



Andromeda Metals Limited
ABN: 75 061 503 375

Corporate details:

ASX Code: ADN

Cash: \$1.309 million
(at 31 March 2018)

Issued Capital:
896,028,227 ordinary shares
486,280,451 ADNOB options
2,476,507 unlisted options

Directors:

Rhod Grivas

Non-Executive Chairman

Nick Harding

Executive Director and
Company Secretary

Andrew Shearer

Non-Executive Director

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Andromeda

METALS

ASX announcement

25 May 2018

Exploration Development Incentive Scheme

Summary

Andromeda Metals is pleased to advise that it has been successful in its application for participation in the Federal Government's Exploration and Development Incentive Scheme (EDI) for the 2016-17 financial year.

- The Australian Taxation Office has confirmed that a modulation factor of 1.0 is to apply for the purposes of calculating an entity's eligible exploration expenditure for the 2016-17 financial year, meaning that 100% of the 2017 EDI credits can be distributed by the Company to eligible shareholders.
- EDI credits totaling \$133,684 will be distributed as a tax credit against a shareholder's 2017-18 tax year return.
- The benefit received by individual shareholders will be based on the number of shares held at the Record Date pro-rated to the total shares on issue. Based upon the number of shares currently on issue, the benefit amounts to 0.015 cents per share.
- To be eligible, a shareholder must be recorded on the Company's share register at the Record Date, which is **30 May 2018**.

Nick Harding
Executive Director and Company Secretary

Direct enquiries to Nick Harding. Ph (08) 8271 0600 or 0409 139 961.

Introduction

On 2 February 2015 the Senate passed the legislation in relation to the Exploration Development Incentive Scheme.

The EDI scheme is intended to encourage shareholder investment in exploration companies undertaking greenfield mineral exploration in Australia.

In broad terms, from 1 July 2014 the EDI scheme allows small mineral exploration companies with no taxable income to provide a refundable tax offset to their Australian tax resident shareholders by renouncing their tax losses arising from expenditure incurred undertaking eligible greenfields mineral exploration in Australia during the year.

Unlike producing mining companies, junior explorers generally have no revenue against which to deduct exploration expenditure. By allowing junior exploration companies to pass their losses on to shareholders as tax credits, the EDI provides an incentive for investment in the Australian mineral exploration sector.

The EDI scheme is capped at \$100 million over the forward estimates, with total EDI credits capped at \$25 million for exploration expenditure incurred in 2014-15, \$35 million for exploration expenditure incurred in 2015-16, and \$40 million for exploration expenditure incurred in 2016-17.

On 28 March 2018, the Federal Parliament passed legislation approving the Junior Minerals Exploration Incentive Scheme (JMEI) which replaces the EDI scheme for the next four years effective from the 2017-18 financial year. Andromeda Metals successfully applied for JMEI credits applicable to 2017-18 which may be available to be utilised should further fundraising occur before 30 June 2018.

A modulation process is used by the ATO to ensure the cap is not breached each year and to share the benefit evenly amongst eligible explorers. As a result

of the modulation process, EDI credits become available for distribution in the year following the year in which the eligible expenditure was incurred.

EDI claim by Andromeda Metals

Andromeda Metals undertook exploration activities predominantly on its Eyre Peninsula Gold Project during the 2016-17 financial year incurring costs that qualify as eligible exploration expenditures under the EDI scheme.

Consequently, the Company made application to participate in the EDI scheme and has been advised of its success.

Given that the ATO has confirmed that a modulation factor of 1.0 is to apply for the purposes of calculating an entity's eligible exploration expenditure, this means that tax credits applicable to 100% of the eligible exploration expenditure incurred by the Company are able to be passed back to Andromeda Metals shareholders recorded in the share register at the Record Date.

As such, a total of \$133,684 in EDI tax credits is available to be passed back to shareholders who are recorded on the Company's share register at the Record Date of 30 May 2018. Based upon the current number of shares on issue, this would equate to a tax credit of 0.015 cents per share held.

Any new shares issued upon exercise of options prior to the Record Date will also be eligible for the tax credit and will impact the EDI distribution per share.

The EDI credits will apply to eligible shareholders for the 2017-18 tax year and must be issued by the Company by 30 June 2018. Shareholders should advise the Company registrar of any changes to their registered address.

Eligible shareholders will be notified by the Company of their EDI credit entitlement in the approved form on 29 June 2018.