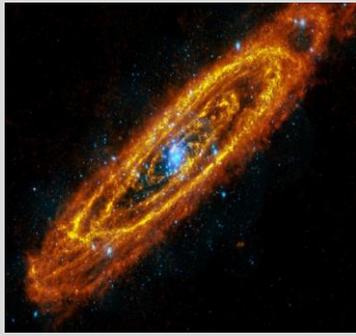


ASX Announcement

25 January 2021

**Andromeda Metals Limited**

ABN: 75 061 503 375

Corporate details:

ASX Code: ADN

Cash (31 Dec 2020): \$7.94 million

Issued Capital:

2,152,727,827 ordinary shares

90,820,000 unlisted options

23,250,000 performance rights

Directors:**Rhod Grivas**

Non-Executive Chairman

James Marsh

Managing Director

Nick Harding

Executive Director and
Company Secretary

Joe Ranford

Operations Director

Andrew Shearer

Non-Executive Director

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Great White Kaolin Project Advances Towards Mining Approval and Operations

Summary

- **Great White Kaolin Project declared a New Mine for royalty determination purposes under section 17A of the Mining Act 1971 with a consequent reduced state royalty rate of 2% to apply on minerals produced to 30 June 2026.**
- **Mining Lease Application submission is on schedule to be submitted in February 2021.**
- **Definitive Feasibility Study (DFS) progressing steadily with various options being evaluated that will maximise returns with minimal risks.**
- **Origin Capital Group appointed to assist with Bankable Feasibility Study (BFS) corporate finance considerations.**
- **Meetings with identified customers in progress to formalise offtake agreements.**
- **Progress made at the Camel Lake high-purity halloysite prospect with an initial site inspection of targeted areas conducted with traditional owners and anthropologist.**
- **Halloysite nanotechnology funding efforts doubled to include eighteen research areas to be undertaken by the University of Newcastle's Global Innovative Center for Advanced Nanomaterials (GICAN) through Natural Nanotech Pty Ltd, a jointly owned entity with Minotaur Exploration.**

Discussion

Andromeda Metals Limited (ASX: ADN, Andromeda, the Company) is pleased to report of significant progress being made towards obtaining Mining Lease approval and consequent commencement of operations at the Great White Kaolin Project near Poochera on the west coast of South Australia's Eyre Peninsula.

The Great White Kaolin Project is a Joint Venture with Minotaur Exploration Limited (ASX: MEP) in which ADN holds a 75% equity interest.

The Department of Energy and Mining of the Government of South Australia has officially determined the Great White Kaolin Project to be a new mine for royalty consideration and hence has granted a concessional royalty rate of 2.0% to apply to mineral production for the Project up to 30 June 2026, which

represents a reduction of 1.5% and consequent savings to the Project of approximately \$9 million in the early years of operation. The Mining Lease application is nearing completion and is currently due to be submitted next month, which will be a significant step towards the planned operational start of the Project in February 2022.

Substantial effort is being directed towards the completion of the DFS during the second quarter of 2021 with a number of options being considered to provide the optimal return for the Project whilst minimising key risks. As part of this process, Primero Engineering Group has been awarded the EPC contract (Engineering, Procurement and Construction). Primero is a vertically integrated engineering group that specialise in the design, construction and operation of global resource projects, which includes valuable kaolin project experience. As well as having relevant experience in the management of similar studies, Primero offers several advantages with an established reputation for the completion of such work within schedule and budget. They also have the ability to continue into subsequent stages of the project development through the implementation and commissioning phases. This is enhanced with well-developed systems for health, safety, and environmental management to give strong safety and environmental performances that exceed industry benchmarks.

In addition, corporate finance advisory group Origin Capital has been engaged to assist with the BFS from a financing perspective. Origin Capital are a highly experienced group in all areas of corporate finance and will provide project financing solutions for consideration by the joint venture partners in making a final investment decision following completion of the DFS.

Advanced discussions are currently in progress with a number of potential customers to lock in Binding Offtake Agreements. Conrad Partners are on the ground following up all current opportunities in China, along with Andromeda staff who are working on a number of other customers targeted throughout Asia and Europe.

Camel Lake

The Camel Lake Prospect in South Australia has long been known to be the source of samples of the best high-purity halloysite ever found globally. Positive progress has now been made on this opportunity with a site inspection completed in January and open communications in place with the Traditional Owners and their anthropologist. The next stage is to formalise a site access agreement with the Maralinga Tjarutja People followed by Andromeda geologists carrying out field exploration later in the year.

Natural Nanotech

The Natural Nanotech (NNT) research and commercialisation joint venture (50:50 Andromeda and Minotaur) set up to investigate new technology applications for halloysite-kaolinite nanoparticles has doubled funding into the research programs at the University of Newcastle's Global Innovative Center for Advanced Nanomaterials (GICAN). The program will now incorporate eighteen research areas including batteries, supercapacitors and semiconductor technologies, peroxidase and antimicrobial agents in water treatment, and for selective gaseous (CO₂, H₂) capture-storage-transport-conversion. Construction of a pilot plant to manufacture a halloysite composite for CO₂ capture is underway. The patent applications process is ongoing for these unique nanotechnologies involved in producing carbon nanomaterials from halloysite-kaolin precursors and the subsequent processing routes for their specific environmental uses.

About Andromeda Metals

Andromeda Metals is an emerging industrial minerals company based in Adelaide, South Australia with a vision of becoming the world's leading supplier of high grade halloysite-kaolin. The Company's primary

focus is directed towards the final evaluation and development of the world class Great White Kaolin Project into production in early 2022.

The Great White Kaolin Project covers two main geographic areas of interest, both situated in the western province of South Australia (Figures 1 and 2) and is located approximately 635 kms west by road from Adelaide and 130 kms south-east from Ceduna. The Project is a joint venture between Andromeda Metals and Minotaur Exploration Limited in which Andromeda holds a 75% equity interest.

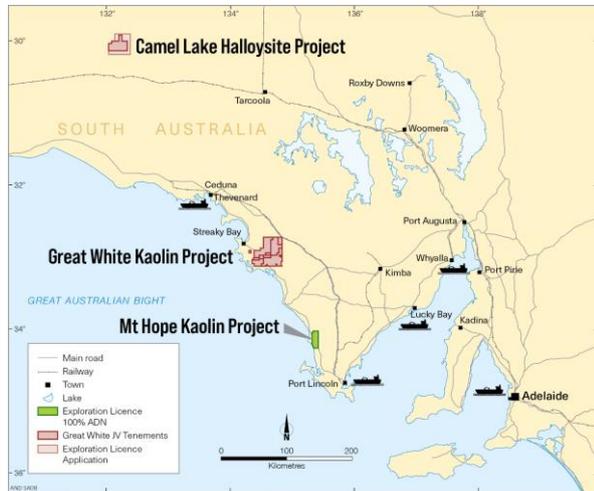


Figure 1 - Project Location Plan

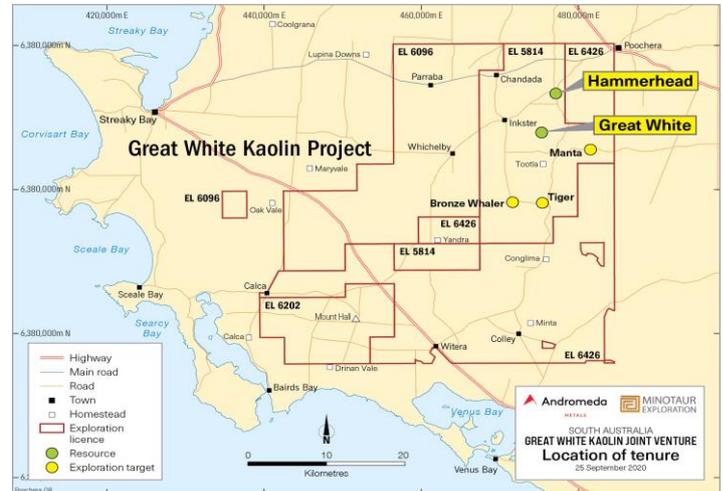


Figure 2 - Great White Joint Venture tenements

High quality halloysite-kaolin occurrences exist extensively across the Great White Project area making this a region of global significance for the mineral and capable of supporting a considerable long-life mining operation, should final feasibility studies determine the project to be commercially positive.

Andromeda Metals also holds a 100% interest in the Mount Hope Kaolin Project which is located approximately 160 kms southeast of the Great White Kaolin Project.

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Competent Persons Statement

Information in this announcement has been compiled by Mr James Marsh a member of The Australasian Institute of Mining and Metallurgy (AusIMM). Mr Marsh is an employee of Andromeda Metals Limited who holds shares and options in the company and has sufficient experience, which is relevant to the style of mineralisation, type of deposits and their ore recovery under consideration and to the activity being undertaking to qualify as Competent Persons under the 2012 Edition of the 'Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code). This includes Mr Marsh attaining over 30 years of experience in kaolin processing and applications. Mr Marsh consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

