

24 AUGUST 2020

ASX: SKY

OPTION TO PURCHASE GALWADGERE COPPER-GOLD PROJECT

- ◆ Option to Purchase Agreement for the Galwadgere Copper-Gold Project (EL 6320), NSW.
- ◆ Galwadgere is a copper-gold deposit defined over 800m strike length and open to the north, south and at depth.
- ◆ Historical (2004) drilling results from the Galwadgere deposit include:
 - ◆ GAL008: 47m @ 0.90% Cu and 1.58g/t Au from 122m
 - ◆ GAL022: 45m @ 0.83% Cu and 0.40g/t Au from 51m
- ◆ SKY believes Galwadgere can be rapidly assessed with an immediate drill programme to test for a large-scale deposit.
- ◆ SKY has also identified an untested 'McPhillamys style' gold target south of the Galwadgere deposit.

The Board of Sky Metals Limited ('SKY' or 'The Company') is pleased to advise that it has entered into an Option to Purchase Agreement to acquire the advanced Galwadgere Gold-Copper Project to complement its current exploration activities. (Figure 4).

SKY has been granted an exclusive Option to Purchase of the Galwadgere Copper-Gold Project from Alkane Resources Ltd (Alkane). Previous exploration by Alkane has delineated a shallow, open-ended copper-gold resource at Galwadgere (ASX ALK 28th April 2005).

SKY has identified the Galwadgere deposit as a target that can be rapidly expanded and is prioritised for immediate drill testing. South of the Galwadgere deposit, SKY has also identified an untested 'McPhillamys style' gold target as well as devised a programme to assess the regional potential of EL 6320 including the McDowells & Christies prospects.

To exercise the Option, SKY must spend \$250,000 on in-ground expenditure within 18 months. On election to exercise the option, SKY may purchase 100% equity interest in EL6320 by issuing 6,000,000 fully paid ordinary shares in the capital of SKY to Alkane.

SKY CEO Mark Arundell commented; "*SKY is delighted to add the Galwadgere Project to its stable of high-quality projects in NSW. The untapped potential of the Galwadgere Deposit presents SKY with an immediate opportunity to extend and discover high-grade copper-gold mineralisation. SKY plans to test the down dip and strike extensions of the Galwadgere deposit with a programme of RC percussion & diamond core drilling as soon as possible. Detailed multi-element soil geochemistry and airborne EM are also planned to fully evaluate the potential of EL 6320.*"

GALWADGERE PROJECT (EL 6320)

Background

The Galwadgere Project is located 15km south-east of Wellington township in the Central West of New South Wales (Figure 1). The project hosts several targets including the Galwadgere Copper-Gold deposit and the McDowells & Christies prospects. The Galwadgere Deposit has been the focus of most of the recent exploration effort by Alkane and is located adjacent to favourable infrastructure, being three kilometres from the main Western Railway, and proximal to power and water.

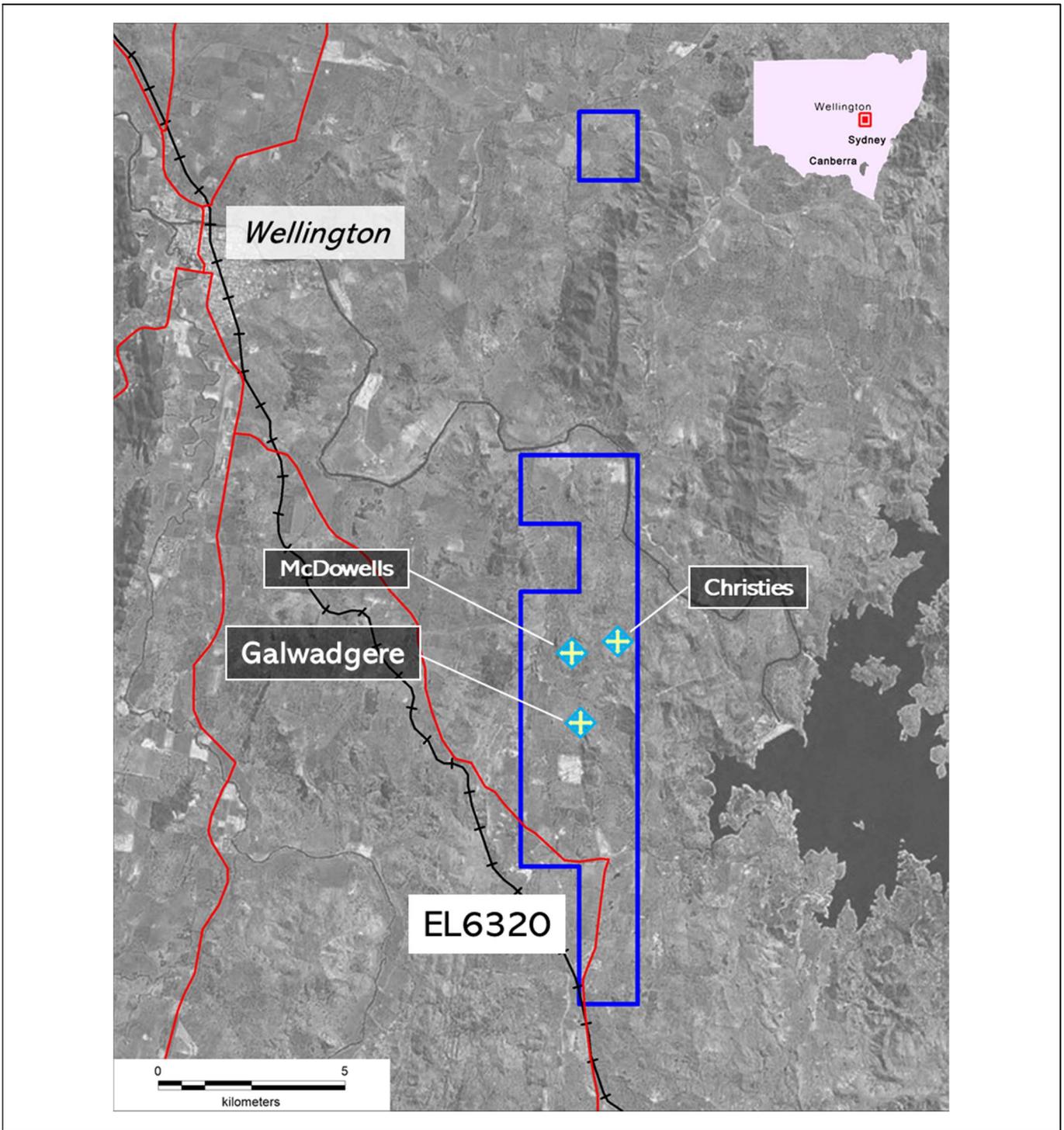


Figure 1 - Location of the Galwadgere Project

Geology

Exploration by various companies has taken place intermittently in the Galwadgere area since 1967, with the bulk of the work comprising diamond drilling completed during the 1970s. This drilling located an extensively altered Silurian felsic to intermediate volcanic sequence hosting base metal sulphide and gold mineralisation (**Figure 2**).

Alkane's drilling in 2004 intersected altered volcanics hosting broad widths of pyrite-chalcopyrite mineralisation with occasional massive sulphide lenses up to 5 metres thick. While the deposit had previously been categorised as a Volcanogenic Massive Sulphide (VMS) type deposit, Alkane considered that later structural overprint may have modified the distribution of the metals.

The mineralisation at Galwadgere has been traced over a strike length of at least 700 metres, with at least 400m of this strike extent covered by younger Permian sediments (**Figure 2**). The mineralisation varies in thickness from 5 to 35 metres and has been tested to a depth of 400 metres, although the bulk of the drilling is above 200 metre vertical depth (**Figure 3**). The system dips to the east at about 60°, and there is an apparent plunge to the north at 45- 50°. The mineralisation consists of disseminated and stringer pyrite-chalcopyrite lenses within altered felsic volcanic rocks. The system is structurally overturned and appears to be zoned with a capping of zinc-lead-silver-gold rich bedded massive sulphide. To the west, non-prospective Devonian sediments outcrop with the prospective Silurian sequence cut off by a major regional east dipping thrust fault.

Significant results from the 2004 Alkane Drilling program (ASX ALK 4th November 2004 & 25th November 2004) are presented below.

HOLE ID	From (m)	To (m)	Intercept (m)	Cu (%)	Au (g/t)
GAL005	151	169	18	0.92	0.18
GAL006	41	86	45	0.69	0.25
GAL008	122	169	47	0.9	1.58
GAL010	3	30	27	0.55	0.25
GAL010	46	51	5	2.17	0.50
GAL012	33	54	21	0.55	0.02
GAL014	27	54	27	0.62	0.13
GAL017	85	90	5	0.88	0.57
GAL019	28	35	7	1.05	0.05
GAL021	121	132	11	0.9	0.15
GAL022	51	96	45	0.83	0.4
GAL023	181	201	20	0.51	0.01
GAL024	161	192	31	0.72	0.12
GAL025	96	132	36	0.89	0.23
GAL026	70	77	7	1.2	0.18
GAL027	134	148	14	0.96	0.58
GAL028	54	79	25	0.85	0.36
GAL029	99	137	38	0.84	0.32



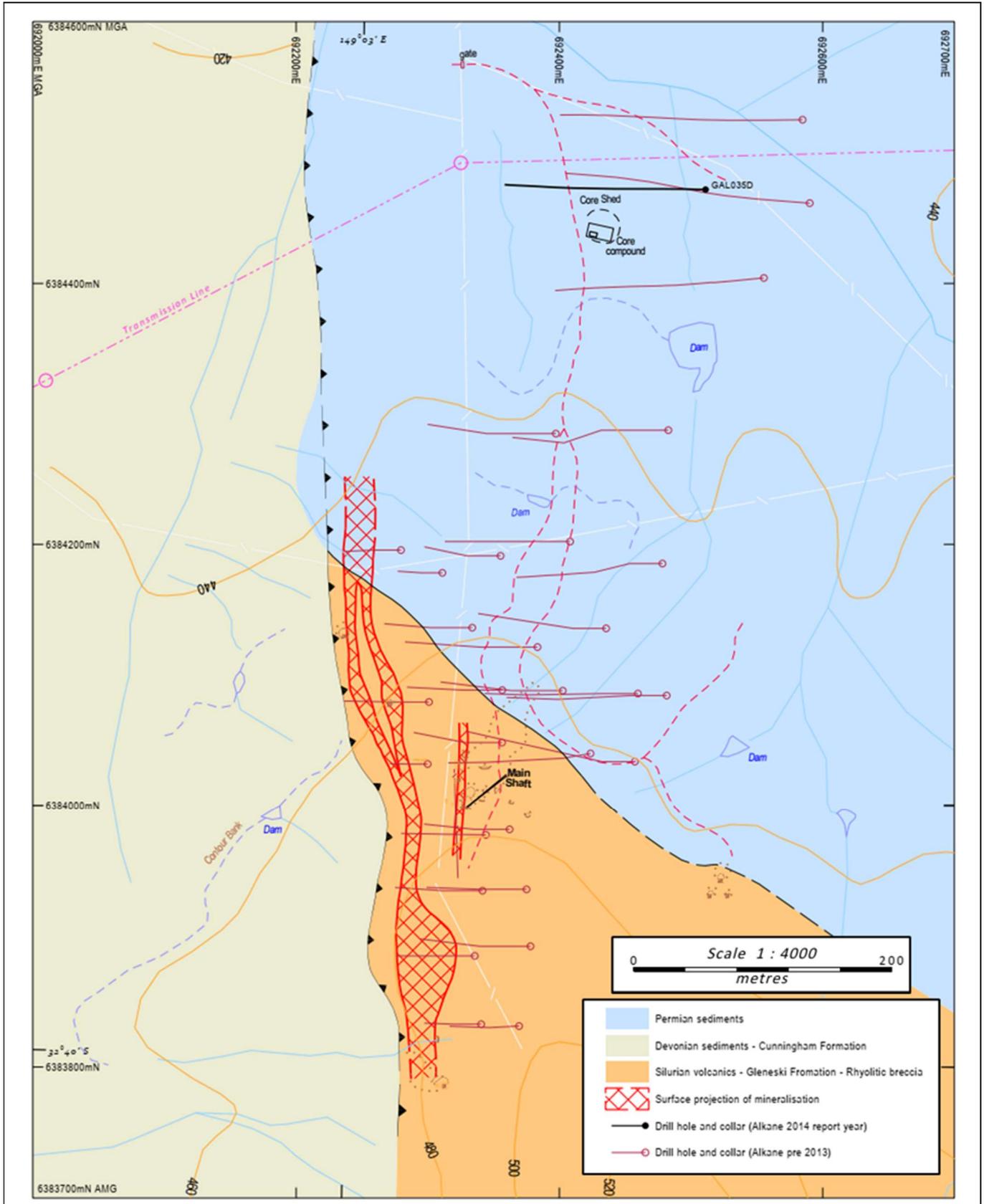


Figure 2- Galwadgere deposit – Local geology and mineralisation (after Alkane)

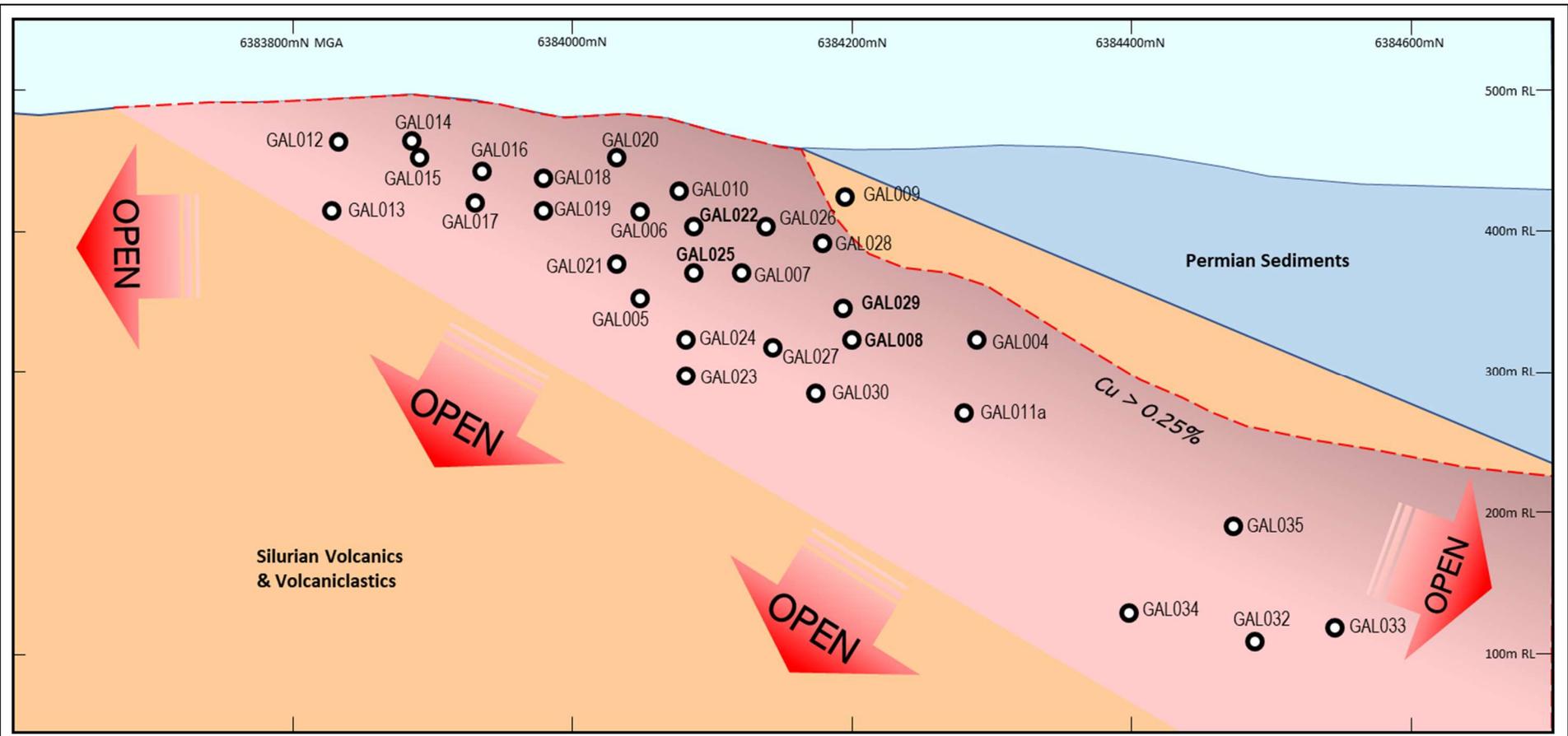


Figure 3- Long section of Galwadgere Deposit displaying strike and depth potential

SKY Exploration Programme

SKY has devised the following exploration programme to evaluate the potential of the Galwadgere Deposit and other prospects on EL 6320.

- RC percussion and diamond core drill testing to test down dip and southern & northern strike potential of the Galwadgere Deposit
- Airborne EM (electromagnetic) survey to detect massive sulphide conductors
- Detailed multi-element soil sampling to delineate near surface targets
- Detailed geological mapping to complement the above programs and assist in targeting.

SKY is planning to initiate this programme in September 2020.

GALWADGERE OPTION TO PURCHASE

SKY has acquired an option to purchase a 100% interest in the Galwadgere Project through an Option to Purchase Agreement with Alkane Resources Ltd (Alkane). Under the agreement, SKY may purchase a 100% interest in the project on the terms below:

OPTION FEE & PERIOD: \$250,000 in-ground expenditure within 18 months, and payment of \$1 in consideration for the grant of the Option.

PURCHASE: On election to exercise the option, SKY may purchase 100% equity interest in EL 6320 by issuing 6,000,000 fully paid ordinary shares in the capital of SKY to Alkane.

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, copper and tin markets in the world class mining jurisdiction of NSW.

GOLD PROJECTS

CULLARIN / KANGIARA PROJECTS (EL7954; EL8400 & EL8573, HRR FARM-IN)

Under the HRR farm-in, SKY has now earned 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, & 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) & alteration (white mica) signature. SKY's maiden drill programme to follow up this historical work has been very successful including core hole HU002 which returned 93m @ 4.2 g/t Au from 56m.

MYLORA / CALEDONIAN / TIRRANA PROJECTS (EL8915, EL8920, ELA5968 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, Caledonian Project. At the Caledonian Prospect, the distribution of multiple historic drill intersections indicates 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

COPPER GOLD PROJECT

IRON DUKE (EL6064, BALMAIN OPTION; ELA5991 100% SKY)

The Iron Duke project is located approximately 10km south-east of Tottenham in central NSW. High grade copper-gold mineralisation has been intersected by previous explorers (e.g. 13m @ 1.56% Cu & 4.48g/t Au) and the mineralisation is considered to be open down dip to and to the south.

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

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.

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