



19 June 2020

Dear Optionholder

I am writing to you to provide an update on Andromeda Metals Limited's activities following the release of the Pre-Feasibility Study (PFS) for the Poochera Halloysite-Kaolin Project and remind you of the current value of the Company's listed options (ASX: ADNOB) that you hold. The Company advises that for a short period of time, it will be offering a BPAY facility to simplify the process for exercising your options, should you wish to do so.

As a holder of ADNOB options, you are entitled to convert each option to an ordinary ADN share at an exercise price of \$0.012 per option up to the expiry date of 30 November 2020. This represents a significant discount to the current ADN share price which on 12 June 2020 was \$0.055 per share. Attached is a personalised Exercise of Options form should you wish to exercise your options and utilise the BPAY facility which is to be made available through to the end of July. Please note there is no obligation for you to exercise your options at this time and they remain available to be exercised at any time up to the expiry date of 30 November 2020.

The Company currently has approximately \$2.9M in available funds which is sufficient to progress through the Definitive Feasibility Stage (DFS). The early exercise of your options will assist in managing market liquidity and allow the Company to accelerate resource definition, exploration targeting, investigation of other industrial minerals opportunities and fund downstream technology and nanotechnology research and development.

The PFS covering the Carey's Well Deposit located at the Poochera Halloysite-Kaolin Project in South Australia was released to the market on 1 June and represents the achievement of a major milestone for the Company. The project economics have again exceeded previously reported Scoping Study results and represent a steady improvement in confidence with the Project.

Key features of the PFS are:

- improved project financials compared to the previous Updated Scoping Study released on 6 April 2020 of a pre-tax NPV_{8%} of A\$736M (a 35% increase), IRR unchanged at 175%, pre-tax cashflow of \$1.97B (an 88% increase) and a payback still at 15 months from commencement of operations;
- it is based on the December 2019 updated Mineral Resource for Carey's Well which has extended the mine life to 26 years and resulted in a 67% increase in the Production Target to 12.7Mt when compared to the previous Scoping Studies;
- wet-processing on site is still the preferred option over site dry-processing. A hot-drying stage has also been added to the wet-processing plant in order to comfortably meet maximum shipping moisture content rates, resulting in additional capital expenditure but leading to significant savings in product handling and logistics costs;
- an initial Direct Shipping Ore (DSO) phase, incorporating toll-refining overseas, is to be pursued while the wet-processing plant is constructed during the second year of operations, funded by DSO sales;
- an additional 3-6 months has been added to the project timeline to conservatively allow time to obtain all governmental approvals for mining to commence, which is now estimated to be late 2021 / early 2022 with first sales to be received during the first half of 2022.

Andromeda's focus is now directed towards completion of the DFS, which will include more detailed metallurgical, mine and process design, and engineering studies, scheduled for completion by the end of the 2020 calendar year in addition to the preparation and submission to the government of permitting and approvals required in order for mining operations to commence.

Earlier this month the Company appointed Mr Joe Ranford as Operations Director and Project Manager to drive the Project through the next critical stages, which comprise the completion of the DFS and the preparation and submission of a mining lease application, through to a decision to mine and subsequent commencement of mining operations. The Andromeda team now assembled has considerable experience in all aspects of bringing mining operations into production and also has considerable knowledge of the South Australian mining approval processes and management of key stakeholder relationships. The Board is confident this experience and expertise will enable the Poochera Project to successfully progress through the final evaluation phase and into production in a timely and efficient manner. This confidence is evidenced by directors who are currently in the process of exercising options and settling company loans in order to increase their shareholding in the Company.

As part of the ongoing marketing strategy, the Company continues to expand the marketing efforts beyond China to other global markets with significant interest shown from potential ceramic customers in other Asian countries, Europe and the Middle East. Large scale processing trials have been undertaken on Carey's Well ore to provide potential customers with final processed product for commercial application testing. Several tonnes of premium grade product have been produced in Japan with another batch of Carey's Well material currently being processed at a plant in China. Material is also being tested in the USA and Europe. Once commercial scale trials have been performed by potential ceramic customers on the premium grade product, and end users are able to sign-off that the material satisfies their individual customer requirements, the Company anticipates to be in a position to execute binding offtake agreements with a number of customers.

Andromeda is investigating significant global growth opportunities in high-purity halloysite in areas such as:

- hydrogen storage
- carbon capture
- energy storage
- water purification
- medical applications including anti-viral facemasks
- agricultural applications
- concrete applications

Andromeda is encouraged by recent drilling at the Condooringie Prospect, located only 5kms north of the Carey's Well Deposit, which has identified high-purity halloysite and could be a significant source for this globally scarce material. The Company intends to also follow up on the world's best-ever reported halloysite results found at Camel Lake in South Australia with access being negotiated with the traditional landowners. In addition, we are also awaiting results from a recent aircore drilling program conducted at the 100% owned Mount Hope Project where a historic non-JORC resource of 12.2Mt of halloysite-kaolin has been recorded. A 2012 JORC compliant Mineral Resource will be determined from this drilling once results are available.

Opportunities for Poochera material to be a source for the production of High Purity Alumina (HPA) represents a further market opportunity to be explored and developed.

It is these market opportunities that provide me with great confidence in the Company's assets and the team we have put in place to deliver on these. With the conversion of your options it will further strengthen our position and allow us to continue to grow shareholder value.



Rhod Grivas
Non-Executive Chairman

For all enquiries:**Phone:**

(within Australia) 08 8271 0600

(outside Australia) +61 (08) 8271 0600

Make your payment:

See overleaf for details on how to make your payment

Options Exercise Form

 **Options exercisable at A\$0.012 expiring at 5.00pm (Adelaide time) on Monday 30th November 2020.****Step 1: Registration Name**

Please check the details provided and update your address via www.investorcentre.com if any of the details are incorrect. If you have a CHESSE sponsored holding, please contact your Controlling Participant to notify a change of address.

Step 2: Make Your Payment

You can exercise your options utilising the payment options detailed overleaf.

By making your payment you confirm that you agree to all of the terms and conditions of the Options.

Choose one of the payment methods shown below.

BPAY®: See overleaf. Do not return the slip with **BPAY** payment. Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. Ensure you have read and accurately followed your banking institution's **BPAY** FAQ or other instructions prior to making multiple payments for multiple holdings under this offer.

Neither Computershare Investor Services Pty Limited nor Andromeda Metals Limited accepts any responsibility for loss incurred through incorrectly completed **BPAY** payments. It is the responsibility of the applicant to ensure that funds submitted through **BPAY** are received by this time.

By Mail: Complete the reverse side of this payment slip and detach and return with your payment. Make your cheque, money order or bank draft payable in Australian dollars to "Andromeda Metals Limited". The cheque must be drawn from an Australian bank. Cash is not accepted.

Payment will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques received may not be re-presented and may result in your Application being rejected. Paperclip (do not staple) your cheque(s) to the slip. Receipts will not be forwarded. Funds cannot be debited directly from your account.

Entering your contact details is not compulsory, but will assist us if we need to contact you.

Turn over for details on how to make your payment →


By submitting either electronic payment or this Options Expiry Notice:

- I/We confirm that I/we agree to all of the terms and conditions of the Options,
- I/We request that you allot me/us the number of shares applied for and I/we agree to accept such shares subject to the Constitution of the Company,
- I/We authorise you to register me/us as the holder(s) of the shares to be allotted and place my/our name on the register.

Options Exercise Form

STEP 1

Registration Name & Option Details

 For your security keep your SRN/HIN confidential.

Registration Name:

Optionholding
Details:

Number of Options registered in your name
as at 12/06/2020:

Number of Shares to be issued
on full exercise basis:

Amount payable on full exercise
at A\$0.012 per Option:

STEP 2

Make Your Payment



Bill Code: 321240
Ref No:

Pay by Mail:



Make your cheque, money order or bank draft payable to Andromeda Metals Limited.

Return your cheque with the below slip to:

Computershare Investor Services Pty Limited

GPO BOX 505 Melbourne Victoria 3001 Australia

Contact your financial institution to make your payment from your cheque or savings account.

Privacy Notice

The personal information you provide on this form is collected by Computershare Investor Services Pty Limited (CIS), as registrar for the securities issuers (the issuer), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. In addition, the issuer may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided above or emailing privacy@computershare.com.au. We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to the issuer for whom we maintain securities registers or to third parties upon direction by the issuer where related to the issuers administration of your securityholding, or as otherwise required or authorised by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at <http://www.computershare.com/au>.

Detach [here](#)

Andromeda Metals Limited Option Exercise Payment

Number of Options held:

Number of Options Exercised:

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Amount enclosed at A\$0.012 per
Option exercised:

A\$

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Entitlement No:

Payment must be received by 5:00pm (Adelaide time) on Monday 30th November 2020

Contact Details

Contact
Name _____

Daytime
Telephone _____

Cheque Details / Electronic funds transfer payments (cross out as applicable)

Drawer	Cheque Number	BSB Number	Account Number	Amount of Cheque
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	A\$ <input type="text"/>