



Andromeda Metals Limited
 ABN: 75 061 503 375

Quarterly Report

Period ending 30 September 2018

Corporate Details

ASX Code:
 ADN (ordinary shares)
 ADNOB (listed options)

Cash at 30 September 2018:
 \$1.774 million

Issued Capital:
 1,079,361,560 ordinary shares
 486,280,451 ADNOB options
 2,476,507 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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Summary of the Company's activities for the past quarter:

Fundraising

- Andromeda Metals completed an oversubscribed placement which raised a total of \$1.1 million before costs to be used predominantly to advance the Poochera Halloysite-Kaolin Project in South Australia.

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

- An updated Mineral Resource estimate reported in accordance with the JORC 2012 Code was completed for the Carey's Well deposit located on the Poochera Halloysite-Kaolin Project which has resulted in an increase from 16.3 million tonnes to 23.9 million tonnes of "bright white" kaolinised granite estimated using an ISO Brightness R457 cut-off of 75 for minus 45 micron kaolin product.
- A second round of HPA testing on Poochera halloysite kaolin gave a purity of 4N 99.9946% Al₂O₃ after only a single purifications stage, thus confirming that the Carey's Well resource contains a world class feed material for HPA manufacture.

Drummond Epithermal Gold Project

- In September Andromeda Metals announced that it had entered into a binding Earn-in and Exploration Joint Venture Agreement with Evolution Mining Limited (ASX: EVN) for total expenditure of \$6.5 million by EVN for it to acquire up to an 80% equity interest in the Drummond Project.

Thurlga Joint Venture

- During the quarter Investigator Resources Limited (ASX: IVR) advised the Company that it had decided to withdraw from the Thurlga Joint Venture as manager and return the Thurlga tenement to Andromeda Metals.
- As a consequence, the joint venture will be dissolved and the Company will retain full ownership of the tenement.




James Marsh
 Managing Director
 31 October 2018

The Board and management of Andromeda Metals Limited (ASX: ADN, Andromeda, the Company) is pleased to provide a summary of its activities for the quarter ended 30 September 2018 and an update on the Company's progress.

Poochera Halloysite-Kaolin Project

- **Funding secured to carry out a bulk sampling operation**
- **Second round test results for HPA support a considerable project upside**
- **H&S Consultants on behalf of Andromeda updated the kaolin JORC 2004 resource to JORC 2012**
- **Potential customers in China lined up for Direct Shipping Ore business**

The Halloysite-Kaolin Project covers two main geographic areas of interest, both situated in the western province of South Australia (Figure 1). 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 130kms east from Ceduna (Figure 2).

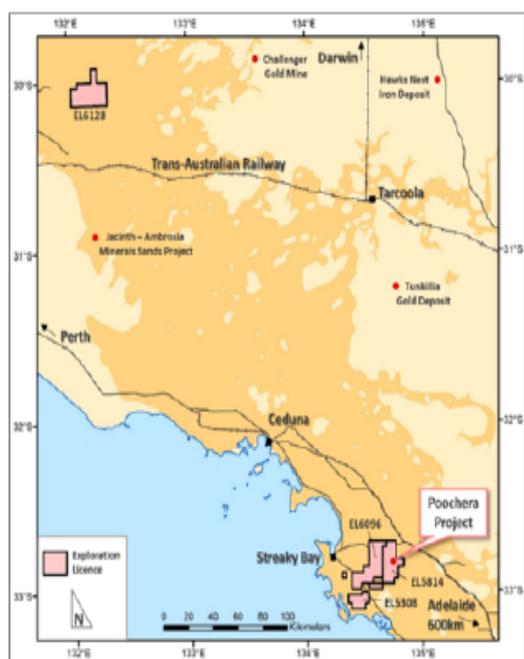


Figure 1 Project location plan

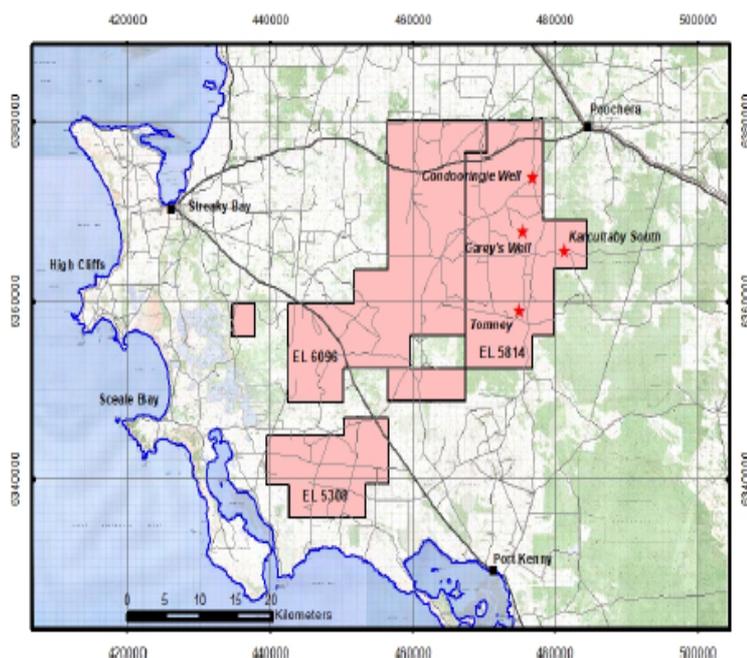


Figure 2 Poochera tenements and key kaolin-halloysite deposits

The ports of Thevenard at Ceduna and at Lucky Bay Port potentially offer bulk export facilities suitable for early DSO business. High quality halloysite kaolin occurrences exist extensively across the Poochera Project area (Figure 2) 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.

Resource Upgrade for Carey's Well

The Company engaged H&S Consultants Pty Ltd to complete an updated Mineral Resource estimate for Carey's Well to be compliant with JORC 2012 Code guidelines. The estimate of 23.9Mt of kaolinised granite, with minimum raw kaolin ISO brightness (R457) of 75, includes 8.7Mt in Measured, 10.9Mt in Indicated, and 4.3Mt in Inferred for the resource categories. The material will yield 12.7Mt of "bright white" kaolinised granite based on an average kaolin grade of 53.1% with the remainder being largely residual quartz from the weathering process.

HPA Testwork Results

High Purity Alumina is aluminium oxide (Al_2O_3) a high purity non-metallurgical alumina product with an alumina grade exceeding 99.9% (3N). HPA is experiencing dramatic growth due to its application in the manufacture of today's high-performance electronic devices and electric powered vehicles. The HPA market is forecast to grow at a greater than

20% compound annual growth rate over the next five or more years through increasing penetration into traditional markets and increased per capita energy demand driving high specification energy efficient products.

A second round of High Purity Alumina (“HPA”) metallurgical testwork performed by BHM Process Consultants was carried out on a sample of Carey’s Well halloysite-kaolin which gave a purity of 99.99% (4N) after only a single purification stage. This result confirms the resource as a world class feed material for HPA manufacture with potential to cut production time and costs significantly.

The Company is planning further testing to determine if a 5N (99.999%) HPA purity can be achieved by using the standard multiple purification stages.

HPA is a new age material critical in the manufacture of many high-tech products of today including:

- the rapidly expanding battery technologies and energy storage sector
- LED lighting industry
- Sapphire glass manufacture used in the production of smart phones and TV screens
- electric vehicle components
- high-strength ceramic tools
- space and aeronautic industry components

Halloysite

The halloysite component of the Carey’s Well resource is a rare kaolin derivative with a nanotube structure that is of great interest in the nanotechnology sector, where it is being extensively researched globally in high-tech applications such as batteries, superconductors, water purification along with medicinal, construction and agricultural products. Halloysite is in short supply due to the exhaustion of existing global reserves, and the closing of mining operations in China by government environmental teams. It is a relatively high value industrial mineral that commands a significant premium above the average kaolin price.

Bulk Sample and Processing Trials

Funds received from a placement undertaken in August has allowed the Company to progress the next major step in the Poochera Project, being the collection of bulk samples from Carey’s Well and shipment to processing plants in Australia and China and then onto end customers to lock in binding supply agreements. Full approvals to extract the bulk sample were received in September with the extraction of material scheduled for October. The plan is to use a large foundation drill rig to remove approximately 200 tonnes of the halloysite kaolin and load this material into bulka bags. These bags will be transported to Port Adelaide for containerisation and shipment to commercial kaolin processing facilities in China and Western Australia. It is estimated that twenty holes will be required, drilled to a maximum depth of thirty metres, with the halloysite kaolin material selected for packaging by a geologist. A geotechnical engineer will attend the drilling to capture sufficient data and samples to allow a full mine design.

Processing trials will be conducted using wet and dry processes and detailed technical reports supplied, with the results being a vital component for use in planned feasibility studies. Analysis of the trial results will identify the processing options available along with the final product specifications, operational costs and market value. The resultant final products will then be run through commercial ceramics factories for technical approvals.

Market opportunities

Visits to China earlier in the year reaffirmed existing indicative non-binding offtake agreements with ceramic manufacturers and created opportunities to supply raw ore to kaolin processors providing the opportunity to progress to early revenue from Poochera.

Drummond Epithermal Gold Project

The Company successfully executed a binding Earn-In and Exploration Joint Venture Agreement with Evolution Mining Limited (EVN) to form the Drummond Gold Project Joint Venture covering the Company's 100% owned Drummond Epithermal Gold Project.

The Drummond Project comprises four tenements located in the northern Drummond Basin, an area considered to be prospective in hosting high grade epithermal gold deposits such as Pajingo. The Pajingo gold mine has produced approximately 3 million ounces of gold and was previously owned and operated by EVN until it was sold to Minjar Gold Pty Ltd in 2016.

Earlier this year, Andromeda completed an initial RC drilling program at the Bunyip prospect in which promising gold intersections were achieved that were open at depth, confirming the epithermal style of mineralisation to be the same as that encountered at Pajingo.

The principal terms of the Drummond Joint Venture are:

- EVN to pay to ADN a non-refundable cash consideration of \$300,000 within 10 business days of signing the Joint Venture Agreement (these funds were received by ADN on 13 September 2018);
- EVN can earn an initial 51% interest in the project tenements by sole funding \$2.0 million on exploration activities across the Project tenements within two years of execution of the Joint Venture Agreement (Stage 1 Commitment);
- On completion of Stage 1 Commitment, EVN may elect to acquire an additional 29% equity interest (80% in total) through payment to ADN of a further cash consideration of \$200,000 within 10 business days of the election to continue to sole fund by EVN, and expenditure of an additional \$4.0 million (\$6.5 million in total) over a further 2 years (4 years in total) (Stage 2 Commitment);
- On completion of EVN's sole funding commitments, either party may elect not to contribute to a proposed joint venture program and budget, in which case their interest in the joint venture will be reduced in accordance with a standard industry dilution formula;
- If any party dilutes to less than 10% equity interest in the joint venture, then that party's interest will be deemed to have converted to a 2% net smelter return royalty payable with respect to any minerals produced from the Project tenements, capped to a maximum of \$10.0 million;
- EVN will manage and operate the joint venture whilst it is sole contributing and thereafter while ever it holds a majority equity.

Andromeda believes the execution of the JV with EVN will enable the Drummond Project to be appropriately funded in order to explore a number of promising prospects identified across the tenements to date, including the Bunyip prospect, using the skilled exploration resources of an experienced gold miner in the district.

As the Company's immediate focus is to progress the evaluation and potential development of the Poochera Halloysite-Kaolin Project in South Australia, this transaction allows the Company to receive some immediate cash funds while at the same time ensuring that the potential of the Drummond Gold Project is fulfilled while retaining an equity interest in the project.

Evolution Mining is a leading growth focused Australian gold miner. EVN operates five wholly owned mines – Cowal in New South Wales; Mt Carlton, Mt Rawdon and Cracow in Queensland, and Mungan in Western Australia. Evolution holds an economic interest in the Ernest Henry copper-gold mine equivalent to 100% of gold production and 30% of copper and silver production from an agreed life of mine area.

Thurlga Joint Venture

On 19 September 2018, Investigator Resources Limited provided the Company with formal notification that it had decided to withdraw from the Thurlga Joint Venture as manager and return the Thurlga tenement to the Company. Consequently, processes are underway to dissolve the joint venture and return the Thurlga tenement to Andromeda full ownership.

Wudinna Gold Farm-in and Joint Venture

Following agreement of terms under a joint venture with Lady Alice Mines Pty Ltd (LAM) over the Company's Eyre Peninsula Gold Project in late 2017, LAM has undertaken a thorough review of the extensive project database and resource determinations for the project. Design of a new drilling program to follow-up and test results of this review performed by LAM is now being finalised with a view that LAM will undertake and fund this exploration work during the last quarter of 2018.

Moonta Copper Gold Project

Discussions are continuing with a number of parties who have experience in the copper in-situ recovery (ISR) process and recognize the potential for ISR application at the Wombat and Bruce deposits that may see these prospects advance towards future development.

Finance and Corporate

In August 2018, Andromeda Metals completed an oversubscribed share placement made to professional and sophisticated investors raising \$1.1 million before costs. A total of 183,333,333 ordinary shares were issued at an issue price of \$0.006 per share. The shares were issued by the Company through its available issue capacity under Listing Rules 7.1 and 7.1A. Proceeds received from the placement will be predominantly used to advance the Poochera Halloysite-Kaolin Project.

Following the completion of the placement, the Company has on issue 1,079,361,560 ordinary shares, 486,280,451 listed options and 2,476,507 unlisted options.

The Company's available cash position stood at \$1.774 million at 30 September 2018.

Competent Person Statements

Carey's Well Mineral Resource Estimates

The data in this report that relates to Mineral Resource Estimates including Exploration Target for the Carey's Well 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.

Poochera HPA metallurgical testwork

Information in this report relating to the Process Development Test Work is based on test work results completed by BHM Process Independent Consultants 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 undertaken 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 29 years of experience in kaolin processing and applications. Mr Marsh consents to the inclusion of the technical data in the form and context in which it appears.