

31 JANUARY 2020

ASX: SKY

QUARTERLY ACTIVITIES REPORT TO 31 DECEMBER 2019

HIGHLIGHTS

- ◆ NSW gold strategy launched, targeting high value, McPhillamys-style gold opportunities in New South Wales
- ◆ Diamond drilling and soil geochemistry completed at the Hume Target, Cullarin Gold Project, initial results due early February
- ◆ Douro Gold Project exploration licences granted with planning underway for drill testing of priority targets
- ◆ RC drilling results continue to highlight shallow, high grade tin potential at Tallebung

TBRC009	5m @ 1.33% Sn from 69m
incl.	2m @ 2.76% Sn from 71m
TBRC011	10m @ 0.28% Sn from 127m
incl.	1m @ 1.61% Sn from 131m

- ◆ SKY's maiden RC drilling programme, targeting shallow, high grade tin and polymetallic mineralisation at Doradilla Tin and 3KEL Prospects, completed, initial results due mid February
- ◆ Appointment of Mark Arundell as Chief Executive Officer



Figure 1: Cullarin Project, Hume Target, HUD001 drill site

NSW GOLD STRATEGY

As detailed in ASX Announcement 9 October 2019, SKY has launched a NSW gold exploration strategy 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 exploration criteria, allowing for the efficient search and ranking of targets. Gold is associated with disseminated – stringer pyrite zones in a key section of Late Silurian-aged stratigraphy with targets characterised by distinct geophysical and geochemical signatures.

The Company's gold strategy includes two 100% owned tenements representing the Douro Project, as well as a farm-in agreement executed with Heron Resources (ASX:HRR; 'Heron') over three new gold tenements at the Cullarin and Kangiara Projects (Figure 2). Under the term of the Agreement, SKY hold the right to earn an 80% interest through the exploration expenditure of \$2M (refer ASX: 9 October 2019) (Table 5).

CULLARIN PROJECT – GOLD

SKY EARNING 80% (EL7594)

SKY commenced on-ground exploration activities on the Heron-Farm-In Projects during December with the completion of a soil geochemistry survey (360 samples) and two diamond drill holes, totalling 755.3m at the Hume Target, Cullarin Project (Table 1).

Drilling was designed to validate historical results and test the geometry and depth extensions of previously identified mineralisation at the Hume Target (ASX 9 October 2019).

Highlight, 'McPhillamys-style' gold results from previous drilling (1989) 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

Hole ID	Hole Type	Easting (MGA)	Northing (MGA)	RL (m)	Dip	Azimuth (MGA)	Total Depth (m)	Comments
HUD001	DD	724750	6144480	726	-65	075	334.9	Completed
HUD002	DD	724770	6144660	729	-65	090	420.4	Completed

Table 1: Cullarin Project, collar summary for drill holes completed in the December 2019 quarter

KANGIARA PROJECT – GOLD

SKY EARNING 80% (EL8400, EL8573)

Exploration activity during the December quarter was limited to data compilation, review and preparation of field activities.



DOURO PROJECT – GOLD

100% SKY (EL8915, EL8920)

Complementing the Heron farm-in agreement, SKY has free pegged two exploration licence applications (ELA5783, 5787), considered highly prospective for McPhillamys-style gold mineralisation (Figure 2). Both ELAs were granted during the December quarter with tenure details summarised in Table 6.

Highlight, 'McPhillamys-style' gold results from previous exploration (1988) 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 Caledonian Target, Douro Project

Exploration activity during the December quarter was limited to data compilation, review, land access and preparation of field activities.

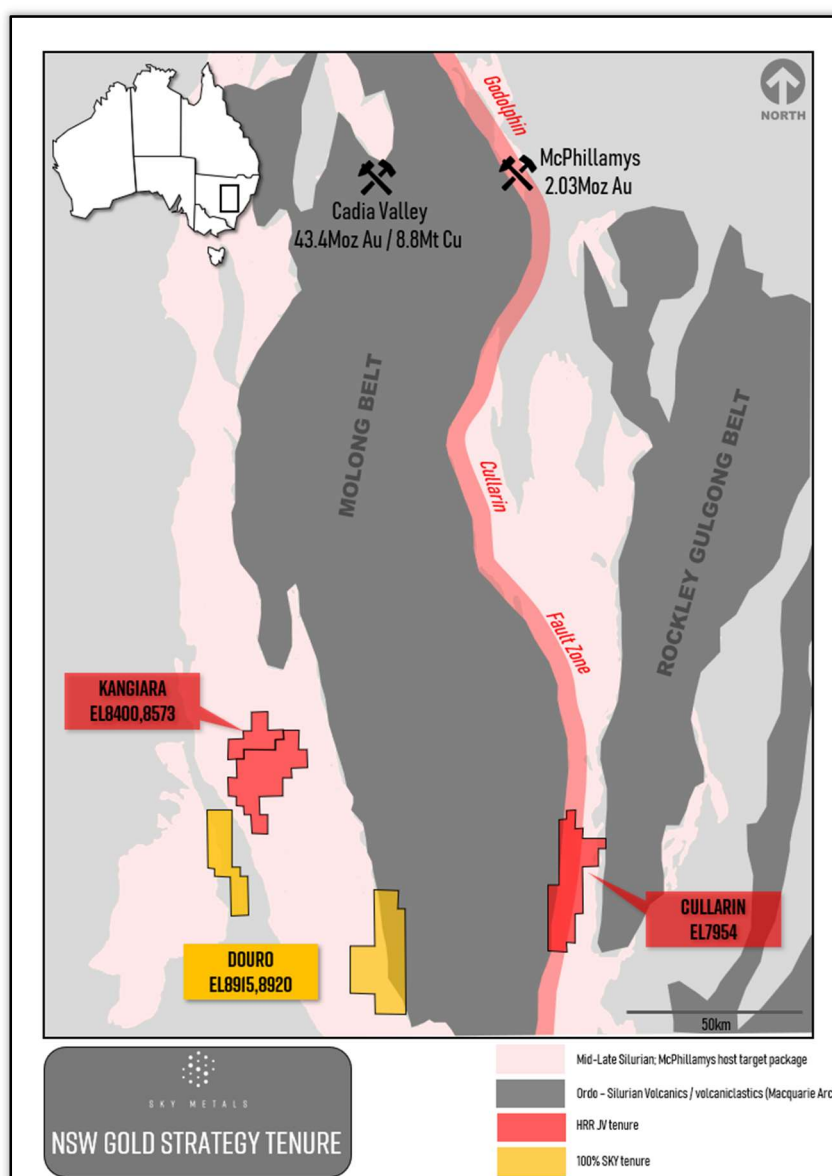


Figure 2: SKY Gold Exploration Strategy Location Map

TALLEBUNG PROJECT – TIN

100% SKY (EL6699)

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-style tin - tungsten mineralisation (Figure 5). Outcropping mineralisation is developed over two kilometres as sheeted/stockwork quartz-cassiterite-wolframite sulphide veins above a mineralising granite.

Exploration activity conducted during the quarter involved RC drilling, comprising six holes for a total of 1202m (Figure 3). Drilling was designed to test for shallow tin mineralisation along strike from lodes defined in previous drilling and areas of high-grade rockchip results (ASX 15 October 2019).

Assays were received from two holes in the quarter (ASX 5 December 2020) along with post-quarter results (ASX 22 January 2020) are presented in Table 2,3 and include the significant results:

TBRC009 **5m @ 1.33% Sn** from 69m
 incl. **2m @ 2.76% Sn** from 71m
 TBRC011 **10m @ 0.28% Sn** from 127m
 incl. **1m @ 1.61% Sn** from 131m

The Tallebung RC results infer the presence of a coherent, narrow high-grade lode structure extending for up to 2000m of strike. The results will be assessed in detail during the March quarter.

Hole ID	Hole Type	Easting	Northing	RL	Dip	Azimuth	Total Depth	Comments
		(MGA)	(MGA)	(m)		(MGA)	(m)	
TBRC008	RC	460706	6376902	281	-55	232	210	Completed
TBRC009	RC	460769	6376689	282	-60	229	192	Completed
TBRC010	RC	460848	6376603	284	-63	228	216	Completed
TBRC011	RC	460875	6376445	289	-60	231	216	Completed
TBRC012	RC	460916	6376366	290	-56	225	186	Completed
TBRC013	RC	460929	6376251	292	-60	225	182	Completed

Table 2: Tallebung Project, collar summary for drill holes completed in the December 2019 quarter

Hole ID	From	To	Interval	Sn	W	Zn	Ag	Comments
	(m)	(m)	(m)	%	%	%	ppm	
TBRC008	63	73	10	0.20	0.04	-	55.32	Probable Eastern Lode
<i>including</i>	63	64	1	0.80	-	-	430	
<i>and</i>	188	189	1	-	-	0.92	52.40	
<i>and</i>	200	201	1	0.29	-	0.18	42.70	
TBRC009	8	9	1	0.21	0.10	-	-	Probable Eastern Lode
<i>and</i>	30	31	1	0.21	0.07	-	7.13	
<i>and</i>	36	37	1	0.16	-	-	39.90	
<i>and</i>	46	47	1	0.48	-	-	-	
<i>and</i>	58	59	1	0.61	-	-	-	
<i>and</i>	69	74	5	1.33	0.04	-	16.12	



<i>including</i>	71	73	2	2.76	0.06	-	7.40	
<i>and</i>	90	91	1	0.17	0.16	0.91	16.70	
<i>and</i>	93	94	1	0.85	0.05	-	-	
<i>and</i>	105	106	1	0.57	0.17	-	88.20	
<i>and</i>	109	110	1	0.21	-	-	10	
<i>TBRC010</i>	28	29	1	0.37				Southern Lodes
<i>and</i>	34	35	1	0.33				
<i>and</i>	40	41	1	0.83	0.14			
<i>and</i>	58	59	1	0.22				
<i>and</i>	79	80	1	0.23			12.70	
<i>and</i>	98	99	1	0.51		0.43	14	
<i>and</i>	101	102	1	0.80	0.18			
<i>and</i>	203	204	1	0.21	0.05			
<i>and</i>	205	206	1				97	
<i>and</i>	209	210	1	0.20		0.24	20	
<i>TBRC011</i>	54	55	1	0.21			23.40	Southern Lodes
<i>and</i>	127	137	10	0.28	0.07	0.22	10.31	
<i>including</i>	129	130	1			0.42	51.30	
<i>and</i>	131	137	6	0.42	0.11			
<i>and</i>	131	132	1	1.61	0.11	0.47		
<i>and</i>	135	137	2	0.32	0.27		15.45	
<i>and</i>	188	189	1	0.33		0.72		
<i>and</i>	197	198	1	0.46				

Table 3: Tallebung Project, significant intersections for the drill holes reported in in the December quarter. Results > 0.1% Sn, and/or 0.05% W, 0.9% Zn. 2m of internal dilution



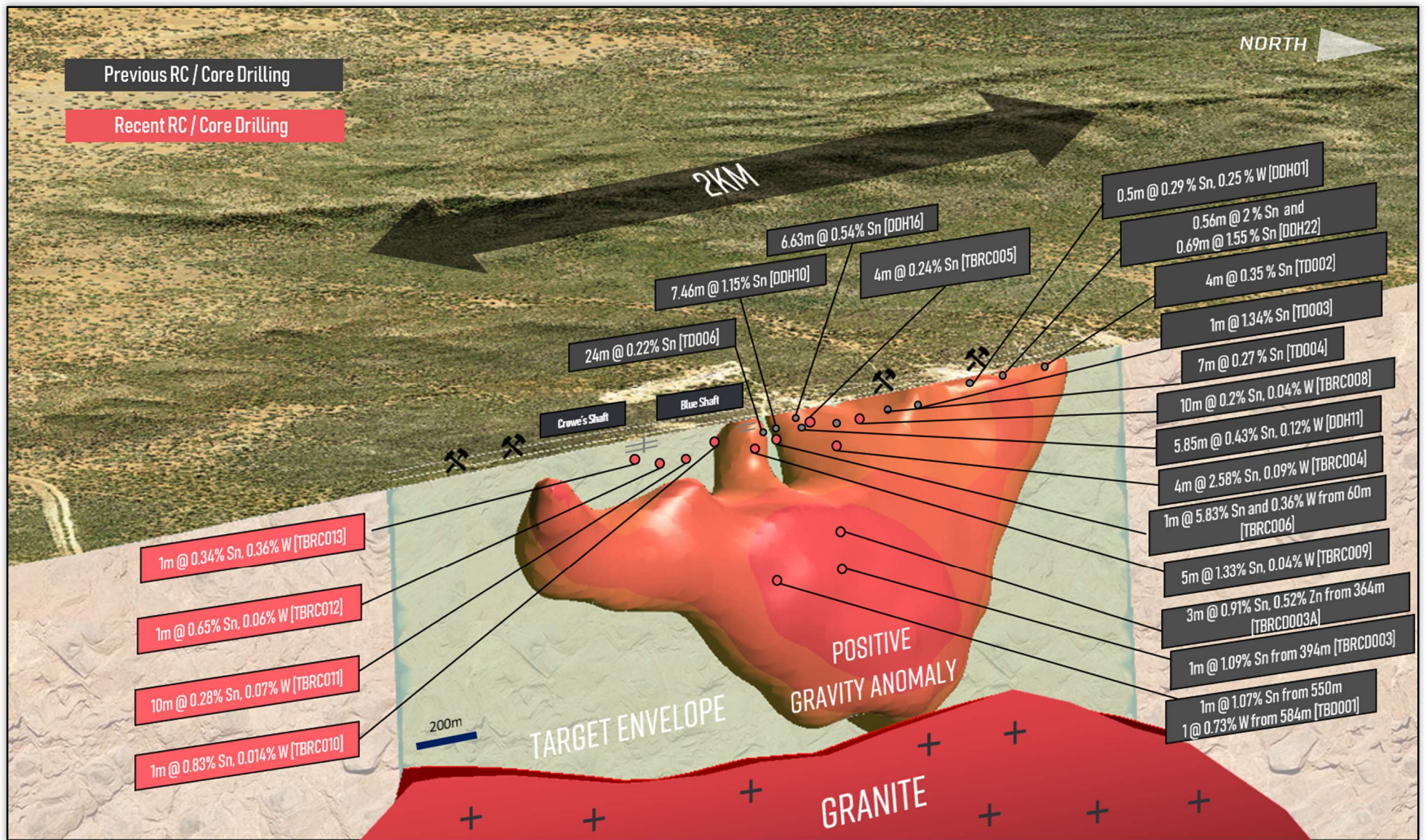


Figure 3: Tallebung Project, oblique 3D schematic long section, looking west

DORADILLA PROJECT – TIN, POLYMETALLIC

100% SKY (EL6258)

The Doradilla Project is located approximately 30km south of Bourke in north-western NSW and represents a large and strategic tin project with potential for significant polymetallic mineralisation (tin, tungsten, copper, bismuth, indium, nickel, cobalt, gold) (ASX 22 November 2018) (Figure 5). The known mineralisation is hosted within the extensive Doradilla-Midway-3KEL (DMK-Line) skarn which marks an up to 100m wide zone extending over 15 kilometres (Figure 4).

Exploration activity during the December quarter included RC drilling of multiple targets at the Doradilla Tin and 3KEL Prospects with initial results due in mid-February 2020. A total of 10 holes were completed for 1127m (Table 4). Drilling was designed to test the continuity and extensions to existing polymetallic tin mineralisation at the 3KEL Prospect (40m @ 0.56% Cu, 1.6% Sn, 0.38% Zn from 6m to EOH, inc. 18m @ 3% Sn, 0.85% Cu, 0.73% Zn from 18m, 3KAC004) and shallow, high grade tin mineralisation (as cassiterite) at the Doradilla Tin Prospect (10m @ 1.09% Sn from 80m, DRAC009) (ASX: 22 November 2018) (Figure 4).

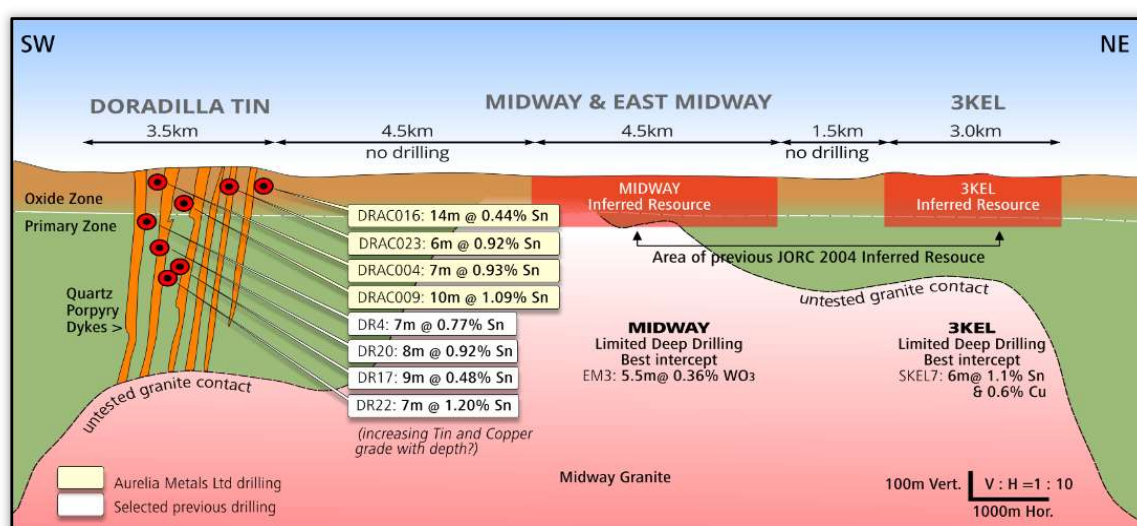


Figure 4: Doradilla Project, DMK Line Schematic

Hole ID	Hole Type	Easting (MGA)	Northing (MGA)	RL (m)	Dip	Azimuth (MGA)	Total Depth (m)	Comments
DORC001	RC	433747	6641512	135	-60	318.8	90	Completed, pending results
DORC002	RC	433836	6641562	140	-55	318.8	102	Completed, pending results
DORC003	RC	434017	6641656	142	-60	318.8	144	Completed, pending results
DORC004	RC	434170	6641786	140	-60	318.8	99	Completed, pending results
DORC005	RC	434263	6641843	140	-55	318.8	128	Completed, pending results
DORC006	RC	434543	6642100	135	-55	318.8	78	Completed, pending results
3KRC001	RC	444670	6649542	140	-60	318.8	96	Completed, pending results
3KRC002	RC	444703	6649542	140	-60	318.8	174	Completed, pending results
3KRC003	RC	444510	6649421	135	-60	318.8	102	Completed, pending results
3KRC004	RC	444281	6649230	140	-60	318.8	114	Completed, pending results

Table 4: Doradilla Project, collar summary for drill holes completed in the December 2019 quarter

CORPORATE

On 4 December 2019, Mr Peter Duerden resigned from his position as Managing Director (ASX 4 December 2019) with the appointment of Mark Arundell into the role of Chief Executive Officer announced on the 24th December 2020 (ASX 24 December 2019). Mr Arundell commenced on the 28 January 2020.

This report has been approved for release by the Board of Directors.

Holder	Equity	Licence ID	Grant Date	Expiry Date	Units	Area	Comment
Tarago Exploration Pty Ltd (HRR sub)	Earning 80%	EL7954	19-6-2012	19-6-2022	51	144 km ²	Cullarin Project, earning up to 80% + Heron JV
Ochre Resources Pty Ltd (HRR sub)	Earning 80%	EL8400	20-10-2015	20-10-2024	52	147 km ²	Kangiarra Project, earning up to 80% + Heron JV
Ochre Resources Pty Ltd (HRR sub)	Earning 80%	EL8573	23-5-2017	23-5-2023	17	48 km ²	Kangiarra Project, earning up to 80% + Heron JV
Aurum Metals Pty Ltd (SKY sub)	100%	ELA5787/EL8920	5-12-2019	5-12-2025	65	183 km ²	Douro Project
Aurum Metals Pty Ltd (SKY sub)	100%	ELA5783/EL8915	18-11-2019	18-11-2024	29	82 km ²	Douro Project
Stannum Pty Ltd (SKY sub)	100%	EL6258	21-6-2004	21-6-2020	38	110 km ²	Doradilla Project
Stannum Pty Ltd (SKY sub)	100%	EL6699	10-1-2007	10-1-2021	14	41 km ²	Tallebung Project

Table 6: Tenement Summary, changes in the December quarter highlighted



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).

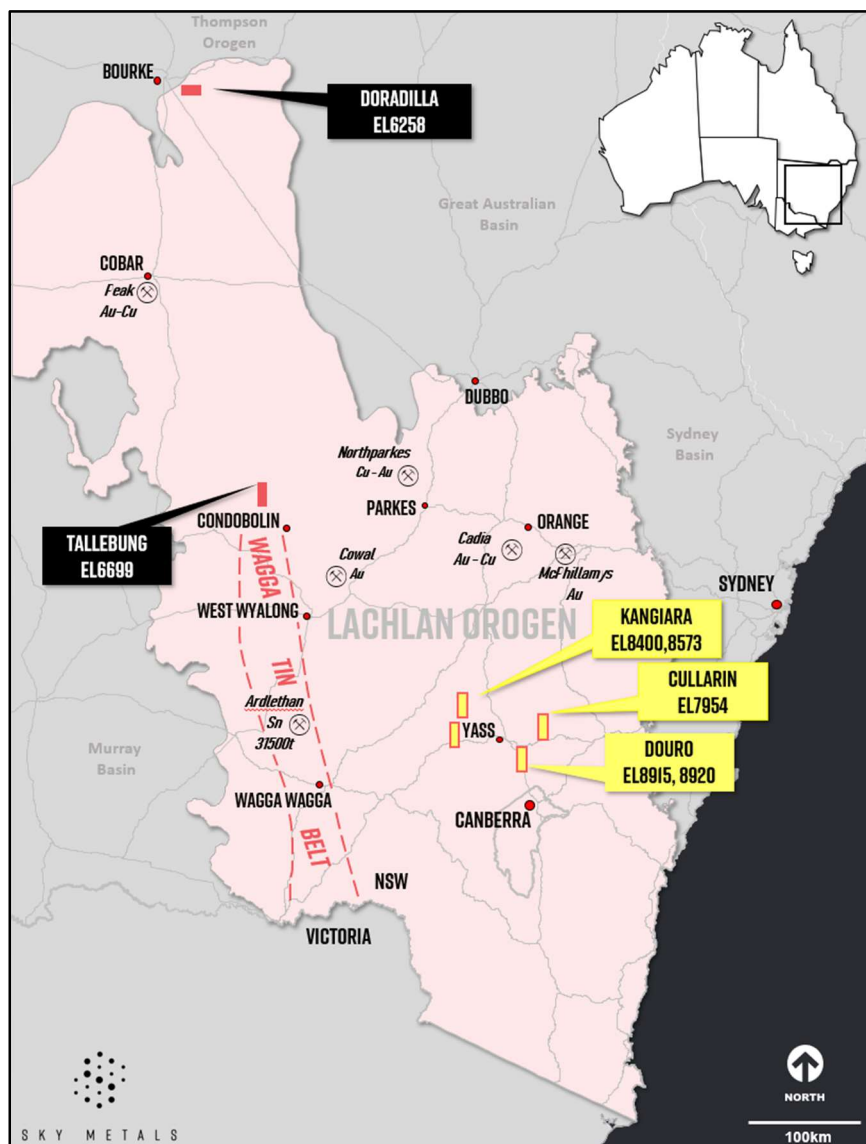


Figure 5: SKY Projects Location Map

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) (EL8915 / 8920, 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 option holder 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.

PREVIOUSLY REPORTED INFORMATION

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.

