

# ASX Announcement

19 August 2019



**Andromeda Metals Limited**  
ABN: 75 061 503 375

## Corporate details:

ASX Code: ADN

Cash: \$1.669 million  
(as at 30 June 2019)

## Issued Capital:

1,355,499,211 ordinary shares  
704,588,163 ADNOB options  
20,000,000 unlisted options

## Directors:

### Rhod Grivas

Non-Executive Chairman

### James Marsh

Managing Director

### Nick Harding

Executive Director and  
Company Secretary

### Andrew Shearer

Non-Executive Director

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## Direct Shipping Ore Offtakes Secured for Halloysite-Kaolin Product

### Summary

- **New non-binding offtake Letters of Intent (LOI) received from potential customers for Direct Shipping Ore (DSO) halloysite-kaolin product totalling 405,000tpa.**
- **Longyan Kaolin China, a world leader in specialty halloysite-kaolin minerals for the ceramics industry, has signed a LOI for 200,000tpa of DSO.**
- **Beihai Kaolin, which has one of China's largest capacity kaolin processing facilities, has also signed a LOI for 200,000tpa of DSO.**
- **Yamada Toshio Shoten in Japan has signed a LOI for 5,000tpa of DSO for their Japanese operation that supplies the domestic high-value ceramics market.**
- **All potential customers confirmed an indicative product pricing range of AU\$115 – AU\$140/t CIF.**
- **This is in addition to the 307,000tpa of LOI's signed by Chinese companies for dry-processed mineral (ASX announcement 29 July 2019 – 'Additional Offtake for Dry-Processed Halloysite-Kaolin Product'), and for 208,000tpa of wet-processed mineral (ASX announcement 25 June 2018 – 'Chinese Demand for Carey's Well Halloysite Kaolin Grows').**
- **Securing significant DSO offtake confirms strong and growing market demand for all three product forms of the Carey's Well halloysite-kaolin.**
- **All volume and market pricing information will be utilised in the Scoping Study, due for completion by the end of September 2019.**
- **Exploration activities are currently being planned for Mount Hope, where a historic non-JORC 12.2Mt halloysite-kaolin resource has been reported (ASX announcement 24 October 2018 – 'Exploration Licence Application for Mount Hope Halloysite-Kaolin'), and at Camel Lake where high purity halloysite surface samples have been collected.**

### Discussion

An apparent shortage of consistent high-quality halloysite-kaolin for the Chinese ceramics industry has resulted in two of the world's largest capacity processors signing offtake LOI's for DSO from the Poochera Halloysite-Kaolin

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Project. Notably, this includes Longyan Kaolin who are globally recognised as a world-leading supplier of speciality halloysite-kaolin product from their operations in China.

These latest offtake LOI's are the result of a successful marketing initiative undertaken by Andromeda Metals (ASX: ADN, Andromeda, the Company) and will be incorporated into the Scoping Study to be released by the end of next month. The visit to China undertaken in June by Andromeda representatives has now secured substantial product offtake volumes and pricing for DSO and dry-processed product, in addition to the wet-processed offtake that was verified during visits to China in 2018, to support a mining and processing operation at Poochera.

The offtake agreements for all three product forms were signed on the expectation that the eventual commercially produced material would match the specifications of the samples provided.

Andromeda is in the process of completing a Scoping Study to determine the optimum operational strategy for the Project. The significant logistical advantages of selling the dry-processed material (approximately 60% less waste) will be compared with the DSO option that would provide an immediate receipt of revenues and have minimal capital expenditure requirements, thus resulting in early positive cashflows generated by the operation. The potential option to capture the maximum product value by wet-processing in a secondary location also needs to be thoroughly investigated, as this has been proven to give a truly world-class, premium product.

Andromeda Managing Director James Marsh commented "Confirmation of the very significant market demand for this rare and high-value form of kaolin from our extensive resources located in South Australia provides Andromeda with the potential to become one of the world's largest producers of halloysite-kaolin material, which is a very exciting position to be in".

## 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 1). 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 2).



Figure 1 - Project location plan

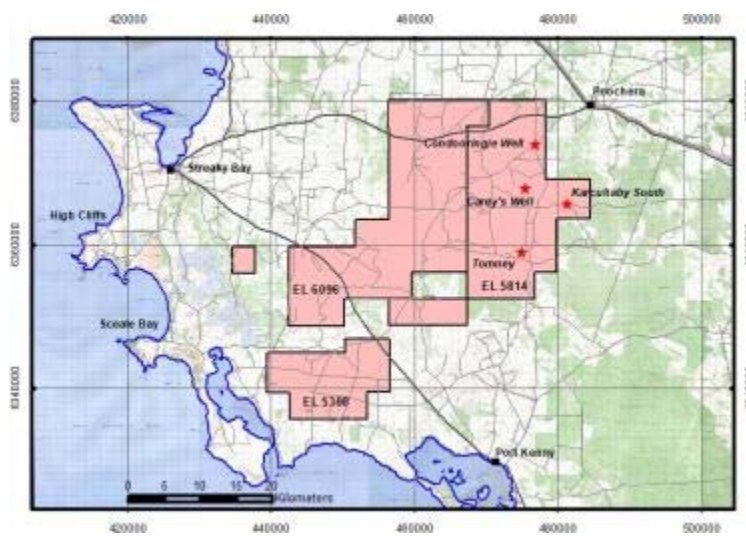


Figure 2 - Poochera Tenements

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 EL 6128 (Figure 1) 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 Andromeda is working towards a Mining Lease application as part of feasibility evaluations.

Under the terms of the Poochera Halloysite-Kaolin Project Joint Venture with Minotaur Exploration Limited (ASX: MEP) executed in April 2018, Andromeda 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.*