ASX Announcement

29 July 2019

Additional Offtake for Dry-Processed Halloysite-Kaolin Product

Summary

- New non-binding offtake Letters of Intent (LOI) received from potential customers for dry-processed halloysite-kaolin product now total 307,000tpa.
- Anpeak China, a leader in specialty minerals, has signed a LOI for 120,000tpa, Weifang Engers Ceramics 50,000tpa, Guangzhou Changying Trade 30,000tpa, Guangzhou Jinghui Ceramic Material 5,000tpa and Foshan Mei Zhi Hui Ceramic Material 2,000tpa.
- This is in addition to the 100,000tpa LOI signed by China Mineral Processing Group previously announced on 18 July 2019.
- Samples provided to other potential customers during the China visit by ADN representatives in June are still undergoing application testing which could result in further LOI’s signed for Carey’s Well dry-processed product.
- Offtake LOI’s have already been signed for 208,000tpa of wet-processed product, which is a premium grade for the ceramics industry (refer ASX Announcement 25 June 2018 – ‘Chinese Demand for Carey’s Well Halloysite Kaolin Grows’).
- Trials and testing for direct shipping ore (DSO) business are still in progress.
- The current LOI’s and results from the DSO testing will enable the Scoping Study that is currently underway to be completed.

Discussion

Interest in the Poochera Halloysite-Kaolin Project from the Chinese market continues to increase as a result of marketing initiatives undertaken by Andromeda Metals (ASX:ADN). During a visit to China in June by ADN representatives, a number of potential Chinese users across a range of applications were provided with dry-processed product for application testing. The dry-processed product was from a 40 tonne trial produced in Australia using WA Kaolin’s plant (refer ASX Announcement 5 March 2019 – ‘Excellent Dry Processing Trial Results from Carey’s Well Ore’). As a result, an
offtake LOI was signed for 100,000tpa by China Minerals Processing Group. This has now been followed by additional LOI’s signed by Anpeak China for 120,000tpa, Weifang Engers Ceramics 50,000tpa, Guangzhou Changying Trade 30,000tpa, Guangzhou Jinghui Ceramic Material 5,000tpa, and Foshan Mei Zhi Hui Ceramic Material 2,000tpa.

The total of 307,000tpa of dry-processed product will be used for the Scoping Study evaluations, and is a clear indication of the market demand for such a product. The offtake agreements were signed on the understanding that the eventual commercially produced material would match the specifications of the samples provided. There are some significant logistical advantages in selling the dry-processed material, which has about 60% of waste removed (sand and moisture) as compared to the DSO option. There is also a potential option to wet-process this product in a secondary location and further upgrade the value to a world-class, premium product.

Figure 1 – ADN representatives with Anpeak China officials

A number of other potential customers in a range of applications and regions are still testing the dry-processed product.

Additional ceramic industry application testing of DSO and dry-processed material is also in progress with a number of significant companies located in Japan and India, while evaluation of the material as a cracking catalyst for the petrochemical industry is being conducted by a large Chinese company.

The rapid receipt of offtake LOI’s from a number of potential customers over a range of applications is very positive support for the strategy of using the low-cost dry-processing option to increase the value of the mineral and significantly reduce logistics costs, and clearly demonstrates a strong market demand.

ADN as part of the Scoping Study has engaged CPC Project Design as consulting engineers, and is in the process of completing two dry-processing trials in the USA, having already completed two studies in China. The results from these trials will be used to determine the optimum processing equipment and design to produce material equivalent to the sampling material.
The Poochera Project

The Poochera Kaolin-Halloysite Project covers two main geographic areas of interest, both situated in the western province of South Australia (Figure 2). 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 3).

High quality halloysite-kaolin deposits occur extensively across the Poochera 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 economically viable. Halloysite is a rare derivative of kaolin where the mineral occurs as nanotubes. Halloysite has a wide variety of industrial uses beyond simple kaolin and commands a significant premium above the average kaolin price. The Poochera kaolin deposits contain a variable natural halloysite-kaolin blend that is in demand for the ceramic and petrochemical refining markets, as well as developments in new high-tech and nanotechnology applications.

The northern project area includes the near pure halloysite Camel Lake deposit on EL6128 (Figure 2) that could potentially be processed to provide a substantially high value pure product for the development of halloysite nanotubes technology in the areas of energy storage and carbon-hydrogen capture and storage.

Extensive test work has been completed on the Carey’s Well deposit, including resource drilling, bulk sampling, pilot test trials and marketing, and ADN is working towards a Mining Lease application as part of feasibility evaluations.

Under the terms of the Poochera Halloysite-Kaolin Project Joint Venture, ADN can acquire up to 75% of the Project by either sole funding $6.0M over 5 years or alternatively a decision to mine is made by the Joint Venture partners, with an initial 51% interest earned by the Company through the expenditure of $3.0M on advancing the Project within the first 2 years.

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Competent Person’s Statements

Information in this announcement has been assessed 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 undertaking 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 30 years of experience in kaolin processing and applications.