



EXTENSIVE RARE EARTH ELEMENT EXPLORATION POTENTIAL IDENTIFIED AT DORADILLA

- SKY has identified additional REE targets, building on the discovery of large-scale Rare Earth Element (REE) mineralisation recently discovered along the DMK Line at Doradilla.
- New priority REE targets include the Midway Granite, prospective for REE mineralisation and the source of REE at Doradilla. Surface mapping and geophysical data indicates the Midway Granite is at or near surface over multiple square kilometres.
- Results to date show the REE grades are increasing with closer proximity to the mineralising Midway Granite, indicating that TREO grades may be higher over the Midway Granite itself.
- Total rare earth oxide (TREO) results from the known prospects along the DMK Line at Doradilla include:

**AMW10: 33*m @ 4981ppm (0.50%) TREO from 15m, including;
12m @ 8781ppm (0.88%) TREO from 25m.**

**DRAC012: 8*m @ 4379ppm (0.44%) TREO from 32m, including;
2m @ 8011ppm (0.80%) TREO from 34m.**

***Intercept is either open up hole, open down hole, or open in both directions.**

- Drill testing of these newly identified REE Targets is planned to commence as soon as conditions allow and once drill site preparations have been completed.
- REE assaying of samples from historic drilling along the DMK Line is ongoing, as well as metallurgical testwork with ANSTO on samples from the DMK Line.

SKY CEO Oliver Davies commented: *"SKY has now identified multiple additional REE targets at Doradilla which have not been previously drill tested. These newly identified targets build on the already large-scale REE mineralisation discovered to date. As the previous work at Doradilla focussed on exploring for tin, areas not prospective for tin but very prospective for REE have not been drill tested or extensively explored at all. Foremost amongst these new REE Targets is the Midway Granite itself. The granite is very prospective for REE and has not been previously tested as it is not likely to be prospective for tin. The results from SKY's work to date show that the REE grades have increased with closer proximity to the Midway Granite."*

The Board of Sky Metals Limited ('SKY' or 'The Company') is pleased to advise of the identification and forthcoming drill testing of additional targets to explore for further REE mineralisation at the Doradilla Project, NSW.

DORADILLA PROJECT (EL 6258, SKY 100%)

NEW RARE EARTH ELEMENT TARGETS

Last month, SKY reported the discovery of large-scale and widespread REE mineralisation at the Doradilla Project (SKY ASX Announcement 25 January 2023). Results were reported from assaying historic drill samples for REE. All holes assayed for REE returned +0.1% TREO results and were from drillholes targeting tin along the Doradilla-Midway-3KEL ('DMK') Line.

The REE results from the assaying of the historic holes showed the discovery of REE mineralisation at all three tin deposits along the DMK line and that REE grades were highest at the Midway deposit. Along the DMK Line, the Midway deposit is closest to the Midway Granite, the mineralising source at Doradilla. This indicates that the REE grades are increasing with proximity to the Midway Granite.

Previous exploration at Doradilla has been focussed on tin, however, with the discovery of REE mineralisation and the identification of the increasing REE grades with increasing proximity to the Midway Granite, other targets for REE mineralisation have been identified (Figures 1 and 2). Of the new REE targets identified, the priority is the outcropping and near surface Midway Granite itself. Clay deposits successfully mined for REE in China are formed over weathered granites and, as such, the area identified to have the Midway Granite near surface shows strong similarities to these deposits (Sanematsu & Watanabe, 2016).

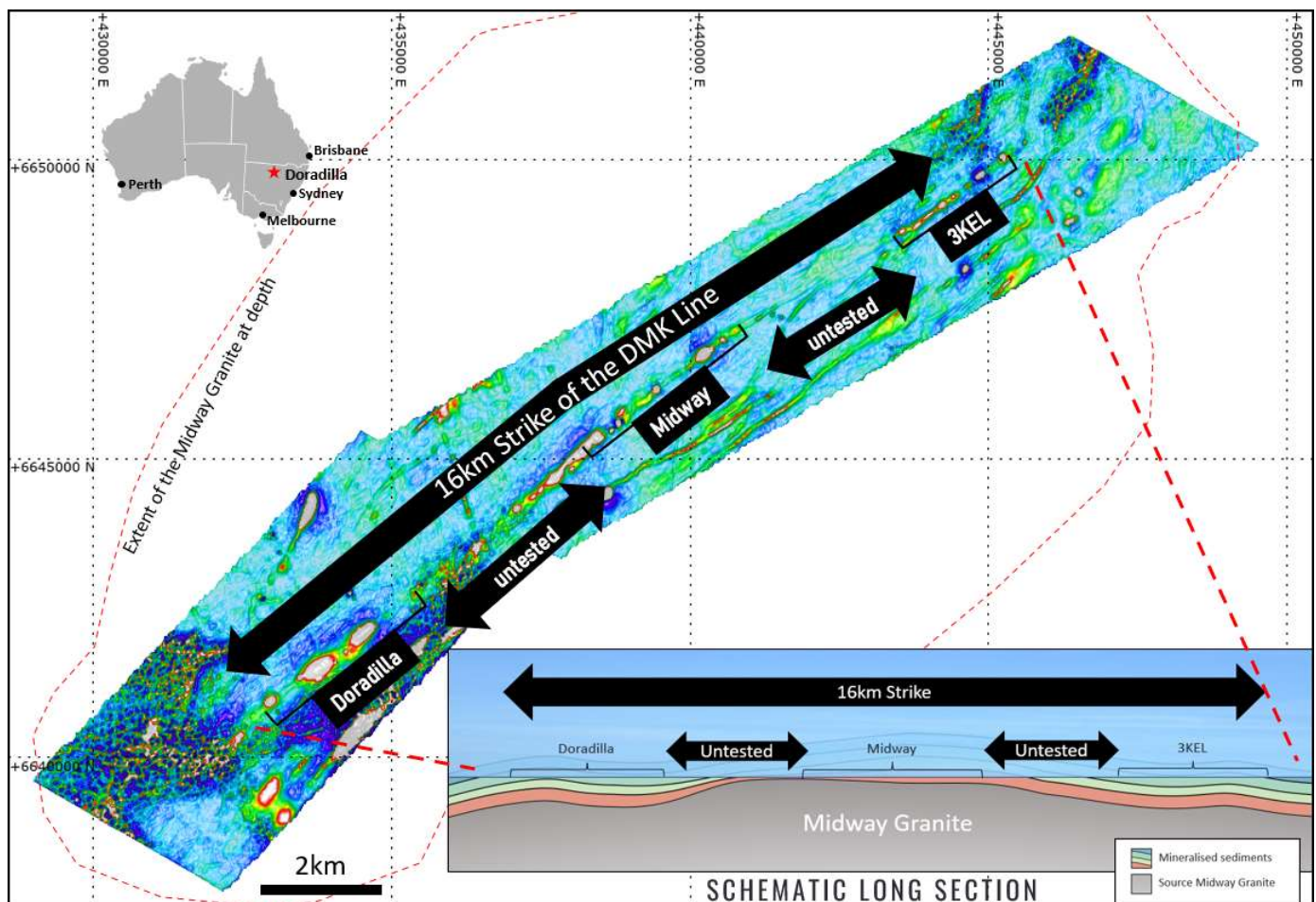


Figure 1: Doradilla Project – Plan view showing the DMK Line overlaid on the 1st vertical derivative magnetics image and a schematic long section of the DMK Line showing the underlying Midway Granite. The strike of the three 'DMK' targets, Doradilla, Midway and 3KEL, are labelled and there are large untested areas (kilometres) between each target.

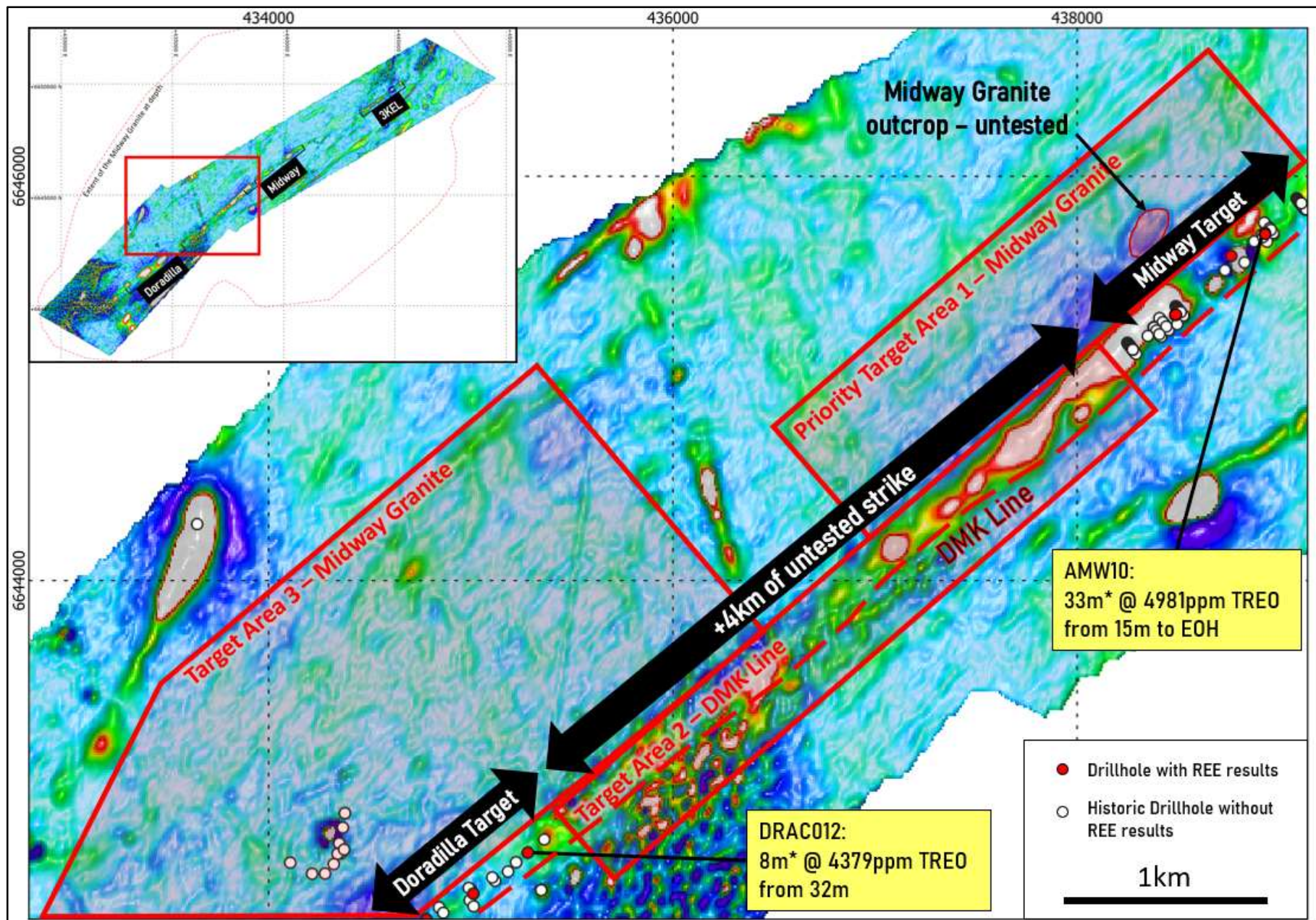


Figure 2: Doradilla Target - New REE target areas. Priority target area northwest of the Midway DMK Line Target is the Midway Granite Target Area.

PRIORITY TARGET AREA 1 - MIDWAY GRANITE

The Midway Granite outcrops at surface as shown on **Figure 2**. This has been discovered through geological mapping as well as radiometric and magnetic geophysical data. The area where the granite outcrops also has a wide area around the outcrop where the granite is either more deeply weathered or is under a thin cover sequence, indicated from the magnetic geophysical data. Therefore, this entire area of multiple square kilometres is prospective for REE mineralisation.

The weathered Midway Granite shows strong geological similarities to the clay hosted REE mineralisation successfully mined for REE over the last few decades in China. The REE mineralogy and, therefore, metallurgy are more likely to be similar to these systems due to these geological similarities and, as such, is a very attractive target.

In addition to these possible advantages, the work to date at Doradilla shows TREO grades increase the closer the sampling gets to the Midway Granite. If this relationship continues, then it is possible that higher TREO grades will be discovered in the vicinity of this target area as it is within or immediately adjacent to the Midway Granite.

TARGET AREA 2 - DMK LINE

Between the Doradilla and Midway tin deposits, there is an approximately 4km gap with no drill testing. Geological mapping and magnetic and radiometric geophysical data all strongly indicate that the DMK Line of strike continues between Doradilla and Midway, however, this has never been drill tested. This area presents an additional and extremely large area of potential strike extension for REE mineralisation and also for tin and polymetallic mineralisation.

Drill data from the southwest of Midway also indicates that the Midway Granite is beginning to become shallower to the southwest towards the gap in drilling on the DMK Line in Target Area 2. This could indicate that REE grades may be higher in this area where the granite becomes closer to the surface and may also contain previously unknown but thinly covered weathered granite which would be also prospective for REE mineralisation.

TARGET AREA 3 - MIDWAY GRANITE & QUARTZ PORPHYRY DYKES

North and northeast of the Doradilla deposit are a set of north-northeast striking quartz porphyry dykes. Geophysical data also indicates that the Midway Granite is near surface or shallow in this area. The quartz porphyry dykes are seen in the Doradilla tin deposit cross-cutting mineralisation. In the target area there are a number of outcrops of these dykes, including at the historic Doradilla copper mine, which extracted copper mineralisation interpreted to have developed along the margins of one of these quartz porphyry dykes.

The shallow weathered quartz porphyry dykes have not been previously tested for REE mineralisation and little geological mapping or surface samples has occurred to the northeast of this area to explore for any potential outcrops of the Midway Granite. As such, multiple targets exist in this target area which warrant further work to establish the likelihood and extent of any possible REE mineralisation.

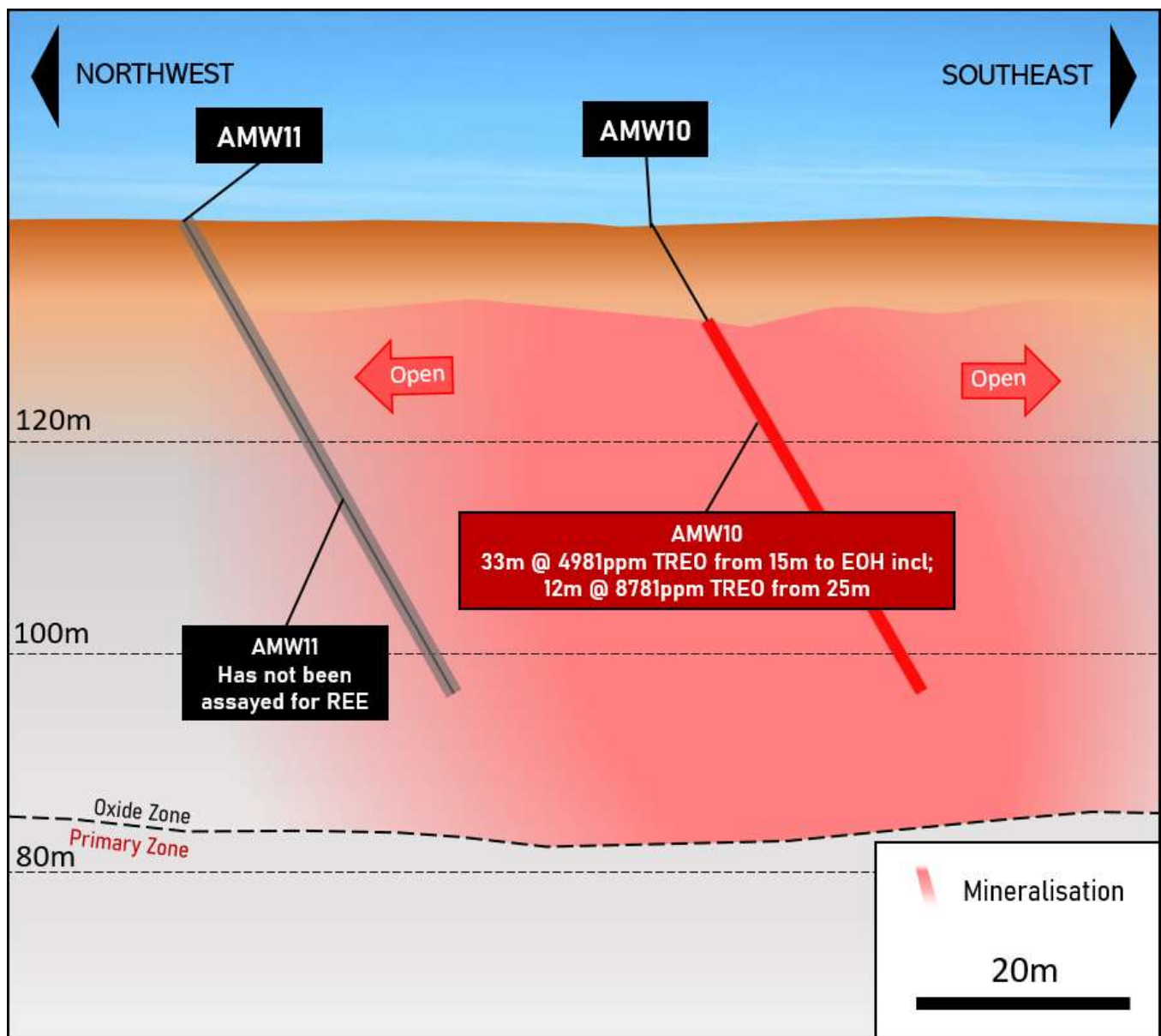


Figure 3: Midway Target – Schematic cross-section with 50m wide window of hole AMW10 looking northeast. AMW10 has the highest TREO grades and greatest widths achieved to date at the Doradilla Project and mineralisation is open to end of hole (EOH) and open in all directions.

DORADILLA REE MINERALISATION – METALLURGICAL TESTING

SKY is continuing the preliminary work on the nature and potential metallurgical pathways for the extraction of the REE mineralisation at Doradilla. REE mineralisation characterisation work is being completed to begin investigating potential metallurgical pathways. A first pass trial of ammonium sulphate leaching at a solution pH of 4 and pH of 3 by ANSTO for samples from the Midway deposit has already commenced. The ammonium sulphate leaching testwork will inform SKY as to if the Midway deposit is amenable to ammonium sulphate leaching with results anticipated in the coming months.

This report has been approved for release by the 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 tin, gold, and copper markets in the world class mining jurisdiction of NSW.

TIN PROJECTS

TALLEBUNG PROJECT (EL6699, 100% SKY)

The Tallegbung Project is located ~70km north-west of Condobolin in central NSW. The project encompasses the historic Tallegbung 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 ~ 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, REE).

NEW ENGLAND PROJECT (EL9200 & 9210, 100% SKY)

SKY has been granted two exploration licences in the New England Orogen covering areas of significant historical tin production – Emmaville & Gilgai. These areas were selected as they have considerable potential to host hardrock tin resources and limited modern exploration has been conducted.

COPPER GOLD PROJECTS

IRON DUKE (EL6064, BALMAIN OPTION; EL9191 100% SKY)

The Iron Duke project is located ~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).

GALWADGERE (EL6320, 100% SKY)

The Galwadgere project is located ~15km south-east of Wellington in central NSW. High grade copper-gold mineralisation has been intersected by previous explorers (e.g. 47m @ 0.90% Cu & 1.58g/t Au) and the mineralisation is open along strike and at depth.

GOLD PROJECTS

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

The Cullarin Project contains equivalent host stratigraphy to the McPhillamys deposit with a similar geochemical, geophysical & alteration signature. '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. SKY's maiden drill program was successful, including HUD002 which returned 93m @ 4.2 g/t Au from 56m.

CALEDONIAN / TIRRAWA PROJECTS (EL8920, EL9048, EL9120 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 81m @ 0.87g/t Au in a costean on EL8920 at the Caledonian Project. The distribution of multiple historic drill intersections indicates a potentially large 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.

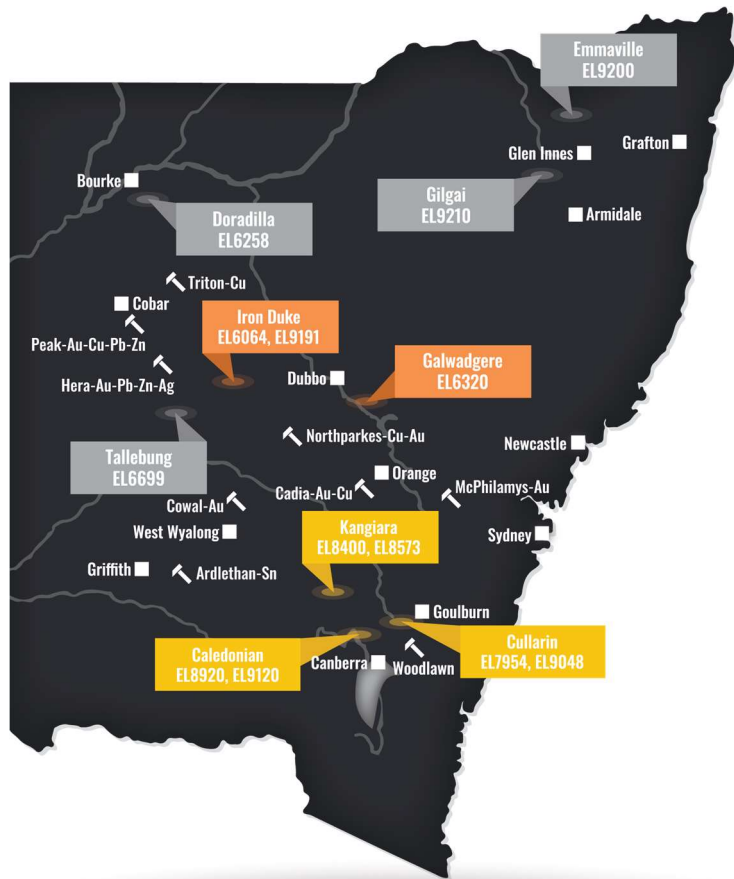


Figure 4: SKY Tenement Location Map

REFERENCES

Sanematsu & Watanabe, 2016., Characteristics and Genesis of Ion Adsorption-Type Rare Earth Element Deposits, *Society of Economic Geologists, Inc. Reviews in Economic Geology*, v. 18, pp. 55–79.

COMPETENT PERSONS STATEMENT

The information in this report that relates to Exploration Results is based on information compiled by Rimas Kairaitis, who is a Member of the Australasian Institute of Mining and Metallurgy. Rimas Kairaitis is a Director of Sky Metals Ltd and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking 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 Kairaitis consents to the inclusion in this report of the matters based on his 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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