Andromeda Metals Limited
ABN: 75 061 503 375

Corporate details:

ASX Code: ADN

Cash: $1.669 million
(as at 30 June 2019)

Issued Capital:
1,355,680,461 ordinary shares
704,406,913 ADNOB options
20,000,000 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 METALS

ASX Announcement

9 September 2019

Expansion of Project Tenure at Poochera and Camel Lake

Summary

- **Two exploration licence applications considered prospective for halloysite-kaolin have been lodged for large areas adjacent to the Poochera and Camel Lake Projects.**
- **Planning for commencement of exploration activities at Camel Lake is well advanced with drillhole planning and engagement initiated with key stakeholders.**
- **Previous near surface exploration sampling at Camel Lake has identified halloysite of up to 99.6% purity containing rare, uniform and consistently shaped halloysite material.**
- **Exploration plans are similarly being prepared to undertake drilling at the 100% owned Mount Hope Project where a historical non-JORC kaolin resource has been previously reported.**
- **Initial analysis from the aircore drilling program conducted in April/May at the Carey's Well deposit and adjacent prospects is anticipated to be released shortly.**
- **The Poochera Halloysite-Kaolin Project Scoping Study is nearing completion with the results on track to be released before the end of the month.**

Discussion

Whilst the Carey's Well deposit has been the main focus of attention over the past 18 months for Andromeda Metals (ASX: ADN, Andromeda, the Company) and previously Minotaur Exploration (ASX: MEP, Minotaur), historic exploration drilling across the Poochera region has defined a number of other high quality kaolin (+ halloysite) targets located within the current project tenements and in some instances, outside the existing tenement boundaries. Due to the significant market demand for halloysite-kaolin, a strategic decision was made with joint venture partner Minotaur to add known prospective areas into the existing joint venture project portfolio.

New Tenement Applications

Exploration Licence Applications (ELAs) have been made over land adjacent to the Joint Venture tenements at both Poochera and Camel Lake. Applications for tenure have been lodged in the name of Minotaur Operations Pty Ltd and forms part of the Andromeda/Minotaur Joint Venture Agreement, signed on 24th April 2018.

Poochera Project

ELA 2019/00083 "Mount Cooper", covers 648kms^2 directly south and east of the three tenements at Poochera which currently comprise the Poochera Project. The exploration licence application captures areas near the historic intercepts of Tomney and Condooringie prospects, where previous drilling reported by Commercial Minerals and Normandy Industrial Minerals encountered considerably high-purity halloysite.

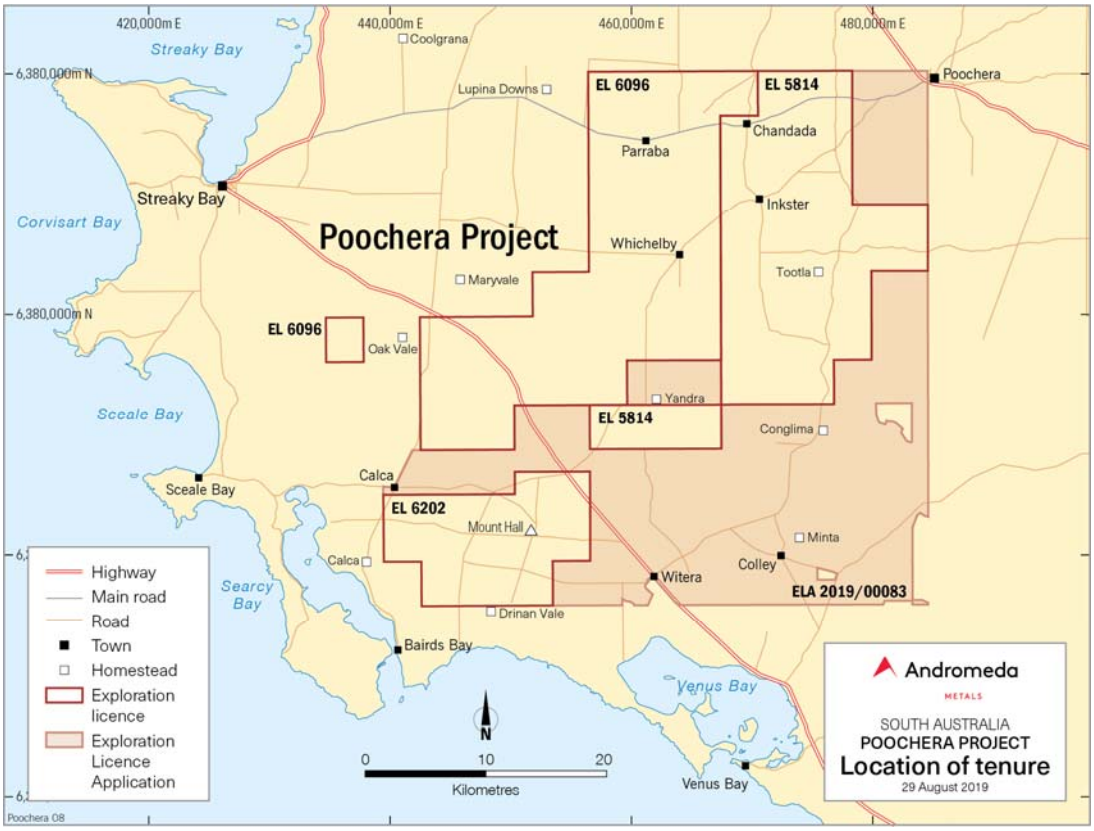

Figure 1 – Poochera Project Expanded Tenure

Historic regional, roadside drilling conducted by Commercial Minerals in 1993 and 1994 records that thick kaolin was encountered in the Mount Hall and Colley areas, the latter of which falls within the Mount Cooper application. Further detailed drilling and halloysite analysis is being planned to assess these prospects.

Minotaur previously reported an Exploration Target of between 570Mt to 810Mt of white kaolinised granite containing 40% to 60% minus 45 micron kaolin (kaolinite ± halloysite), with high ISO Brightness R457 (≥ 80) across Carey's Well deposit and Condooringie, Tootla, Karcultaby South and Tomney prospects (*refer MEP ASX announcement dated 3 May 2012 – "Major Exploration Target established for Poochera Kaolin Project South Australia"*).

The potential tonnage of the Exploration Target is conceptual in nature as there has been insufficient exploration to estimate a Mineral Resource over all prospects.

Camel Lake Project

ELA 2019/00073 "Dromedary" comprises 481kms^2, bordering the current Camel Lake tenement (EL 6128) to the north, east and south. The additional ground has been secured as part of an expansive strategy to explore for further high-purity halloysite occurrences. The Company aims to map the extent of the unique natural halloysite nanotubes identified in core from historic drilling undertaken by CRA Exploration (drillhole RCH7, refer Department for Energy and Mining Open File Envelope 2666).

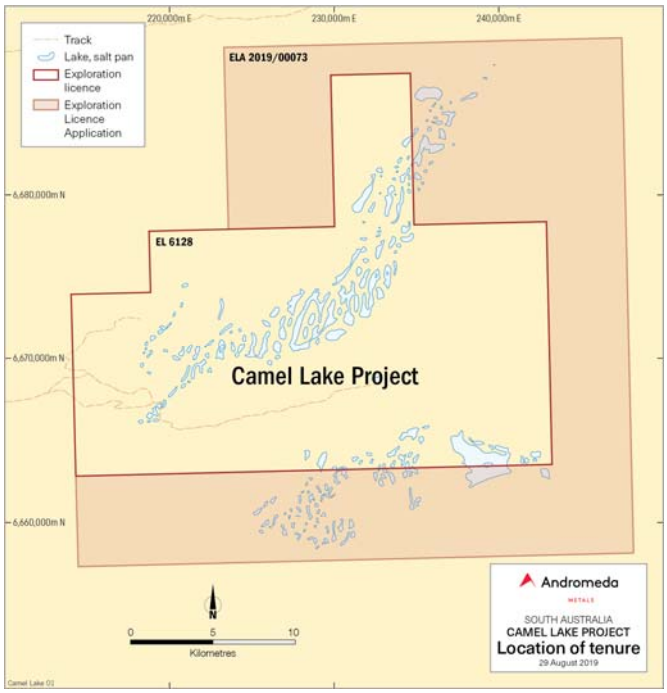

Figure 2 – Camel Lake Project expanded tenure

Figure 3 – High purity Camel Lake halloysite

X-Ray powder diffraction analysis of the Camel Lake halloysite undertaken in 2010 gave purity levels of >99% and confirmed an abundance of extremely consistent and uniform tubes approximately 1 micron long, and about 60-70 nanometres in diameter.

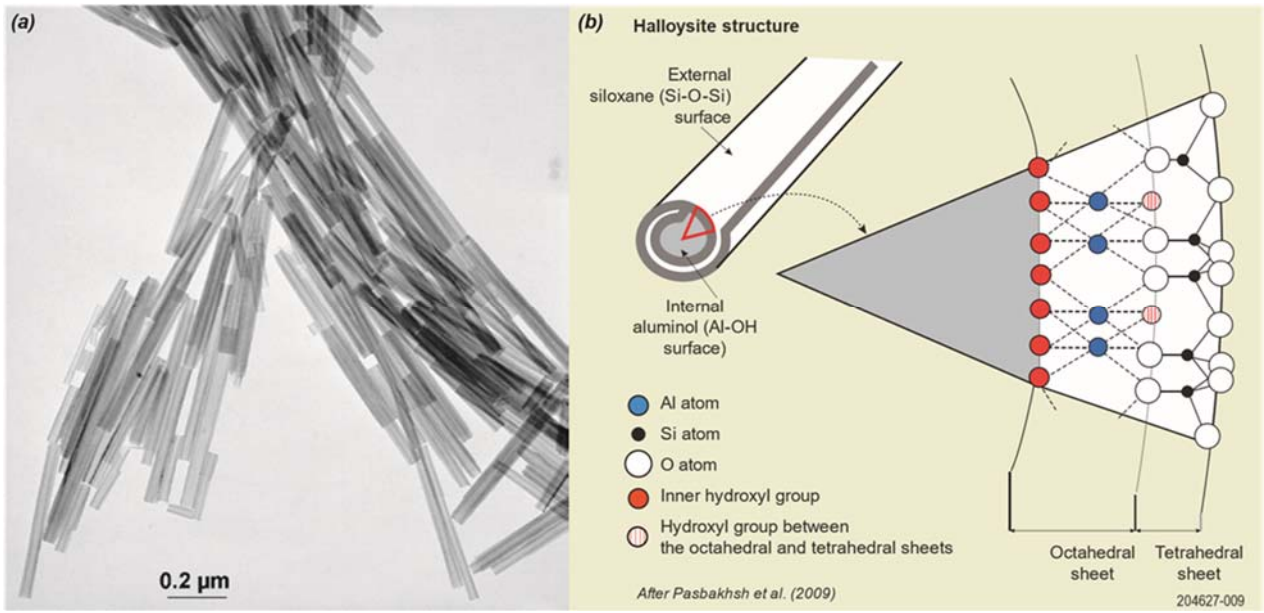

Figure 4 - (a) Extremely Regular Halloysite Nanotubes from Camel Lake
(b) Halloysite Crystal Morphology and Atomic Structure

High-purity halloysite currently sells for US$3000/t into a large range of high-tech applications, and new markets are being discovered regularly even though there is virtually no current global commercial production.

Andromeda has been granted a Resource Exploration Permit by the Woomera Prohibited Area Co-ordination Office for access to EL 6128 Camel Lake, which falls within the Woomera Prohibited Area (WPA), in northwest South Australia. The Company has initiated contact with the Maralinga Tjarutja People, registered proprietor and traditional owners of the Maralinga Lands to formalise access to the Camel Lake Project.

An exploration program has been developed including mapping of the near surface halloysite clay lithology and investigation of radiometric anomalies, from which exploration targets have been identified.

Mount Hope

The Mount Hope Project comprises an exploration licence (EL 6286) of 227km^2 located 80km northwest of Port Lincoln on the southern Eyre Peninsula, South Australia. Historic exploration (1973) at Mount Hope identified a historical non JORC resource of 12.26Mt of white kaolin consisting in the order of 74% filler quality and 26% coating quality material.

The historic mineral resource is not reported in accordance with the JORC 2012 Code and investors are cautioned that the Company has not yet completed the work to verify the historical resource estimate (*refer ADN ASX announcement dated 24 October 2018 – "Exploration Licence application for Mount Hope Halloysite-Kaolin"*).

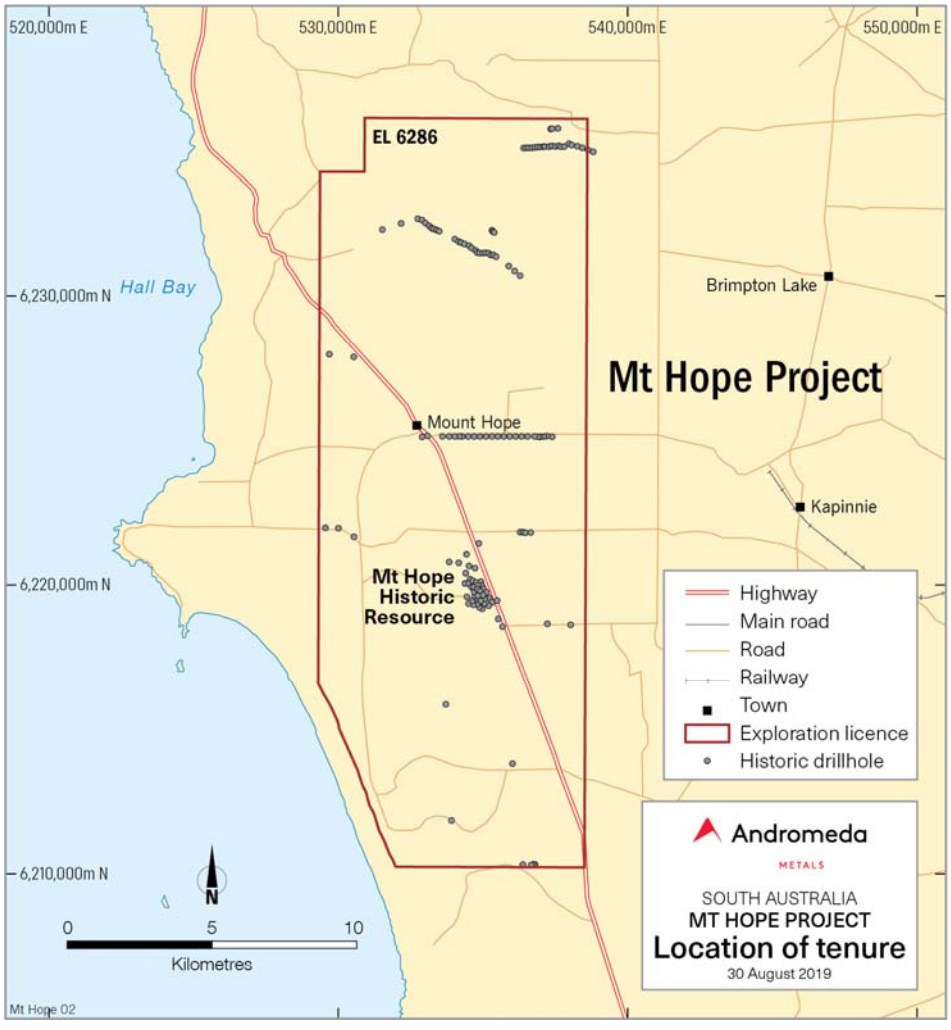

Figure 5 – Mount Hope Tenure and Historic Kaolin Resource

Subsequent mineralogical analysis of samples collected by the Department of Mines and Energy, South Australian from Mount Hope reverse circulation drilling undertaken in 1989 showed the presence of a significant amount of halloysite-kaolin.

A drilling program for Mount Hope is currently being planned with an objective to:

- Verify the historic drilling of the Mount Hope kaolin prospect;
- Collect a modern dataset covering the lithology, XRF assays, XRD assays, Particle Size Distribution and reflectance values over the historic deposit; and
- Target areas of high exploration halloysite-kaolin potential.

April/May 2019 Poochera Aircore Drilling Program

Initial sample analysis from the April/May aircore drilling program conducted at the Poochera Halloysite-Kaolin Project is nearing completion. The drilling targeted the shallow, kaolinised granite located at the Carey's Well deposit and nearby Tomney and Condooringie prospects (see Figure 6) where previous historical drilling has reported grades of up to 85% halloysite (*refer ADN ASX announcement dated 30 May 2019 – "Drilling at Carey's Well extends Halloysite-Kaolin Mineralised Zone"*).

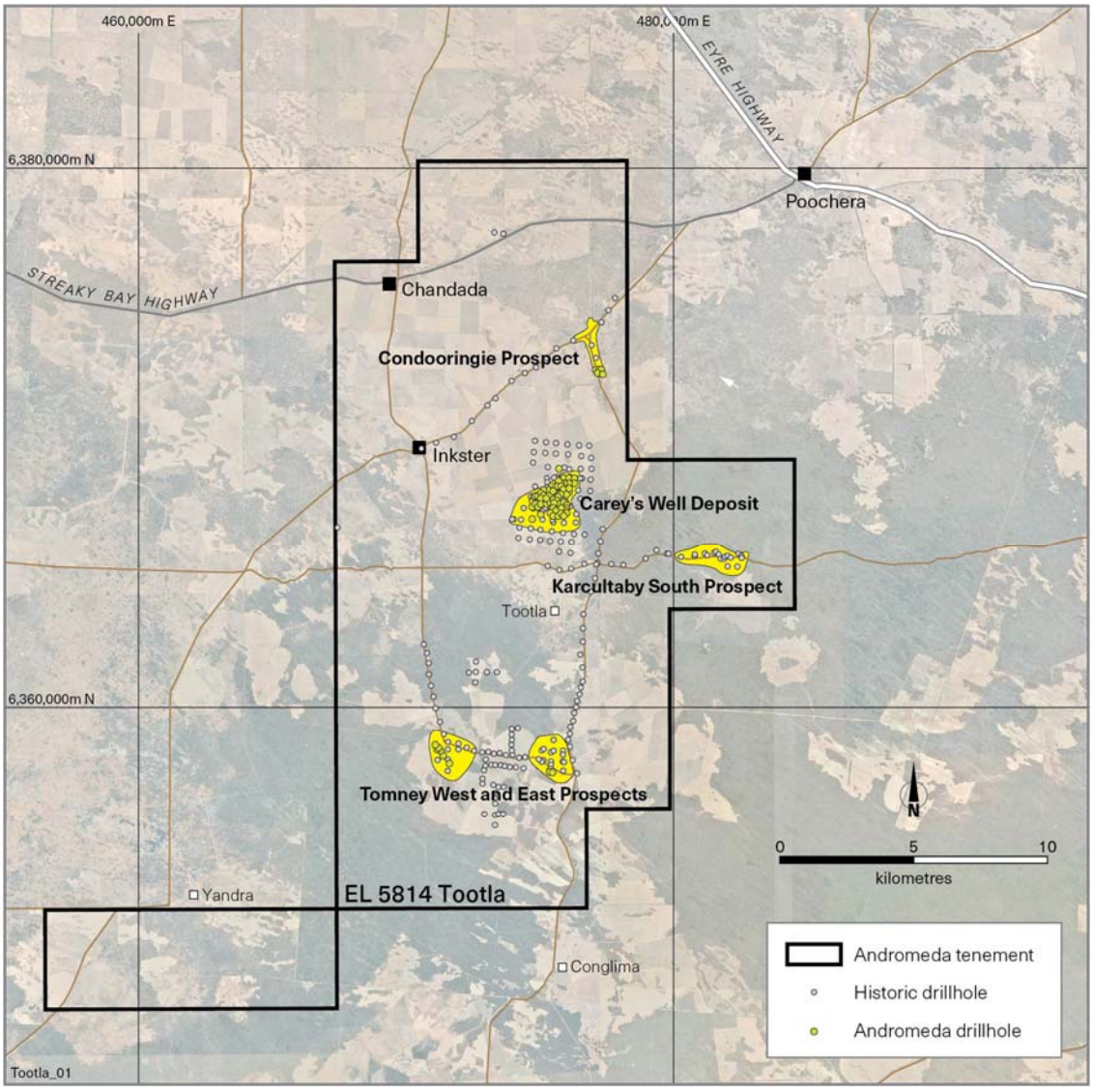

Figure 6 - Halloysite-Kaolin Prospects identified across EL 5814 Tootla

The April/May 2019 drilling program totalled 109 holes for 3,265 metres, detailed below in Table 1.

Table 1. April/May 2019 Aircore Drilling Program conducted at the Poochera Halloysite-Kaolin Project

Prospect/Deposit	Location	Drillholes Completed	Total Metres
Carey's Well	20kms southwest of Poochera	95	2,736m
Condooringie	4kms north of Carey's Well Deposit	5	234m
Tomney East	10kms south of Carey's Well Deposit	3	152m
Tomney West	10kms south-southwest of Carey's Well Deposit	6	143m
Total		**109**	**3,265m**

The drilling program was designed to more accurately define the resource boundaries of the Carey's Well deposit, which was open to the northeast and southeast, and to gain a better understanding of the lithology and mineralisation environment associated with halloysite formation. An experienced geochemist has been engaged by Andromeda to thoroughly review and analyse all historic and current resource data to advance our halloysite knowledge base.

Physical, chemical and mineralogical testing of samples collected are being finalised by Bureau Veritas and are due to be received shortly. Halloysite analysis being undertaken by both CSIRO and the University of Newcastle is a more complex and lengthy process and has taken time to analyse the large number of samples collected but is now nearing finalisation. Once final halloysite results have been received, a revised Mineral Resource is planned for the Carey's Well deposit.

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 7). The main area of focus, the Poochera Halloysite-Kaolin Project on the Eyre Peninsula comprises three tenements and is located approximately 635kms west by road from Adelaide and 130 kms east from Ceduna.

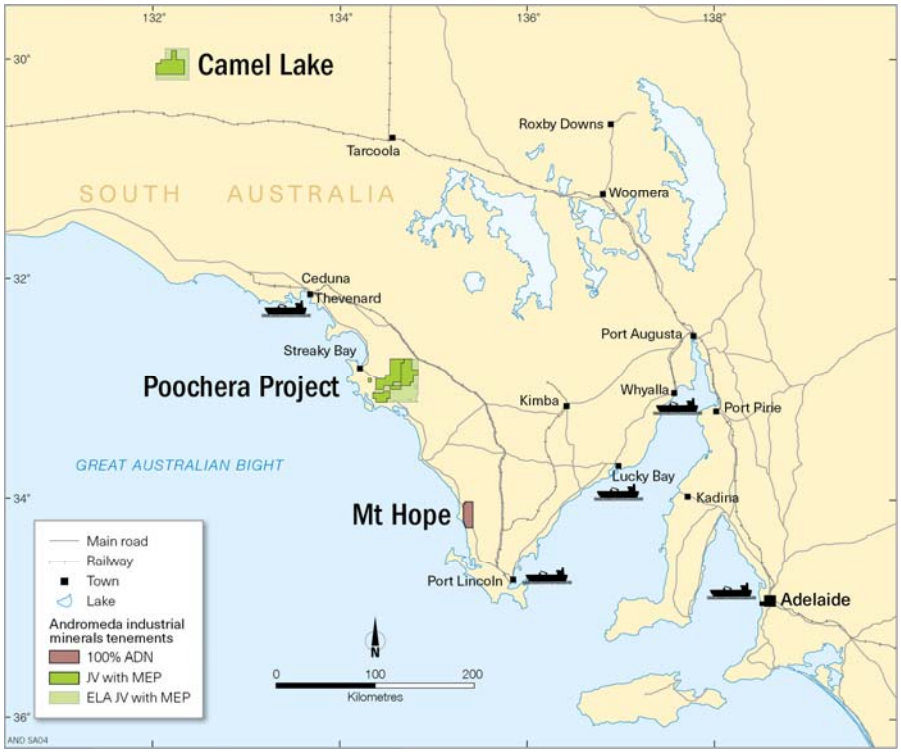

Figure 7 – Project Location Map

High-quality halloysite-kaolin 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 prospects contain 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 Project that could potentially be processed to provide a substantially 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 Andromeda is working towards a Mining Lease application as part of feasibility evaluations.

Under the terms of the Poochera Halloysite-Kaolin Project Joint Venture with Minotaur Exploration executed in April 2018, Andromeda 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.

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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.

The information in this announcement that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Rhoderick Grivas, a Competent Person, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Grivas is Chairman of Andromeda Metals and has sufficient experience that 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 Grivas consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.