

# ASX Announcement

10 June 2021

**Andromeda Metals Limited**

ABN: 75 061 503 375

**Corporate details:**

ASX Code: ADN

Cash (31 Mar 2021): \$6.70 million

Issued Capital:

2,160,727,827 ordinary shares

86,320,000 unlisted options

19,750,000 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

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## Significant Binding Offtake Agreement Signed for Great White Kaolin Project

### Summary

- **Substantial binding offtake agreement signed with large Chinese commodity trading house Jiangsu Mineral Sources International Trading Co. Ltd (MSI) for 70,000tpa +/- 10% of refined ultra-bright high-purity kaolin material for the coatings and polymers market for an initial term of 5 years.**
- **The contract price for the offtake agreement is superior to the selling price used in the Pre-Feasibility Study of A\$700/tonne for ceramic grade material and is fixed for the first 3 years of the contract.**
- **Payment assurance to the agreement is provided by Jiangsu Holly International Technical Engineering Co. Ltd (Holly), which has agreed to act as financier to MSI.**
- **Discussions are continuing with MSI for the supply of premium ceramic grade Great White CRM product under a separate agreement in addition to ongoing discussions that are continuing with other potential global customers for additional offtake.**
- **The agreement represents a substantial proportion of the planned 116,000tpa of refined halloysite-kaolin product to be manufactured from the initial 250,000tpa feed rate capacity plant to be built on site on commencement of operations.**
- **A review of the Definitive Feasibility Study (DFS) incorporating the manufacture of a coatings and polymers product in addition to premium ceramic grade material is currently in progress.**
- **Supply of additional quantities of refined halloysite-kaolin to MSI are to be negotiated once production doubles to 500,000tpa feed rate full capacity, which is estimated to be from Year 3.**

### Discussion

Andromeda Metals Limited (ASX Code: ADN, Andromeda, the Company) is the manager of the Great White Kaolin Project, which is located on the Eyre Peninsula of South Australia and is a joint venture between ADN (75%) and Minotaur Exploration Limited (ASX: MEP) 25%. The Company is pleased to announce that it has signed a substantial legally binding offtake agreement with Jiangsu Mineral Sources International Trading Co. Ltd (MSI), a leading

Chinese commodity trading house. The agreement is for 70,000tpa +/- 10% of refined ultra-bright high-purity kaolin product for an initial term of 5 years at a price fixed for the first 3 years that is significantly higher than what was used in the Pre-Feasibility Study, which was A\$700/tonne for ceramic grade material (*refer ADN ASX announcement dated 1 June 2020 titled "Pre-Feasibility Study Further Improves Poochera Halloysite-Kaolin Project Economics"*). The actual fixed contract price is not disclosed in this announcement at the request of the customer due to it being considered to be commercially sensitive information.

This ultra-bright high-purity kaolin product to be manufactured for the coatings and polymers market has been given the brand name 'Great White PRM' and will be separate to the Great White CRM product to be produced to meet the requirements of high-end ceramic manufacturers. Production of Great White PRM material will be broadly the same as for the manufacture of Great White CRM, with some adjustments required to be made to the mining schedule and the processing plant design and operation, in addition to consideration of the shipping and transportation requirements necessary to accommodate the delivery of 25kg bags of Great White PRM product in containers compared to break bulk filter cake for Great White CRM.

This offtake agreement with MSI underpins the early years of the Great White Project as it represents a substantial proportion of the planned 116,000tpa of refined halloysite-kaolin product to be manufactured from the smaller 250,000tpa feed rate capacity plant that is under consideration to be built on site on the commencement of operations and which is currently being evaluated under the DFS (*refer ADN March 2021 Quarterly Activities Report released on 30 April 2021*). The contract has an initial term of 5 years with an option to extend upon mutual agreement, with a revised price to be agreed prior to the commencement of Year 4 to reflect any changes in market conditions prior to that date. The contract grants MSI exclusivity in China over the PRM material for the duration of the contract to allow them to appropriately market the product to end users.

In ongoing discussions, MSI have indicated that they have longer-term demand for additional quantities of both Great White PRM and CRM, which gives the joint venturers confidence regarding a strategy of construction of a modest upfront processing plant to be followed by an expansion of the plant to 500,000kpta feed rate full capacity within 2 years of first production. The signed offtake agreement includes a non-binding clause whereby both parties agree the intention is to increase transacted volumes of refined kaolin from the initial binding 70,000 tpa +/- 10% to an aspirational quantity of 150,000tpa 2 years following first production. This aspirational quantity aligns with the joint venturers expansion plans for the Project, with final negotiations to take place at a future date.

The offtake agreement signed with MSI does contain a number of conditions precedent to be met in respect to a final decision to mine and investment decision required to be made by the joint venture partners, receipt of all mining approvals and achievement of commercial levels of production for the Project during 2022.

MSI are supported in this offtake agreement by Jiangsu Holly International Technical Engineering Co. Ltd (Holly), an engineering and industrial enterprise with extensive business relationships throughout China, as financier to the transaction. Holly is a manufacturer and trader based in Nanjing, Jiangsu province which has an annual import and export turnover of approximately AUD 400 million.

The Great White Kaolin Project's Asian marketing agent, Conrad Partners, were instrumental in delivering the offtake agreement with MSI on behalf of the joint venture partners.

#### **About MSI**

Jiangsu Mineral Sources International Trading Co., Ltd (MSI) is a trading house based in the city of Zhenjiang, Jiangsu province, China. In addition to trading in bulk bauxite and other non-ferrous commodities, MSI are active in mineral sands products, providing zircon sourced from prominent Australian and African producers to Chinese ceramic manufacturers. MSI are well positioned within both the coatings and polymers and

ceramics industries to sell and deliver Great White refined kaolin products to end users throughout China, particularly those located along the Yangtze River Transport Corridor. MSI has a large, well established warehousing facility which includes 18,000m<sup>2</sup> under enclosed storage in Zhenjiang from which it can receive shipments of Great White PRM and CRM, for storage and distribution. Further information about MSI can be found on their website at [www.gmineralsources.com](http://www.gmineralsources.com)

## Great White Kaolin Project

The Great White Kaolin Project covers two main geographic areas of interest, both situated in the western province of South Australia (Figure 1). The current main area of focus for the Project is on the Eyre Peninsula which comprises four tenements and is located approximately 635 kms west by road from Adelaide and 130 kms south-east from Ceduna (Figure 2). The Project is a joint venture between Andromeda Metals and Minotaur Exploration Limited (ASX: MEP) in which ADN holds a 75% equity interest.

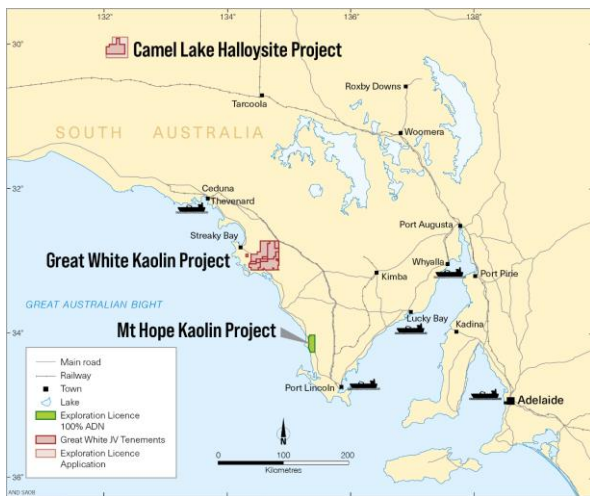


Figure 1 - Project Location Plan

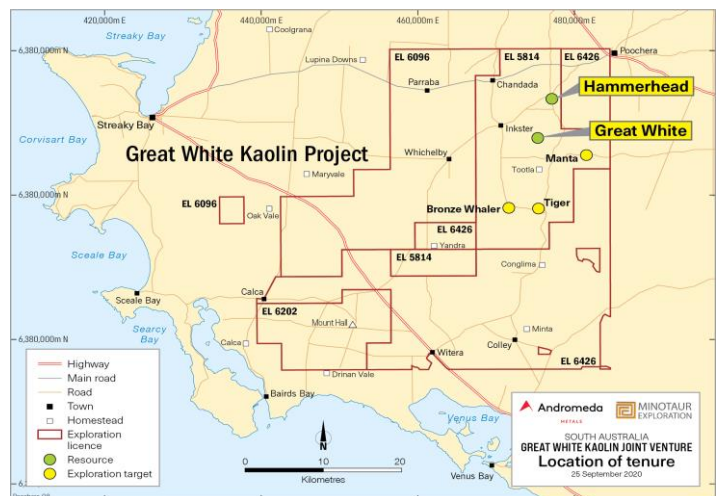


Figure 2 - Great White Joint Venture tenements

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

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### Competent Person's Statements

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 undertaken 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.