.* | The Cullarin Project is described by NSW Exploration Licence 7954.<br>The tenement is 100% owned by Tarago Exploration Pty Ltd, a 100% owned subsidiary of Heron Resources Ltd. This licence is one of three under the HRR-SKY JV with Sky Metals Ltd to earn an 80% interest the JV tenements following a farm-in expenditure of $2,000,000 within 36 months. See SKY ASX announcement 9 October 2019 for more details. |
| | • *The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area* | All exploration licences are in good standing.<br>EL7954 expires on 19 June 2022. |
| ***Exploration done by other parties*** | • *Acknowledgment and appraisal of exploration by other parties* | Significant exploration was carried out initially interested in base metals and shifting to gold in the 1980s with the Hume prospect identified as a Au-rich VMS system with similarities to the Henty Mine in western Tasmania. Shallow diamond drilling at the Hume prospect identified broad low-grade Au mineralisation including high grade zones suitable for underground mining before the 1990s. From the 1990s a period of exploration for largely intrusion-related deposit styles commenced and included the re-assay of historic drill core and collation of previous exploration data. |

| Criteria | Explanation | Commentary |
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| ***Geology*** | • *Deposit type, geological setting and style of mineralisation* | Mineralisation at the Hume prospect is associated with sulphide-rich and intensely silica-sericite altered horizons hosted in a late Silurian volcaniclastic sequence interpreted to be equivalent to the stratigraphy to that which hosts the McPhillamys deposit near Blaney NSW. This stratigraphy is likely to represent basin opening of the Hill End Trough. The mineralisation is interpreted as Au-rich VMS with similarities to the Henty Mine in western Tasmania and the McPhillamys deposit in NSW. Gold mineralisation appears to be coincident with Zn, Pb, Cu and Ag mineralisation. |
| ***Drill hole Information*** | • *A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:*<br>- *easting and northing of the drill hole collar*<br>- *elevation or RL (Reduced Level–elevation above sea level in metres) of the drill hole collar*<br>- *dip and azimuth of the hole*<br>- *down hole length and interception depth*<br>- *hole length* | See body of announcement. |
| | • *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.* | Not applicable as drill hole information is included. |
| ***Data aggregation methods*** | • *In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually Material and should be stated.* | Where reported, drilling results from the Cullarin Project have been length weighted. Grades greater than 0.1g/t Au have been used to calculate intercepts. No high cut-off has been applied. |
| | • *Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.* | Intercepts are length weighted with no cutting of grades. This may lead to elevation of intercept grades due to the presence of a narrow interval of high-grade material. Such high grade zones are reported as included intercepts inside the broader intercept. |
| | • *The assumptions used for any reporting of metal equivalent values should be clearly stated* | No metal equivalences quoted. |
| ***Relationship between mineralisation widths and intercept lengths*** | • *These relationships are particularly important in the reporting of Exploration Results-*<br>- *if the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.*<br>- *if it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known').* | Orientated drill core has been used by SKY to allow determination of orientation of structures and mineralisation. Orientation of the mineralisation and structural trends is constrained by previous drilling and outcrop though true widths are not yet estimated as there is insufficient data at this stage of exploration.<br><br>Limited structural data can be |
| ***Diagrams*** | • *Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.* | See body of announcement, appendix of ASX announcement, 22 November 2018. |

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| ***Balanced reporting*** | • *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.* | See table in appendix of ASX announcement, 22 November 2018. |
| ***Other substantive exploration data*** | • *Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples–size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.* | See body of announcement |
| ***Further work*** | • *The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling).* | Further drill testing to assess the scale and grade of the mineralisation is planned along with investigation of related targets. |
| | • *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.* | See body of announcement. |