



22 January 2019

Dear Shareholder,

2018 was a watershed year for Andromeda Metals. Following some initial due diligence early in the year, the Company executed an Option over the Poochera Halloysite-Kaolin Project ("Poochera") in South Australia owned by Minotaur Exploration Limited (ASX: MEP) to acquire up to a 75% interest in the project by spending up to \$6M over 5 years or alternatively a decision to mine is made. Following final due diligence to assess the halloysite-kaolin and high purity alumina (HPA) opportunities Poochera presented, the Company executed its Option over the project in June.

The Board recognised early on that in order to progress Poochera it needed to secure someone experienced in industrial minerals, and ideally halloysite-kaolin and HPA, and so was thrilled that James Marsh, an industrial chemist who possesses world-class experience in halloysite-kaolin following previous roles in the production and marketing of kaolin over a 25 year period, agreed to join the Company as Managing Director in late May 2018.

Following James' appointment, significant progress has been made with Poochera over the second half of 2018, which can be summarised as follows:

- Reaffirmation of customer non-binding offtake agreements from prospective ceramics customers in China and confirmation that the potential business is actually much larger than the >200,000 tpa indicated;
- The "bright white" kaolinised granite Mineral Resource has been upgraded to JORC 2012 guidelines and in addition has increased from 16.3 million tonnes to 23.9 million tonnes (ASX release 22 August 2018);
- A new tenement at Mount Hope in South Australia has been added to the Company's portfolio on which there is recorded a significant amount of halloysite-kaolin and a historical resource of over 12 million tonnes of kaolin (ASX release 24 October 2018);
- HPA testing of Carey's Well halloysite-kaolin material from Poochera resulted in 99.99% (4N) purity being achieved using only a one purification stage, and was confirmed by repeat analysis to prove that our halloysite-kaolin represents a world class premium feed for HPA manufacture;
- A significant milestone achievement was the successful completion of a bulk sampling exercise for >200 tonnes of halloysite-kaolin, extracted for commercial scale processing and sampling trials. Approximately 40 tonnes of this material has now been dry-processed through a kaolin processing facility in Western Australia with final analysis of the resultant refined product due in Q1 2019. In addition, 140 tonnes has been shipped to China for wet-processing and additional dry-processing trials during February 2019 with a large Chinese kaolin processor, with the resultant products to be sent to potential Chinese ceramic customers for commercial evaluation shortly thereafter;
- Extensive geological and geotechnical data was collected during the bulk sampling exercise which is now being used for Scoping Study mine design work. A highly experienced mining engineer has been engaged to work on all aspects of the mine design;
- The various wet and dry processing studies will also yield vital information for the Scoping Study along with marketing feedback leading to potential binding supply agreements;
- Extensive studies on halloysite analysis are ongoing with both the CSIRO and the University of Newcastle's Global Innovative Centre for Advanced Nanomaterials (GICAN), which will allow independent calculation of a halloysite-kaolin resource in Q1 2019. GICAN are also finding excellent results using the Poochera halloysite-kaolin nanotubes in electrocatalyst, energy storage, clean fuel generation and water treatment research projects.

With Andromeda Metals' focus directed to Poochera, efforts have been made to seek to either divest or source joint venture partners for the Company's remaining exploration project portfolio. To that end, the Company announced an Earn-in and Joint Venture with Evolution Mining Limited (ASX: EVN) over the Drummond Gold Project in North Queensland in September 2018 which will see considerable efforts directed towards evaluating the highly promising gold epithermal prospects that have been identified across the project by a highly credentialed Australian gold mining company, with Andromeda retaining a 20% equity in the project. Further, late in the calendar year the Company announced it had agreed commercial terms for a binding Earn-in and Joint Venture with a private company experienced in copper extraction via in-situ recovery over the northern part of Andromeda Metals' Moonta Copper Project in South Australia. Additionally, following a significant review of project data during 2018 by our Joint Venture partner to the Wudinna Gold Project on the Eyre Peninsula in South Australia, follow-up exploration activities funded by them are now scheduled to shortly commence at selected targets in addition to the Barns and Baggy Green deposits.

Native title agreements are currently being negotiated with traditional landowners associated with tenements under application in the gold prospective Pilbara Region of Western Australia which Andromeda Metals secured in late 2017. In addition, the Company is actively attempting to secure third party interest to advance the Rover Copper-Gold Project in the Northern Territory.

Looking forward to 2019, the year promises to be another one of significance for Andromeda Metals:

- The Poochera Scoping Study work is scheduled for completion in the first half of the year, when the aim is to then move rapidly to Prefeasibility Stage by virtue of the very simple business model to produce and supply raw ore as a first stage before moving to semi and fully processed halloysite-kaolin product;
- Discussions are at an advanced stage with a number of potential raw ore customers in China and Japan, with interest for fully processed products growing globally;
- A logistics consultant has been engaged to identify the optimum route to market and negotiations are already in progress with one potential shipping provider;
- More exploration work will be done at Poochera and Mount Hope with a focus on understanding and quantifying the halloysite component along with identifying areas of very high purity;
- Exploration activities at both the Drummond Gold Project and Wudinna Gold Project funded by joint venture partners, and evaluation of potential ISR copper extraction at the Moonta Copper Project;
- Formal granting of the Pilbara ground, with a subsequent decision to be made as to how best to advance this project in addition to sourcing a joint venture partner to progress the Rover Copper-Gold Project.

We look forward to your continuing support during this exciting time of the Company's development



Rhod Grivas  
Chairman

Competent Person Statement

*The information in this letter that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information collected by Andromeda or provided by H&SC Pty Ltd and Minotaur Exploration and previously released to the ASX. It is compiled by Rhoderick Grivas, a Competent Person, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Grivas is Chairman of Andromeda Metals. Mr Grivas 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 Grivas consents to the inclusion in this letter of the matters based on his information in the form and context in which it appears.*