

Quarterly Report

Period ended 31 December 2021



Minotaur Exploration Limited | ACN 108 483 601 | ASX: MEP
minotaurexploration.com.au

CORPORATE

Minotaur held cash of \$2.29 million at the end of the December Quarter, during which exploration expenditure amounted to A\$2.2 million.

Takeover Offer and Demerger

Andromeda Metals Ltd (ASX: ADN) lodged with Minotaur a scrip for scrip takeover offer on 9 November 2021. By a subsequent Bid Implementation Agreement Andromeda and Minotaur agreed to put the offer to Minotaur's shareholders. A Bidder's Statement and Target's Statement were released on 3 December 2021. Minotaur's directors unanimously recommended acceptance of the offer which Andromeda stated is due to close on 31 January 2022, unless extended or withdrawn at Andromeda's discretion. As at 18 January Andromeda had received acceptances for 59% of Minotaur's issued shares.

The takeover is conditional, primarily, on Minotaur's shareholders approving the separation of Minotaur's non-kaolin assets and their transfer to subsidiary Demetallica Ltd, with Demetallica to be formally demerged from Minotaur. Subject to that approval at a meeting on 20 January 2022 Minotaur's ~3,300 shareholders will receive approx. 1,000 new shares in Demetallica for each 20,000 Minotaur shares held as at the Record Date of 27 January 2022. Demetallica will then prepare for an initial public offering (IPO) and listing on ASX, anticipated to be early April 2022.

With satisfaction of the takeover pre-conditions a change of control will occur and existing Minotaur directors will be replaced by nominees of Andromeda. Should Andromeda succeed in its aspiration to achieve 90% acceptances and then move to compulsory acquisition of the minority holdings, this Quarterly report may be Minotaur's final edition.

Demetallica's Prospects

A joint venture was agreed with OZ Minerals for participation in Minotaur's 'frontier' Peake and Denison project, details of which were published on 1 December 2021.

OZ Minerals and Minotaur transacted sale of OZ Minerals' interests in the Eloise JV (70%) and Jericho JV (80%) for staged cash payments of \$6.6 million and contingent performance payments linked to publication of a pre-feasibility study (\$2.75 million) and resource upgrades (up to US\$8.82 million). Refer announcement dated 9 December 2021 for details. Minotaur's acquisitions of those interests and preceding purchase (24 August 2021) of Sandfire Resources' interests in the Altia polymetallic deposit (60%) and surrounding tenements (100%) consolidate a strategic land position around the Eloise copper-gold mine, south-east of Cloncurry, Queensland. Demetallica has named the Cloncurry asset group the Chimera Polymetal Project.

Offering a mix of copper-gold and base metal mineral deposits the Chimera Polymetal Project cements the foundation for Demetallica's IPO and complements other very prospective projects in the stable such as Pyramid, Windsor (both in Queensland) and Peake and Denison (in South Australia).

Exploration

Minotaur completed drilling of The Gap and Maxwell's EM targets on the Chimera Polymetal Project in northwest Queensland and sample collection for the copper isotope-in-groundwater survey at the Windsor project in northeast Queensland (Figure 1). Planned drilling of the Jericho copper-gold deposit - the cornerstone asset of the Chimera Polymetal Project - and the Pyramid gold project in northeast Queensland, were postponed due to access issues relating to early onset of the Monsoon wet. Drilling at the Peake and Denison project in South Australia will start in March 2022.

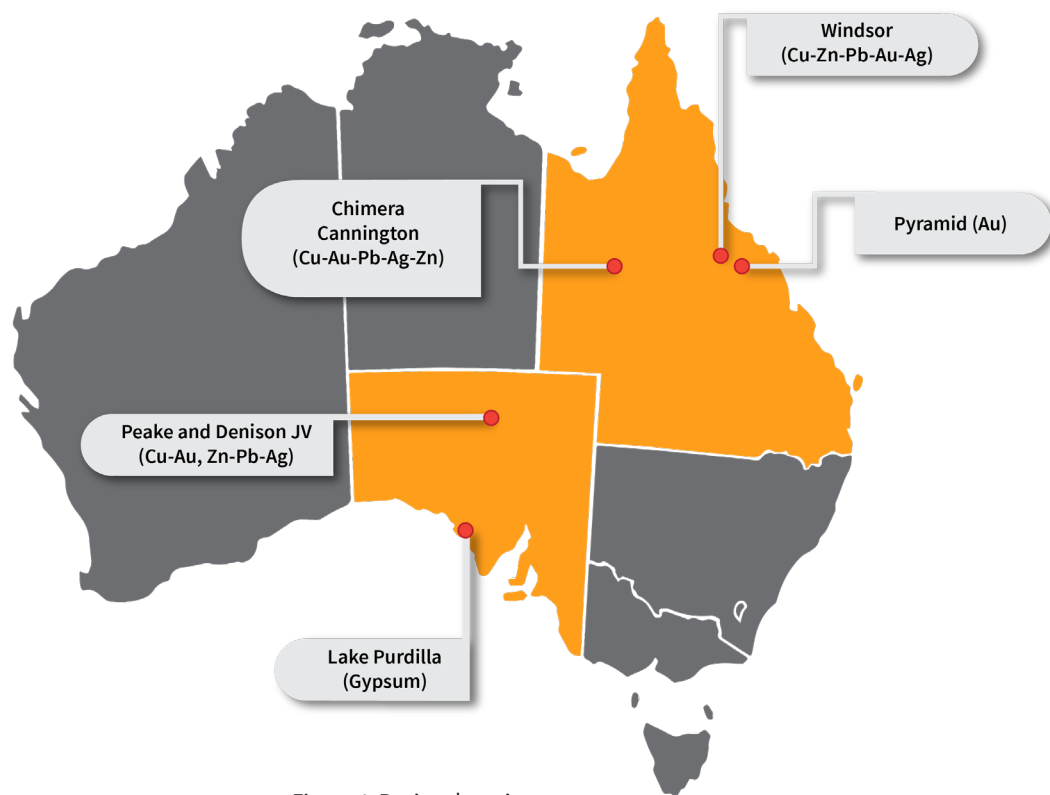


Figure 1: Project location map

Queensland

Chimera Polymetal Project (MEP 100%)

Drilling at The Gap and Maxwell's targets, south of Cloncurry in northwest Queensland, targeted ground EM conductor anomalies seeking Iron Sulphide Copper-Gold (ISCG) style mineralisation. Four RC drill holes were completed, all intersecting highly graphitic schist with only minor sulphide to adequately explain the source of the conductors.

Drilling planned at Jericho copper-gold deposit was not conducted due to an early rain event preventing access. A substantive drilling program will be conducted in 2022 by Demetallica immediately after the company lists on the ASX.

Pyramid Gold Project (MEP 100%)

A planned 10-hole, 1,500m RC drill program, testing five targets for gold mineralisation, was postponed due to wet weather restricting access and will be conducted in Q2 of 2022 by Demetallica.

Windsor Project (MEP 100%)

Sampling is complete for the innovative copper isotope characterisation of groundwater searching for indications of buried Volcanogenic Massive Sulphide (VMS) base metal deposits within the Windsor project area. Results are not expected for several months due to the complex array of analytical techniques employed to evaluate the water samples, including isotope analyses to be conducted in the USA.

South Australia

Peake & Denison JV (MEP 100%, OZL earning 70%)

Three priority targets are to be drill investigated under the recently formed Farm-in and Joint Venture (JV) with OZ Minerals, field preparations having been completed during the Quarter. The JV is primarily targeting Cloncurry-style Iron-Oxide Copper-Gold mineralisation associated with discrete magnetic anomalies in covered basement rocks. Drilling by Demetallica is planned to commence early March 2022.

Great White Kaolin-Halloysite Project (ADN 75%; MEP 25%)

Minotaur and Andromeda Metals are joint venture partners in the Great White Kaolin-Halloysite Project and in Natural Nanotech Pty Ltd (NNT). Through Andromeda's off-market scrip offer to acquire all Minotaur's shares on issue, the kaolin-based assets will become wholly Andromeda owned, allowing more flexibility to the operator (Andromeda) and improving prospects for debt funding attraction. Subject to pre-conditions the offer is due to close on 31 January 2022 and Minotaur will become a wholly owned or controlled subsidiary of Andromeda.

Andromeda maintains its guidance that the definitive feasibility study will be published in Q2 of 2022 and Minotaur shareholders, having accepted Andromeda paper, will be directly exposed to the benefits of the DFS.

Compliance Statement

Payments made under a commercial lease agreement to a related entity of Dr Antonio Belperio, a Director of the Company, are reported in Appendix 5B, Section 6.1.

December 2021 Quarter ASX Announcements

The following significant announcements were lodged with ASX during the December Quarter:

- Great White JV technology advances, 1 October 2021
- Andromeda and Minotaur to combine, 10 November 2021
- OZ Minerals farms-in to \$10M JV at Peake and Denison, 1 December 2021
- Target's Statement, 3 December 2021
- Jericho copper acquisition to cornerstone Demetallica IPO, 9 December 2021
- Short Form Prospectus, 16 December 2021
- Company presentation, Demetallica, 16 December 2021