

ASX Announcement

5 December 2019



Andromeda Metals Limited
ABN: 75 061 503 375

Corporate details:

ASX Code: ADN

Cash: \$4.93 million

(as at 30 November 2019)

Issued Capital:

1,444,910,087 ordinary shares

700,626,653 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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Commencement of Drilling at Poochera

Summary

- An extensive drilling program has commenced this week at the Poochera Halloysite-Kaolin Project comprising both aircore and diamond drilling.
- An approximate 4,000 metre aircore drilling program will be focused at Carey's Well where drilling will be directed towards obtaining additional data for the determination of final pit designs, undertake sterilisation for proposed plant and waste dump locations, and to further test extensions to the Carey's Well Mineral Resource.
- Aircore drilling will also be undertaken at the Condooringie prospect to follow up on some promising drill results achieved from the aircore drilling program conducted earlier in the year.
- Diamond drilling will be conducted at the Carey's Well deposit to provide geotechnical information on the orebody and underlying rock. Chemical assays along with petrologic, structural and mineralogical studies of the cores will be carried out and used in pit wall stability studies.
- Results from the dual drilling programs will be used in the current Feasibility Study which is now in progress.
- An update to the Carey's Well Mineral Resource based upon results from the April-May 2019 drilling program is nearing completion and will be reported shortly.

Discussion

Aircore Drilling Program

An aircore drilling program comprising a planned total of approximately 73 holes (including 9 twin holes) at Carey's Well, and up to 88 holes at Condooringie, for a total of 4,000 metres has commenced at the Poochera Halloysite-Kaolin Project on the Eyre Peninsula of South Australia. Proposed pit area closer spaced infill drilling is included to gain improved confidence of the halloysite-kaolin mineralisation, and a better understanding of the lithology/ore horizon contours to assist with mine design planning and scheduling.

The current JORC 2012 Mineral Resource estimate at Carey’s Well stands at 9.7 million tonnes of halloysite-kaolin contained within a broader 20.0 million tonnes of “bright white” kaolinised granite estimated using an ISO Brightness R457 cut-off of 75 for minus 45 micron kaolin product* (refer ADN ASX announcements dated 22 August 2018 and 12 February 2019). The 9.7 Mt halloysite-kaolin Mineral Resource is located in two zones and is classified as 5.1 Mt Measured, 3.8 Mt Indicated and 0.8 Mt Inferred categories. Results from the April-May 2019 drilling program are anticipated to add to this current Mineral Resource and improve the levels of mineralisation confidence for the Carey’s Well deposit. A number of drillholes under this current drill program at the Carey’s Well deposit are to further upgrade the resource and includes sterilisation drilling for the planned processing plant and waste dump areas.

Some of the planned drill locations are currently outside the cleared pastoral ground and therefore require a native title survey to be completed prior to drilling, thus meaning these holes may not be completed until early next year.

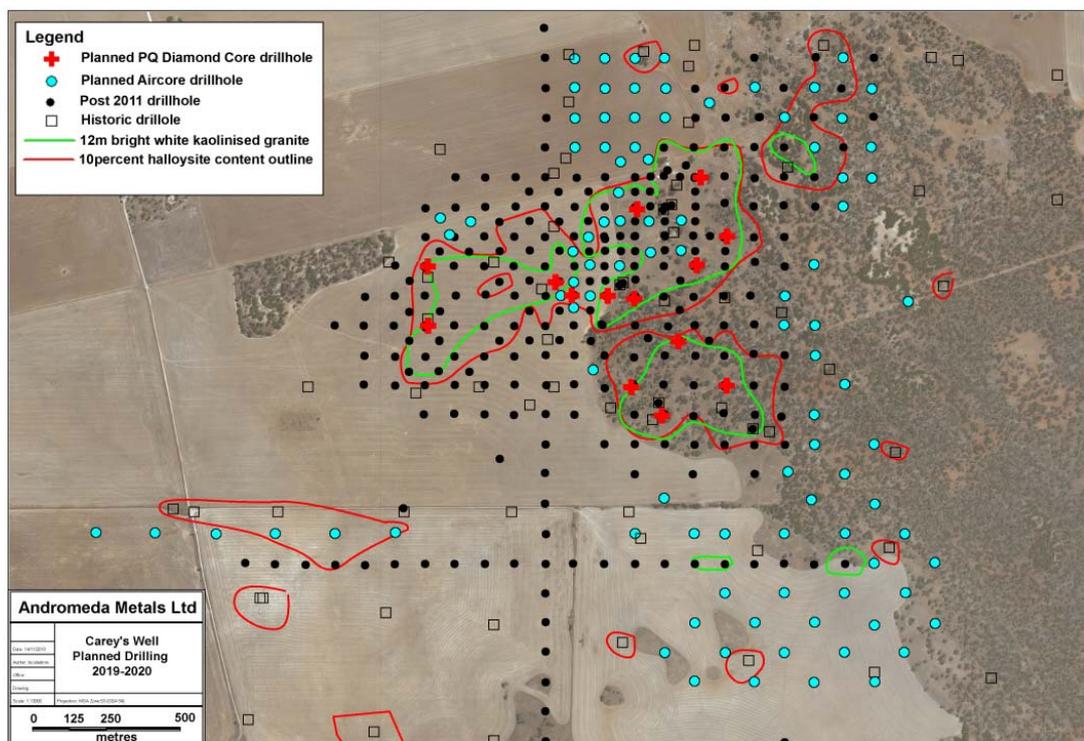


Figure 1 - Planned Aircore Drill Locations at Carey’s Well

Data from water monitoring wells installed during the previous drilling program will be collected and analysed, with the results incorporated in the planned Mining Lease application.

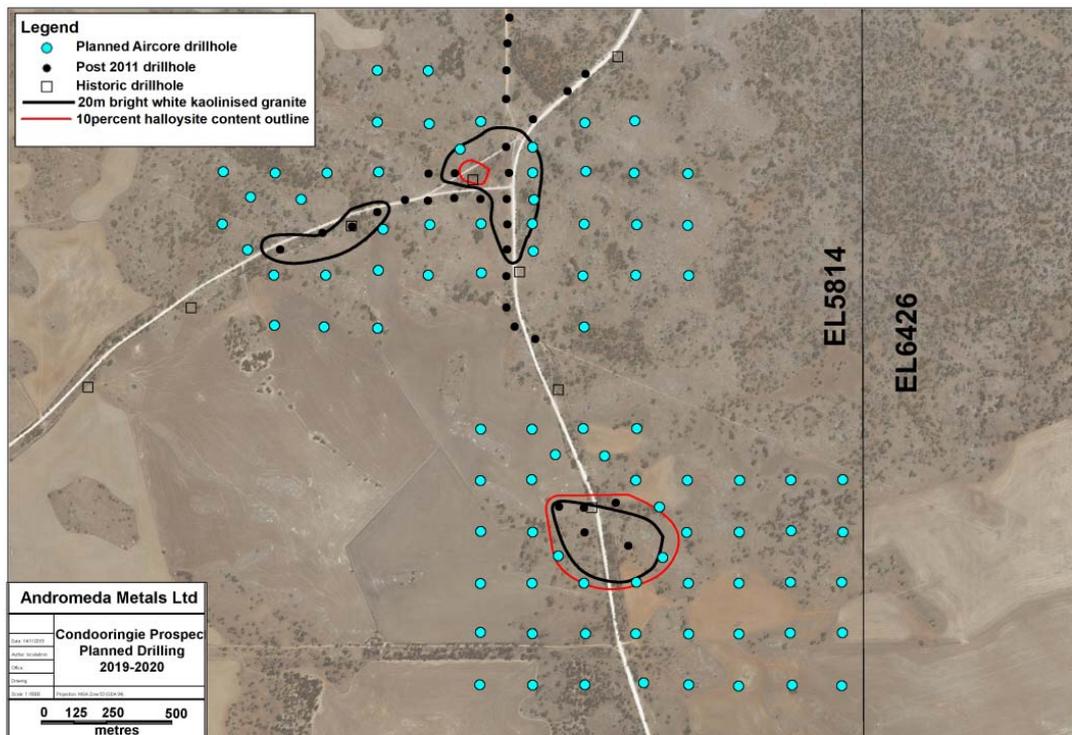


Figure 2 – Planned Aircore Drilling (200m drill spacings) at Condooringie

A small number of holes were drilled at the nearby Condooringie prospect (4 kms north of Carey’s Well) during the April-May 2019 program, and these have confirmed historical high halloysite intercepts. Samples from holes with bright white kaolinised granite of approximately 20 metres were cut at a 2 micron top size, and measured for halloysite purity by CSIRO, with results currently being assessed. The Condooringie prospect is considered to be prospective for high-purity halloysite, thus making the current extensive drilling program extremely interesting to reveal the purity and extent of the prospect.

Diamond Drilling Program

A diamond drilling comprising a total of up to 8 holes for approximately 300 metres is planned at the Carey’s Well resource to provide all geotechnical information on the orebody and the underlying rock required for final pit designs for inclusion in the Feasibility Studies. Chemical assaying along with petrologic, structural and mineralogical analysis of core collected will be carried out and used in pit wall stability studies.

Again, some of the planned drill locations are currently outside the cleared pastoral ground and will require a native title survey to be completed prior to drilling.

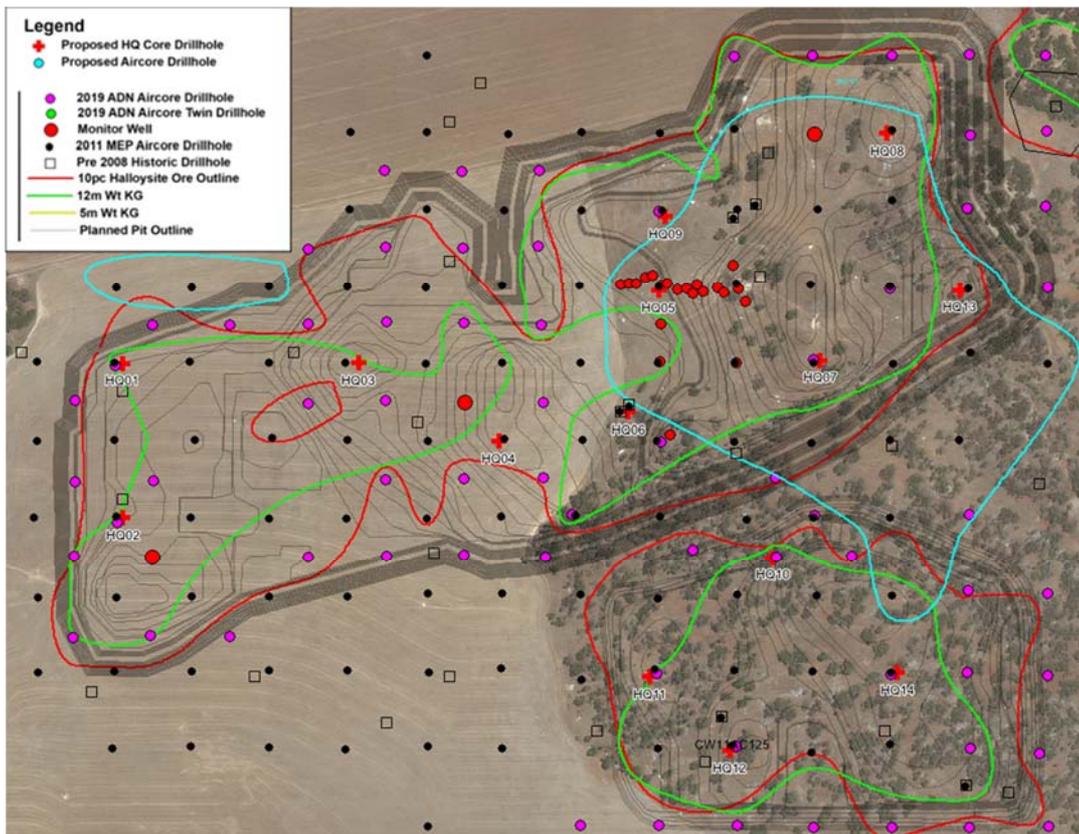


Figure 3 – Planned Diamond Drill Hole Locations

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 4). The current main area of focus for the Project is on the Eyre Peninsula which comprises four tenements (Figure 5) and is located approximately 635 kms west by road from Adelaide and 130 kms south-east from Ceduna.

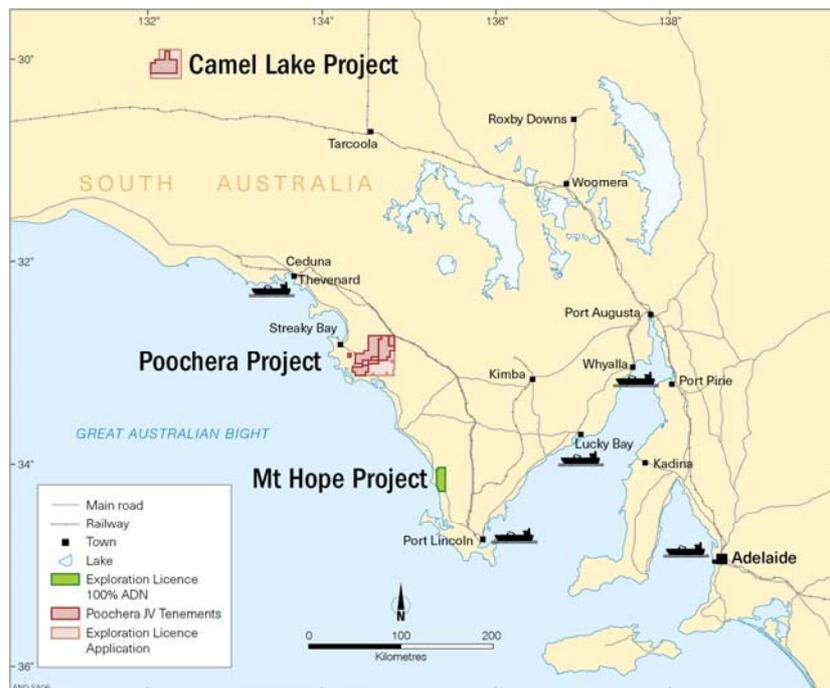


Figure 4: Project location plan

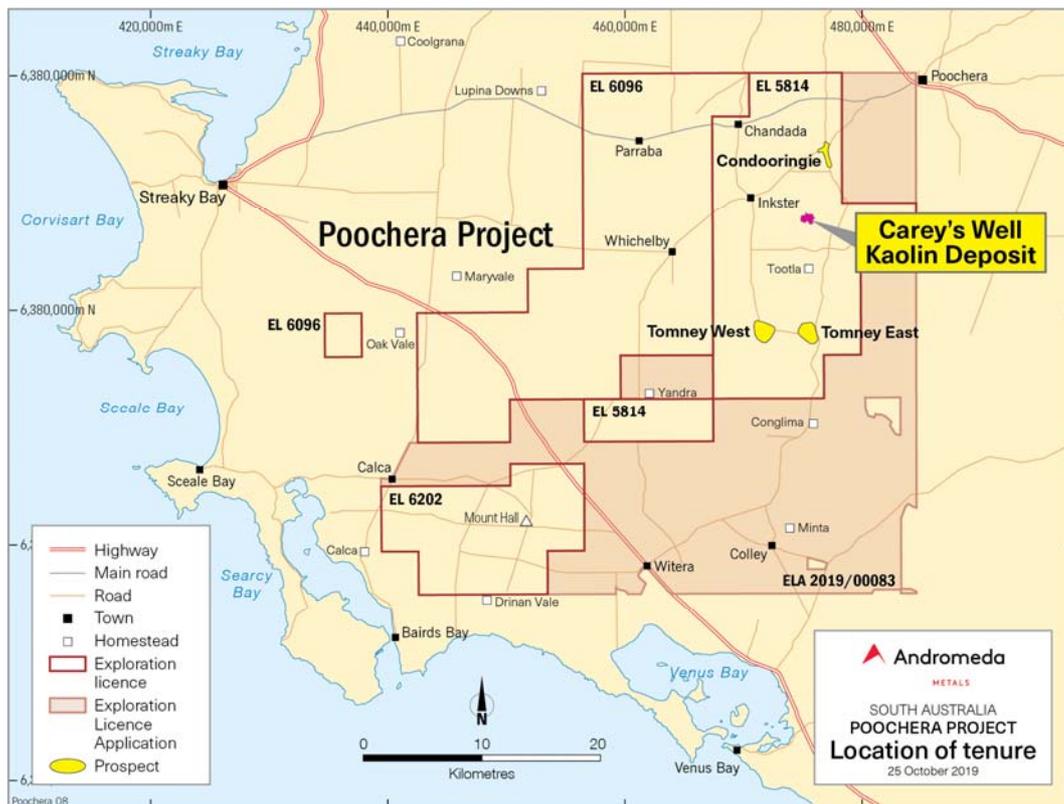


Figure 5: Poochera Tenements

In addition to the Carey’s Well Deposit, additional high quality halloysite-kaolin prospects occur extensively across the Poochera Project area making this a region of global significance for the mineral with the potential 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 kaolinite in which the mineral occurs as nanotubes. Halloysite has many industrial uses beyond simple kaolinite and commands a significant premium above the average kaolinite price. The Poochera kaolinite contain a variable natural halloysite-kaolinite blend that is in demand for the ceramic market while pure halloysite can be used in petrochemical refining markets, and for developments in new high-tech and nanotechnology applications.

The northern project area includes the near pure halloysite within the Camel Lake prospect on EL6128 (Figure 3) that could potentially be processed to provide a very high value pure product for the development of halloysite nanotube technology in the areas of energy storage, water purification, medicine, carbon capture/conversion to fuel and hydrogen storage.

Extensive test work has been completed on the Carey’s Well deposit, including a Scoping Study, 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, Andromeda can acquire up to 75% of the project by either sole funding \$6.0M over 5 years or alternatively by the Joint Venture partners making a decision to mine. Andromeda may earn an initial 51% of the project through the expenditure on advancing the project of \$3.0M within the first 2 years.

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* total Mineral Resource adjusted due to updated bulk density measurements

Competent Person's Statement

Information in this announcement has been compiled by Mr James Marsh and Mr Rhoderick Grivas, both members of The Australasian Institute of Mining and Metallurgy (AusIMM). Mr Marsh and Mr Grivas employees of the Andromeda Metals Limited have 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 29 years of experience in kaolin processing and applications. Mr Marsh and Mr Grivas consent to the inclusion in the report of the matters based on the information in the form and context in which it appears.