

9 OCTOBER 2019

ASX: SKY

SKY LAUNCHES NSW GOLD STRATEGY

- ◆ SKY targeting high value, McPhillamys-style, gold opportunities in New South Wales
- ◆ Farm-in agreement executed with Heron Resources and two new exploration licence applications
- ◆ Gold strategy leverages the SKY exploration team's collective experience during the discovery of the 2.03Moz McPhillamys Gold Deposit

Sky Metals Limited ('SKY' or 'The Company') is pleased to advise that it has acquired several advanced, high value gold opportunities to complement its current exploration activities.

STRATEGY RATIONALE

SKY's gold exploration strategy is focused on the identification and efficient testing of advanced McPhillamys-type, gold targets in the Late Silurian stratigraphy of NSW. The strategy leverages the SKY exploration teams significant combined experience gained during the discovery of the McPhillamys Gold Deposit (60.1Mt @ 1.05g/t Au for 2.03Moz; ASX RRL 8 September 2017).

McPhillamys-style gold mineralisation has several distinct features which enables the application of robust criteria, allowing for the efficient search and ranking of exploration targets. Gold is associated with disseminated – stringer pyrite zones in a key section of Late Silurian-aged stratigraphy of NSW with targets characterised by distinct geophysical and geochemical signatures.

The Company's gold strategy initially includes a farm-in agreement executed with Heron Resources (ASX:HRR; 'Heron') and two new gold tenements. Highlight, 'McPhillamys-style' gold results from previous drilling on the Heron farm-in tenements 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 at the Cullarin Project

Highlight, 'McPhillamys-style' gold results from previous exploration at the new 100% SKY tenements (Douro Project) include:

- Drilling: **36m @ 1.2 g/t Au** from 0m to EOH (LM2), and
- Costeaning: **81m @ 0.87g/t Au** at the Douro Project

The above results include historical pre-1989 exploration results. The exploration activity was undertaken from 1985-1987 (pre-JORC) by Electrolytic Zinc Company Ltd and Kennecott Exploration Ltd. These Historical Estimates do not use a category of mineralisation defined in the JORC code. As per ASX requirements for reporting pre-1989 historical data, SKY notes that the results are not reported in accordance with the JORC Code 2012; a competent person has not done sufficient work to disclose the exploration results in accordance with the JORC Code 2012; it is possible that following further evaluation and/or exploration work that the confidence in the prior reported exploration results may be reduced when reported under the JORC Code 2012; that nothing has come to the attention of SKY that questions the accuracy or reliability of the former owners exploration results, but SKY has not independently validated the former owner's Exploration Results and therefore is not to be regarded as reporting, adopting or endorsing those results. The levels of gold reported, from past drilling activity, is a key factor in guiding SKY's exploration strategy

in relation to these projects. The previous drilling activity, which produced these results, involved multiple diamond drillholes and check assaying, providing SKY confidence that the results are reliable, relevant and an accurate representation of the available data and studies undertaken by previous exploration activity. Drilling was based on follow-up of robust, coincident IP chargeability and zinc-lead-copper soil anomalism. Proposed verification work includes further drilling and resampling of historical drillcore which SKY expects to undertake in 2019 using existing funds. Relevant original exploration reports can be found at <http://skymetals.com.au/index.cfm/investors/reports-and-presentations/technical-reports/>.

CEO, Peter Duerden, commented: *'SKY is excited to have acquired a high value package of advanced, McPhillamys-style gold exploration targets. The acquisition complements the current strategy of identifying high value tin opportunities and leverages the exploration team's significant combined experience during the discovery of the McPhillamys Gold Deposit, being an economically important and underexplored target style in NSW'*

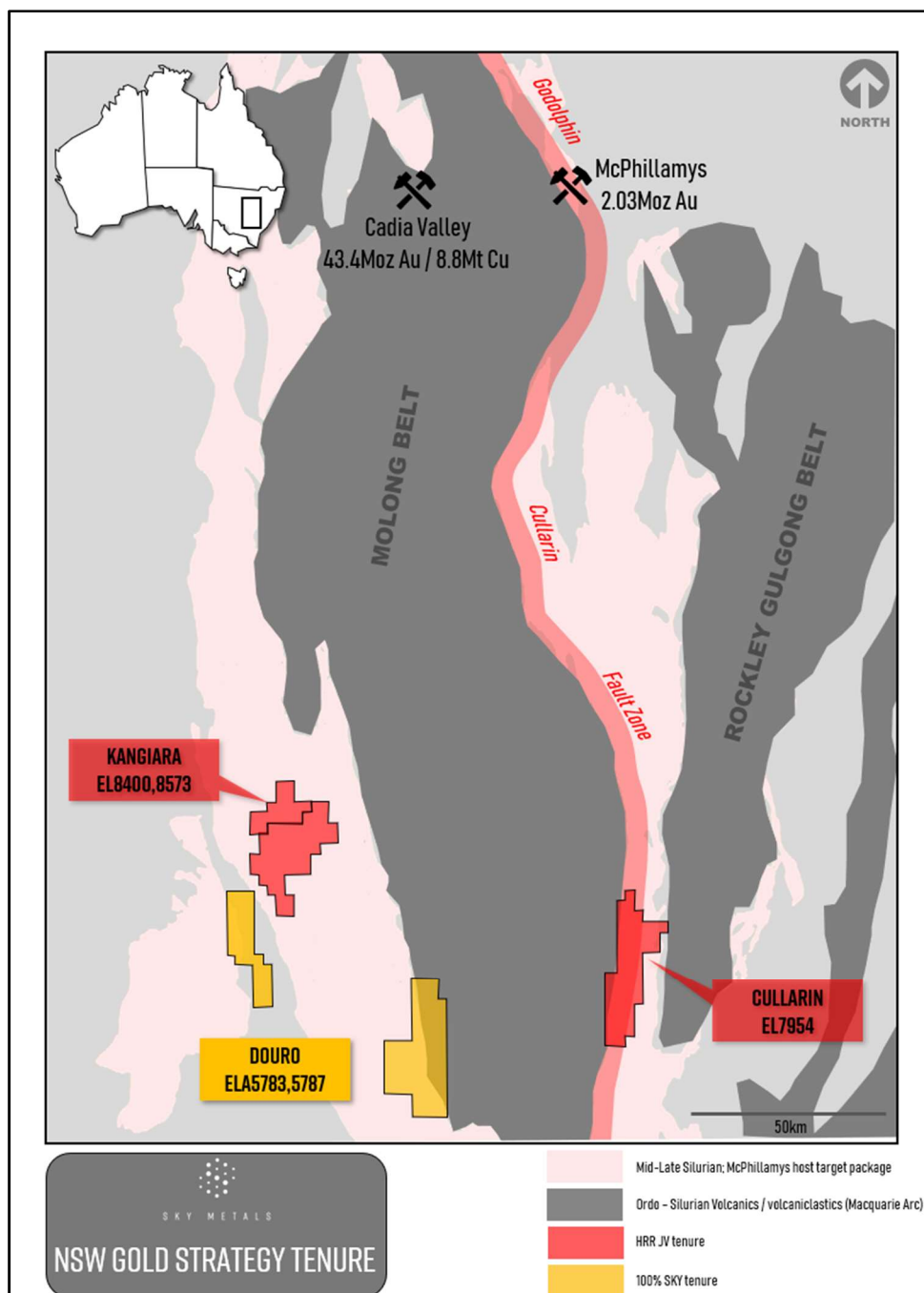


Figure 1: Gold Exploration Strategy Location Map

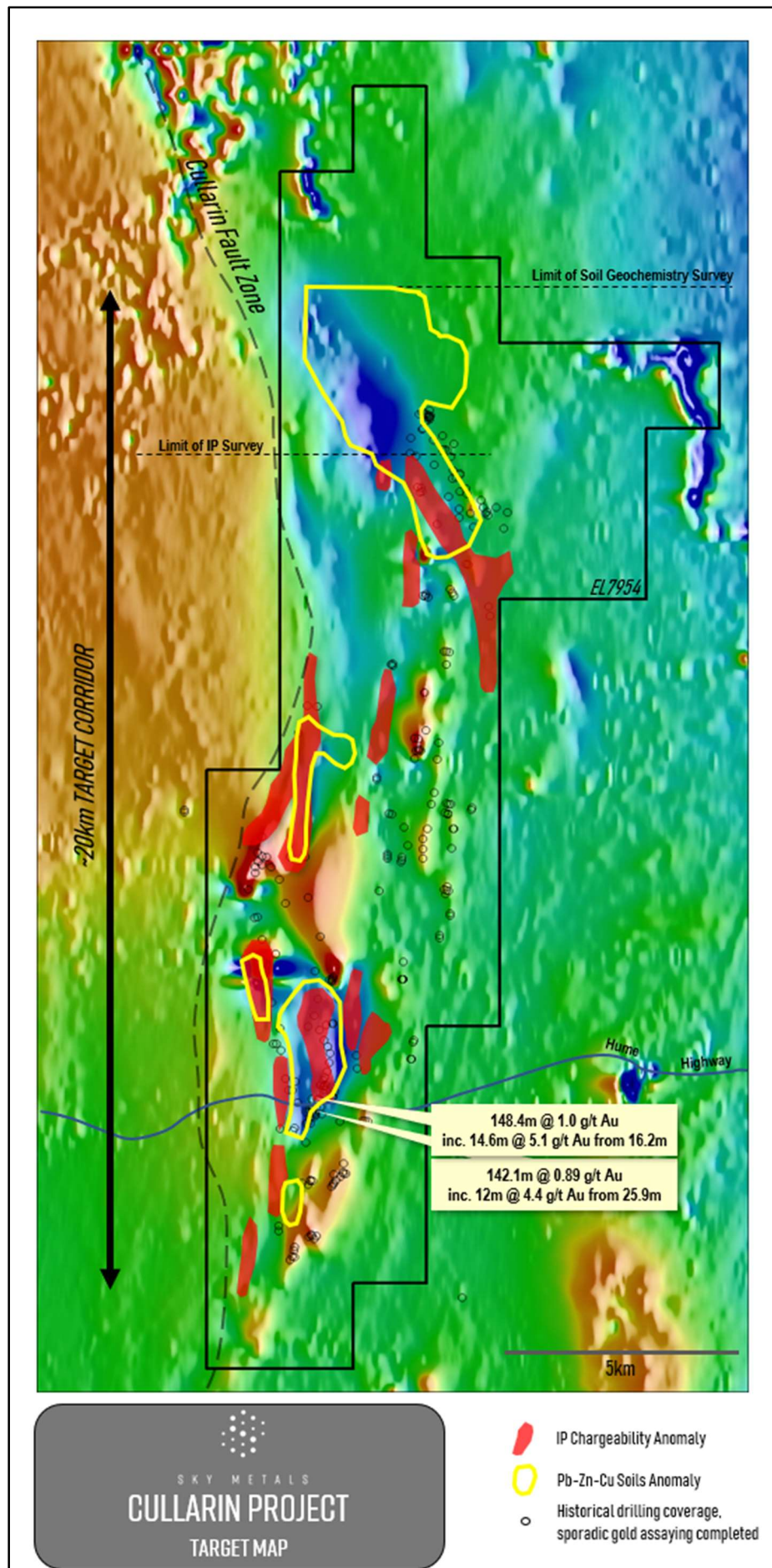


Figure 2: Cullarín Project Target Map, including regional magnetic imagery, base metal soil anomalism and historical drilling coverage (limited gold assaying conducted)

HERON FARM-IN

SKY will acquire an interest in the Cullarin and Kangiara Projects through a farm-in agreement with Heron Resources Ltd (ASX:HRR; 'Heron'). There are no conditions precedent to entering into this agreement. Under the agreement, SKY may earn up to an 80% interest in the projects prior to the formation of a joint venture. A summary of the terms of the farm-in agreement are as follows:

OPTION FEE & PERIOD : \$400,000 in-ground expenditure within 12 months, and the issue of 10M SKY options with a 24 month term and an exercise price of \$0.15. The SKY options will only vest and be capable of exercising when SKY proceeds to Farm In Expenditure



FARM IN EXPENDITURE : SKY elects to earn an undivided 80% equity interest by incurring a further \$1,600,000 expenditure (for a total expenditure of \$2,000,000, inclusive of the option period expenditure) within 36 months of commencement



FREE-CARRIED PERIOD: On completion of the Farm-In Expenditure, a 80:20 JV is formed and Heron will be free carried at its 20% interest for its expenditure until such time that a definitive feasibility study has been completed or until such time that \$10M of Expenditure (inclusive of Farm In Expenditure) has been incurred by SKY, whichever comes first



JOINT VENTURE DILUTION: Following the Free Carry Period, if Heron's participating interest in the Joint Venture dilutes to 10% or less, its participating interest will revert to a 0.5% Gross Sales Royalty

SKY EXPLORATION LICENCE APPLICATIONS – DUORO PROJECT (100%)

Complementing the above farm-in agreement, SKY has free pegged two exploration licence applications (ELA5783, 5787), considered highly prospective for McPhillamys-style gold mineralisation (Figure 1).

Holder	Licence ID	Grant Date	Expiry Date	Units	Area	Comment
Tarago Exploration Pty Ltd (HRR sub)	EL7954	19-6-2012	19-6-2022	51	144 km ²	Cullarin Project, earning up to 80% + JV
Ochre Resources Pty Ltd (HRR sub)	EL8400	20-10-2015	20-10-2024	52	147 km ²	Kangiara Project, earning up to 80% + JV
Ochre Resources Pty Ltd (HRR sub)	EL8573	23-5-2017	23-5-2023	17	48 km ²	Kangiara Project, earning up to 80% + JV
Aurum Metals Pty Ltd (SKY sub)	ELA5787	pending	pending	65	183 km ²	Douro Project, 100% SKY
Aurum Metals Pty Ltd (SKY sub)	ELA5783	pending	pending	29	82 km ²	Douro Project, 100% SKY

Table 1: Gold Projects Tenement Summary



ABOUT SKY (ASX: SKY)

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

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.

Tin-tungsten mineralisation occurs as outcropping sheeted quartz - cassiterite - wolframite ± sulphide veins over a 2 kilometre strike with preservation of an underlying porphyry setting interpreted from resistivity geophysics. The potential of porphyry-style tin in Australia remains poorly tested, despite forming high value polymetallic mineral resources elsewhere in the world (e.g. Central Andean Tin Belt). The prospectivity of this target style in the Wagga Tin Belt is highlighted by the nearby Ardlethan Tin Mine, where an intrusion-hosted porphyry-breccia complex is the site of mainland Australia's most productive tin field (66500t total tin resources @ A\$28,000/t = A\$1.8b total metal endowment value).

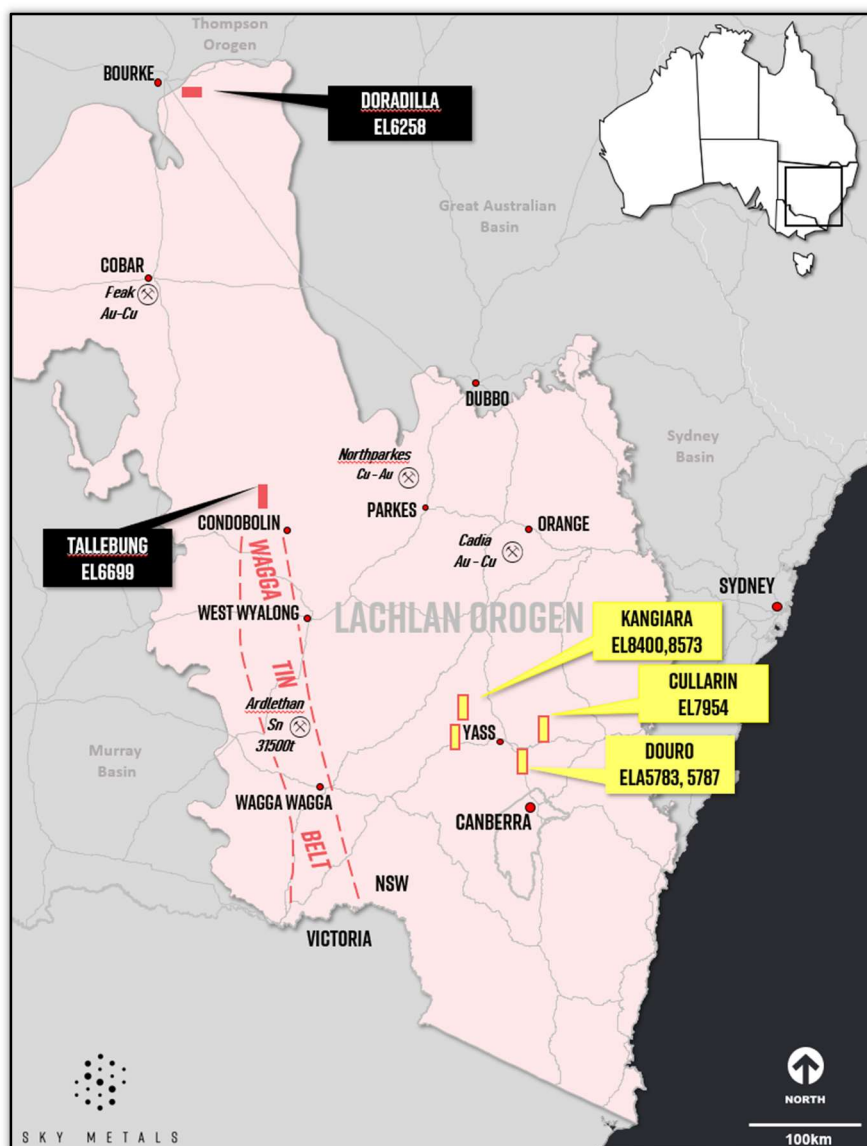


Figure 3: SKY Location Map

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). The area lies between the Lachlan and Thompson Orogens, with known mineralisation hosted within the extensive Doradilla-Midway-3KEL skarn ('DMK-skarn') which marks a 20-100m wide zone extending over 16 kilometres along strike.

Immediate exploration upside is recognized, with sporadic historical multielement assaying highlighting potential for economically significant polymetallic mineralisation at the 3KEL Prospect (40m @ 0.56% Cu, 1.6% Sn, 0.38% Zn from 6m to EOH, 3KAC004) and tin mineralisation over 2km strike length at the Doradilla Tin Prospect (10m @ 1.09% Sn from 80m, DRAC009) (ASX: 22 November 2018).

GOLD PROJECTS (EL7954 / EL8400 / EL8573, HRR FARM-IN) (ELA 5783 / 5787, 100% SKY)

SKY's emerging gold exploration strategy leverages the SKY exploration team's significant combined experience during the early stages of the McPhillamys gold discovery (69Mt @ 1.05g/t Au for 2.03MOz, Regis Resources Ltd). 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 and ore reserves of 60.1Mt @ 1.05g/t Au for 2.03MOz (ASX RRL 8 September 2017).



COMPETENT PERSONS STATEMENT

The information in this announcement that relates to geology and exploration results and planning was compiled by Mr Peter Duerden, who is a Registered Professional Geoscientist (RPGeo) and Member of the Australasian Institute of Geoscientists (AIG) and an employee, and shareholder of the Company. Mr Duerden 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 Duerden consents to the inclusion in the report of the matters based on the information in the form and context in which it appears. Mr Duerden confirms the information in this market announcement is an accurate representation of the available data and studies for these material mining projects.

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.

