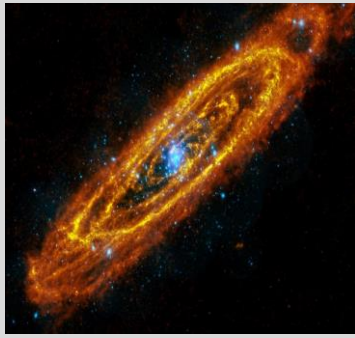


ASX Announcement

1 March 2021



Andromeda Metals Limited

ABN: 75 061 503 375

Corporate details:

ASX Code: ADN

Cash (31 Dec 2020): \$7.94 million

Issued Capital:

2,153,727,827 ordinary shares

89,820,000 unlisted options

23,250,000 performance rights

Directors:

Rhod Grivas

Non-Executive Chairman

James Marsh

Managing Director

Nick Harding

Executive Director and
Company Secretary

Joe Ranford

Operations Director

Andrew Shearer

Non-Executive Director

Contact details:

69 King William Road,
Unley, South Australia 5061

PO Box 1210

Unley BC SA 5061

Tel: +61 8 8271 0600

Fax: +61 8 8271 0033

admin@andromet.com.au

www.andromet.com.au

Mining Lease Application Submitted for Great White Kaolin Project

Summary

- **The Mining Lease Application for the Great White Kaolin Project has been lodged with the South Australian Department for Energy and Mining.**
- **Lodgement of the Application represents the achievement of a significant milestone for the Project.**
- **The Application is supported by extensive stakeholder engagement and comprehensive studies undertaken by independent experts over the past 18 months.**
- **The Great White Kaolin Project remains on schedule with the Definitive Feasibility Study on track for completion in the second quarter of 2021 and for the commencement of operations in February 2022.**
- **A decision on the Application from the Minister for Energy and Mining is anticipated to be received later in the year.**

Discussion

The Great White Kaolin Project is a Joint Venture between Andromeda Metals Limited (ASX: ADN, Andromeda, the Company) and Minotaur Exploration Limited (ASX: MEP) in which ADN holds a 75% equity interest. The Company is pleased to advise that it has lodged applications on behalf of the joint venture partners for a Mining Lease and two Miscellaneous Purposes Licences with the South Australian Department for Energy and Mining (DEM) for the proposed development of the Great White Kaolin Project which is located near Poochera on the west coast of South Australia's Eyre Peninsula.

The lodgement of the applications represents a significant milestone in the Project's development which is focussed on the commencement of operations in February 2022.

The Application outlines the proposed development of a shallow open pit mine, wet-processing plant and supporting infrastructure at the Great White Deposit, which is in line with the Project Pre-Feasibility Study (*refer ADN ASX announcement dated 1 June 2020 titled "Pre-Feasibility Study Further Improves Poochera Halloysite-Kaolin Project Economics"*). A Mining Proposal and Management Plan supports the application which incorporates supporting environment impact assessments undertaken by independent experts.

The joint venture partners are proposing to develop the Great White Kaolin Deposit by seeking approval for the following:

- A Mining Lease (ML) for the mine, processing plant and supporting infrastructure;
- A Miscellaneous Purposes Licence (MPL) for an access road to the ML; and
- A MPL for a water supply pipeline from Poochera to the ML.

The Mining Lease submission is founded on an operation to be developed in 2 stages:

- Stage One – to produce up to 600,000 dry tonnes per annum (tpa) of direct shipping ore (DSO) for toll processing overseas and including construction of the site access road, internal haul roads and the initial pit;
- Stage Two – processing on site of approximately 500,000 tpa of ore to produce up to 250,000 tpa of refined halloysite- kaolin product with the construction of a wet-processing plant, water pipeline and LPG generator.

The final project scope and configuration is currently being evaluated under the Definitive Feasibility Study, due for completion in the second quarter of 2021.

Application Process

Scoping and Pre-Feasibility Studies, followed by environmental, social and economic impact assessments, have been undertaken to support the Application. Results of the impact assessments, including potential risks and proposed control and management strategies to mitigate those risks, are presented in the Mining Proposal and Management Plans for the Proposed Development.

These identified controls are intended to reduce impacts to as low as reasonably possible (ALARP) and assessed for suitability to reduce impact and risk as part of the Application. The Application has been prepared in accordance with all requirements of the *Mining Act 1971* and *Mining Regulations 2020* and the relevant Terms of Reference (TOR 006) as published by DEM.

The Application includes details of the existing cultural, social, economic and natural environment with all information designed to assist Government agencies and stakeholders to make an informed assessment about the potential impacts, risks and benefits associated with the Proposed Development.

The Application has been prepared for submission to DEM for assessment. DEM officers will review the Application to ensure that the Proposed Development can be effectively and efficiently operated and that the appropriate environmental outcomes can be achieved. All submissions received by DEM during the public consultation process will be forwarded to Andromeda with a request for a formal response to all relevant matters raised.

A recommendation regarding whether to grant the Application will be made to the Minister for Energy and Mining (Minister). If the Application is refused, Andromeda will receive notification detailing the reasons why the Application failed. If the Application is approved, the recommendation will contain the terms and conditions on which the Application is granted. The Minister will have regard to any submissions made during the public consultation process and any response to those submissions made by Andromeda.

South Australia has a two-stage mining approval process. Once a Mining Lease is granted and the Mining Lease Conditions are provided to the Applicant, the Applicant must present a Program for Environment Protection and Rehabilitation (PEPR) that sets out the Applicant's methods and measurement criteria to ensure compliance with the conditions is achievable. The PEPR is not part of this Application. No construction activities or mining operations may commence until the Mining Lease has been granted and an approved PEPR is in place. Further, access to land and payment of an appropriate environmental/rehabilitation bond (determined by DEM) are required before authorised mining operations can start.

Stakeholder Engagement

Andromeda has undertaken investigations to identify relevant stakeholders associated with the Proposed Development. During the course of exploration and development of the Mining Proposal a program of communicating and engaging with identified stakeholders and community members was undertaken. In order to capture both identified and unidentified stakeholders, Andromeda advertised community open days in local and regional newspapers, through local government networks and across social networks. The engagement program has largely been driven by the Company's Community Engagement Plan, with the aim being to build enduring relationships with all stakeholders based on mutual respect, active partnership and long-term commitment. Stakeholders have been grouped and activities tailored to meet and reflect each stakeholder group's level of interest and / or potential level of impact from the Proposed Development.

Andromeda is committed to actively engaging with stakeholders during the Government's public consultation process and throughout all stages of the Proposed Development.

Consultation Approaches

Andromeda prepared a range of communication methods, tools and activities with the primary goals being to:

- Identify community attitudes and expectations;
- Provide various mechanisms for dissemination of information to the community;
- Gather feedback from the community;
- Register and document community feedback, concerns or expectations from members of the community;
- Analyse and incorporate into design, community feedback and concerns; and
- Respond to community feedback or concerns.

Activities have included community drop-in days (held in October 2020 and February 2021 in Poochera and Streaky Bay), a range of other stakeholder meetings, and other approaches.

The Proposed Development will provide a range of economic benefits to the Eyre Peninsula region. Over the estimated 26-year expected mine life, plus the initial investment year, the direct wage contribution is expected to be \$178 million (an average of \$6.6 million per year).

Direct local employment will be comprised of a peak of approximately 75 full-time equivalent jobs directly employed on the mine site (including haulage).

Specialist Studies

Extensive environment impact assessments have been undertaken by independent experts, who worked alongside Andromeda personnel to develop a Project which aims to minimise potential environmental impacts, while maximising potential benefits. The assessments indicate that most impacts will be minimal or minor, and in some instances, create positive impacts, particularly the economic impact on the local community and broader Eyre Peninsula region.

The Company has further committed to implementing design and control measures to ensure the environmental impacts are reduced to as low as reasonably practicable.

Next Steps

Andromeda will continue to engage with key stakeholders, including landowners and the District Council of Streaky Bay. Should a Mining Lease be granted, Andromeda will prepare and submit a PEPR, which is required under the *Mining Act 1971* to enable the commencement of mining operations scheduled for February 2022.

About Andromeda Metals

Andromeda Metals is an emerging industrial minerals company based in Adelaide, South Australia with a vision of becoming the world's leading supplier of high grade halloysite-kaolin. The Company's primary focus is directed towards the final evaluation and development of the world class Great White Kaolin Project into production in early 2022.

The Great White Kaolin Project covers two main geographic areas of interest, both situated in the western province of South Australia (Figures 1 and 2) and is located approximately 635 kms west by road from Adelaide and 130 kms south-east from Ceduna. The Project is a joint venture between Andromeda Metals and Minotaur Exploration Limited in which Andromeda holds a 75% equity interest.

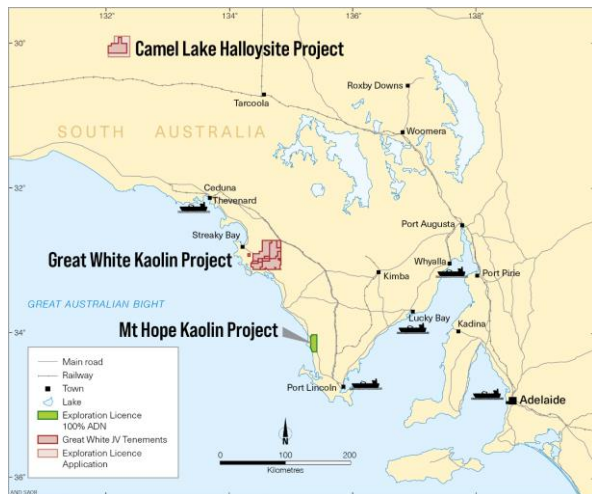


Figure 1 - Project Location Plan

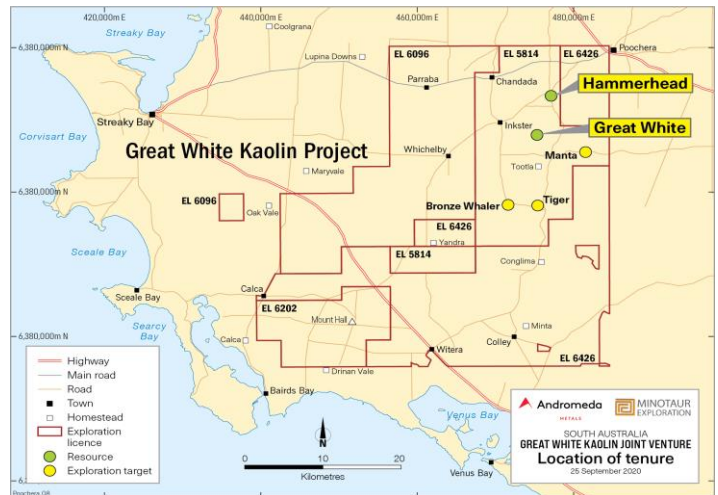


Figure 2 - Great White Joint Venture tenements

High quality halloysite-kaolin occurrences exist extensively across the Great White 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 commercially positive.

Andromeda Metals also holds a 100% interest in the Mount Hope Kaolin Project which is located approximately 160 kms southeast of the Great White Kaolin Project.

Contact:

James Marsh

Managing Director

Email: james.marsh@andromet.com.au

Peter Taylor

Investor Relations

Ph: 0412 036 231

Email: peter@nwrcommunications.com.au

Competent Persons Statement

Information in this announcement has been compiled by Mr James Marsh a member of The Australasian Institute of Mining and Metallurgy (AusIMM). Mr Marsh is an employee of Andromeda Metals Limited who holds shares and options in the company and has 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 30 years of experience in kaolin processing and applications. Mr Marsh consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.