



5 March 2020

Mr Alex Sutton  
Advisor, Listings Compliance,  
ASX Compliance Pty Limited,  
20 Bridge Street,  
Sydney, NSW 2000

Dear Alex,

### **SUMMARY OF VIDEO INTERVIEW MANAGING DIRECTOR**

As requested, below is a summary of the key areas discussed by Andromeda Metals' Managing Director James Marsh during a video interview released on 3 March titled "Coffee with Samsco : Mining Halloysite in South Australia with Andromeda Metals Limited" which has been released across various media platforms. The Company confirms that there was no new information released in the video that had not previously been provided to the market.

#### **Studies**

Following the release of the positive Scoping Study in September 2019, which reported an NPV of \$413M and IRR of 174% for the mining of the Carey's Well halloysite-kaolin resource at Poochera, the focus has been directed towards the next key milestone, being the preparation of a more detailed Pre-Feasibility Study, which is scheduled for completion during late April-early / May 2020. This work includes geological and geotechnical modelling, mine optimisation studies, additional metallurgical testwork on Carey's Well ore, determination of plant design and infrastructure requirements, transportation and shipping studies, marketing of product to customers and ongoing engagement with key stakeholders.

The Scoping Study was based on the assumption of dry-processing at site after an initial 2 years of direct shipping ore (DSO) while the dry-process plant is constructed. It is now potentially feasible that wet-processing at site is a viable alternative to dry-processing which has the benefit of providing improved kaolin recoveries (up to 50% from 37%) leading to more material available for sale and consequently less material to go back into the pit, and the production of a more efficient and higher valued intermediate product with resultant cost savings. Production of a final saleable product at site which does not require further refining is also a possibility for some potential customer requirements. The potential for wet-processing is due to the identification of a specialised wet-processing plant that is capable of using less water than traditional wet plants to process the ore in addition to confirmation that water supplies are potentially available to the site. A final assessment of wet-processing at site is currently being undertaken and if considered commercially beneficial, will be incorporated into an update to the Scoping Study to be released at the end of the month.

### **Carey's Well Mineral Resource**

An increase to the Carey's Well Mineral Resource has been calculated since the release of the Scoping Study which has resulted in an increase in the Measured Resource category by approximately 80%, highlighting an improved confidence in the resource quality and an almost doubling of the original 15 year mine life.

The overall blend of approximately 20% halloysite and 80% kaolinite of final processed product from this ore is ideal in meeting high-quality ceramic porcelain customer requirements and is the initial targeted market for the Company.

### **Product Marketing**

With the current issues in China associated with the coronavirus, the Company has turned its focus towards other markets until the situation improves and China is again open for business. Although Andromeda has identified a lot of potential business in China with letters of intent signed with many potential customers, there exists strong market demand globally for halloysite-kaolin with the Company now identifying opportunities for product sales within Europe, the Middle East and other parts of Asia. Efforts are being directed towards securing binding offtake agreements with potential customers outside of China with visits to be scheduled to both Europe and Japan over coming months in order to put these in place.

### **Drilling**

Drilling undertaken by the Company in 2019 has determined the Condooringie prospect, which is located only a few kilometres north of the Carey's Well deposit, to be an area of significant interest with initial results reporting over 90% halloysite in some holes. A large aircore drilling program at Condooringie has now been completed with halloysite assay results eagerly awaited. The potential for a new resource containing high purity halloysite situated near a processing plant located at Carey's Well is highly encouraging.

In addition, a diamond drilling program has just been completed with results to be used to determine final mine designs for mining the Carey's Well deposit.

### **Mining Approval Process**

Regular meetings are being conducted with the South Australian Department of Energy and Mining (DEM) to brief them of the Company's progress to ensure they are fully aware of the approach being undertaken and ensure no surprises eventuate with the authorities. DEM has advised they are very happy with how Andromeda has conducted itself with respect to the Project to date.

Meetings have been held with other key stakeholders which include the landowners, the Streaky Bay Council and the local indigenous group as part of the consultation process with respect to the Project.

Environmental studies that are required to be undertaken in order to obtain mining approvals are continuing. The mining approval process can take up to 12 months to complete with Andromeda currently targeting to commence mining operations during the second half of 2021

### **Mid to Longer Term Opportunities**

The short-term strategy is directed towards the supply of halloysite-kaolin blend material to high-quality porcelain ceramic manufacturers, and this is the focus of the initial studies for the commencement of operations. However, work is also being undertaken on exploring other longer-term opportunities.

High Purity Alumina (HPA), which is a critical battery material in demand, is able to be produced at a 4N purity level from Poochera material with only a single stage process. Further work is currently underway with respect to HPA testing with results expected to be available next month.

Demand for pure halloysite is growing with the Company receiving regular requests for this rare material. In collaboration with the University of Newcastle, the Company is conducting research into a number of applications for halloysite in the areas of hydrogen storage and transportation, carbon capture and water purification where interest has been received from a coal and a water company to provide financial support to the research. Other potential areas for halloysite usage are in concrete strengthening and remediation applications.

### **Exploration**

Drilling at Mount Hope is scheduled to commence shortly with the aim to upgrade the initial non-JORC historical resource. Negotiations are also continuing with the traditional landowners at Camel Lake to allow access in order to undertake exploration activities.

The Company has recently employed an experienced Chief Geologist to manage the significant exploration activities planned across the tenement portfolio.

Andromeda has noted the increased interest in exploration for halloysite shown by a number of companies of late, but remains confident that its current tenement portfolio contains the only genuine commercial quantities of the mineral.

### **Company Vision**

It is Andromeda's vision to become a global diversified industrial minerals company. To that end, the Company is considering a number of opportunities with respect to complementary industrial minerals that can be sold to a number of the same customers for halloysite-kaolin applications. Many of these potential customers prefer to deal with one supplier to meet their raw material requirements.

The Company's aim is to be all things halloysite and not just a producer. This includes becoming a world leader in the areas of exploration, analysis, production and marketing of the mineral. It has engaged an experienced contract metallurgist and also a geochemist to investigate how, why and where halloysite is formed which could lead to new discoveries of halloysite.

### **Summary**

The Company's current focus is on delivering the Pre-Feasibility Study for release during late April / early May 2020 based upon an initial DSO operation that will transition to either a dry or wet-

processing facility at site after 2 years of operation to produce a blend of halloysite-kaolin suitable to meet high-end porcelain ceramic manufacturer requirements. Consideration of other value add opportunities in the area of HPA and pure halloysite will continue to be explored and evaluated as additional areas for growth of the business along with the possibility of including other industrial mineral commodity opportunities.

Andromeda is well positioned financially to complete the evaluation study process through to a decision to mine with approximately \$3.5M in the bank and up to \$8M in receipts from options capable of being exercised by optionholders before the expiry date of 30 November 2020, of which the Company is seeing a number of these being exercised more recently. With a relatively small initial capital requirement and short period from commencement of operations to when receipts are anticipated to be generated, the Company considers it to be in an enviable and unique position in the Australian market. This is recognised by a number of large organisations in the industrial minerals space who have expressed interest in potential involvement with Andromeda as a business partner, customer or cornerstone investor of the Company. The opportunity to explore this in greater detail will come with the release of a positive Pre-Feasibility Study and securing of binding offtake agreements with customers along with the advancement of the Mining Lease proposal during 2020.

The link to the video is attached below and is also available to view on the Company's website.

<https://youtu.be/T1hcP9L4EFY>

Authorised for release by the Board.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Nick Harding', with a stylized flourish at the end.

Nick Harding

Executive Director and Company Secretary