

11 JUNE 2020

ASX: SKY

OPTION TO PURCHASE IRON DUKE COPPER-GOLD PROJECT

- ◆ SKY signs an Option to Purchase Agreement for the Iron Duke Copper-Gold Project (EL 6064), NSW
- ◆ Iron Duke prospect mineralisation open both to the south and down dip
- ◆ Historical (2011-2012) drilling results from the Iron Duke prospect include:
 - ◆ KIDRC003: 31m @ 1.13% Cu and 0.96g/t Au from 34m
 - ◆ KIDRC004: 24m @ 1.07% Cu and 0.24g/t Au from 32m
 - ◆ KIDRC006A: 24m @ 1.53% Cu and 1.55g/t Au from 49m
 - ◆ KIDRC009: 13m @ 1.56% Cu and 4.48g/t Au from 37m
- ◆ EL 6064 includes undrilled historic workings
- ◆ Systematic exploration program, including RC drill program, to be enacted immediately to test the limits of Iron Duke mineralisation and the regional copper-gold potential of EL 6064

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 an advanced gold-copper project to complement its current exploration activities. (Figure 4).

SKY has been granted an exclusive Option to Purchase of the Iron Duke Copper-Gold Project from Balmain Minerals Pty Ltd (Balmain) - the owner of EL 6064. Previous exploration has delineated a shallow, open-ended Copper-Gold resource at Iron Duke (ASX KBL Mining 4th June 2012).

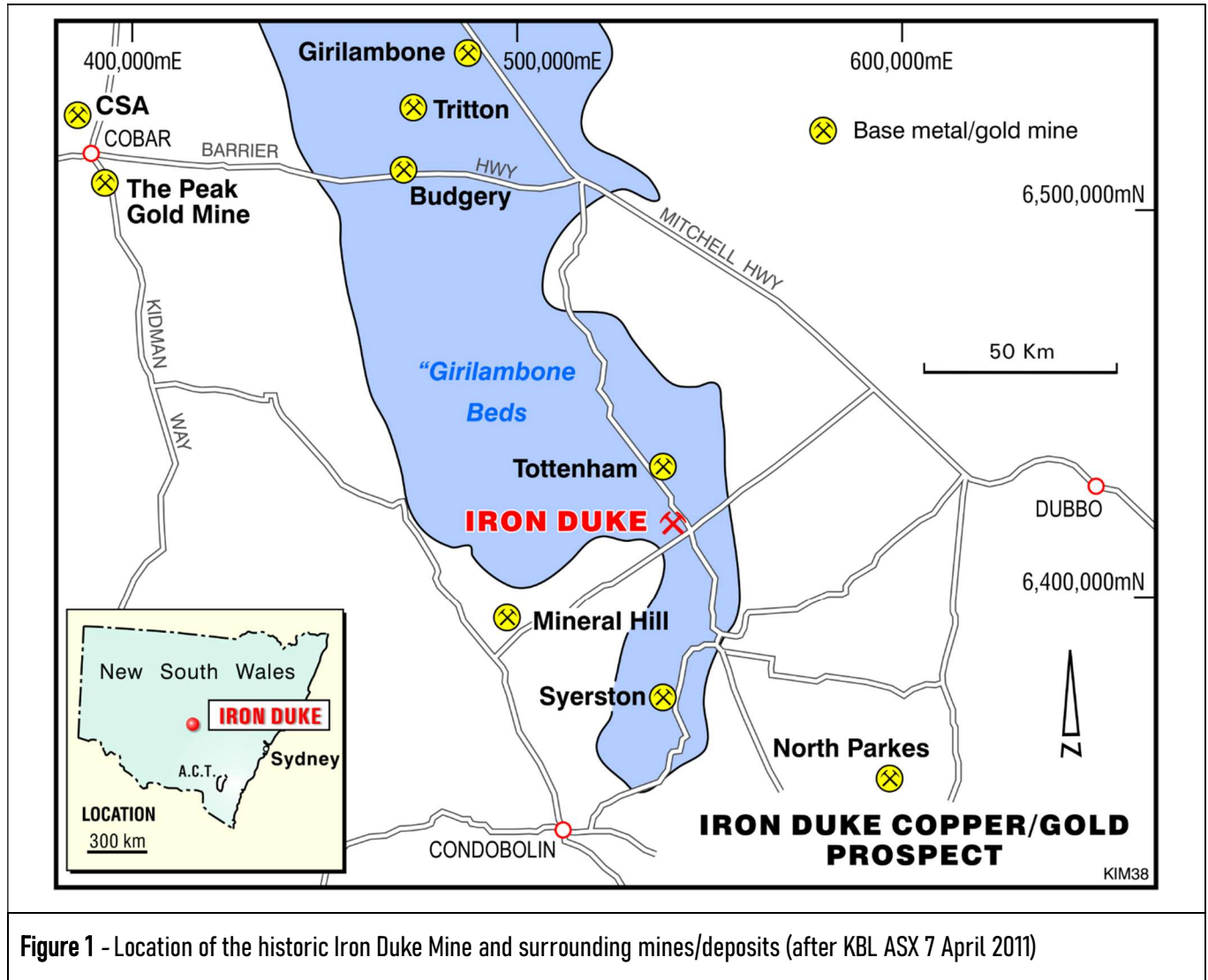
SKY has identified the Iron Duke prospect for immediate drill testing. SKY has also devised a programme to assess the regional potential of EL 6064 including the Christmas Gift workings.

SKY CEO Mark Arundell commented; "SKY is very pleased to be able to add the Iron Duke Project to its current stable of high quality projects in NSW. The untapped potential of the Iron Duke prospect presents SKY an immediate opportunity to extend and discover high-grade copper-gold mineralisation. SKY plans to test the down dip and southern extension of the Iron Duke prospect with a programme of RC percussion drilling as soon as possible. Airborne EM, detailed multi-element soil sampling and geological mapping is also planned to fully evaluate the potential of EL 6044 including the Christmas Gift workings."

IRON DUKE PROJECT (EL 6064)

Background

The Iron Duke Copper-Gold group of workings is located 10 km south-east of the village of Tottenham and 125km west of the city of Dubbo in central NSW (**Figure 1**). The tenement (EL 6064) hosts copper-gold mineralisation which has previously been considered to be Besshi type Volcanic Massive Sulphide (e.g. Tritton/Girilambone: >750Kt copper Aeris Resources Annual Report 2019).



Geology

The Iron Duke area is underlain by Girilambone Group sediments in an area of low magnetic relief (**Figure 2**). No major structures are apparent from surface mapping. Local rock types include highly fissile quartz-mica schist and more competent grey schist thought to be derived from greywackes (sandstones) and fine grained sediments (phyllites), respectively. Outcrop is minimal in the immediate Iron Duke area, as it is located within a local depression. No mafic volcanics have been mapped in the area indicating that mineralisation in the area may be distinct from the Besshi type Tritton-Tottenham type deposits.

Mineralisation

There are two groups of workings within EL 6064 – Iron Duke and Christmas Gift (**Figure 2**).

The Iron Duke workings comprise a total of five shafts over a strike length of approximately 300m. Strongly pyritic material occurs around the shafts. Mineralisation consists of a sheared assemblage of quartz-mica schist with boudins and veins of later sheared sulphidic quartz. Sulphide species include pyrite (dominant), pyrrhotite, chalcopyrite and arsenopyrite. These occur as veins, specks, massive bands and stringers. A broad sulphide halo, approximately 50m thick is reported in drill hole logs and mineralization extends over a strike of at least 500m (**Figure 3**). Mineralisation occurs both as discrete quartz - pyrite ± chalcopyrite - pyrrhotite veins and a broad envelope of disseminated sulphides.

In 2012, KBL Mining commissioned H&S Consultants Pty Ltd (H&S) to complete an independent resource estimation for Iron Duke (ASX KBL Mining 4th June 2012). H&S utilised both recent and historic data from eight diamond drill holes and 29 RC drill holes, including 11 RC holes drilled by KBL in their 2011-2012 exploration program.

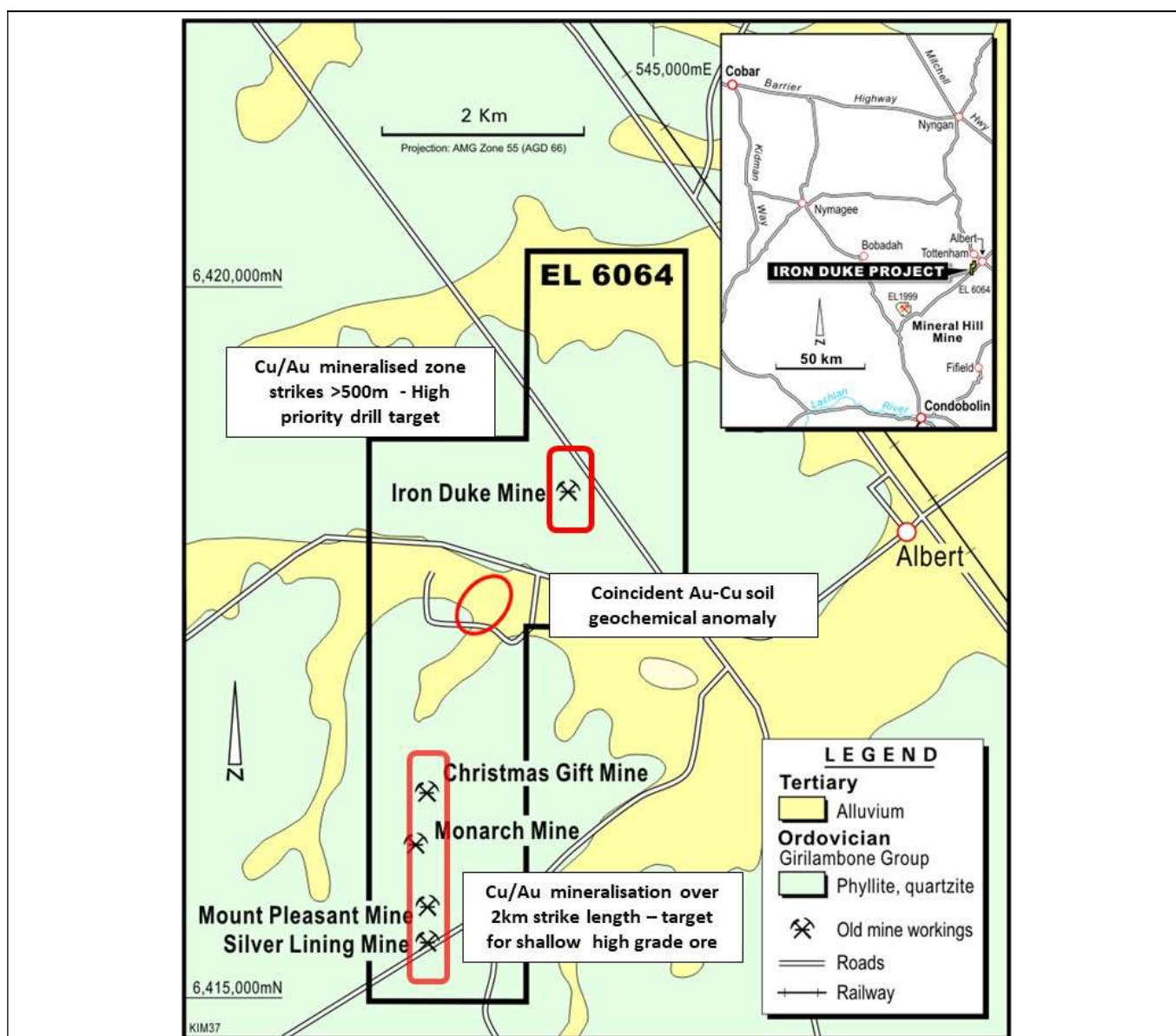


Figure 2- Iron Duke Project – Regional geology and minerlisation (after KBL ASX 16 February 2012)

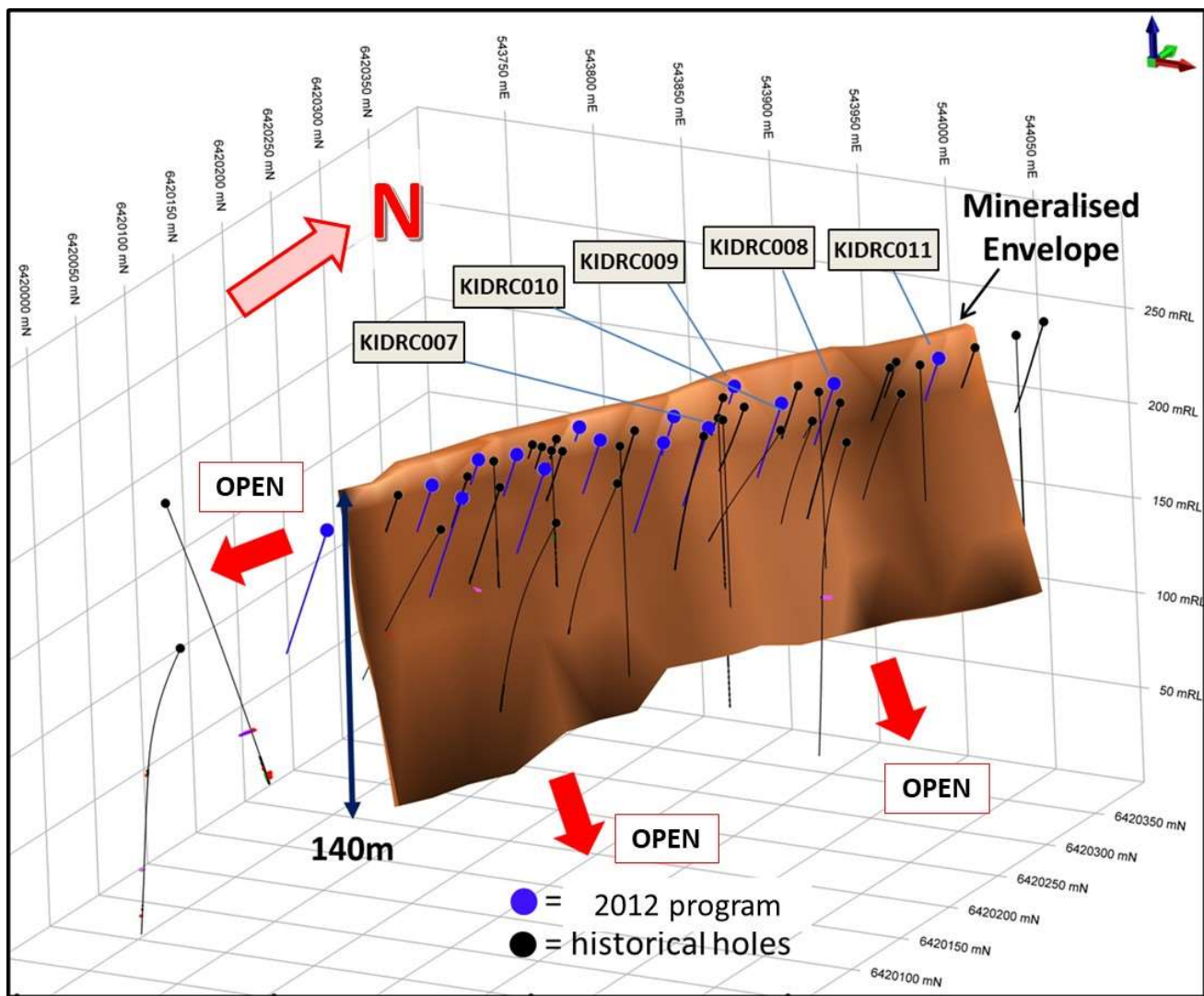


Figure 3- Oblique section of Iron Duke displaying strike and depth potential (after KBL ASX 16 February 2012)

Significant results from the 2011-2012 KBL Drilling program (ASX KBL Mining 1st March 2012 & 29th March 2012) are presented in Table 1

HOLE ID	Total Depth (m)	From (m)	To (m)	Intercept (m)	Cu (%)	Au (g/t)
KIDRC002	40	7	12	5	0.4	0.7
KIDRC003	73	34	65	31	1.13	0.96
	inc.	41	50.5	9.5	1	2.1
	inc.	53	65	12	1.6	0.6
KIDRC004	67	32	56	24	1.07	0.24
KIDRC005	70	37	59	22	1.20	0.13
KIDRC006A	79	49	73	24	1.53	1.55
	inc.	53	56	3	1.1	4.8
	inc.	59	62	3	4.7	2.1
KIDRC007	93	71	83	12	1.02	1.25
KIDRC008	61	40	55	15	0.79	0.96
KIDRC009	57	37	50	13	1.56	4.48
	inc.	47	49	2	4.14	24.3
KIDRC010	88	69	87	18	0.64	0.70
KIDRC011	66	34	49	15	0.65	0.44

The Christmas Gift group of workings (**Figure 2**) is located about 3.5km to the south west of Iron Duke and comprises a series of en echelon shallow shafts (Christmas Gift, Monarch, Silver Lining and Mt Pleasant). Descriptions of the workings indicate a similar style to Iron Duke. There is no reported exploration of these groups of workings.

Soil sampling by KBL Mining defined a coherent copper-gold anomaly between the Iron Duke and Christmas Gift groups of workings which is untested (**Figure 2**).

SKY Exploration Programme

SKY has devised the following exploration programme to evaluate the potential of the Iron Duke prospect and other prospects on EL 6064.

- RC percussion drill testing to test down dip and southern strike potential of Iron Duke
- 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 July 2020.



IRON DUKE OPTION TO PURCHASE

SKY has acquired an option to purchase a 100% interest in the Iron Duke Project through an Option to Purchase Agreement with Balmain Minerals Pty Ltd (Balmain) the owner of EL 6064. Under the agreement, SKY may purchase a 100% interest in the project on the terms below:

OPTION FEE & PERIOD: \$150,000 in-ground expenditure within 18 months, and the issue of 116,280 SKY options with a 24 month term and an exercise price of \$0.43 in consideration for the grant of the Option.

PURCHASE: On election to exercise the option, SKY may purchase 100% equity interest by payment of \$350,000 in cash and/or shares at SKY's election plus \$50,000 worth of two year options, at 100% above VWAP (average of preceding 5 trading days) at date of election to purchase.

There are no conditions precedent to entering into this Option agreement.

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

SKY's 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 / 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, 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 Metals Project 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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