

ASX Announcement

4 March 2020

**Andromeda Metals Limited**

ABN: 75 061 503 375

Corporate details:

ASX Code: ADN

Cash (31 Dec 2019): \$4.37 million

Issued Capital (4 Mar 2020):

1,456,998,646 ordinary shares

688,538,094 ADNOB options

99,000,000 unlisted options

Directors:**Rhod Grivas**

Non-Executive Chairman

James Marsh

Managing Director

Nick Harding

Executive Director and

Company Secretary

Andrew Shearer

Non-Executive Director

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Andromeda acquires 51% Interest in Poochera Halloysite-Kaolin Project

Summary

- **Stage 1 expenditure commitment of \$3.0 million met ahead of schedule, resulting in ADN now formally acquiring a 51% equity interest in the Poochera Halloysite-Kaolin Project.**
- **ADN has elected to proceed immediately to Stage 2 through the sole contribution of a further \$3.0 million to be spent by April 2023 in order to acquire a further 24% equity interest.**
- **Alternatively, ADN will advance to an immediate 75% interest in the Project on a decision to mine made by the joint venture partners.**
- **The Pre-Feasibility Study is proceeding to plan and scheduled for release during the second quarter of 2020.**

Discussion

Andromeda Metals Limited (ASX: ADN, Andromeda, the Company) is pleased to advise that it has formally met the Stage 1 expenditure commitment of \$3.0 million within the two year period from execution of the Joint Venture Heads of Agreement in April 2018 covering the Poochera Halloysite-Kaolin Project and as such has earned a controlling 51% equity interest in the Project. Joint Venture partner Minotaur Exploration Limited (ASX: MEP, Minotaur) has confirmed the expenditure threshold has been met and consequently all titles to the Project tenements are now to be reported as having tenants in common based upon the respective joint venture interests of Andromeda (51%) and Minotaur (49%).

The Company has elected to immediately advance to Stage 2 under the Joint Venture in which it is to sole contribute a further \$3.0 million over the three year period to April 2023 in order to acquire a further 24% interest in the Project, thus taking ADN's ownership to 75%. However, under the terms of the joint venture, the Company is able to progress to an immediate 75% equity interest should a decision to mine, supported by a Bankable Feasibility Study, is agreed by the joint venture partners.

Efforts are now fully directed towards completion of an update to the Scoping Study taking into consideration wet-processing on site, and the more detailed Pre-Feasibility Study, following the release of the positive Scoping Study

results in September 2019 (refer ASX ADN announcement dated 30 September 2019 “Scoping Study delivers Robust Economics for Poochera Halloysite-Kaolin Project”). This work includes geological and geotechnical modelling, mine optimisation studies, additional metallurgical testwork on Carey’s Well ore, determination of plant design and infrastructure requirements, transportation and shipping studies, marketing of product to customers and ongoing engagement with key stakeholders.

It is envisaged that the updated Scoping Study will be released prior to the end of the month should wet-processing at site be considered a viable option, with the detailed Pre-Feasibility Study results to be announced during the second quarter of 2020.

The Poochera Project

The Poochera Halloysite-Kaolin Project covers two main geographic areas of interest, both situated in the western province of South Australia (Figure 1). The current main area of focus for the Project is on the Eyre Peninsula which comprises four tenements (Figure 2) and is located approximately 635 kms west by road from Adelaide and 130 kms south-east from Ceduna.

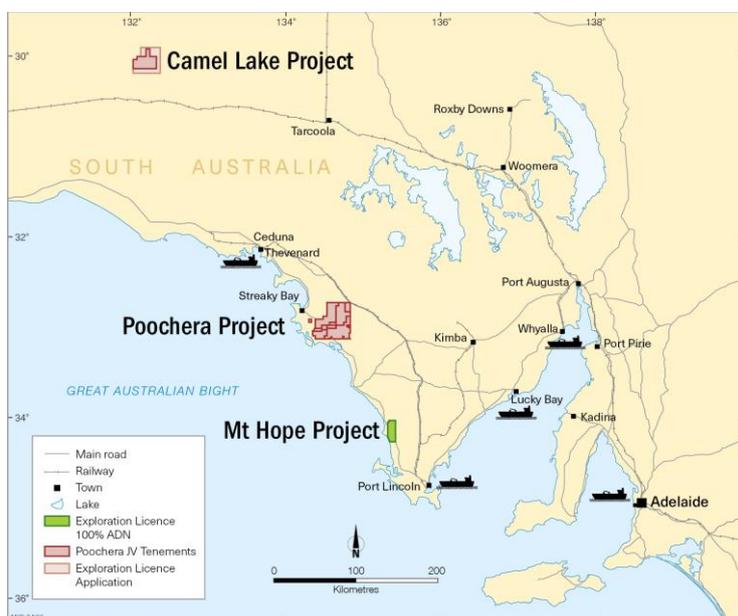


Figure 1: Project location plan

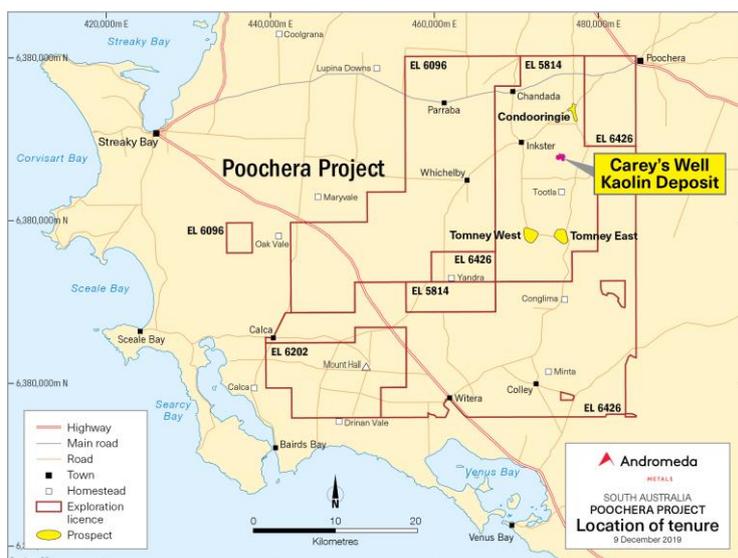


Figure 2: Poochera Tenements

In addition to the Carey's Well Deposit, additional high quality halloysite-kaolin prospects occur extensively across the Poochera Project area making this a region of global significance for the mineral with the potential of supporting a considerable long-life mining operation, should final feasibility studies determine the project to be economically viable. Halloysite is a rare derivative of kaolinite in which the mineral occurs as nanotubes. Halloysite has many industrial uses beyond simple kaolinite and commands a significant premium above the average kaolinite price. The Poochera kaolinite contains a variable natural halloysite-kaolinite blend that is in demand for the ceramic market while pure halloysite can be used in petrochemical refining markets, and for developments in new high-tech and nanotechnology applications.

The northern project area includes near pure halloysite within the Camel Lake prospect on EL6128 (Figure 1) that could potentially be processed to provide a very high value pure product for the development of halloysite nanotube technology in the areas of energy storage, water purification, medicine, carbon capture/conversion to fuel and hydrogen storage.

Extensive test work has been completed on the Carey's Well deposit, including a Scoping Study, resource drilling, bulk sampling, pilot test trials and marketing, and Andromeda is working towards a Mining Lease application as part of feasibility evaluations.

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