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10 November 2017

Dear Shareholder

### **FULLY UNDERWRITTEN NON-RENOUNCEABLE ENTITLEMENT OFFER**

On 9 November 2017, Andromeda Metals Limited (ASX: ADN, the **Company**) announced a fully underwritten pro rata non-renounceable entitlement offer (**Offer**) to holders of shares in the Company as at 6.30pm ACDT on Tuesday 14 November 2017 (**Record Date**).

Andromeda Metals will apply the funds raised through the Offer to its wholly owned Drummond Basin Epithermal Gold Project in Queensland; progressing the due diligence and potential acquisition of the Mylo-Frontier Pilbara Gold Project; to identify, evaluate and potentially acquire new projects; and to meeting ongoing exploration and working capital costs along with the costs of the Offer.

The Drummond Basin hosts the world-class Pajingo gold mine, an epithermal style gold deposit which has produced over 3 million ounces of gold. The Company holds tenements in this district and has discovered a number of Pajingo style epithermal vein systems. Surface samples confirm these vein systems to be gold-bearing but they have never been drilled, presenting an immediate exploration opportunity for shareholders.

The Pilbara region has attracted significant attention following the discovery by Novo Resources (TSX.V:NVO) of gold mineralisation hosted in conglomerates occurring near the base of the Fortescue Group. This style of mineralisation is potentially analogous to the conglomerate hosted gold deposits of the Witwatersrand, which have produced in excess of 1 billion ounces of gold, and so represent highly attractive exploration targets. The Company has signed a binding term sheet that, subject to the completion of satisfactory due diligence, would lead to the acquisition of 100% equity in up to eleven Exploration Licence Applications in the Pilbara region of Western Australia. In aggregate they represent a prospective 756km<sup>2</sup> gold project.

Pursuant to the Offer, the Company will offer Eligible Shareholders a total of 283,225,752 fully paid ordinary shares in the capital of the Company (**New Shares**) at an issue price of \$0.005 per share to raise approximately \$1.416 million before costs. The New Shares will be offered on the basis of 1 New Share for every 2 Shares held at the Record Date (**Entitlement**). In addition, 1 attaching Option (**New Option**) will be issued for every New Share subscribed under the Offer. Each New Option is exercisable at \$0.012 per share and has an expiry date of 30 November 2020.

The Offer price of \$0.005 per New Share represents a 50% discount to the Company's shares on 3 November 2017 and a 57% discount to the volume weighted average price of the Company's shares over the 30 days leading up to the Offer announcement. If the valuation of the attaching New Option is also taken into account, these discounts increase to 89% and 91% respectively.

The New Shares will be fully paid and will rank equally with the Company's existing issued shares. No further consideration other than the payment of the respective exercise price will be payable by Eligible Shareholders for the New Option. The New Options are transferrable with the Company to make application to the ASX for official quotation of the New Shares and New Options.

The net proceeds received from the Offer will be principally directed to funding the following:

- completing further exploration on the Company's wholly owned Drummond Epithermal Gold Project in Queensland, including the first ever drill testing of identified gold prospects, which includes the large gold-bearing epithermal vein system at the Bunyip prospect;
- progressing the Mylo-Frontier Pilbara Gold Project tenements to grant and completion of initial exploration programs, subject to a decision to acquire;
- An initiative to identify, evaluate and acquire new projects to complement the Company's existing portfolio of exploration assets; and
- Meeting on-going exploration and working capital costs and the costs associated with the Offer.

The Board and management may alter the planned use of funds depending upon the results of project due diligence and initial exploration results.

The anticipated timetable for the Offer is as follows:

| <b>Event</b>  | <b>Date</b>               |
|---|---------------------------|
| Lodgement of Prospectus with ASIC   | Thursday 9 November 2017  |
| Announcement of Issue (and lodge Appendix 3B)                             | Thursday 9 November 2017  |
| Notice to Option holders advising of Offer                                | Thursday 9 November 2017  |
| Notice to Shareholders containing Appendix 3B information and timetable   | Friday 10 November 2017   |
| Shares commence trading on an ex rights basis                             | Monday 13 November 2017   |
| Record Date for the Offer   | Tuesday 14 November 2017  |
| Prospectus and Entitlement and Acceptance Form despatched to Shareholders | Friday 17 November 2017   |
| Opening Date of the Offer   | Friday 17 November 2017   |
| Closing Date of the Offer   | Thursday 30 November 2017 |
| New Shares and Options quoted on a deferred settlement basis              | Friday 1 December 2017    |
| Advise ASX of any Shortfall   | Tuesday 5 December 2017   |
| Issue Date (deferred settlement basis ends)                               | Thursday 7 December 2017  |
| New Shares and New Options commence trading on a normal T+2 basis         | Friday 8 December 2017    |

The timetable is indicative only and is subject to change at the discretion of the Directors. The Directors also reserve the right to not proceed with the whole or part of the Offer at any time prior to allotment. In that event, application monies will be returned without interest.

A copy of the Prospectus, lodged with ASIC and ASX on 9 November 2017, is available on the Company's website at [www.andromet.com.au](http://www.andromet.com.au) or on the ASX website at [www.asx.com.au](http://www.asx.com.au).

The Directors who are Eligible Shareholders have confirmed their intention to participate fully in the Offer.

## Your Entitlement

This letter is advance notice of some of the key terms and conditions of the Offer. Full details of the Offer, together with a personalised Entitlement and Acceptance Form, are to be enclosed with the Offer Prospectus (**Prospectus**) which will be separately despatched to Eligible Shareholders on Friday 17 November 2017. Only Andromeda Metals Limited Shareholders registered at 6.30pm ACDT on Tuesday 14 November 2017 with an address in Australia or New Zealand will be entitled to participate in the Offer.

Shareholders should consider the Prospectus carefully in deciding whether to participate in the Offer and will need to follow the instructions contained in the Entitlement and Acceptance Form to take up their entitlement.

On behalf of the Board I would like to thank Shareholders for their continued support and invite you to consider this opportunity to participate in the Offer.

Yours faithfully



Chris Drown  
Managing Director