

16 NOVEMBER 2020

ASX: SKY

CALEDONIAN GOLD PROJECT –NEW DRILL TARGETS DEFINED

- ◆ Soil sampling by SKY delineates new gold targets at the Caledonian Gold Prospect.
- ◆ New high-grade eastern gold zone defined with soil values up to **65g/t gold**.
- ◆ Two drill targets over 400m long now defined at the Caledonian Prospect.
- ◆ Drill testing to commence in approximately two weeks.

The Board of Sky Metals Limited ('SKY' or 'The Company') is pleased to provide an update on exploration activities at the Caledonian Gold Project near Yass in NSW (SKY 100%) (**Figure 2**).

CALEDONIAN GOLD PROJECT

SOIL SAMPLING

A multi-element soil sampling survey over the historic Caledonian gold mine was recently completed by SKY. This was enacted to follow up work by previous explorers that had defined a coherent 600 x 100m @ +0.1ppm gold soil anomaly over the historic Caledonian mine.

Soil sampling by SKY has delineated two parallel zones of gold mineralisation approximately 500m long and 50m wide (**Figure 1**). Previous explorers had not detected the eastern zone which contains exceptional gold results up to **65.3g/t Au**. Historic drilling and costeaning (1985) on the western anomaly have confirmed shallow bedrock gold mineralisation with results including:

LM2:	36m @ 1.2 g/t Au from 0m to EOH, and
LM6:	10m @ 2.15g/t Au from 16m, and
Costean A:	81m @ 0.87g/t Au, including 39m @ 1.63g/t Au

A drill program to determine the depth extent and controls on the Caledonian gold mineralisation, testing both the western and eastern zones, is planned to commence in approximately two weeks.

SKY CEO Mark Arundell commented: *"The soil sampling gold results from Caledonian have greatly exceeded our expectations. Not only has the historic gold anomaly been confirmed but SKY's sampling has delineated a second zone of gold mineralisation of a much higher tenor than the original anomaly. We look forward to drill testing these high-quality targets in the coming weeks".*

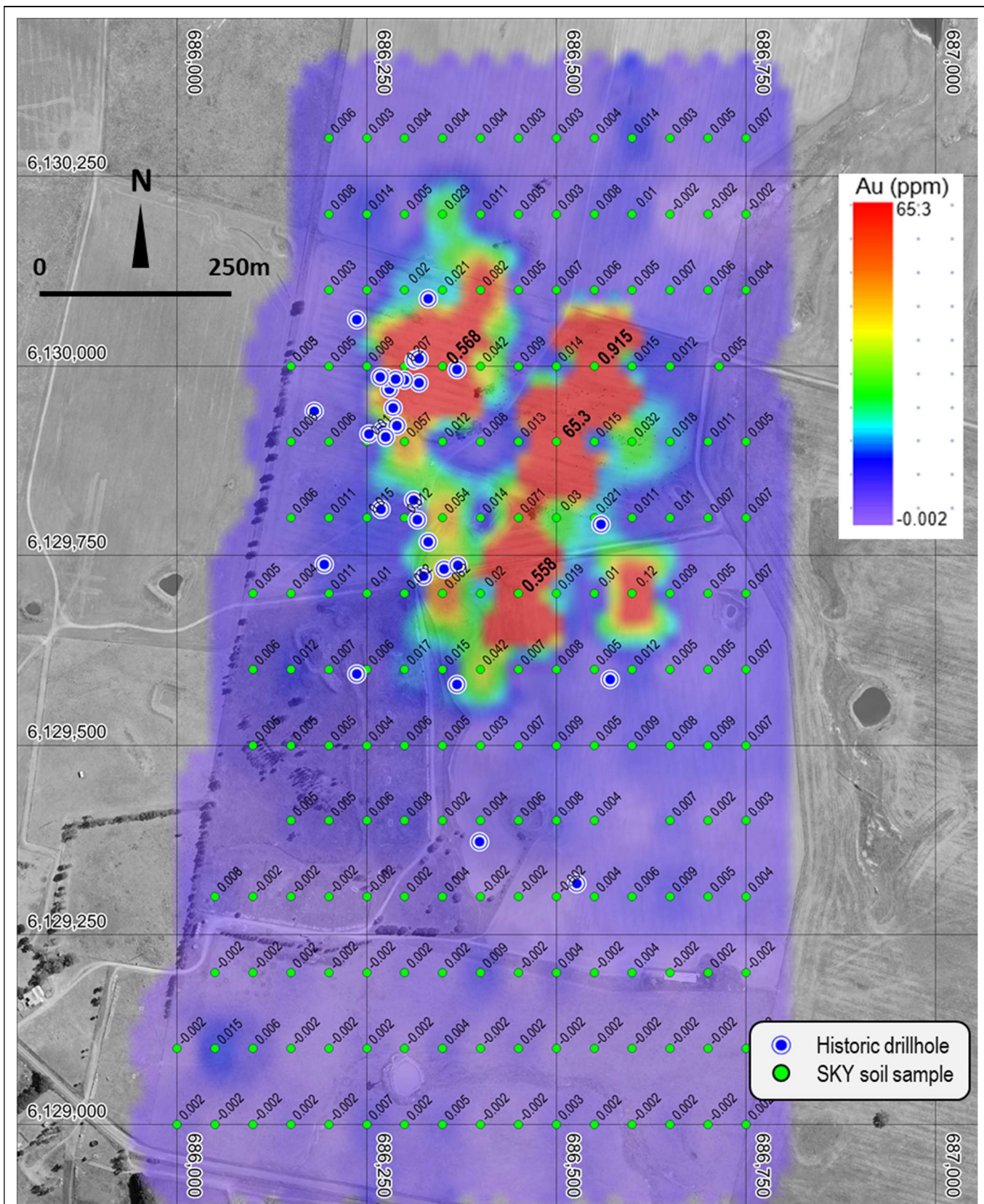


Figure 1 - Caledonian Target – Soil sampling. Image of gold values and historic shallow drillholes

PROJECT BACKGROUND

The Caledonian Project (EL8920) is located 30km southeast of Yass in the Southern Tablelands of New South Wales (**Figure 2**). The area contains the historic Caledonian Gold Mine. The distribution of multiple historic drill intersections at Caledonian Prospect indicate a potentially large and shallow mineralised gold system with discrete high-grade zones (e.g. 6m @ 8g/t Au recorded from the main lode, GSNSW; ASX SKY 11 Nov 2019). The deepest historical drillhole is 62m and most holes are ~25m deep with a number of drillholes ending in mineralisation.

These drillholes were mostly located within a coherent 600 x 100m soil gold anomaly (+0.1ppm) defined by a joint venture between Central West Gold NL/Mineral Management & Securities Pty Ltd / Kennecott in 1985 (GSNSW Report GS1985/224 R0005615). Also, a number of costeans (13) were completed at the prospect by Central West Gold.

COVID-19: Through its exploration procedures SKY maintains a clear focus on protecting the health and wellbeing of our staff, contractors, landholders, and other stakeholders. All planned work is subject to advice on any restrictions on normal business activities associated with COVID-19 imposed by the Australian and/or NSW governments. Being locally based SKY is in a unique position to be able to advance its projects at this time.

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, geophysical & alteration signature. SKY's maiden drill program to follow up this historical work was very successful including core hole HUD002 which returned 93m @ 4.2 g/t Au from 56m.

MYLORA / CALEDONIAN / TIRRANA PROJECTS (EL8915, EL8920, ELA5968, ELA6031 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 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 PROJECTS

GALWADGERE (EL6320, ALKANE OPTION)

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.

IRON DUKE (EL6064, BALMAIN OPTION; ELA5991 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) and the mineralisation is open down dip to and to the south.

TIN PROJECTS

TALLEBUNG PROJECT (EL6699, 100% SKY)

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

The results include historical pre-1989 exploration results. Exploration activity at the Caledonian Project was undertaken from 1985-1988 (pre-JORC) by Central West Gold NL, Mineral Management & Securities Pty Ltd and Kennecott. 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 previous drilling activity, which produced these results, involved multiple diamond drillholes and check assaying, providing SKY with confidence that the results are reliable, relevant and an accurate representation of the available data and studies undertaken by previous exploration activity.

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.

JORC CODE, 2012 - TABLE 1

Section 1 Sampling Techniques and Data –CALEDONIAN PROJECT

(Criteria in this section apply to all succeeding sections)

Criteria	Explanation	Commentary
Sampling techniques	<ul style="list-style-type: none"> Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as downhole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling. 	<p>Soil samples were collected from holes approximately 15cm in depth and sieved to -2mm. A 300-800g sample was collected for assay.</p> <p>All samples were submitted to ALS Orange for preparation and assaying.</p>
	<ul style="list-style-type: none"> Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used. 	Standards and field duplicates were used at least every 50 samples for soil sampling with field duplicates to ensure sample representivity.
	<ul style="list-style-type: none"> Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases, more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information. 	<p>Each sample was dried, crushed and pulverised as per standard industry practice.</p> <p>Soil sampling – Gold was determined by 30g fire assay for trace Au with Au-AA21 with a detection limit of 0.002ppm. Multielement assaying was completed for 48 elements by 0.25g four-acid digest with ICPMS determination (method ME-ICP61).</p>
Drilling techniques	<ul style="list-style-type: none"> Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc) 	Not applicable
Drill sample recovery	<ul style="list-style-type: none"> Method of recording and assessing core and chip sample recoveries and results assessed 	Not applicable.
	<ul style="list-style-type: none"> Measures taken to maximise sample recovery and ensure representative nature of the samples 	Not applicable
	<ul style="list-style-type: none"> Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material 	Not applicable
Logging	<ul style="list-style-type: none"> Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies 	Not applicable.
	<ul style="list-style-type: none"> Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography 	Not applicable.
	<ul style="list-style-type: none"> The total length and percentage of the relevant intersections logged 	Not applicable
Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> If core, whether cut or sawn and whether quarter, half or all core taken 	Not applicable
	<ul style="list-style-type: none"> If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry 	Soil samples were collected from holes approximately 15cm in depth and sieved to -2mm. A 300-800g sample was collected for assay.



Criteria	Explanation	Commentary
	<ul style="list-style-type: none"> For all sample types, the nature, quality and appropriateness of the sample preparation technique 	Soil samples were dried crushed and pulverised to 90% passing 75 microns. This is considered to appropriately homogenise the sample to allow subsampling for the various assay techniques.
	<ul style="list-style-type: none"> Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples 	Certified Reference Material (CRM) and blanks were inserted at least every 30 samples to assess the accuracy and reproducibility of the drill core results. The results of the standards were to be within $\pm 10\%$ variance from known certified result. If greater than 10% variance the standard and up to 10 samples each side were re-assayed. ALS conducted internal check samples every 20 samples for Au and every 20 for multielement assay.
	<ul style="list-style-type: none"> Measures taken to ensure that the sampling is representative of the in-situ material collected, including for instance results for field duplicate/second-half sampling. 	Field duplicate soil samples were collected and demonstrated representivity of soils samples
	<ul style="list-style-type: none"> Whether sample sizes are appropriate to the grain size of the material being sampled 	Sample sizes are industry standard and considered appropriate
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total 	Standard assay procedures performed by a reputable assay lab, (ALS Group), were undertaken. Gold (Au) was determined by 30g fire assay for trace Au with Au-AA21 with a detection limit of 0.002ppm for soils samples. Multielement assaying for both drill core and soil samples was completed for 48 elements by 30g four-acid total digest with ICPMS determination (method ME-ICP61).
	<ul style="list-style-type: none"> For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc 	Not applicable as no geophysical tools were used in the determination of assay results.
	<ul style="list-style-type: none"> Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established 	Certified reference material or blanks were inserted every 50 samples in soil samples alternating with field duplicates. Standards are purchased from Certified Reference Material manufacture companies: Standards were purchased in foil lined packets of between 60g and 100g. Different reference materials were used to cover high grade, medium grade, low grade, and trace ranges of elements, with a primary focus on gold.
Verification of sampling and assaying	<ul style="list-style-type: none"> The verification of significant intersections by either independent or alternative company personnel. 	Not applicable.
	<ul style="list-style-type: none"> The use of twinned holes. 	Not applicable.
	<ul style="list-style-type: none"> Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. 	Soils sampling data including location, soil type and colour, details regarding nearby outcrop and regolith details were all recorded manually in the field and then scanned and added into spreadsheets to store data electronically. Assay data was provided by ALS via .csv spreadsheets. The data was validated using the results received from the known certified reference material. Hard copies of the assay certificates were stored with drill hole data such as drillers plods, invoices, and hole planning documents.
	<ul style="list-style-type: none"> Discuss any adjustment to assay data 	Assay data is not adjusted.



Criteria	Explanation	Commentary
Location of data points	• Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.	Soil sample positions were located by hand held GPS surveying considered to be accurate to $\pm 5m$.
	• Specification of the grid system used	All coordinates are based on Map Grid Australia Zone 55E, Geodetic Datum of Australia 1994.
	• Quality and adequacy of topographic control	Soil sample positions are considered to be accurate to $\pm 5m$.
Data spacing and distribution	• Data spacing for reporting of Exploration Results	At this early exploration stage, the data spacing is variable as the focus is on identifying new zones of mineralisation.
	• Data spacing for reporting of Exploration Results Whether the data spacing, and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied	Not Applicable as no resource estimate has been completed
	• Whether sample compositing has been applied	Sample compositing is not applied.
Orientation of data in relation to geological structure	• Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type	Soils sampling traverses were completed west to east to most appropriately sample dominantly north-south striking structures
	• If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced sampling bias, this should be assessed and reported if material	Not applicable
Sample security	• The measures taken to ensure sample security	Sample chain of custody has been managed by the employees of Sky Metals who commissioned the sampling from the field to assay laboratory. All samples are bagged in sealed numbered craft bags, grouped into larger tied polyweave bags, or placed in a stillage box and transported to ALS in Orange by SKY personnel or a reputable contractor. All sample submissions are documented via ALS tracking system and all assays are reported via email. Sample pulps are returned to site and stored for an appropriate length of time (minimum 3 years). The Company has in place protocols to ensure data security.
Audits or reviews	• The results of any audits or reviews of sampling techniques and data	The Company does not routinely have external consultants verify exploration data until resource estimation procedures are deemed necessary.

Section 2 Reporting of Exploration Results - CALEDONIAN PROJECT

(Criteria listed in the preceding section also apply to this section)

Criteria	Explanation	Commentary
Mineral tenement and land tenure status	• Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.	The Caledonian Project is described by NSW Exploration Licence 8920. The tenement is 100% owned by Aurum Metals Pty Ltd which is a 100% owned subsidiary of SKY Metals Ltd.



Criteria	Explanation	Commentary
	<ul style="list-style-type: none"> The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area 	The exploration licence is in good standing. EL 8920 expires on 5 th December 2025.
Exploration done by other parties	<ul style="list-style-type: none"> Acknowledgment and appraisal of exploration by other parties 	Significant exploration was carried out initially focussed on base metals and shifting to gold in the 1980s with the Caledonian prospect identified as a Au-rich skarn system. Shallow diamond drilling identified broad low-grade Au mineralisation. From the 1990s limited exploration has occurred on the prospect.
Geology	<ul style="list-style-type: none"> Deposit type, geological setting and style of mineralisation 	<p>Mineralisation at the Caledonian prospect appears to be associated with skarn units, particularly where iron oxides are more abundant than epidote. High gold grades were noted in the lowermost skarn unit; values in outcrop of the upper two horizons were not sustained in drill intersections down-dip.</p> <p>Previous drilling has largely been confined to a sequence of skarn and pelitic acid volcanics. Three main skarn horizons, having an overall moderate westerly dip, have been recognised. Flexuring of these units, seemingly plunging to the south, is interpreted. Within the skarn, limonite/hematite development is extensive, probably in part after sericite/clay altered tremolite-actinolite, whilst nontronite is also common. Most of the pelite/volcanics interbedded with the skarn are extensively clay altered as well.</p>
Drill hole Information	<ul style="list-style-type: none"> A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: <ul style="list-style-type: none"> easting and northing of the drill hole collar elevation or RL (Reduced Level—elevation above sea level in metres) of the drill hole collar dip and azimuth of the hole down hole length and interception depth hole length 	Not applicable.
	<ul style="list-style-type: none"> If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case. 	Not applicable.
Data aggregation methods	<ul style="list-style-type: none"> In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually Material and should be stated. 	Not applicable.
	<ul style="list-style-type: none"> Where aggregate intercepts incorporate short lengths of high-grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail. 	Not applicable.
	<ul style="list-style-type: none"> The assumptions used for any reporting of metal equivalent values should be clearly stated 	No metal equivalences quoted.

Criteria	Explanation	Commentary
Relationship between mineralisation widths and intercept lengths	<ul style="list-style-type: none"> These relationships are particularly important in the reporting of Exploration Results- <ul style="list-style-type: none"> if the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported. if it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known'). 	Not applicable.
Diagrams	<ul style="list-style-type: none"> Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views. 	See body of announcement.
Balanced reporting	<ul style="list-style-type: none"> Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results. 	See body of announcement.
Other substantive exploration data	<ul style="list-style-type: none"> Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples—size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances. 	See body of announcement
Further work	<ul style="list-style-type: none"> The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling). 	Drill testing to assess the scale and grade of the mineralisation is planned along with investigation of related targets.
	<ul style="list-style-type: none"> Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive. 	See body of announcement.