



Andromeda

METALS

FINANCIAL REPORT

For the Half-Year Ended

31 December 2016

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Directors' Report

The names of the Directors of the company during the half-year and as at the date of this report are:

Colin G Jackson
Chairman

MSc, BSc (Hons), DIC, Grad Dip Bus Admin

Christopher G Drown
Managing Director

BSc (Hons), MAusIMM, MAICD

Nicholas J Harding
Executive Director and Company Secretary

FCPA, F Fin, AGIA, ACIS

Jonathan P Buckley
Non Executive Director and Audit and Risk Committee Chairman

BEd, Grad Dip (App Fin)

Operating and Financial Review

Strategy

To achieve the goal of growing shareholder wealth, Andromeda Metals' directors have implemented a company strategy comprising the following key principles:

- The Company will maintain a primary focus on gold exploration, with copper a secondary target commodity. Directors consider the outlook for these metals remains positive, and believe these are commodities well suited to Andromeda Metals' skill base. The principle focus for the 2016/17 financial year will be to advance the Eyre Peninsula Gold Project towards mine development.
- The Company's Board believes it is in shareholders' best interests to retain maximum equity in its tier one projects unless third party relationships provide a combination of increased project certainty and a reduction in financial risk and shareholder dilution.
- The Company will pursue opportunities which have potential to unlock value in its other mineral assets, and will maintain an active lookout for quality new projects in Australia and overseas.
- The Company's objective is to build shareholder wealth while adhering to principles of good corporate governance, caring for its employees, conducting its operations in an environmentally sensitive manner, and maintaining respect for other stakeholders and for the communities in which it operates.

Financial Results

The net result of operations for the six months ending 31 December 2016 was a loss after income tax of \$3,945,175 (2015: loss of \$1,036,815).

Exploration expenditure for the six months was \$585,867, the majority of which was directed to the Eyre Peninsula Gold Project. Administration expenses and employee benefits for the six months totalled \$392,381 which is inclusive of valuation costs of shares issued to employees under the Company's Loan Funded Employee Share Plan. At the 31 December 2016 the Company held cash and cash equivalents totalling \$297,901.

In July 2016 the Company completed a share placement with subscribers receiving shares issued at 1.9 cents each. The placement raised a total of \$816,050 before costs.

A number of cost saving initiatives to conserve cash for direct exploration activities implemented in early 2016 remain in place. These include cuts to staff and executive director salaries, non-statutory employee benefits and renegotiation of administrative costs including office rental and share registry services. Further cost saving measures were implemented in early 2017 including the deferral of non-executive director fees, additional staff number reductions and an additional reduction in executive director salaries.

Review of Operations

In the half year ended 31 December 2016 Andromeda Metals' exploration effort focused on advancing the Eyre Peninsula Gold Project (including the Wudinna Gold Camp). The Company announced the formation of the Rover Farm-in and Joint Venture agreement with Emmerson Resources Limited, while activity continued on the Thurlga Joint Venture with Investigator Resources Limited. Activity on the Moonta Copper Gold Project was directed towards attracting third party investment. Tenement rationalisation was accelerated.

Eyre Peninsula Gold Project

Andromeda Metals' Eyre Peninsula Gold Project comprises eight tenements securing an area of 2,807 km² in the Gawler Craton. The Company's focus was directed towards advancing the wholly owned Wudinna Gold Camp, a cluster of gold prospects including the Barns, White Tank and Baggy Green deposits, into production.

Early in the reporting period the Company released a Mineral Resource estimate for the Barns deposit of 2.11 million tonnes at 1.6g/t gold for 107,000 ounces of gold using a 0.5g/t gold cut-off grade. Independent consultant Mining Plus Pty Ltd and Andromeda Metals assumed joint responsibility for the Mineral Resource.

An assessment of the Barns resource found that increasing the resource base in the Barns Gold Camp by adding further shallow resources would improve the robustness of the project. The Baggy Green prospect offered an opportunity to deliver additional resources, and a 23 hole, 1,515 metre reverse circulation drilling programme was completed later in the reporting period.

As one of the goals of the programme was the definition of shallow ounces, drilling targeted mineralisation commencing within 100 metres of the surface. Additionally, hole spacings were designed to be close enough for use in mineral resource estimation.

Results included the two best intersections recorded to date from the prospect. Adjacent 50 metre spaced holes BGRC-1222 and BGRC-1223 recorded 16 metres at 5.72g/t gold and 11 metres at 9.32g/t gold respectively.

Modelling of the mineralised zone at Baggy Green confirmed the presence of a gently dipping, coherent zone of gold mineralisation persisting for 500 metres along strike, and remaining open to the north, south and at depth.

The Baggy Green exploration database and the deposit model, together with the data for the White Tank deposit, were presented to independent consulting group Mining Plus Pty Ltd for block modelling, grade interpolation and estimation of Mineral Resources.

In January 2017, the Company announced an increased consolidated Mineral Resource for the Wudinna Gold Camp totalling 3.84 million tonnes at 1.62g/t gold for 200,300 ounces using a 0.5g/t gold cut-off grade. The total comprises 0.38 million tonnes at 1.40g/t gold for 17,000 ounces of

Indicated Resources and 3.469 million tonnes at 1.64g/t gold for 183,300 ounces of Inferred Resources.

Metallurgical testwork on Barns gold mineralisation was completed during the reporting period, with supergene zone and primary zone composite samples prepared from diamond drill core and submitted to a specialist laboratory for testing.

The testwork results were announced in January 2017. Gold recoveries were excellent, ranging from 96.9% to 98.8% using gravity and cyanide leach, with the recoveries achieved with low lime addition (0/2kg/t) and modest cyanide additions (approx. 1kg/t), presenting a viable conventional flowsheet to treat all ore types.

Thurlga Joint Venture

The Thurlga Joint Venture with Investigator Resources Limited covers one of the Company's Eyre Peninsula tenements. Previous exploration has identified five geochemical and geophysical anomalies scheduled for drill testing in early 2017. An aboriginal heritage clearance survey was completed in November 2016 over the target areas, finding no sites that would impact on the planned drilling programme.

Drummond Epithermal Gold Project

Andromeda Metals holds 100% equity in four tenements securing an area of 838 km² in the northern Drummond Basin in Queensland. The Drummond Basin is prospective for high-grade epithermal gold deposits such as the Pajingo Field which has produced approximately 3 million ounces of gold.

On-ground exploration in the 6 months preceding the current reporting period defined a number of targets that warrant drill testing. These targets include the Bunyip, Poppi's, Roo Tail and East Central Limey Dam prospects.

With the Company focusing its efforts on the Eyre Peninsula, work on the Drummond project was restricted to planning and budgeting of a drilling programme to test the four targets listed above.

Two tenement application lodged in early 2016 were granted during the reporting period, adding 564 km² of additional ground available for on-ground exploration. Both of the new tenements capture historical gold prospects reported to be of epithermal style.

Rover Farm-in and Joint Venture

On 15 November 2016 the Company announced that it had executed a Heads of Agreement with Tennant Creek focussed explorer Emmerson Resources Limited ("ERM") to form the Rover Farm-in and Joint Venture over the Company's 100% owned Rover Cooper Gold Project in the Northern Territory.

Under the terms of the Agreement, ERM will sole fund \$2.0 million within 3 years of execution to earn a 51% equity position, following which it can elect to sole fund a further \$2.0 million over an additional 3 year period to increase its equity to 75%.

An unincorporated joint venture can be form once ERM has spent \$2.0 million, after which each party will contribute to expenditure in accordance with their respective equity, or dilute down using a standard industry formula.

ERM must spend at least \$0.5 million in the first year of the farm-in before it has a right to withdraw, and will act as manager and operator during the farm-in and thereafter while it holds majority equity.

The deal with ERM will see a renewed period of exploration activity on these highly prospective copper-gold tenements.

Lithium Projects

A rock chip sampling programme on exploration licence EL31211 in the Davenport Province in the Northern Territory failed to find lithium but recorded significant tungsten, with grades of up to 1.41% WO₃ recorded in samples collected from the Juggler prospect. A trial FPXRF soil survey identified anomalous tungsten, suggesting the method can be used as an effective exploration tool.

In light of likely access impediments and the increasing number of successful lithium exploration programmes being reported which have potential to significantly impact supply, the Company resolved not to advance any of the South Australian salt lake tenement applications to grant.

Moonta Copper Gold Project

The Company is exploring potential opportunities to deal the Moonta Copper Gold Project. During the reporting period two parties reviewed the project, with discussions with one of these parties terminating after the reporting period end.

Outlook and Future Developments

The planned exploration programme for the second half of the 2016/17 financial year includes:

- Economic modelling using the increased Mineral Resources and deposit models of the Wudinna Gold Camp, and incorporating the positive Barns metallurgical results and indicative processing flow sheet;
- Metallurgical testwork for Baggy Green using mineralised drill samples retained after the recent drill programme;
- Step-out exploration drilling at Baggy Green and other Wudinna Gold Camp targets to further grow the local resource base;
- At Drummond, drill testing of Bunyip and one or more of Poppi's Roo Tail and East Central Limey Dam;
- Low cost surface prospecting, rock chip sampling and FPXRF soil geochemistry on the two new tenements in the Drummond Basin granted in late 2016;
- On ground exploration is also anticipated on the Thurlga and Rover joint ventures.

Programmes funded by Andromeda Metals are contingent on the Company having adequate financial capacity to initiate and complete them.

Competent Person and JORC 2012 Compliance Statements

Exploration Results

The information in this Prospectus that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Chris Drown, a Competent Person, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Drown is employed by Drown Geological Services Pty Ltd and consults to the Company on a full time basis. Mr Drown has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Drown consents to the inclusion in the Prospectus of the matters based on his information in the form and context in which it appears.

Wudinna Gold Camp Mineral Resource Estimates

The information in this Prospectus relating to the Mineral Resource Estimates for the Barns, Baggy Green and White Tank gold deposits is extracted from reports entitled "Maiden 107,000 ounce gold resource estimated for Barns deposit." created on 19 July 2016; and "Wudinna Gold Camp Mineral Resource jumps to 200,000 ounces of gold." created on 23 January 2017. Both reports are available to view on www.andromet.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Persons' findings are presented have not been materially modified from the original market announcements.

Barns metallurgical testwork

The information in this Prospectus relating to metallurgical testwork conducted on the Barns gold deposit is extracted from a report entitled "Barns metallurgy results deliver 97% plus gold recovery with conventional flowsheet." created on 16 January 2017. The report is available to view on www.andromet.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Change of Company Name

On 16 December 2016 the Company changed its name from Adelaide Resources Limited to Andromeda Metals Limited.

Subsequent Events

There has not been any matter or circumstance occurring subsequent to the end of the half-year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or state of affairs of the Group in future financial years.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 8 of the half year financial report.

Dated at Adelaide this 15th day of March 2017 and signed in accordance with a resolution of the directors.



CG Drown
Managing Director



J P Buckley
Non-Executive Director

15 March 2017

The Board of Directors
Andromeda Metals Limited
69 King William Road
UNLEY SA 5061

Dear Board Members

Re: Andromeda Metals Limited


In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Andromeda Metals Limited.

As lead audit partner for the review of the financial statements of Andromeda Metals Limited for the half-year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review

Yours sincerely


DELOITTE TOUCHE TOHMATSU


Darren Hall
Partner
Chartered Accountants

**Condensed Consolidated Statement of Profit or Loss and Other
Comprehensive Income
for the Half-Year ended 31 December 2016**

| | Half-Year Ended 31/12/16 | Half-Year Ended 31/12/15 |
|---|-----------------------------|-----------------------------|
| | \$ | \$ |
| Revenue (Bank interest) | 3,436 | 10,487 |
| Other income (Note 2) | 37,334 | 50,650 |
| Impairment of exploration expenditure (Note 3) | (3,342,348) | - |
| Exploration expenditure written-off (Note 3) | (219,219) | (473,196) |
| Administration expenses | (153,286) | (244,730) |
| Corporate consulting expenses | (122,390) | (142,012) |
| Company promotion | (38,801) | (42,926) |
| Salaries and wages | (3,322) | (33,043) |
| Directors fees | (46,060) | (46,060) |
| Occupancy expenses | (27,600) | (43,091) |
| Share based remuneration | (922) | (19,211) |
| Loss before income tax | (3,913,178) | (983,132) |
| Income tax expense | (31,997) | (53,683) |
| Loss for the period | (3,945,175) | (1,036,815) |
| Other comprehensive income | - | - |
| Total comprehensive income for the period (loss) | (3,945,175) | (1,036,815) |
| Earnings Per Share | | |
| Basic (cents per share) – (Loss) | (1.01) | (0.32) |
| Diluted (cents per share) – (Loss) | (1.01) | (0.32) |

The above Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

**Condensed Consolidated Statement of Financial Position
as at 31 December 2016**

| | 31/12/16 | 30/06/16 |
|---|------------------|-------------------|
| | \$ | \$ |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 297,901 | 348,398 |
| Trade and other receivables | 51,309 | 54,305 |
| TOTAL CURRENT ASSETS | 349,210 | 402,703 |
| NON CURRENT ASSETS | | |
| Exploration and evaluation expenditure (Note 3) | 7,002,888 | 9,978,588 |
| Plant and equipment | 10,694 | 24,920 |
| Other financial assets | 112,671 | 100,171 |
| TOTAL NON CURRENT ASSETS | 7,126,253 | 10,103,679 |
| TOTAL ASSETS | 7,475,463 | 10,506,382 |
| CURRENT LIABILITIES | | |
| Trade and other payables | 148,527 | 195,964 |
| Provisions | - | - |
| TOTAL CURRENT LIABILITIES | 148,527 | 195,964 |
| NON-CURRENT LIABILITIES | | |
| Provisions | 8,936 | 11,626 |
| Other liabilities | 979,061 | 793,400 |
| TOTAL NON-CURRENT LIABILITIES | 987,997 | 805,026 |
| TOTAL LIABILITIES | 1,136,524 | 1,000,990 |
| NET ASSETS | 6,338,939 | 9,505,392 |
| EQUITY | | |
| Issued capital (Note 4) | 37,812,667 | 37,034,867 |
| Reserves | 22,484 | 26,984 |
| Accumulated losses | (31,496,212) | (27,556,459) |
| TOTAL EQUITY | 6,338,939 | 9,505,392 |

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Changes in Equity for the Half-Year ended 31 December 2016

| | Issued capital | Employee Equity- Settled Benefits Reserve | Accumulated losses | Total |
|---|-------------------|---|-----------------------|-------------|
| | \$ | \$ | \$ | \$ |
| Balance at 1 July 2015 | 36,233,820 | 11,784 | (23,616,135) | 12,629,469 |
| Loss attributable to the period | - | - | (1,036,815) | (1,036,815) |
| Total comprehensive income for the period | - | - | (1,036,815) | (1,036,815) |
| Issue of share capital through a share purchase plan and top-up placement at 2.0 cents | 927,533 | - | - | 927,533 |
| Costs associated with the issue of shares | (178,942) | - | - | (178,942) |
| Related income tax | 53,683 | - | - | 53,683 |
| Fair value of performance rights issued to employees | - | 16,281 | - | 16,281 |
| Fair value of shares issued to employees under the loan funded employee share plan | - | 2,930 | - | 2,930 |
| Balance at 31 December 2015 | 37,036,094 | 30,995 | (24,652,950) | 12,414,139 |
| Balance at 1 July 2016 | 37,034,867 | 26,984 | (27,556,459) | 9,505,392 |
| Loss attributable to the period | - | - | (3,945,175) | (3,945,175) |
| Total comprehensive income for the period | - | - | (3,945,175) | (3,945,175) |
| Issue of share capital through a placement at 1.9 cents | 816,050 | - | - | 816,050 |
| Broker incentive shares associated with placement | 35,190 | - | - | 35,190 |
| Costs associated with the issue of shares | (106,658) | - | - | (106,658) |
| Related income tax | 31,997 | - | - | 31,997 |
| Shares issued on the exercise of listed options | 1,221 | - | - | 1,221 |
| Fair value of shares issued to employees under the loan funded employee share plan | - | 20,488 | - | 20,488 |
| Transfer of cancelled shares under the loan funded employee share plan as conditions not achieved | - | (24,988) | 5,422 | (19,566) |
| Balance at 31 December 2016 | 37,812,667 | 22,484 | (31,496,212) | 6,338,939 |

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Cash Flows for the Half-Year ended 31 December 2016

| | Half-Year Ended 31/12/16 Inflows (Outflows) \$ | Half-Year Ended 31/12/15 Inflows (Outflows) \$ |
|---|--|--|
| Cash flows related to operating activities | | |
| Payments to suppliers and employees | (377,819) | (538,722) |
| Net operating cash flows | (377,819) | (538,722) |
| Cash flows related to investing activities | | |
| Interest received | 3,626 | 10,828 |
| Payments for exploration and evaluation expenditure | (597,546) | (1,039,353) |
| Payment of environmental bonds | (12,500) | - |
| Proceeds received from R&D claim | 179,529 | - |
| Proceeds received from government grants | - | 100,000 |
| Proceeds from sale of plant and equipment | 22,000 | - |
| Payments for plant and equipment | (3,057) | - |
| Net investing cash flows | (407,948) | (928,525) |
| Cash flows related to financing activities | | |
| Proceeds from share issues | 817,271 | 927,533 |
| Payment for share issue costs | (82,001) | (178,942) |
| Net financing cash flows | 735,270 | 748,591 |
| Net (decrease)/increase in cash and cash equivalents | (50,497) | (718,656) |
| Cash and cash equivalents at beginning of financial period | 348,398 | 1,603,699 |
| Cash and cash equivalents at end of financial period | 297,901 | 885,043 |

The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

Half-Year ended 31 December 2016

1. BASIS OF PREPARATION OF ACCOUNTS

This half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting". The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

The accounting policies adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the 2016 annual financial report.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

Going concern

The financial report has been prepared on the going concern basis, which assumes that the Group will be able to realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report.

For the half-year ended 31 December 2016 the Group incurred a net loss of \$3,945,175 (31 December 2015: \$1,036,815), had a net cash outflow from operating activities of \$377,819 (31 December 2015: \$538,722) and a net cash outflow from investing activities (principally exploration and evaluation expenditure) of \$407,948 (31 December 2015: \$928,525). At 31 December 2016, the Group has cash and cash equivalents of \$297,901 (30 June 2016: \$348,398).

The directors have prepared cash flow forecasts which indicate that the current cash resources will not be sufficient to fund planned exploration and working capital requirements without the raising of additional funds, and unless additional funding is obtained, cash resources will be exhausted by 31 May 2017. The Company will be required to raise additional funding (which may include a pro-rata issue to shareholders, placement of shares or a sale or partial sale of some of the Group's exploration interests) of at least \$2,000,000 to meet its planned exploration and working capital requirements through to 31 March 2018, with the first tranche of at least \$300,000 of this additional funding required by 31 May 2017. The Company continues to review various capital raising and sale/partial sale of exploration interest opportunities.

Based on the Group's cash flow forecast and achieving the funding referred to above, the directors believe that the Group will be able to continue as a going concern.

Should the Company be unable to raise the funding referred to above, there is a material uncertainty as to whether the Group will continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts and the amount and classification of liabilities that might be necessary should the Group not continue as a going concern.

2. OTHER INCOME

| | Half-Year Ended 31/12/16 \$ | Half-Year Ended 31/12/15 \$ |
|--------------------------|--------------------------------------|--------------------------------------|
| Profit on sale of assets | 19,466 | - |
| Government grant | 17,868 | 50,000 |
| Other | - | 650 |
| | <u>37,334</u> | <u>50,650</u> |

3. EXPLORATION AND EVALUATION EXPENDITURE

| | Half-Year Ended 31/12/16 \$ | Half-Year Ended 31/12/15 \$ |
|--------------------------------------|--------------------------------------|--------------------------------------|
| Costs brought forward | 9,978,588 | 11,759,726 |
| Expenditure incurred during the year | 585,867 | 822,674 |
| | <u>10,564,455</u> | <u>12,582,400</u> |
| Expenditure impaired | (3,342,348) | - |
| Expenditure written off | (219,219) | (473,196) |
| | <u>7,002,888</u> | <u>12,109,204</u> |

The Group is currently in discussions with a third party over one of its projects. The Directors have therefore impaired the capitalised exploration associated with this project to the indicative value as calculated from the proposed terms under consideration. As at the date of this report no formal arrangement has been entered into.

Expenditure written off relates to exploration and evaluation expenditure associated with tenements or parts of tenements that have been, or are likely to be, surrendered \$219,219 (2015: \$473,196).

The recoverability of the carrying value of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

4. ISSUED CAPITAL

| | Half-Year Ended 31/12/16 \$ | Half-Year Ended 31/12/15 \$ |
|----------------------------|--------------------------------------|--------------------------------------|
| Fully paid ordinary shares | 37,935,587 | 37,106,094 |
| Treasury shares | (122,920) | (70,000) |
| | <u>37,812,667</u> | <u>37,036,094</u> |

Movement in issued shares for the year:

| | Half-Year Ended 31/12/16 No. | Half-Year Ended 31/12/16 \$ | Half-Year Ended 31/12/15 No. | Half-Year Ended 31/12/15 \$ |
|---|---------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|
| <u>Fully paid ordinary shares</u> | | | | |
| Balance at 1 July | 361,326,414 | 37,157,787 | 304,545,685 | 36,233,820 |
| Placement at 1.9 cents | 42,950,000 | 816,050 | - | - |
| Broker incentive shares associated with placement | 1,466,232 | 35,190 | - | - |
| Exercise of listed options | 24,417 | 1,221 | - | - |
| Share issue under the Loan Funded Employee Share Plan at 1.0 cent | - | - | 7,000,000 | 70,000 |
| Share Purchase Plan and top-up placement at 2.0 cents | - | - | 46,376,667 | 927,533 |
| Unallocated shares held for the loan funded employee share plan | | | | |
| Costs associated with the issue of shares | - | (106,658) | - | (178,942) |
| Related income tax | - | 31,997 | - | 53,683 |
| Balance at 31 December | <u>405,767,063</u> | <u>37,935,587</u> | <u>357,922,352</u> | <u>37,106,094</u> |
| <u>Treasury shares</u> | | | | |
| Balance at 1 July | (9,940,000) | (122,920) | - | - |
| Share issue under the Loan Funded Employee Share Plan at 1.0 cent | - | - | (7,000,000) | (70,000) |
| Balance at 31 December | <u>(9,940,000)</u> | <u>(122,920)</u> | <u>(7,000,000)</u> | <u>(70,000)</u> |
| Total issued capital | <u>395,827,063</u> | <u>37,812,667</u> | <u>350,922,352</u> | <u>37,036,094</u> |

5. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no changes in contingent liabilities or contingent assets from those disclosed in the annual report for the year ended 30 June 2016.

6. SEGMENT INFORMATION

The Group has a number of exploration licenses in Australia which are managed on a portfolio basis. The decision to allocate resources to individual projects in the portfolio is predominantly based on available cash reserves, technical data and the expectations of future metal prices. Accordingly, the Group effectively operates as one segment, being exploration in Australia. This is the basis on which internal reports are provided to the Directors for assessing performance and determining the allocation of resources within the Group.

7. SUBSEQUENT EVENTS

There has not been any matter or circumstance occurring subsequent to the end of the half-year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or state of affairs of the Group in future financial years.

Directors' Declaration

The directors declare that:

- (a) In the directors' opinion, there are reasonable grounds to believe that the disclosing entity will be able to pay its debts as and when they become due and payable; and
- (b) In the directors' opinion, the financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to Section 303(5) of the Corporations Act 2001

On behalf of the directors



CG Drown
Managing Director



J P Buckley
Non-Executive Director

Adelaide, South Australia
15th March 2017

Independent Auditor's Review Report to the Members of Andromeda Metals Limited

We have reviewed the accompanying half-year financial report of Andromeda Metals Company Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2016, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, and a summary of significant accounting policies and other explanatory information, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 9 to 17.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Andromeda Metals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Andromeda Metals Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of Andromeda Metals Limited is not prepared, in all material respects, in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Material Uncertainty Relating to Going Concern

We draw attention to Note 1 in the financial report which indicates that for the half-year ended 31 December 2016 the consolidated entity incurred a net loss of \$3,945,175 (31 December 2015: \$1,036,815), had a net cash outflow from operating activities of \$377,819 (31 December 2015: \$538,722) and a net cash outflow from investing activities (principally exploration and evaluation expenditure) of \$407,948 (31 December 2015: \$928,525). At 31 December 2016, the consolidated entity has cash and cash equivalents of \$297,901 (30 June 2016: \$348,398). These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the consolidated entity to continue as a going concern. Our conclusion is not modified in respect of this matter.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Darren Hall
Partner
Chartered Accountants
Adelaide, 15 March 2017