



Andromeda

CHAIRMAN'S ADDRESS

2023 ANNUAL GENERAL MEETING OF SHAREHOLDERS OF ANDROMEDA METALS LIMITED

Since speaking to you at last year's AGM, the Company has made some crucial changes that has enabled significant progress towards the planned development of The Great White Project.

Firstly, the Program for Environment Protection and Rehabilitation, or PEPR for short, which was lodged with South Australia's Department for Energy and Mining in August 2022, was approved in March this year. The approval permits the processing of up to 300,000 tonnes per annum of ore, producing up to a nominal 150,000 tpa of halloysite-kaolin products. The approval of the PEPR opened the door for development of the Project, including investment in long lead items for the Stage 1A project and the start of discussions with potential debt financiers.

The most significant change in the past 12 months has been the appointment of Bob Katsioularis as CEO. Our previous CEO, James Marsh was consulted on this plan, and himself recognised the need for change to both deliver the project for shareholders and maximise value. James made a significant contribution to the Company, identifying the enormous potential of the Great White Deposit and essentially putting the Company on the map, and for that we are extremely grateful.

The search for a new CEO commenced over 12 months ago, with Bob's appointment in April this year. Bob is a true professional in the kaolin and industrial minerals industries with a deep understanding of their markets and their fundamentals.

Bob's first assignment was to review our strategic plan to maximise the value of our Kaolin resources. As you now know, Bob has tremendous knowledge about the Kaolin market and a new strategy was developed under his leadership to clearly understand what products we should be selling, who to sell them to, and at what price. This has led to a step change in the value of the business, and importantly in attracting financiers to support the Company.

The new strategic plan determined that the best pathway to developing The Great White Project, is through focusing on the core ceramics market, with a focus on being included in the formulations of the European ceramic multinationals, and supplying their manufacturing plants located in our 'home' market of South-East Asia.

Additionally, the research projects, such as Carbon Capture and HPA, were determined to be adjacent products, to be pursued when cashflow and funding could support their development.

To maximise the amount of debt that the Project can sustainably support, Management has worked to increase the proportion of Stage 1A capacity that is bankable, that's to say the total tonnage under binding offtake agreements, with creditworthy customers.

Binding and bankable offtake agreements have been signed with Plantan Yamada for the Japanese market and Foshan Gaoming for distribution in China. Discussions and negotiations are advancing on additional bankable offtake agreements with Iberoclays, Opaque Ceramics, Hallett Group for HRM, and now Traxys.

We are extremely excited about this new potential partnership with Traxys. They are a major commodity trading company that is the leader in industrial minerals trading globally. They are strongly supported by a large syndicate of 16 international banks and have a deep network of trading relationships in industrial minerals. Traxys provide the potential to assist us in securing further binding offtake commitments, plus debt and equity financing.

Our ability to attract the attention of significant companies like Traxys would not have been possible without a clear business plan and financial model demonstrating the potential value of our business. To this extent, the updated Definitive Feasibility Study, otherwise known as the 2023 DFS, capturing the value opportunity of the new strategic plan, has been critical part of our progress this past year.

The outcomes of the 2023 DFS showed significantly improved economics compared to the 2022 DFS. These include an increase of 65% in the pre-tax net present value, to over \$1 billion, and a 59% increase in average EBITDA, of \$130 million over the 28-year life of the Project.

As I said earlier, the strong outcomes of the 2023 DFS has informed the discussions with a number of potential cornerstone and strategic investors, such as Traxys. The purpose of these discussions is to not only provide funding, but also enhanced access to markets and distribution networks, that could be beneficial to product sales and/or the economics of the Project.

We look forward to updating shareholders on this, in due course.

The Board continues to take an active approach to its oversight responsibilities to ensure proper governance practices. This extends to regularly reviewing the composition of, and succession planning for, both the Board and Executive Management.

To that end, and in light of the Company's revised corporate positioning and business strategy, which I mentioned earlier, a review of the Company's organisational structure was undertaken.

As a result, it was determined the best path forward was that both James Marsh and Tim Anderson's positions needed to be combined and filled by someone with existing expertise in targeting European ceramics multinationals, and pursuing product development opportunities.

The Board believes these changes were required to streamline the business and create a solid and sustainable foundation for long-term success. We thank both James and Tim for their commitment and dedication in helping to get the Company to the advanced stage of where it is today.

The Board also acknowledges the importance of committing to sustainable extraction practices in the supply of superior quality industrial minerals. As the Company moves towards production, our aspiration is to adopt, monitor and report on relevant frameworks and metrics that emerge from the developing consensus and convergence of Environmental, Social and Governance (or ESG) frameworks and standards. This is not only what is expected from listed companies operating internationally in today's world, but also important to our new and potential customers.

In summary, the Board believes Andromeda is well-positioned to deliver long-term shareholder value, with globally significant, high-quality resources, which are perfectly positioned to cater to the growing need for high-quality kaolin products. We strongly believe the agreement with Traxys is a true demonstration of this potential.

The Board and Management remain focused and committed to delivering on the full potential we have before us, which in turn will deliver long-term value for our shareholders.