



Andromeda

METALS

FINANCIAL REPORT

For the Half-Year Ended

31 December 2017

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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:

Rhoderick G J Grivas (appointed 27 October 2017) BSc (Geology), MAusIMM
Non-Executive Chairman

Christopher G Drown BSc (Hons), MAusIMM, MAICD
Managing Director

Nicholas J Harding FCPA, F Fin, AGIA, ACIS
Executive Director and Company Secretary

Andrew N Shearer (appointed 27 October 2017) BSc (Geology), Hons (Geophysics), MBA
Non-Executive Director and Audit and Risk Committee Chairman

Colin G Jackson (resigned 27 October 2017) MSc, BSc (Hons), DIC, Grad Dip Bus Admin

Jonathan P Buckley (resigned 27 October 2017) BEc, 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. However consideration of other commodities will be given should a new project opportunity present which the directors consider will be a suitable addition to the Company's project portfolio. With the recently announced joint venture over the Eyre Peninsula Gold Project, ADN's principle exploration focus for the 2017/18 financial year is now directed towards the Drummond and Pilbara Gold Projects.
- 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 2017 was a loss after income tax of \$480,959 (2016: loss of \$3,945,175).

Exploration expenditure for the six months was \$476,232, the majority of which was directed to the acquisition of the Pilbara Gold Project. Administration expenses and employee benefits for the six months totalled \$474,617 which is inclusive of valuation costs of shares issued to employees under the Company's Loan Funded Employee Share Plan and the valuation of options issued to new directors. At 31 December 2017 the Company held cash and cash equivalents totalling \$1,687,019.

In October 2017 the Company completed a Share Placement with subscribers receiving shares issued at 0.5 cents each along with a free attaching listed Option which has an exercise price of 1.2 cents and an expiry date of 30 November 2020. The placement raised a total of \$566,452 before costs. The Company also completed a Non-Renounceable Rights Issue and Shortfall Placement in December 2017 at an issue price of 0.5 cents which raised a further \$1,425,488 before costs. Rights Issue and Shortfall Placement participants also received a free attaching listed Option with an exercise price of 1.2 cents and an expiry date of 30 November 2020. In addition, \$50,096 was raised through the exercise of listed and unlisted options during the half-year.

Cost saving initiatives continued over the half year to conserve cash whilst the Company was pursuing new funding. Following completion of the Placement and Rights Issue, all outstanding fees to directors were settled through of combination of cash and the issue of shares as approved by shareholders at the 2017 Annual General Meeting.

On 27 October 2017, a Board restructure occurred with the appointment of Mr Rhod Grivas as Non-Executive Chairman and Mr Andrew Shearer as a Non-Executive Director, replacing Mr Colin Jackson and Mr Jonathan Buckley respectively.

Review of Operations

During the half-year ended 31 December 2017 Andromeda Metals' exploration effort was relatively subdued due to financial constraints. The Company announced the formation of the Wudinna Farm-in and Joint Venture agreement with Lady Alice Mines Pty Ltd, and acquired a new project in the Pilbara in addition to reacquiring a 100% interest in the Rover Gold Project through the early withdraw from the Rover Joint Venture by Emmerson Resources. Planning for a resumption of exploration drilling in the Drummond in the new calendar year commenced while a focus on securing third party investment in the in-situ recovery potential for the Moonta Copper Project was initiated.

Pilbara Gold Project

On 21 December 2017, following the undertaking of appropriate due diligence which included a site visit to specific tenements located in the Pilbara region in Western Australia, the Company completed the acquisition of Mylo Gold Pty Ltd and Frontier Exploration Pty Ltd, which together hold applications over three tenements prospective for conglomerate hosted gold mineralisation in the Pilbara. Total consideration paid to complete the transaction was \$100,000 in cash, \$25,000 of which was paid for the exclusive right to complete a one month due diligence investigation on the two companies and the associated tenements, and the issue of 30 million ADN shares to the vendors.

The Pilbara region has attracted significant attention following the discovery by Novo Resources of gold mineralisation hosted in conglomerate occurring near the base of the Fortescue Group, a sequence of Archaean volcanic and sedimentary rocks that outcrop over extensive areas in the Pilbara. The style of mineralisation is potentially analogous to the conglomerate hosted gold deposits of the Witwatersrand which have produced in excess of 1 billion ounces of gold, and so represent attractive exploration targets.

The Company is currently progressing the granting of the three tenements prior to commencing on-ground exploration.

Eyre Peninsula Gold Project

Andromeda Metals' Eyre Peninsula Gold Project comprises six tenements securing an area of 2,052 km² in the Gawler Craton. The Company's focus over recent years has been 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.

A consolidated Wudinna Gold Camp Mineral Resource totalling 3.84 million tonnes at 1.62g/t gold for 200,300 ounces using a 0.5g/t cut-off grade, comprising 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 183,000 ounces of Inferred Resources, has been prepared in accordance with the 2012 JORC code. In addition, metallurgical testwork undertaken on mineralised material sourced from both the Barns and Baggy Green deposits has produced excellent gold recovery results ranging from 96.9% to 98.8% at Barns and 97.5% to 99.3% at Baggy Green, suggesting that a metallurgical process comprising a combination of gravity concentration followed by cyanide leaching of the gravity concentrate and tailings could apply in treating ores sourced from both deposits.

Considerable costly work is still required to be spent on the Eyre Peninsula Gold Project before the Company can potentially move the project into production. This would include a significant amount of infill drilling to allow the reclassification of Inferred Resources to Indicated Resources, and thereby allowing Ore Reserves to be estimated, in addition to detailed optimisation studies of the metallurgical flowsheets, economic modelling, mine design and permitting.

On 31 October 2017 the Company announced the execution of a binding Heads of Agreement with Lady Alice Mines Pty Ltd (LAM) to form the Wudinna Gold Farm-in and Joint Venture over the Eyre Peninsula Gold Project. LAM is an Australian mineral exploration group owned by interests associated with geologist David Clarke and investment banker Bruce Parncutt AO. This agreement secures the funding required to significantly advance the project through to a decision to mine with Andromeda Metals retaining a minimum 25% equity position in the project on expenditure by LAM of up to \$5 million over a 6 year period.

The principal terms of the Wudinna Gold Farm-in and Joint Venture include:

- LAM will sole fund \$2.1 million within 3 years of execution to earn a 50% equity position (Stage 1 earn-in);
- At the end of Stage 1, a joint venture can be formed, or alternatively LAM can spend a further \$1.65 million over a further 2 years to earn a 65% equity interest (Stage 2 earn-in);
- At the end of Stage 2, a joint venture can be formed, or alternatively LAM can spend a further \$1.25 million over a further 12 months to earn a 75% equity interest (Stage 3 earn-in);
- Once a joint venture is formed, the parties will contribute to further expenditure in accordance with their respective equity, or dilute using a standard dilution formula;
- LAM must spend \$100,000 before it has a right to withdraw from the agreement, and must meet the requisite statutory expenditure requirements to keep the project tenements in good standing;
- LAM will act as manager during the farm-in and thereafter while ever it holds at least 50% equity;
- Subject to agreeing terms, Andromeda Metals will be contracted as operator for the first 12 months of the agreement, renewable annually at LAM's election.

Thurlga Joint Venture

Following completion of the \$750,000 expenditure commitment by Investigator Resources Limited (IVR) on the Thurlga tenement, IVR has now earned a 75% equity interest in the Thurlga Joint Venture. Exploration undertaken in fulfilling this expenditure requirement discovered significant graphite on the tenement. Scanning Electron Microscope analysis of the mineralisation has confirmed that the graphite is very fine grained and essentially amorphous. There are uses for amorphous graphite however the feedstock for these applications does not command premium prices.

IVR, as joint venture manager, presented Andromeda Metals with a proposed 2018 program and budget. After consideration the Company has elected not to contribute to the 2018 program and to thus dilute ADN's equity interest in the joint venture. Consequently if IVR sole-funds the proposed 2018 program, the Company's equity in the Thurlga Joint Venture will fall to approximately 20% by the end of the 2018 calendar year.

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.

The Company has defined the Bunyip prospect, which consists of a series of quartz veins having a combined total strike length of approximately 2000 metres, as having geological and geochemical features consistent with an epithermal system that has been eroded to only shallow levels and with potential for a gold zone to remain preserved at depth, as a high quality drill target.

It is planned to test the Bunyip target with a program of approximately 2000 metres of RC drilling in the first quarter of 2018. Drilling will test the Bunyip veins at various depths below the surface, with two or three holes planned on each section.

Rover Copper Gold Project

The Rover Copper Gold Project covers 287 km² in the Rover Field southwest of Tennant Creek in the Northern Territory. The Rover field is prospective for ironstone hosted copper-gold deposits geologically identical to deposits found in the Tennant Creek Field, many of which exhibited high grades allowing them to be profitably mined in the past.

In November 2016 the Company announced it had negotiated a farm-in and joint venture for the Rover Project with Emmerson Resources Limited (ERM). After completion of only a modest 3-D Induced Polarisation geophysical survey, which collected 13.5 line km of data over three targets, and the reprocessing of airborne magnetic data, ERM advised it wished to withdraw prematurely from the Rover Farm-in and Joint Venture, citing funding constraints as the reason for its decision to withdraw. As a result a cash settlement of \$145,000 was negotiated in settlement of ERM's early withdrawal, which was received by the Company in October 2017, and hence ADN has reverted back to 100% ownership of the Rover tenements.

Andromeda Metals' strategy remains to progress Rover through third party funding, and following the announcement of ERM's withdrawal, another interested party has approached the Company and is currently reviewing the project data under a confidentiality agreement.

Moonta Copper Gold Project

The Company's 100% owned Moonta Copper Gold Project is located towards the southern end of the world class Olympic Copper-Gold Province in South Australia, and captures the historical 'Copper Triangle' mining district.

During the half-year, an assessment of the potential to produce copper using in-situ recovery (ISR) methods at the Wombat and Bruce deposits located in the northern part of the Moonta tenement where copper mineralisation occurs in sub-vertical weathering troughs that extend hundreds of metres below the surface, was performed. The material in the troughs appears to be both porous and permeable, allowing lixiviant flow and copper contact, while the troughs are enclosed by fresh impermeable rock that can prevent lixiviant escape. Preliminary leach tests on composite samples from the Wombat and Bruce deposits confirm copper solubility of up to 65%.

A combined Exploration Target of 80 million to 120 million tonnes at a grade of 0.18% to 0.23% copper (145,000 to 275,000 copper tonnes) has been estimated for the Wombat and Bruce ISR opportunity, which is comparable to resources at international ISR copper projects. The potential tonnage and grade of the Exploration Target is conceptual in nature as there has been insufficient exploration to estimate a Mineral Resource, and it remains uncertain if further exploration will result in the estimation of a mineral resource.

The Company is currently in discussion with a group who recognise the ISR potential at the Wombat and Bruce deposits and possess the technical expertise and financial capacity to potentially advance the ISR project at Moonta.

Other Projects

An initial reconnaissance performed on the Prince of Wales tenement southwest of Coolgardie was performed during the half year. The tenement itself shows very little outcrop with a nickel and a number of gold anomalies that have been identified appearing not to have been previously tested. In addition a number of pegmatite veins were also encountered during the site visit.

Initial discussions were held with a third party in relation to the Newlands Creek tenement located in the Davenport Ranges area of the Northern Territory where ore grade tungsten values up to 1.41% WO₃ in a vein at the Juggler prospect was discovered in the previous year during a site visit by ADN geologists. No follow up interest to these discussions has been received from the third party to date.

Outlook and Future Developments

The planned exploration program for the second half of the 2017/18 financial year includes:

- Drill testing of Bunyip and potentially other targets identified at the Drummond Gold Project;
- Undertake initial field activities at the Company's newly acquired Pilbara Gold Project once tenement applications have been granted;
- Geological remodelling followed by targeted drilling at Barns and Baggy Green along with additional geochemical sampling and further metallurgical testwork to be undertaken by Lady Alice Mines as operator of the Wudinna Farm-in and Joint Venture agreement;
- Identification and evaluation of new project opportunities with the goal of improving the project portfolio of the Company;
- Continue to seek third party investment to advance the Company's Rover and Moonta Copper Gold Projects.

Competent Person and JORC 2012 Compliance Statements*Exploration Results*

The information in this report 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 report 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 report 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.

Wudinna Gold Camp metallurgical testwork

The information in this report relating to metallurgical testwork conducted on the Barns and Baggy Green gold deposits is extracted from reports entitled "Barns metallurgy results deliver 97% plus gold recovery with conventional flowsheet." created on 16 January 2017 and "Superb metallurgical gold recoveries to 99.3% at Baggy Green using conventional flowsheet" created on 6 July 2017. The 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 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.

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 9 of the half year financial report.

Dated at Adelaide this 13th day of March 2018 and signed in accordance with a resolution of the directors.



CG Drown
Managing Director

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

13 March 2018

Dear Board Members

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.

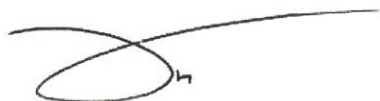
As lead audit partner for the review of the financial statements of Andromeda Metals Limited for the half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (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 2017**

	Half-Year Ended 31/12/17 \$	Half-Year Ended 31/12/16 \$
Revenue (Bank interest)	2,026	3,436
Other income (Note 2)	167,556	37,334
Impairment of exploration expenditure (Note 3)	-	(3,342,348)
Exploration expenditure written-off (Note 3)	(27,312)	(219,219)
Administration expenses	(159,672)	(153,286)
Corporate consulting expenses	(110,374)	(122,390)
Company promotion	(16,963)	(38,801)
Salaries and wages	(9,513)	(3,322)
Directors fees	(52,069)	(46,060)
Occupancy expenses	(27,600)	(27,600)
Share based remuneration	(98,426)	(922)
Loss before income tax	(332,347)	(3,913,178)
Income tax expense	(148,612)	(31,997)
Loss for the period	(480,959)	(3,945,175)
Other comprehensive income	-	-
Total comprehensive income for the period (loss)	(480,959)	(3,945,175)
Earnings Per Share		
Basic (cents per share) – (Loss)	(0.10)	(1.01)
Diluted (cents per share) – (Loss)	(0.10)	(1.01)

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 2017**

	31/12/17 \$	30/06/17 \$
CURRENT ASSETS		
Cash and cash equivalents	1,687,019	268,336
Trade and other receivables	50,593	36,912
TOTAL CURRENT ASSETS	1,737,612	305,248
NON CURRENT ASSETS		
Exploration and evaluation expenditure (Note 3)	4,807,142	4,358,222
Plant and equipment	4,107	4,260
Other financial assets	107,500	123,547
TOTAL NON CURRENT ASSETS	4,918,749	4,486,029
TOTAL ASSETS	6,656,361	4,791,277
CURRENT LIABILITIES		
Trade and other payables	256,029	195,705
Other liabilities	42,738	66,313
TOTAL CURRENT LIABILITIES	298,767	262,018
NON-CURRENT LIABILITIES		
Provisions	11,659	9,214
Other liabilities (Note 11)	888,152	888,152
TOTAL NON-CURRENT LIABILITIES	899,811	897,366
TOTAL LIABILITIES	1,198,578	1,159,384
NET ASSETS	5,457,783	3,631,893
EQUITY		
Issued capital (Note 4)	39,975,668	38,055,344
Reserves	422,958	36,433
Accumulated losses	(34,940,843)	(34,459,884)
TOTAL EQUITY	5,457,783	3,631,893

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 2017

	Issued capital	Share Option Reserve	Employee Equity- Settled Benefits Reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
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 condition not achieved	-	-	(24,988)	5,422	(19,566)
Balance at 31 December 2016	37,812,667	-	22,484	(31,496,212)	6,338,939
Balance at 1 July 2017	38,055,344	-	36,433	(34,459,884)	3,631,893
Loss attributable to the period	-	-	-	(480,959)	(480,959)
Total comprehensive income for the period	-	-	-	(480,959)	(480,959)
Issue of share capital through a placement at 0.5 cents	1,006,309	-	-	-	1,006,309
Issue of share capital through a rights issue at 0.5 cents	985,631	-	-	-	985,631
Costs associated with the issue of shares	(495,371)	279,165	-	-	(216,206)
Related income tax	148,612	-	-	-	148,612
Shares issued on the exercise of listed options	27,596	-	-	-	27,596
Transfer from other liabilities on exercise of listed options	4,635	8,934	-	-	13,569
Shares issued on the exercise of unlisted options	22,500	-	-	-	22,500
Issue of shares for acquisition of Pilbara tenements	180,000	-	-	-	180,000
Issue of shares as part payment of director fees	40,412	-	-	-	40,412
Fair value of options issued to new directors	-	87,240	-	-	87,240
Fair value of shares issued to employees under the loan funded employee share plan	-	-	11,186	-	11,186
Balance at 31 December 2017	39,975,668	375,339	47,619	(34,940,843)	5,457,783

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 2017

	Half-Year Ended 31/12/17 Inflows (Outflows) \$	Half-Year Ended 31/12/16 Inflows (Outflows) \$
Cash flows related to operating activities		
Payments to suppliers and employees	(415,798)	(377,819)
Net operating cash flows	(415,798)	(377,819)
Cash flows related to investing activities		
Interest received	2,377	3,626
Refund of environmental bond	16,047	-
Payment of environmental bonds	-	(12,500)
Purchase of subsidiary companies (note 7)	(100,000)	-
Payments for exploration and evaluation expenditure	(170,821)	(597,546)
Joint venture cancellation fee received	145,000	-
Proceeds received from R&D claim	-	179,529
Proceeds from sale of plant and equipment	4,000	22,000
Payments for plant and equipment	(1,533)	(3,057)
Net investing cash flows	(104,930)	(407,948)
Cash flows related to financing activities		
Proceeds from share and equity options issued	2,042,034	817,271
Payments for capital raising costs	(102,623)	(82,001)
Net financing cash flows	1,939,411	735,270
Net (decrease)/increase in cash and cash equivalents	1,418,683	(50,497)
Cash and cash equivalents at beginning of financial period	268,336	348,398
Cash and cash equivalents at end of financial period	1,687,019	297,901

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 2017

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 2017 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.

2. OTHER INCOME

	Half-Year Ended 31/12/17 \$	Half-Year Ended 31/12/16 \$
Profit on sale of assets	4,000	19,466
Government grant	-	17,868
Change in fair value of equity options	10,006	-
Sub-lease rent and administration charge	8,550	-
Joint venture cancellation fee received	145,000	-
	<u>167,556</u>	<u>37,334</u>

3. EXPLORATION AND EVALUATION EXPENDITURE

	Half-Year Ended 31/12/17 \$	Half-Year Ended 31/12/16 \$
Costs brought forward	4,358,222	9,978,588
Acquisition of tenements	331,642	-
Expenditure incurred during the year	144,590	585,867
	<u>4,834,454</u>	<u>10,564,455</u>
Expenditure impaired	-	(3,342,348)
Expenditure written off	(27,312)	(219,219)
	<u>4,807,142</u>	<u>7,002,888</u>

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 \$27,312.

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 31/12/17 \$	Half-Year Ended 31/12/16 \$
Fully paid ordinary shares	40,098,588	37,935,587
Treasury shares	(122,920)	(122,920)
	<u>39,975,668</u>	<u>37,812,667</u>

Movement in issued shares for the year:

	Half-Year Ended 31/12/17 No.	Half-Year Ended 31/12/17 \$	Half-Year Ended 31/12/16 No.	Half-Year Ended 31/12/16 \$
<i><u>Fully paid ordinary shares</u></i>				
Balance at 1 July	453,104,875	38,178,264	361,326,414	37,157,787
Placement at 0.5 cents*	201,261,718	1,006,309	-	-
Rights issue at 0.5 cents*	197,125,999	985,631	-	-
Placement at 1.9 cents	-	-	42,950,000	816,050
Issue of shares for acquisition of Pilbara tenements	30,000,000	180,000	-	-
Issue of shares as part payment of director fees	6,735,373	40,412	-	-
Broker incentive shares associated with placement	-	-	1,466,232	35,190
Exercise of listed options	2,299,681	27,596	24,417	1,221
Transfer from other liabilities on exercise of listed options	-	4,635	-	-
Exercise of unlisted options	1,500,000	22,500	-	-
Costs associated with the issue of shares	-	(495,371)	-	(106,658)
Related income tax	-	148,612	-	31,997
Balance at 31 December	<u>892,027,646</u>	<u>40,098,588</u>	<u>405,767,063</u>	<u>37,935,587</u>
<i><u>Treasury shares</u></i>				
Balance at 1 July	(9,940,000)	(122,920)	(9,940,000)	(122,920)
Change in treasury shares	-	-	-	-
Balance at 31 December	<u>(9,940,000)</u>	<u>(122,920)</u>	<u>(9,940,000)</u>	<u>(122,920)</u>
Total issued capital	<u>882,087,646</u>	<u>39,975,668</u>	<u>395,827,063</u>	<u>37,812,667</u>

* One free option per share with an exercise price \$0.012 and an expiry date of 30 November 2020 were also issued.

5. SHARE OPTIONS

During the half-year ended 31 December 2017 the Company issued the following share options:

	Number	Exercise Price	Expiry Date
Listed Share Options	487,603,286	\$0.012	30 November 2020
Unlisted Share Options	2,299,681	\$0.015	31 March 2019

6. 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 2017.

7. ACQUISITION OF SUBSIDIARY COMPANIES

On 21 December 2017, Andromeda Metals Limited acquired all of the issued capital of Mylo Gold Pty Ltd and Frontier Exploration Pty Ltd through the issue to the vendors of 30 million ADN shares along with a cash payment of \$100,000.

The only assets owned by Mylo Gold Pty Ltd and Frontier Exploration Pty Ltd are three tenement applications in the Pilbara Region of Western Australia.

8. CHANGES IN KEY MANAGEMENT PERSONNEL

On 27 October 2017 Mr Colin Jackson and Mr Jonathan Buckley resigned as Non-Executive Directors and were replaced on that day by Mr Rhod Grivas as Non-Executive Chairman and Mr Andrew Shearer as a Non-Executive Director.

Remuneration details of the new Non-Executive Directors are Mr Grivas is to be paid \$50,000 per annum plus statutory superannuation and Mr Shearer \$35,000 per annum plus statutory superannuation. As approved by shareholders at the 2017 Annual General Meeting, 40% of Mr Grivas' and 50% of Mr Shearer's base fee is to be paid in shares, equivalent to \$20,000 and \$17,500 per annum respectively, for the 12 month period to 30 November 2018.

Outstanding accrued director fees due were settled with the issue of 4,465,000 shares and payment of \$22,831 to Mr Jackson and 2,270,373 shares and payment of \$10,367 to Mr Buckley respectively.

9. 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.

10. 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.

11. OTHER NON-CURRENT LIABILITIES

The amount is a non-cash item and relates to deferred income (government grants received for exploration activities). This will be recognised as income when the corresponding capitalised expenditure is amortised or written-off.

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

A handwritten signature in black ink, appearing to read 'CG Drown', with a large loop at the top and a horizontal stroke at the bottom.

CG Drown
Managing Director

Adelaide, South Australia
13th March 2018

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

We have reviewed the accompanying half-year financial report of Andromeda Metals Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2017, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and, 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 10 to 18.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and 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 2017 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.

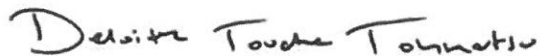
Auditor's Independence Declaration

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, we have not become aware of any matter that makes us believe that the half-year financial report of Andromeda Metals Limited is not 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 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Darren Hall
Partner
Chartered Accountants
Adelaide, 13 March 2018