



Andromeda Metals Limited
ABN: 75 061 503 375

Corporate details:

ASX Code: ADN

Cash: \$2.54 million
(as at 28 February 2019)

Issued Capital:

1,355,499,211 ordinary shares
486,280,451 ADNOB options
22,476,507 unlisted options

Directors:**Rhod Grivas**

Non-Executive Chairman

James Marsh

Managing Director

Nick Harding

Executive Director and
Company Secretary

Andrew Shearer

Non-Executive Director

Contact details:

69 King William Road,
Unley, South Australia 5061

PO Box 1210
Unley BC SA 5061

Tel: +61 8 8271 0600

Fax: +61 8 8271 0033

admin@andromet.com.au

www.andromet.com.au

ASX Announcement

5 March 2019

Excellent Dry Processing Trial Results from Carey's Well Ore

Summary

- Testing in Australia using dry sorting methods has shown that the quartz sand impurities contained within the raw ore can be reduced from an approximate 50% content down to less than 1%.
- The results exceeded expectations, proving that a dry processing method is a feasible option for consideration in studies to upgrade the value of the halloysite-kaolin ore. This is a key step forward in the development of the Poochera Halloysite-Kaolin Project.
- In addition, bulk sample testing is due to commence soon at a number of sites owned by potential end users. 140 tonnes is now in China at a wet processing kaolin plant awaiting testing, 20 tonnes is being prepared for shipping to another Chinese wet processor and a smaller amount to a Chinese dry processing plant.
- Outside of China discussions have commenced with potential end users in Japan and Europe.
- Advancing the halloysite-kaolin potential at Poochera is a crucial step in Andromeda Metals' strategy, whilst continuing to prove the resource as a premium High Purity Alumina (HPA) feedstock.

Discussion

During October 2018, Andromeda Metals (ASX: ADN) conducted a very successful bulk sampling exercise at the Poochera Halloysite-Kaolin Project and extracted over 200 tonnes of halloysite-kaolin ore (*refer ASX announcement dated 22 October 2018*). The intention was to use this material in both dry and wet conventional kaolin processing trials at commercial scale to determine optimum operational strategy.

WA Kaolin Holdings Pty Ltd ("WA Kaolin"), based in Perth, Western Australia, is a producer of high-quality kaolin products, with state-of-the art dry process technology and was selected to provide a professional evaluation of the commercial viability of using their refining processes on the Carey's Well ore.

The dry processing option was utilised first as the much lower cost and faster turnaround option. The main goals of this work were to determine how the

halloysite-kaolin ore would respond to a conventional dry processing technique, and what level of purity could be achieved. All of the data on recoveries and throughput was collected for use in the Scoping and Feasibility Study.

Approximately 40 tonnes of the halloysite-kaolin was processed through the plant over a two-day period, yielding about 6 tonnes of refined product, which confirmed dry processing as a potential commercial method to produce a refined product.



Figure 1 – Carey’s Well raw ore prior to processing



Figure 2 – Bagged fully processed product

The Carey’s Well ore contains approximately 50% of sand as a natural impurity and the aim of this work was to determine how much of this could effectively be removed to give either a semi-processed product (>1wt% quartz remaining), or a fully processed product (<1wt% quartz remaining).

The refined product was bagged off into bulka bags of approximately 500kg each with samples taken and sent to Bureau Veritas for detailed mineralogical and chemical testing.

Analysis results showed that the dry processing technique was successful in removing virtually all of the quartz sand to give a final product with less than 1wt% remaining. This is the global standard requirement for customers of kaolin products and being able to meet that criteria without having to use any water represents significant capital and operating cost savings. Conductivity testing also showed that the processed material had salt levels within drinking water levels, which is important for a number of end applications and represents additional process savings.

Andromeda Metals’ Managing Director James Marsh commented “knowing that we can use a very low cost and effective dry process to remove all impurities and move straight into a potential market ready product is the best result we could have hoped for with this work and is extremely positive for the financial aspects of the project.”

Next Steps

Now that testing of the product is complete, samples of refined product will be sent to targeted customers for application testing, including laboratory, pilot and commercial scale trials. Additional commercial scale dry process testing and wet process testing is planned in China, with 140 tonnes of halloysite-kaolin ore currently delivered to the plant. This testing has been delayed slightly due to Chinese New Year and restructuring of the government owned business and is now expected to be completed during April.

In addition, ADN has identified a number of other potential customers within China, Japan and also in Europe who will be taking either bulk samples of DSO or smaller samples of dry processed material for a range of testing.

Analysis of all of the trial results is expected to identify the optimum processing options, determine final product specifications and allow indicative commodity pricing along with operational costings. The resultant fully processed products will be run through commercial ceramics factories for technical approvals, and samples used for global marketing initiatives. Andromeda Metals will seek binding agreements with customers for DSO (kaolin processors), and fully processed product with end customers in the ceramic market and other selected applications. The positive results from the Western Australian dry processing combined with the results from the pilot plant trials run by Minotaur will be used to cross-check against the results provided by the potential export customers.

The outcomes from the processing trials phase will provide critical information for use in the Scoping Study due for completion in H1 of 2019.

The Poochera Project

The Poochera Kaolin-Halloysite Project covers two main geographic areas of interest, both situated in the western province of South Australia (Figure 3). The main area of focus, the Poochera Kaolin-Halloysite Project on the Eyre Peninsula comprises three tenements and is located approximately 635kms west by road from Adelaide and 130kms east from Ceduna (Figure 4).



Figure 3 -Project location plan

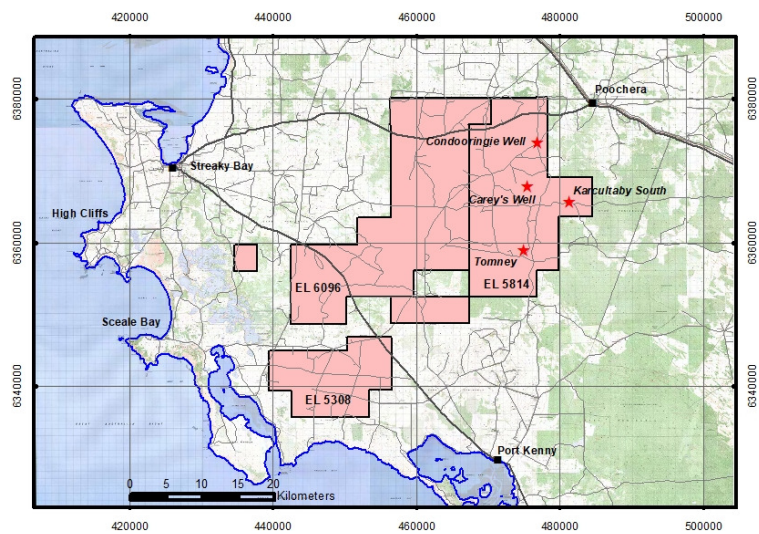


Figure 4 - Poochera Tenements

High quality kaolin-halloysite deposits occur extensively across the Poochera 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 economically viable. Halloysite is a rare derivative of kaolin where the mineral occurs as nanotubes. Halloysite has a wide variety of industrial uses beyond simple kaolin and commands a significant premium above the average kaolin price. The Poochera kaolin deposits contains a variable natural halloysite-kaolin blend that is in demand for the ceramic and petrochemical refining markets, as well as developments in new high-tech and nanotechnology applications.

The northern project area includes the near pure halloysite Camel Lake deposit on EL6128 (Figure 3) that could potentially be processed to provide a very high value pure product for the development of halloysite nanotubes technology in the areas of energy storage and carbon-hydrogen capture and storage.

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

Under the terms of the Poochera Halloysite-Kaolin Project Joint Venture, ADN can acquire up to 75% of the project by either sole funding \$6.0M over 5 years or alternatively a decision to mine is made by the Joint Venture partners, with an initial 51% interest earned by the Company through the expenditure of \$3.0M on advancing the project within the first 2 years.

Contact:

James Marsh

Managing Director

Email: james.marsh@andromet.com.au

Peter Taylor

Investor Relations

Ph: 0412 036 231

Email: peter@nwrcommunications.com.au

Competent Person's Statements

Information in this announcement has been assessed and compiled by Mr James Marsh, a member of The Australasian Institute of Mining and Metallurgy (AusIMM). Mr Marsh an employee of the Andromeda Metals Limited has sufficient experience, which is relevant to metal recovery from the style of mineralisation and type of deposits under consideration and to the activity being undertaking to qualify as a Competent Persons under the 2012 Edition of the 'Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves'. This includes over 30 years of experience in kaolin processing and applications.