Andromeda Metals Limited
ABN: 75 061 503 375

Corporate details:

ASX Code: ADN

Cash: $2.40 million
(as at 31 March 2019)

Issued Capital:
1,355,499,211 ordinary shares
486,280,451 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

8 April 2019

Commencement of Drilling at Carey's Well and Company Update

Summary

- **An extensive aircore drilling program is to commence this week at the Poochera Halloysite-Kaolin Project with a key objective of defining the resource boundaries of the Carey's Well deposit which is currently open to the north-east and south-east.**
- **The program will also include closer spaced infill drilling within the currently defined Carey's Well Mineral Resource to gain improved confidence of the halloysite-kaolin mineralisation while also providing a better understanding of the ore horizon contours to assist with planning for eventual mining.**
- **In addition, drilling to test some historical high halloysite intercepts at surrounding exploration prospects to Carey's Well will be undertaken.**
- **Results from the drilling program will provide an updated Mineral Resource at Carey's Well and be used in Scoping and Feasibility Studies.**
- **Senior Company representatives are currently in Asia to meet with a number of Chinese companies and one Japanese company who have all expressed significant interest in securing Direct Shipping Ore (DSO) from Carey's Well.**
- **A shipment of 20 tonnes of halloysite-kaolin ore extracted from the bulk sample exercise is currently in transit to China for commercial scale testing by a second large wet-processing kaolin manufacturer. Commercial trials on the initial 140 tonne shipment is scheduled to occur this quarter.**
- **Samples of both raw ore and processed material have been sent to various parties located in the USA, India and Europe for trials and consideration of potential dry-processing plant designs options.**
- **Work on the Scoping Study is progressing well for a targeted first half 2019 release with a conceptual mine pit design produced, a high-level transport and logistics study being finalised and financial modelling underway.**

Discussion

Aircore Drilling Program

An aircore drilling program comprising a total of approximately 110 holes for up to 4,000 metres targeting the shallow (less than 45 metres) kaolinised weathered Hiltaba granite located at the Poochera Halloysite-Kaolin Project on the Eyre Peninsula of South Australia is to commence this week. The majority of the drillholes will be at the Carey's Well deposit, with a small number of exploration holes to be drilled at the nearby Condooringie Well, Tomney East and Tomney West prospects to follow up on historical high halloysite intercepts encountered from previous drilling. Some of these historical holes reported grades of up to 85% halloysite.

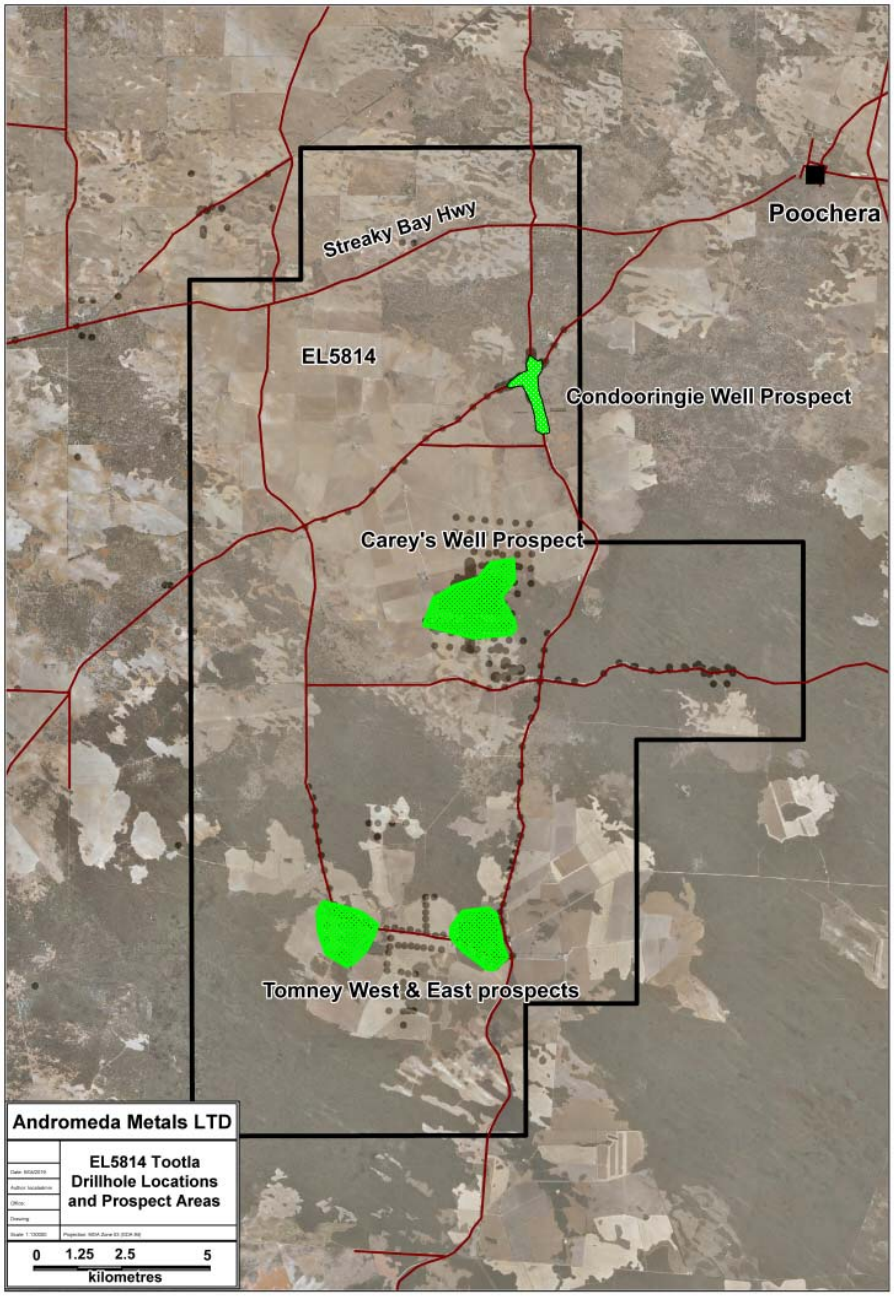

Figure 1 – Halloysite-Kaolin prospects identified across EL 5814

The Company's exploration team has mobilised to site in preparation for the drilling contractor to arrive mid-week. The drilling program is anticipated to take between 2-3 weeks to complete with sample preparation and analysis to follow.

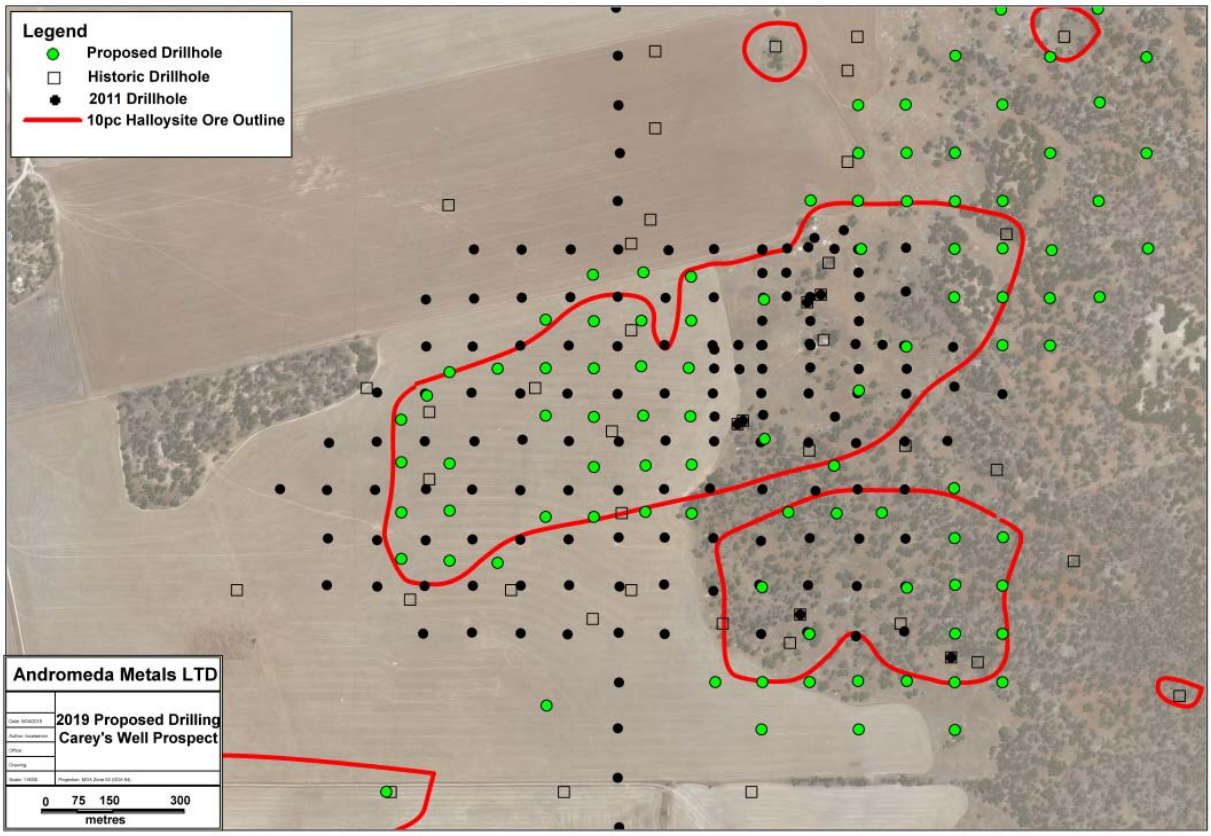

Figure 2 – Carey's Well proposed drill locations

The prime objectives of the aircore drilling to be undertaken at the Carey's Well deposit is to expand on the current Mineral Resource, which is open to the north-east and south-east, and to complete closer spaced infill drilling to gain improved confidence of the halloysite-kaolin mineralisation and a better understanding of the lithology and 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 this current drilling program are anticipated to add to the current Mineral Resource and improve the levels of mineralisation confidence for the Carey's Well deposit.

The planned drilling program will also include some sterilisation drilling to identify a suitable area to locate a waste dump for when mining commences, and a number of water monitoring wells will be installed to measure aquifer properties which will be required for a Mining Lease application.

Marketing

Senior Company representatives are currently in Asia to hold meetings with a number of companies who have expressed their significant interest in sourcing halloysite-kaolin ore and possibly dry-processed material from Carey's Well. Some of these companies will be conducting commercial scale wet and dry process trials of Carey's Well halloysite-kaolin ore, with 140 tonnes sitting with one potential customer for

testing, which is scheduled to occur this quarter, and another 20 tonnes of ore currently on a ship to a second large Chinese kaolin manufacturer for commercial scale testing. In addition, smaller samples of ore and refined product have been provided to various potential Asian customers located in China, Japan and India for laboratory testing with meetings to be held with some of these companies as part of the senior management visit.

It is anticipated that indicative pricing for Carey's Well halloysite-kaolin raw ore and dry-processed material will be ascertained following the commercial scale trials and discussions with these potential customers while also building relationships with some which may result in formal binding supply off-take agreements being secured.

Scoping Study Progress

An initial optimal mine design based upon the current halloysite-kaolin Mineral Resource has been produced with various mining production schedules currently being considered. Early discussions have been held with a number of mining contractors to consider various mining options and to source current mining unit cost rates for inclusion in the Scoping Study.

Samples of both raw ore and refined product obtained following the successful WA Kaolin trials have been forwarded to selected companies located in the USA and Europe for consideration of dry-processing plant designs and costings that will be incorporated into the Scoping Study for an on-site semi-processing scenario.

A high-level transport and logistics study is currently being finalised that considers the various road haulage and port facilities available for shipping of product to market. The results from this report will be reflected in the financial modelling scenarios to be considered in the Scoping Study.

A targeted completion of the Scoping Study within the first half of 2019 is still on track.

Other Projects

Progress is being made with the remaining legacy projects which the Company has previously determined to seek third party involvement through joint venture or outright sale.

Evolution Mining Limited is scheduled to shortly commence significant exploration drilling activities at a number of identified targets across the Drummond Epithermal Gold Project in north Queensland as part of its earn-in commitment under the joint venture. (*Refer ADN ASX announcement dated 3 September 2018*).

Environmental Metals Recovery Pty Ltd has formally advised that it has completed its due diligence in respect to the Moonta Copper Project In-Situ Recovery Joint Venture covering the northern part of the Company's Moonta tenement in South Australia and wishes to proceed under the agreed terms which will see the potential for extracting significant copper mineralisation via ISR application being trialled at Moonta (*Refer ADN ASX announcement dated 19 December 2018*).

The Company has been advised that Lady Alice Mines Pty Ltd, the joint venture partner to the Company's Eyre Peninsula Gold Project at Wudinna in South Australia (*Refer ADN ASX announcement dated 31 October 2017*) has been acquired by newly listed London Stock Exchange entity Cobra Resources PLC. Cobra comprises a Board of highly regarded mining executives with significant resource company experience both in Australia and overseas. Cobra is to promote their interest in the joint venture as a key project which will see considerable funds sourced from investors in the UK directed towards advancing the Eyre Peninsula Gold Project. Following considerable desktop study work undertaken by the previous owners of Lady Alice Mines, an updated resource for the project is anticipated to be received shortly by the Company.

Final amendments to proposed native title agreements covering the three tenement applications acquired in late 2017 that comprise the Company's Pilbara Gold Project are being made that once executed should see the tenements being granted by the WA Mines Department.

The Company is still seeking third party interest in respect to the Rover Copper Gold Project in the Northern Territory.

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

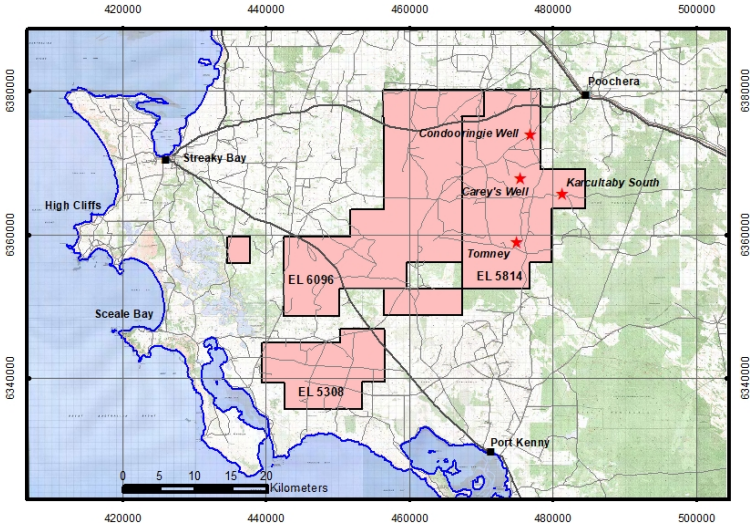

Figure 4 - Poochera Tenements

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.

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* total Mineral Resource adjusted due to updated bulk density measurements

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.

<u>Poochera Mineral Resource</u>

The data in this announcement that relates to the Minotaur Exploration Results for the Poochera Kaolin Project is based on information evaluated by Dr Antonio Belperio who is a Fellow of the Australasian Institute of Mining and Metallurgy (FAusIMM), an executive director of Minotaur and part-time consultant to Andromeda. Dr Belperio has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking 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 (the "JORC Code"). Dr Belperio consents to inclusion in this document of the information in the form and context in which it appears.

The data in this announcement that relates to Mineral Resource Estimates for the Poochera Kaolin Project is based on information evaluated by Mr Simon Tear who is a Member of The Australasian Institute of Mining and Metallurgy (MAusIMM) and who has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking 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 (the "JORC Code"). Mr Tear is a Director of H&S Consultants Pty Ltd and he consents to the inclusion in the report of the Mineral Resource in the form and context in which they appear.

Some of the data in this announcement that relates to Product Specification for the Poochera Kaolin Project which is based on information evaluated by Mr Graham Lee who is a Fellow of The Australasian Institute of Mining and Metallurgy (FAusIMM) and who has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking 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 (the "JORC Code"). Mr Lee is an Associate of H&S Consultants Pty Ltd and he consents to the inclusion in the report of the Mineral Resource in the form and context in which they appear.