

Andromeda Metals Limited

ABN: 75 061 503 375

Quarterly Report

Period ending 31 March 2018

Corporate Details

ASX Code:

ADN (ordinary shares)

ADNOB (listed options)

Cash at 31 March 2018:

\$1.309 million

Issued Capital

at 6 April 2018:

896,028,227 ordinary shares

486,280,451 ADNOB options

2,476,507 unlisted options

Directors

Rhod Grivas

Non-executive Chairman

Nick Harding

Executive Director and

Company Secretary

Andrew Shearer

Non-executive Director

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Overview

Poochera Kaolin-Halloysite-HPA JV (right to earn up to 75% interest)

- Binding Heads of Agreement executed 26 April 2018 with Minotaur Exploration Limited to form the Poochera Kaolin-Halloysite-HPA Joint Venture. Andromeda Metals can spend \$6 million over 5 years to earn 75% equity in the joint venture.
- The project includes the Carey's Well deposit which has a JORC 2004 Measured Mineral Resource estimate of 16.3 million tonnes of kaolin with a 45% yield of -45 micron kaolin, using an ISO Brightness R457 cutoff of 75.
- Indicative offtake agreements are in place for kaolin/halloysite product while positive preliminary testwork to produce High Purity Alumina (HPA) product supports considerable project upside.

Drummond Epithermal Gold Project (100% interest)

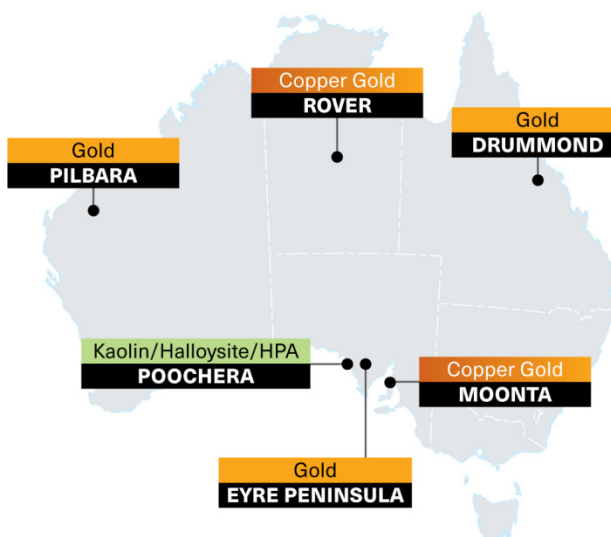
- Maiden 23 hole reverse circulation drill program testing the Bunyip prospect returned promising shallow gold intersections including 4 metres at 5.15g/t gold and 2 metres at 4.36g/t gold.
- The epithermal style of mineralisation discovered at Bunyip is the same as the nearby Pajingo (>3Moz) and Wirralie (1.1Moz) gold deposits.

Rover Copper-Gold Joint Venture (100% interest)

- Binding Heads of Agreement with Minotaur Exploration Limited announced 16 April 2018 to form the Rover Joint Venture on the Company's Rover Copper-Gold tenements near Tennant Creek in the Northern Territory. Minotaur can spend \$5 million over 6 years to earn 75% equity.
- The deal will see a renewed exploration effort on this highly prospective project. On-ground exploration has already commenced with a trial electromagnetic geophysical survey currently underway.

Finance and Corporate

- The Company's available cash position stood at \$1.309 million at 31 March 2018.
- Mr James Marsh has been appointed as the Company's Managing Director effective 1 June 2018, replacing Mr Chris Drown who has resigned as a Director of the Company. James is an industrial chemist with the skill set to advance the Poochera Kaolin-Halloysite-HPA project into production having gained world class production and marketing experience in kaolin derived industrial minerals products.




 Rhod Grivas
Chairman

30 April 2018

Chairman's Review

Subsequent to the end of the March quarter, the Company announced the execution of reciprocal binding Heads of Agreements (HOA) with Minotaur Exploration Limited (ASX:MEP) with respect to MEP's world class Poochera Kaolin-Halloysite-HPA project and ADN's Rover Copper-Gold project.

Following the completion of the placement and rights Issue during late 2017, the Company has engaged in a process to source a new project to add to the current portfolio as was outlined in the fundraising proposed use of funds. Various project opportunities were considered but the Poochera project was selected as it represents an opportunity for Andromeda Metals to participate in the new and rapidly expanding industry of high purity alumina (HPA) and halloysite nanotube production, applicable in the manufacture of many new high-tech products of today as well as meet demand for halloysite products in the ceramic, cement and petroleum industries. The Board considers that the project can potentially transform ADN into a significant player in an emerging new age technology materials sector and is excited in the appointment of highly experienced industrial minerals executive James Marsh as the Company's new Managing Director from 1 June 2018 to lead the development of this new project.

The HOA with Minotaur covering the Rover project will see a reinvigoration of exploration effort on this highly prospective copper-gold project in the Northern Territory with a proven highly successful IOCG style explorer.

The March quarter saw ADN undertake its first drilling program at the highly promising Bunyip epithermal gold prospect on the Company's Drummond Gold Project with some encouraging gold intersections achieved. First interpretations of the results suggest drilling has encountered the upper levels of an epithermal system. A thorough interpretation of the results will now be performed prior to follow-up exploration activities being undertaken.

Finally, the Board wishes to express its sincere thanks and appreciation to Chris Drown for his dedication to the Company over more than two decades of service.

Poochera Kaolin-Halloysite-HPA

On 26 April 2018 Andromeda Metals (ADN) announced the signing of a binding Joint Venture Heads of Agreement with Minotaur Exploration Limited to acquire up to a 75% interest in its world class halloysite-kaolin-high purity alumina (HPA) project in South Australia.

The Poochera project delivers Andromeda Metals an advanced project potentially capable of rapid advancement through feasibility to a development decision within 2-3 years.

The project includes the Carey's Well deposit, a high-quality kaolin (+halloysite) JORC 2004 Mineral Resource with potential to manufacture HPA. HPA is a new age material critical in the manufacture of high-tech products in the battery technologies and energy storage sector, LED lighting industry and sapphire glass used in smart phones and TV screens.

Carey's Well also contains halloysite, a form of kaolin with a nanotube structure. Halloysite has strengthening applications in the ceramics and cement industries and presents niche market opportunities in the nanotechnology sector.

Indicative non-binding offtake agreements for a combined halloysite and kaolin product are in place with Asian ceramic manufacturers providing impetus to develop the project.

Acquisition terms

The principal terms of the Poochera Kaolin-Halloysite-HPA Joint Venture include:

- MEP has granted ADN an exclusive 60 day Option Period to complete due diligence investigations. ADN will pay MEP a non-refundable Option Fee of \$70,000 to cover the costs of a HPA study now underway;
- Upon ADN electing to exercise the Option, it shall then sole fund a minimum of \$400,000 (inclusive of the \$70,000 Option Fee) within 9 months of signing the HOA, on a work program to be determined by ADN before it has a right to withdraw;
- ADN can subsequently earn a 51% interest in the Joint Venture on expenditure of \$2.6 million (ie \$3.0 million in total) within two years of execution of the HOA (Stage 1);
- ADN can then elect to sole contribute a further \$3.0 million (\$6.0 million in total) over a further three years (five years in

total), to acquire a further 24% equity (Stage 2);

- ADN's interest will convert to 75% on the earlier of either completion of the Stage 2 Commitment or of a Decision to Mine made by the JV Management Committee.

Andromeda Metals will manage and operate the JV whilst it is the sole contributing party and thereafter while ever it holds majority equity.

Next Steps

Extensive pilot plant trials and product marketing have confirmed the purity, brightness and whiteness of Poochera kaolin making it highly suitable for the paint, paper, ceramic, plastic, rubber and pharmaceutical industries.

Research and development is underway to explore the opportunities identified to use a kaolin-halloysite product as HPA feedstock, proppant feedstock and as a strengthening filler in the cement industry.

Andromeda Metals will pursue a development program aimed at gaining approvals allowing mining operations within two to three years. These specific development stages include:

- Completion of a JORC 2012 Mineral Resource for kaolin and halloysite. This will include analysis of existing samples for halloysite;
- Updating an internal Scoping Study prepared by Minotaur for the Carey's Well deposit with additional Caldwell bulk sample drilling and incorporating the latest offtake indications;
- Undertaking Feasibility Studies, mining approvals and preparation of a PEPR for the Carey's Well kaolin resource based upon a conventional production process;
- Accelerate the potential commercialisation of HPA product from Carey's Well and continue to investigate development and commercialisation of Carey's Well kaolin-halloysite for use in the proppant, petroleum fracking and nanotechnology industries;
- Develop product marketing including converting indicative offtake agreements into binding contracts with product customers;
- Put in place funding arrangements to complete the Feasibility Study and the approval processes required to allow a decision to mine.

Drummond Epithermal Gold

Andromeda Metals owns four Exploration Permits for Minerals (EPMs) in the Drummond Basin in north Queensland which secure a total area of 523 km². The Company is targeting gold deposits of epithermal style, the same style as the nearby >3Moz Pajingo deposit.

Bunyip RC drilling program

During the Quarter Andromeda Metals completed a 23 hole (1906 metre) reverse circulation drilling program to test the Bunyip epithermal gold prospect.

Promising gold intersections were achieved in several holes located near the summit of the hill that defines the prospect, with mineralised intersections including:

- 2 metres at 4.36g/t Au in BUNRC001;
- 2 metres at 1.66g/t Au in BUNRC002;
- 1 metre at 2.32g/t Au in BUNRC004;
- 4 metres at 5.15g/t Au in BUNRC005;
- 1 metre at 1.20g/t Au in BUNRC010.

The epithermal style of mineralisation discovered at Bunyip is the same as the nearby Pajingo (>3Moz) and Wirralie (1.1Moz) gold deposits.

All 23 program holes encountered intervals of hydrothermally altered, sulphide-bearing volcanic host rock. 20 of the 23 holes intersected one or more quartz veins with veins with downhole widths in excess of 5 metres encountered in 11 of the holes.

The host rocks at Bunyip are interpreted as a sequence of volcanic lavas and associated sediments of andesitic to rhyolitic composition.

The program holes that recorded better gold intersections are all located in an area southeast of the summit of the hill that defines the prospect, presenting a geographic focus for follow-up exploration.

The gold intersections achieved southeast of the summit were at relatively shallow depths, and vein textures in these holes are interpreted to indicate a position in the upper levels of the Bunyip epithermal system. The mineralised zones are interpreted to remain open at depth, presenting deeper targets potentially closer to the "boiling zone" where bonanza grades of gold are to be found in epithermal deposits.

Next steps

Andromeda Metals will complete a thorough review of the program results before planning follow-up exploration activities. The initial results combined with the extent and width of the quartz veins together with the alteration and quartz vein textures suggest that additional drilling is likely to be warranted at depth.

Rover copper-gold

On 16 April the Company announced it had executed a binding Heads of Agreement with Minotaur Exploration Limited (MEP) to form the Rover Joint Venture over the Company's 100% owned Rover Copper-Gold Project tenements near Tennant Creek district in the NT.

Acquisition terms

The principal terms of the Rover JV include:

- ADN has granted to MEP a 60 day Option Period in order to conduct appropriate due diligence activities;
- On exercising the Option, MEP can earn an initial 51% interest in the project tenements upon sole funding a total of \$2.0 million on exploration within three years of execution of the Heads of Agreement (Stage 1 Commitment);
- Notwithstanding the Stage 1 Commitment, MEP is required to contribute \$400,000 minimum expenditure within 9 months of signing of the HOA before it has a right of withdrawal;
- MEP can then elect to earn an additional 24% equity interest (75% in total) through expenditure of a further \$3.0 million (\$5.0 million in total) over a further three years (six years in total);
- MEP will manage and operate the joint venture whilst it is sole contributing and thereafter while ever it holds a majority equity.

The deal will result in the implementation of a reinvigorated exploration effort on the highly prospective Rover land holding.

Minotaur's first on-ground exploration has commenced with a trial electromagnetic survey underway to determine if the technique has application in the Rover Field.

Eyre Peninsula gold

Lady Alice Mines is continuing its review and assessment of the project data. All Conditions Precedent to the Wudinna Gold Farm-in and Joint Venture were satisfied during the Quarter.

Pilbara gold

The three Pilbara gold tenement applications are progressing through the grant process.

Finance and corporate

The Company had \$1.309 million in available cash at 31 March 2018.

Change of Managing Director

Mr James Marsh has been appointed the Company's new Managing Director, commencing 1 June 2018. James is an industrial chemist with 25 years experience working across a range of industrial minerals including a recent senior role with an international group leading in the production and marketing of kaolin and clay minerals.

James has first-hand experience with the Poochera project having managed the project through pre-feasibility and market appraisal stages for Minotaur.

Chris Drown has resigned as Managing Director and as a director of the Company. Chris has been associated with Andromeda Metals for over 21 years, the past 11 of which has been as Managing Director. Chris has agreed to provide geological consulting services to the Company on an as required basis going forward.

Competent Person Statement and 2012 JORC Compliance Notes

1. The information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Chris Drown, a Competent Person, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Drown is employed by Drown Geological Services Pty Ltd and consults to the Company. Mr Drown 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 Drown consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. The information contained in the report relating to exploration completed since 1 Dec 2013 has previously been reported in accordance with the JORC Code 2012, see ADN's ASX releases dated 23 March 2018, 19 April 2018, 16 April 2018, 26 April 2018 and MEPs ASX release dated 8 February 2012.
2. The information contained in the report relating to exploration completed prior to 1 Dec 2013 by the Company and other explorers was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.